CIE Automotive, S.A.

Auditor’s report,
Annual accounts at 31 December 2021
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, 2021, 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, 2021, 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 5 and 6 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, €1,238,090 y €17,974 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 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 6 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 recoverability 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 recoverability 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 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 2021 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 2021 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 2020 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 2020 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, 2022.

Appointment period

The General Ordinary Shareholders' Meeting held on May 5, 2021 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 26 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 25, 2022 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 25, 2022

CIE Automotive

MANAGING HIGH VALUE ADDED PROCESSES

Annual Accounts and Management Report for the year ended 2021

This 2021 Annual Report is a translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

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BALANCE SHEET AT 31ST DECEMBER 2021
(Thousand euro)

	Note	At December 31st 2021	2020
NON-CURRENT ASSETS			
Intangible assets	**4**	**14,481**	**16,813**
Property, plant and equipment		**1,176**	**1,169**
Non-current investments in group companies and associates	**5-6**	**2,328,557**	**2,294,015**
Equity instruments		1,090,467	1,075,394
Credits to companies		1,238,090	1,218,621
Non-current financial investments	**5**	**11,155**	**30,861**
Equity instruments		81	81
Credits to third parties		6,500	30,747
Derivatives	8	4,541	-
Other financial assets		33	33
Deferred tax assets	**15**	**16,751**	**16,841**
Total non-current assets		**2,372,120**	**2,359,699**
CURRENT ASSETS			
Trade and other receivables	**5-7**	**18,612**	**16,091**
Receivables from Group companies and associates		17,610	15,754
Other receivables		12	12
Current tax assets		990	325
Current investments in group companies and associates	**5-6**	**17,974**	**21,182**
Credits to companies		17,974	21,182
Current financial investments	**5**	**38,679**	**18,207**
Credits to third parties		21,867	1,402
Other financial assets		16,812	16,805
Prepaid expenses		**57**	**200**
Cash and cash equivalents	**5-9**	**30,959**	**22,528**
Total current assets		**106,281**	**78,208**
TOTAL ASSETS		**2,478,401**	**2,437,907**

BALANCE SHEET AT 31ST DECEMBER 2021
(Thousand euro)

	Note	At December 31st 2021	At December 31st 2020
EQUITY			
Capital and reserves		**354,520**	**339,250**
Share capital	10	30,637	30,637
Share premium	10	152,171	152,171
(Treasury shares)	10	(401)	-
Reserves	11	126,297	113,173
Profit /(loss) for the year	12	89,929	73,907
Interim dividend	12	(44,113)	(30,638)
Valuation adjustments	**8**	**-**	**(8,771)**
Hedging transactions		-	(8,771)
Total equity		**354,520**	**330,479**
NON-CURRENT LIABILITIES			
Non-current provisions	**14**	**22,409**	**28,309**
Long-term payables	**5-8-13**	**1,394,633**	**1,368,480**
Bank borrowings	5-13	1,394,633	1,350,880
Derivatives	5-8	-	17,600
Group companies and associates, non-current	**5-13**	**153,107**	**152,569**
Other non-current payables	**5-13**	**49,994**	**49,963**
Other non-current payables		49,994	49,963
Total non-current liabilities		**1,620,143**	**1,599,321**
CURRENT LIABILITIES			
Current provisions		**1,263**	**1,263**
Short-term employee benefits	14	1,263	1,263
Current borrowings		**431,017**	**457,293**
Bank borrowings	5-13	70,267	179,193
Commercial paper program	5-13	360,750	278,100
Group companies and associates, current	**5-13**	**8,659**	**4,142**
Trade and other payables	**5-13**	**62,799**	**45,409**
Trade payables		7,755	5,979
Other payables		44,113	30,638
Fixed asset suppliers		534	292
Accrued wages and salaries		6,979	4,468
Current tax liabilities		3,418	4,032
Total current liabilities		**503,738**	**508,107**
TOTAL EQUITY AND LIABILITIES		**2,478,401**	**2,437,907**

INCOME STATEMENT FOR THE YEAR 2021
(Thousand euro)

CONTINUING OPERATIONS	Note	31.12.2021	31.12.2020
Revenue	**16**	**151,291**	**124,010**
Services rendered and other income		151,291	124,010
Other operating income	**16**	**485**	**187**
Non-trading and other operating income		485	187
Employee benefit expense	**16**	**(26,005)**	**(17,290)**
Wages and salaries		(25,101)	(16,447)
Social security		(904)	(843)
Other operating expenses	**16**	**(8,881)**	**(4,245)**
External services		(8,820)	(4,187)
Taxes		(61)	(58)
Depreciation and amortization		**(3,700)**	**(3,570)**
OPERATING PROFIT		**113,190**	**99,092**
Finance income	18	1,038	1,782
Finance expense	18	(28,278)	(28,989)
Change in fair value of financial instruments	18	70	2,036
Net exchange differences	18	(108)	(34)
FINANCIAL RESULTS		**(27,278)**	**(25,205)**
PROFIT BEFORE TAX		**85,912**	**73,887**
Income tax	17	4,017	20
PROFIT FOR THE YEAR		**89,929**	**73,907**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2021

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

	Note	2021	2020
Profit for the year	**12**	**89,929**	**73,907**
Income and expense recognised directly in equity			
Cash flow hedges	8	597	336
Tax effect	15	(143)	(81)
Adjustments for changes in value reclassified to profit and loss			
Cash flow hedges	8	10,944	-
Tax effect	15	(2,627)	-
		8,771	**255**
TOTAL RECOGNISED INCOME AND EXPENSE		**98,700**	**74,162**

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

	Share capital (Note 10)	(Treasury shares) (Note 10)	Share premium (Note 10)	Reserves (Note 11)	Profit for the year (Note 12)	Interim dividend (Note 12)	Valuation adjustments (Note 8)	Total
Beginning balance, 2020	**32,250**	**-**	**152,171**	**188,774**	**112,113**	**(47,730)**	**(9,026)**	**428,552**
Total recognised income and expense	-	-	-	-	73,907	-	255	74,162
Transactions with shareholders and owners:								
Distribution of profit	-	-	-	18,177	(112,113)	47,730	-	(46,206)
Interim dividend (Note 12)	-	-	-	-	-	(30,638)	-	(30,638)
Acquisition of treasury shares (Note 10)	-	(95,391)	-	-	-	-	-	(95,391)
Reduction of share capital (Note 10)	(1,613)	95,391	-	(93,778)	-	-	-	-
Closing balance, 2020	**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 12)	-	-	-	-	-	(44,113)	-	(44,113)
Acquisition of treasury shares (Note 10)	-	(50,563)	-	-	-	-	-	(50,563)
Sale of treasury shares (Note 10)	-	50,162	-	479	-	-	-	50,641
Closing balance, 2021	**30,637**	**(401)**	**152,171**	**126,297**	**89,929**	**(44,113)**	**-**	**354,520**

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021
(Thousand euro)

	Note	31.12.2021	31.12.2020
CASH FLOWS FROM OPERATING ACTIVITIES	19		
Profit for the year before tax		85,912	73,887
Adjustments		(50,810)	(48,653)
Changes in working capital		815	16,402
Other cash flows from operating activities		53,230	51,436
Cash flows from/(used in) operating activities		**89,147**	**93,072**
CASH FLOWS FROM INVESTING ACTIVITIES	20		
Payments for investments		(16,455)	(701)
Proceeds from disposals		4,196	3,872
Cash flows from/ (used in) investing activities		**(12,259)**	**3,171**
CASH FLOWS FROM FINANCING ACTIVITIES	21		
Proceeds from and payment of financial liabilities		(7,273)	112,985
Dividends and payments on other equity instruments		(61,184)	(189,327)
Cash flows from /(used in) financing activities		**(68,457)**	**(76,342)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**8,431**	**19,901**
Cash and cash equivalents at beginning of period		22,528	2,627
Cash and cash equivalents at end of period	9	30,959	22,528

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 2021, 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 25th February 2022.

Impacts of the Covid-19 pandemic

During the first semester of 2020, and following the declaration of the pandemic, almost all countries, including those where the global automobile manufacturers are based, carried out restrictive measures that resulted in a global industrial stoppage that directly affected car production and sales.

The drop in vehicle productions worldwide was close to 35% in the first half of 2020, compared to production levels in the same period of 2019 (30 million vehicles produced worldwide in the first half of 2020 versus 45 million in the same period of 2019). Considering the weight of the different geographical areas in the sales of the CIE Group, the drop in production in the CIE market was more than 40% in the first half of the year, exceeding 60% in the second quarter.

This unprecedented market situation led to a considerable decrease in sales and, therefore, in the Group's results, especially in the second quarter of the year. The Group's efficient and flexible business model allowed that, even with restrictions in some countries and productions were below normal levels, the Group achieved a positive net result, with the accumulated profit for the first semester of €56.9 million. Moreover, as of May / June, industrial activity related to the Automotive sector gradually began to recover, and the world vehicle production recovered significantly, reaching in the last quarter of 2020, production levels 2.5% higher than the same period of 2019 (prior to the pandemic).

After the 2020 financial year, 2021 has continued to be marked by the Covid-19 pandemic, with successive outbreaks and tensions in the supply chain, which have negatively affected economic activity with a strong impact on the automotive market, which reached in 2021 a global production of 77.1 million vehicles, compared to 74.6 million vehicles produced in 2020 and significantly below 89 million vehicles produced of 2019.

In this context of market stagnation, the Group has demonstrated, once again, its operational strength and flexibility, which have allowed it to reach pre-covid levels, growing in sales, at constant currency, by 14.9% compared to 2020, and thus increasing its market share by 11.5 percentage points compared to 2020.

As of 31st December 2021, the Group has a liquidity reserve amounting to €1,510 million (Note 27), which will allow it to continue with the payments necessary for the continuity of its business during 2022. Similarly, in 2020, the contractual clauses of all structural financing contracts were modified, avoiding a hypothetical breach of the "covenants" of said financing. Following the new updates to the structural financing contracts, the limits of existing "covenants" have been updated, common in the market, applying from 1st July 2021 (Note 13). In this way, the Group has complied throughout the year 2021 with the "covenants" established in its structural financing contracts.

At the end of 2021 and 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 excellent solvency and liquidity position of the Group.

Changes in the scope of consolidation

2021

During the first semester of 2021, 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.

2020

On 25th September 2019, the Group announced the signature of a contract for the acquisition of 100% of the share capital of the Italian company Somaschini S.p.A. whose enterprise value amounts €77.1 million. On 9th January 2020 the Group, through its subsidiary CIE Berriz, S.L., and once the conditions precedent were met, has proceeded to acquire the entire capital stock of the companies of the Italian Group Somaschini S.p.A, Immobiliare Somaschini S.p.A and CIE Immobiliare Italia SRL. This group has 3 production plants, two in Bergamo (Italy) and one in Indiana (USA). The acquisition cost, once adjusted the debt, has amounted to €52.6 million.

On 4th June 2020, the Group acquired a 49% of the share capital of the held for sale company Recogida de Aceites y Grasas Maresme, S.L. for one euro, reaching the 100% share of its share capital.

During the 2020, in several operations carried out between March and September, the Group acquired 14,887,962 shares of its subsidiary Mahindra CIE Automotive, Ltd. for a total amount of €22,617 thousand. The Group's interest increased from 56.32% to 60.18%.

Likewise, the following corporate operations have been carried out:

- On the accounting date of 1st January 2020, the merger between the Mexican companies Maquinados de Precisión de México S. de R.L. de C.V. (absorbing company) and Cortes de Precisión de México S. de R.L. de C.V. (absorbed company) was carried out.
- On 18th February 2020, the Czech company Praga Service, s.r.o. was liquidated.
- On 1st April 2020, the merger of the Brazilian companies Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda. (absorbing company) with its subsidiary company Autocromo Cromaçao de Plásticos Ltda (absorbed company) was carried out.
- On 30thJuly 2020 and 1st August 2020 the British companies Stokes Forging Dudley Ltd. And Stokes Forging Ltd. were liquidated.
- On 1st August 2020, the merger of the Italian companies CIE Immobiliare Italia, SRL and Immobiliare Somaschini, SRL (absorbed companies) with Somaschini, S.p.A. (absorbing company)

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 25th February 2022, the Company authorized the issuance of the Consolidated Annual Accounts of CIE Automotive, S.A. and its subsidiaries for the year ended 31st December 2021, which presented profit for the year attributable to owners of the parent of €267,544 thousand and equity, including profit for the year and non-controlling interests, of €1,367,622 thousand (2020: €185,225 thousand and €994,974 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 Group's consolidated 2021 and 2020 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 2020 Annual Accounts were approved at the Annual General Meeting held on 5th May 2021.

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 hypotheses used, as well as the results obtained from the analysis carried out as of 31st December 2021 and 2020 are included in Note 6.c.

As of 31st December 2021, 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 17).

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 €3.8 million (2020: €3.4 million), and if these variations were favourable these deferred assets would increase, and income would decrease by approximately €2.3 million (2020: €0.3 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 it has estimated a decrease in the tax base after the confirmation on normative certainty in the use of tax incentives by the tax group.

As of 31st December 2021, 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 2021, payments have been made to the personnel based on the share price for €5.9 million (Note 23). As of 31st December 2020, there were no remunerations to personnel for these concepts.

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.

2.5 Comparison of information

After the entry into force of the new General Accounting Plan in January 2021, there are no additional modifications to those already described in the Note 2.6 of changes in accounting criteria.

2.6 Changes in accounting criteria

On 30th January 2021, Royal Decree 1/2021, of 12th January was published in the Official State Gazette, amending the General Accounting Plan approved by Royal Decree 1514/2007, of November 16; the General Accounting Plan for Small and Medium Enterprises approved by Royal Decree 1515/2007, of November 16; the Rules for the Formulation of Consolidated Annual Accounts approved by Royal Decree 1159/2010, of 17th September; and the Adaptation Rules of the General Accounting Plan for non-profit entities approved by Royal Decree 1491/2011, of 24th October. Likewise, and as a consequence of RD 1/2021, on 13th February 2021, the resolution of the Institute of Accounting and Auditing of Accounts (ICAC) was published in the Official State Gazette, which dictates the registration, valuation and preparation of annual accounts for the recognition of income for the delivery of goods and the provision of services (hereinafter "Income Resolution").

The content of the aforementioned Royal Decree and Resolution must be applied in the annual accounts corresponding to the years beginning on or after 1st January 2021.

The changes affect the Company mainly in the following items:

- Financial instruments.

- Income from sales and provision of services.

The main differences between the accounting and classification criteria used in 2020 and those applied in 2021 that have affected the Company are as follows:

a) Financial instruments

Financial instruments have been classified based on our management or our business model for managing the financial assets and the contractual terms of their cash flows.

The classification of financial assets is included in the following categories:

(i) **Fair value with changes in profit and loss:** All financial assets have been included in this category, except for those that should be classified in another category. Groups the previous portfolios of "Financial assets held for trading" and "Other financial assets at fair value with changes in the profit and loss account". Likewise, derivatives have been classified under this heading, which were previously classified as "derivatives and others", as well as certain loans to third parties (Note 5).

(ii) **Amortised cost:** The previous portfolios of "Loans and receivables" and "Held-to-maturity investments" have been included in this category to the extent that they are held with the objective of receiving the cash flows derived from the execution of the contract, and the contractual conditions of the financial assets that give rise, on specific dates, to cash flows that are solely collections of principal and interest on the amount of principal outstanding. Likewise, credits for commercial operations and credits for non-commercial operations are included in this category.

(iii) **Cost:** this category comprises, mainly, the assets referring to the Company's investments in group companies, joint ventures and associates.

Liabilities for joint accounts and

(i) **Fair value with changes in profit and loss:** The previous portfolios of "Financial liabilities held for trading" and "Other financial liabilities at fair value with changes in the profit and loss account" are grouped in this category. The variation in value of the financial instruments that the Company has contracted to hedge operational and business risks is recognized in equity (hedge accounting) until the time of settlement, when said variation in value is reclassified to the profit and loss account.

(ii) **Amortised cost:** All financial liabilities have been included in this category except those that must be valued at fair value with changes in the profit and loss account. Therefore, it includes the previous category of "Debts and payables".

(i) Classification and evaluation:

On the date of initial application of RD 1/2021, 1st January 2021, the Company has opted for the application of the 2nd WP and to include comparative information without expressing it again, reclassifying the items of the 2020 financial year to show the balances of that financial year adjusted to the new presentation criteria. Therefore, the Company has applied the new categories of financial instruments in accordance with RD 1/2021 for the year ended 31st December 2021, and has applied the new categories, only for presentation purposes, for the comparative year ended on 31st December 2020.

Consequently, the main effects of this reclassifications as of 1st January 2021 are as follows:

Financial assets in thousands of euros	2020 Annual accounts: Equity instruments	Credits	Derivatives and others	Classification in comparative information: At cost	At amortised cost	At fair value with changes in profit and loss	Others
Non-current							
- Balances with group companies							
Investments in group companies (Note6.a)	1,075,394	-	-	1,075,394	-	-	-
Credits to group companies (Note 6.d)	-	1,218,621	-	-	1,218,621	-	-
-Other investments (Note 5.4)	81	-	-	81	-	-	-
-Credits to third parties (Note 5.5)	-	30,747	-	-	7,800	22,947	-
-Derivatives (Note 8)	-	-		-	-	-	
-Other financial assets	-	-	33	-	33	-	-
	1,075,475	**1,249,368**	**33**	**1,075,475**	**1,226,454**	**22,947**	**-**
Current							
-Trade debtors and other accounts receivable (Note 7)	-	15,766	-	-	15,766	-	-
-Credits to group companies (Note 6.d)	-	21,182	-	-	21,182	-	-
-Credits to third parties (Note 5.5)	-	1,402	-	-	1,402	-	-
-Other financial assets (Note 5.6)	-	-	16,805	-	16,805	-	-
-Cash and other cash equivalents (Note 9)	-	-	22,528	-	-	-	22,528
	-	**38,350**	**39,333**	**-**	**55,155**	**-**	**22,528**

Financial liabilities in thousands of euros	2020 Annual accounts: Debts and payables	Derivatives and others	Classification in comparative information: At amortised cost	At fair value with changes in profit and loss
Non-current				
-Borrowings received (Note 13)	1,350,880	-	1,350,880	-
-Other non-current financial liabilities (Derivatives) (Note 8)	-	17,600	-	17,600 (*)
- Borrowings from group companies (Note 13)	152,569	-	152,569	-
- Other debts (Note 13)	49,963	-	49,963	-
	1,553,412	**17,600**	**1,553,412**	**17,600**
Current				
-Borrowinga received (Note 13)	179,193	-	179,193	-
-Commercial paper program (Note 13)	278,100	-	278,100	-
-Borrowinga from group companies (Note 13)	4,142	-	4,142	-
-Debts and payables (Note 13)	41,377	-	41,377	-
	502,812	**-**	**502,812**	**-**

(*) As of 31st December 2020, the Company had hedge accounting for interest rate. The amount related to these financial instruments amounted to €11,541 thousand.

The application of the second transitory provision of the Royal Decree has not had an impact on the Company's equity.

b) Income from sales and provision of services

The application as of 1st January 2021 of the ICAC Resolution that dictates the rules for registration, valuation and preparation of annual accounts for the recognition of income for the delivery of goods and the provision of services, and the last modification of the GAP and its complementary provisions through RD 1/2021, have brought about changes in NRV 14 "Revenue from sales and provision of services", as well as in the information to be included in the report on these transactions.

The new regulations are based on the principle that ordinary income is recognized when control of a good or service is transferred to the customer for the amount that reflects the consideration to which the entity expects to be entitled – thus the concept of control, as a fundamental principle, it replaces the current concept of risks and benefits.

To apply the above fundamental principle, the following successive steps must be followed:

- identify contracts with clients;
- identify the obligations to be met;
- determine the price or consideration of the contract transaction;
- allocate the price of the transaction between the obligations to fulfill, and

- recognize the revenue when (or as) the entity satisfies each obligation committed.

The key changes to current practice are:

- The establishment of rules for the identification of the contract and the different goods and services included in it, as well as guidelines for the combination and modification of contracts.
- Establishment of requirements to determine when the income is accrued, in particular, to determine whether the income should be recognized at a single moment or over time, based on the percentage of performance of the activity.
- Definition of the price of the transaction and analysis of certain specific aspects such as cash deliveries to customers, free goods or flagging costs; the variable consideration for discounts, contingent amounts...; the financial component of the contract; and assets transferred by customers.
- Analysis of issues and particular cases such as: incremental costs of obtaining or fulfilling a contract, the right to return the product sold with reimbursement of the price charged, guarantees delivered to customers, indicators on acting on their own vs. others, options of the customer about additional goods and services, transfer of licenses, etc.

Based on the Company's activity, there have been no differences between the accounting and classification criteria used in 2020 and those applied in 2021.

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 CGUs groups to which it has been assigned and is estimated to be 10 years. At least annually, it is analyzed if there are indications of impairment of the value of the cash-generating units 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 analyzes 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 fulfillment 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.

3.5.1. Accounting policies on financial assets applicable until fiscal year 2020

a) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets except for maturities of more than 12 months from the balance sheet date that are classified as non-current assets. Loans and receivables are included in 'Loans to companies', 'Loans to third parties' and 'Trade and other receivables' in the balance sheet.

Financial assets are initially carried at fair value, including directly attributable transaction costs, and are subsequently measured at amortised cost. Accrued interests are recognised at the effective interest rate, which is the discount rate that brings the instrument's carrying amount into line with all estimated cash flows to maturity. Trade receivables falling due in less than one year are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

At year end at least, the necessary value adjustments are made for impairment losses when there is objective evidence that not all amounts due will be collected.

The amount of impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate prevailing at the date of initial recognition. Value adjustments, and reversals, where applicable, are recognised in the income statement.

b) Held-to-maturity investments: Held-to-maturity financial assets are securities representing debt with fixed payments or payments that may be determined and have a fixed maturity date, are traded on an active market and with respect to which Company management has the effective intention and capacity to hold to maturity. If the Company sells an immaterial amount of held-to-maturity financial assets, the entire category would be reclassified as available for sale. These financial assets are included in non-current assets, except for those maturing in less than 12 months of the balance sheet date that are classified as current assets.

The measurement criteria applied to these investments are the same as for loans and receivables.

c) Financial assets held for trading and other financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss include all assets held for trading acquired for sale in the short term or as part of a portfolio of identified financial instruments that are managed together with a view to generating short term returns and financial assets designated within this category by management upon initial recognition based on the determination that so doing results in more meaningful disclosures. Derivatives are also classified as held for trading unless they constitute financial guarantee contracts or are designated as hedging instruments (Note 3.6).

These instruments are initially recognised and subsequently measured at fair value and any changes in fair value are recognised in the income statement. Transaction costs that are directly attributable to the acquisition of these assets are recognised in the income statement.

d) Investments in equity of group companies, jointly controlled entities and associates: These assets are measured at cost, less any accumulated impairment losses. However, if the Company held an investment in these entities before they were classified as a group company, jointly controlled entity or associate, cost is deemed the carrying amount of that investment prior to the classification change. Prior measurement adjustments recognised directly in equity are kept in equity until the investments are derecognised.

If there is objective evidence that the carrying amount of these investments may not be recoverable, the Company recognizes the corresponding impairment losses, calculated as the difference between the investment's carrying amount and recoverable amount, deemed to be the higher of fair value less costs to sell and the present value of projected cash flows from the investment. Unless better evidence is available, impairment of this type of asset is estimated based on the investee's equity, adjusted for any unrealized capital gains at the measurement date. Impairment losses and any subsequent reversals are recognised in the income statement in the year in which they arise.

e) Available-for-sale financial assets: This category includes debt securities and equity instruments that have not been classified in any of the preceding categories. They are included in non-current assets unless Management intends to dispose of the investment within 12 months of the balance sheet date.

They are measured at fair value insofar as fair value can be determined reliably and changes in fair value, if any, are recognised directly in equity until the asset is sold or deemed impaired, at which point the accumulated fair value adjustments recognised in equity are reclassified in profit or loss. If fair value cannot be reliably determined, these assets are measured at cost less any impairment losses.

Available-for-sale financial assets are written down if there is objective evidence of impairment as a result of a reduction or delay in estimated future cash flows in the case of debt instruments acquired or the possible inability to recoup the asset's carrying amount in the case of investments in equity instruments. The impairment loss recognised is the difference between the asset's cost/amortised cost, less any impairment loss previously recognised in the income statement, and the fair value on the measurement date. In the case of equity investments measured at cost because their fair value cannot be determined reliably, impairment losses are calculated in the same way as for equity investments in group companies, jointly controlled entities and associates.

Whenever there is objective evidence of impairment, the Company reclassifies any cumulative fair value losses previously recognised in equity to profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value using valuation techniques. These include the use of recent arm's length transactions between knowledgeable, willing parties, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market observable inputs and relying as little as possible on subjective judgments.

Financial assets are derecognized when substantially all the risks and rewards of ownership of the financial asset have been transferred. Specifically in relation to accounts receivable, this transfer is generally deemed to take place when the risks of insolvency and non-payment have been transferred.

Financial assets designated as hedged items are subject to hedge accounting measurement rules (Note 3.6).

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 includes 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 17). The subsidiaries included in the Company's consolidated tax group for tax return purposes, according to Bizkaia provincial tax laws, in 2021 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.
- Reciclados Ecológicos de Residuos, S.L.U., dissolved on 1st December 2021.
- Biodiesel Mediterráneo, S.L.U, dissolved on 1st December 2021.
- Reciclado de Residuos Grasos, S.L.U.
- Reciclados Ecológicos de Residuos, S.L.U.
- Biodiesel Mediterráneo, S.L.U.
- Participaciones Internacionales Autometal Dos, S.L.U. (merged in 2021 with PIA Forging Products, 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. (incorporated in fiscal year 2021).

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 15).

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, 2021 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 of 5th May 2021 and has been executed in the same year (Note 23).

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 accruals 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.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2021 (in thousand euro)

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. Intangible assets

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

	Computer applications	Patents	Goodwill	Total
Cost				
Balance at 1st January 2020	**19,014**	**1,000**	**27,718**	**47,732**
Additions	643	-	-	643
Balance at 31st December 2020	**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**
Accumulated amortization				
Balance at 1st January 2020	**(16,897)**	**(200)**	**(11,088)**	**(28,185)**
Additions	(505)	(100)	(2,772)	(3,377)
Balance at 31st December 2020	**(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)**
Carrying amount				
Balance at 1st January 2020	**2,117**	**800**	**16,630**	**19,547**
Balance at 31st December 2020	**2,255**	**700**	**13,858**	**16,813**
Balance at 31st December 2021	**2,795**	**600**	**11,086**	**14,481**

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 6.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 6) suffered any impairment loss in either 2021 or 2020.

b) Fully-amortised intangible assets

At 31st December 2021 there are fully-amortised items of intangible assets still in use with an original cost of €16,334 thousand (2020: €16,004 thousand).

5. Analysis of financial instruments

5.1 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	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Non-current								
- Balances with group companies								
Investments in group companies (Note 6.a)	1,090,467	1,075,394	-	-	-	-	-	-
Credits to group companies (Note 6.d)	-	-	1,238,090	1,218,621	-	-	-	-
-Other investments (Note 5.4)	81	81	-	-	-	-	-	-
-Credits to third parties (Note 5.5)	-	-	6,500	7,800	-	22,947	-	-
-Derivatives (Note 8)	-	-	-	-	4,541	-	-	-
-Other financial assets	-	-	33	33	-	-	-	-
TOTAL	**1,090,548**	**1,075,475**	**1,244,623**	**1,226,454**	**4,541**	**22,947**	**-**	**-**
Current								
- Trade and other receivables (Note 7)	-	-	17,622	15,766	-	-	-	-
-Credits to group companies (Note 6.d)	-	-	17,974	21,182	-	-	-	-
-Credits to third parties (Note 5.5)	-	-	1,402	1,402	20,465	-	-	-
-Other financial assets (Note 5.6)	-	-	16,812	16,805	-	-	-	-
-Cash and other cash equivalents (Note 9)	-	-	-	-	-	-	30,959	22,528
TOTAL	**-**	**-**	**53,810**	**55,155**	**20,465**	**-**	**30,959**	**22,528**

	At amortised cost		At fair value with changes in profit and loss	
Financial liabilities in thousands of euros	**2021**	**2020**	**2021**	**2020**
Non-current				
-Borrowings received (Note 13)	1,394,633	1,350,880		
-Other non-current financial liabilities (Derivatives) (Note 8)	-	-	-	17,600(*)
- Borrowings from group companies (Note 13)	153,107	152,569	-	-
- Other debts (Note 13)	49,994	49,963	-	-
TOTAL	**1,597,734**	**1,553,412**	**-**	**17,600**
Current				
-Borrowings received (Note 13)	70,267	179,193	-	-
-Commercial paper program (Note 13)	360,750	278,100	-	-
-Borrowings from group companies (Note 13)	8,659	4,142	-	-
- Trade and other payables (Note 13)	59,381	41,377	-	-
TOTAL	**499,057**	**502,812**	**-**	**-**

(*) Includes interest rate hedging financial instruments whose value as of 31st December 2020 amounted to €11,541 thousand

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2021 (in thousand euro)

5.2 Classification by maturity

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

	Financial assets						
	2022	2023	2024	2025	2026	Subsequent years	Total
Investments in group companies and associates:							
Credits to group companies (*)	17,974	-	-	-	-	1,238,090	1,256,064
Other financial investments:							
Trade and other receivables	17,622	-	-	-	-	-	17,622
Credits to third parties	21,867	-	-	-	-	6,500	28,367
Derivatives	-	4,541	-	-	-	-	4,541
Other financial assets	16,812	-	-	-	-	33	16,845
TOTAL	**74,275**	**4,541**	**-**	**-**	**-**	**1,244,623**	**1,323,439**

	Financial liabilities						
	2022	2023	2024	2025	2026	Subsequent years	Total
Borrowings from group companies and associates	8,659	-	-	-	-	153,107	161,766
Other financial liabilities:							
Bank borrowings	70,267	243,868	493,750	216,983	288,013	152,019	1,464,900
Commercial paper program	360,750	-	-	-	-	-	360,750
Derivatives	-	-	-	-	-	-	-
Other liabilities	-	-	-	1,469	7,474	41,051	49,994
Trade and other payables	59,381	-	-	-	-	-	59,381
TOTAL	**499,057**	**243,868**	**493,750**	**218,452**	**295,487**	**346,177**	**2,096,791**

(*) 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 6.d).

5.3 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.

5.4 Other investments

The Company at 31st December 2021 and 2020 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.

5.5 Credits to third parties

	Balante at 01.01.20	Additions	Profit/(Loss) adjustment	(Collections)	Balance at 31.12.20	Additions	Profit/(Loss) adjustment	(Collections)	Balance at 31.12.21
Credits to employees (Notes 16.c and 23)	25,022	-	300	(2,375)	22,947	-	303	(2,785)	20,465
Advances (Note 23.a)	10,400	-	-	(1,300)	9,100	-	-	(1,300)	7,800
Other	303	-	(201)	-	102	-	-	-	102
TOTAL	**35,725**	**-**	**99**	**(3,675)**	**32,149**	**-**	**303**	**(4,085)**	**28,367**

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2021 (in thousand euro)

5.6 Other current financial assets

The Company records an account receivable with possibility of immediate availability with INSSEC DOS which balance at 31st December 2021 and 2020 stood at €16,800 thousand.

6. Investments and credits to group companies

a) <u>Investments in group companies, jointly-controlled entities and associates</u>

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 2021	% of total voting rights held directly 2020
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%	-

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 2021 and 2020, are as follows:

Company	Equity: Capital	Equity: Share premium	Equity: Reserves	Equity: Other equity instruments	Equity: Interim dividend	Operating profit	Profit/(loss) for the year	Carrying amount of investment in parent	Dividends received (Note 24)
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	-	29,907	(75)	-	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**
2020:									
CIE Berriz, S.L.	60,101	-	201,789	-	-	96,309	72,749	251,874	44,134
Advanced Comfort Systems Ibérica, S.L.U.	450	2,803	2,998	-	-	781	657	8,528	2,664
Advanced Comfort Systems France, S.A.S.	3,100	-	30,112	(75)	-	(919)	(478)	57,132	-
Autokomp Ingeniería, S.A.U.	180	-	1,084	-	-	(1)	(927)	4,804	-
CIE Automotive Boroa, S.L.U.	368,535	368,525	704	-	-	11,180	8,495	737,060	6,336
CIE Roof Systems, S.L.U.	10	-	10,861	-	-	3,005	(6,367)	15,996	-
TOTAL								**1,075,394**	**53,134**

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2021 (in thousand euro)

b) Movements in investments in CIE Automotive group companies

The movements in 2021 and 2020 are summarized below:

	Balance at 01.01.20	Additions/ (Disposals)	Balance at 31.12.20	Additions/ (Disposals)	Balance at 31.12.21
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	-	15,996	15,000	30,996
CIE Automotive Roof Systems Korea Limited	-	-	-	73	73
TOTAL	**1,075,394**	**-**	**1,075,394**	**15,073**	**1,090,467**

Additions for the year 2021 correspond 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.

As of 31st December 2021 and 2020, the Company does not maintain provisions for impairment of its holdings.

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 Hypotheses 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.

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	2021	2020
CIE Berriz, S.L.	19.25%	19.99%
Autokomp Ingeniería, S.A.U.	17.79%	18.61%
Advanced Comfort Systems Ibérica, S.L.U.	9.24%	9.68%
Advanced Comfort Systems France, S.A.S.	17.26%	18.62%
CIE Roof Systems, S.L.U.	16.33%	14.69%

(*) 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.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2021 (in thousand euro)

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 2021 and 2020, 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 2021 and 2020 in the CGUs and groups of CGUs, which are reported by segment, have been as follows:

	2021	2020
North America	2.0%-2.3%	2.0%
Brazil	4.5%	4.5%
Asia	4.4%-7.5%	4.4%-7.0%
Mahindra CIE Europe	1.5%	1.5%
Rest of Europe	1.5% -3.9%	1.5% -3.0%

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.

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

	2021	2020
North America	5.78% - 10.09%	6.66% - 10.45%
Brazil	12.28%	12.01%
Asia	6.65% - 10.58%	7.31% - 11.57%
Mahindra Europe	4.65% - 5.63%	4.66% - 6.30%
Rest of Europe	4.62% - 11.70%	4.66% - 11.95%

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 2021 and 2020. 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.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2021 (in thousand euro)

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 €1,238,090 thousand is recognized as non-current loans at the 2021 year end (2020: €1,218,621 thousand) (Note 5).

These receivable balances and those payable (Note 13) arise mainly from the Company's role as a financing center 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 €17,974 thousand (2020: €21,182 thousand) (Note 5).

The detail of the non-current credits to other group companies at 31st December 2021 and 2020 is as follows:

	2021	2020
Alcasting Legutiano, S.L.U.	5,010	586
Autokomp Ingeniería, S.A.U.	63,338	60,722
CIE Legazpi, S.A.U.	11,063	8,892
CIE Berriz, S.L.	946,094	918,243
CIE Automotive Goiain, S.L.U.	17,609	13,372
CIE Mecauto, S.A.U.	6,567	8,919
CIE Praga Louny, a.s.	15	2,669
CIE Galfor, S.A.U	1,221	23,629
Participaciones Internacionales Autometal Dos, S.L.U.	144,418	145,047
Plasfil Plásticos da Figueira, S.A.	-	4,475
Componentes de Automoción Recytec, S.L.U.	20,000	18,977
Egaña 2, S.L.	5,120	817
CIE Metal CZ, s.r.o.	10,665	1,112
Other	6,970	11,161
TOTAL	**1,238,090**	**1,218,621**

7. Trade and Other receivables

	2021	2020
- Receivables from group companies and associates	17,610	15,754
- Other receivables	12	12
TOTAL	**17,622**	**15,766**

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:

	2021	2020
Machine, Tool and Gears, Inc.	40	2,703
Pintura, Estampado y Montaje, S.A.P.I. de C.V.	2,552	1,661
Pintura y Ensambles de México, S.A. de C.V.	896	876
Forjas de Celaya, S.A. de C.V.	351	835
CIE Celaya, S.A.P.I. de C.V.	1,826	1,700
Advanced Comfort Systems Shanghai Co. Ltd.	992	1,307
Autometal, S.A.	425	708
Metalúrgica Nakayone, Ltda.	852	1,127
Nugar, S.A. de C.V.	1,913	1,360
CIE Golde Shanghai Innovation Co., Ltd.	3,735	-
Other	4,028	3,477
TOTAL	**17,610**	**15,754**

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

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2021 (in thousand euro)

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 2021 and 2020. 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.

8. Derivative financial instruments

	Assets/(Liabilities)	
	2021	**2020**
Interest rate swaps:		
- Cash-flow hedges	-	(11,541)
Equity Swap:		
- Non cash-flow hedges	4,541	(6,059)
	4,541	**(17,600)**

Derivatives are classified in the year according to their maturity.

After the early settlement of the interest rate hedging derivatives in the first half of 2021, the Company only has the derivative on the share price "Equity swap". This liquidation has entailed a reclassification between the profit and loss account and "adjustments for changes in value" of the Company's equity for an amount of €8,771 thousand.

The Company's hedging derivatives as of 31st December 2020 had demonstrated their effectiveness in the hedging tests carried out (Note 3.6).

Equity swap

On 6th August 2018, the Company arranged a new derivative related to the share market price of CIE Automotive, S.A. The underlying of the operation supposes 2 million shares, with starting value of €25.09 per share. The valuation of this derivative amounts to €4,541 thousand positive at 31st December 2021 (€6,059 thousand negative at 31st December 2020), and expiration in 2023.

Swaps (interest rate and other)

As of 31st December 2020, the amounts of the notional principal of outstanding interest rate swap contracts (from variable to fixed) amounted to €373 million, which were classified as hedging instruments. As of 31st December 2021, there are no interest rate swap contracts signed by the Company, after being settled anticipatedly in the first half of the year.

9. Cash and cash equivalents

	2021	**2020**
Cash	28,839	20,519
Cash equivalents	2,120	2,009
TOTAL	**30,959**	**22,528**

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

10. Share capital and share premium

a) Share capital

The share capital of the Company at 31st December 2021 and 2020 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.

On 25th November 2020, there was a decrease of the share capital of €1,612,500 through the amortization of 6,450,000 treasury shares, acquired during fiscal year 2020.

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

Shareholding percentage	31.12.2021	31.12.2020
Acek Desarrollo y Gestión Industrial, S.L.	(*)15.690%	(*)15.690%
Corporación Financiera Alba, S.A.	12.730%	12.730%
Elidoza Promoción de Empresas, S.L.	10.890%	10.890%

(*) 5.790% direct and indirectly, through Risteel Corporation, B.V. as of 31st December 2021 and 2020.

The stock price of the Parent company CIE Automotive, S.A. listed in the Madrid Stock Exchange was €27.36 at 30th December 2021 (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	-	-	-	-
Acquisitions	2,067,455	50,563	6,450,000	95,391
Sales for the year	(2,052,211)	(50,162)	-	-
Decrease of share capital	-	-	(6,450,000)	(95,391)
Ending balance	**15,244**	**401**	**-**	**-**

The balance of treasury shares in the existing portfolio at CIE Automotive, S.A. on 31st December 2020, amounted to 0 titles. During 2021, the Company has acquired a final amount of 15,244 treasury shares directly (0.001% 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).

Likewise, the mandate conferred by the General Shareholders' Meeting held on 5th May 2021, 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. is in force until 5th May 2026, inclusive, by any of the means admitted in Law, including from the benefits of the exercise and / or reserves of free disposal, as well as that they can be subsequently disposed of or amortised, all in accordance with article 146 and concordant of the Capital Companies Law.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2021 (in thousand euro)

11. Reserves and retained earnings

a) Reserves

	2021	2020
Legal and statutory reserves:		
- Legal reserve	6,450	6,450
	6,450	**6,450**
Other reserves:		
- Voluntary reserves	53,544	40,420
- Merger reserve	66,303	66,303
	119,847	**106,723**
TOTAL	**126,297**	**113,173**

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 2021 and 2020, 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.

12. Profit /(loss) for year

a) Proposed distribution of profit

The proposed distribution of 2021 profit to be put before the shareholders in General Meeting, along with that approved at the Annual General Meeting of 5th May 2021 in respect of 2020 profit is shown below:

	2021	2020
Available for distribution		
Profit for the period	89,929	73,907
TOTAL	**89,929**	**73,907**
Distribution:		
Interim dividend	44,118	30,638
Final dividend	44,118	30,638
Voluntary reserves	1,693	12,631
TOTAL	**89,929**	**73,907**

b) Dividends paid

On 15th December, 2021, the Board of Directors of CIE Automotive, S.A. agreed the distribution of the Company's result of the 2021 fiscal year, approving the distribution of an interim dividend of €0.36 gross per share, which amounted to a total of €44,113 thousand. The payment has been effective on 5th January 2022.

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 parent company at 30th November 2021, 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	94,771
To deduct:	
- Legal reserve	-
Maximum amount to distribute	**94,771**
Amount distribution proposal	**88,236**
Treasury forecast for one year	**142,746**
Interim dividend	**(44,118)**

On 5th May 2021, the shareholders' Meeting of CIE Automotive, S.A. agreed the distribution of the Company's result of the 2020 fiscal 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 payment has been effective on 6th July 2021.

On 16th December 2020, the Board of Directors approved the payment of an interim dividend from 2020 profit of €0.25 gross per share, implying a total pay-out of €30,638 thousand. Payment has been effective on 7th January 2021.

On 29th April 2020, the shareholders' Meeting of CIE Automotive, S.A. agreed the distribution of the individual result of the 2019 fiscal year, approving the distribution of a complementary dividend of €0.37 gross per share entitled to a dividend, which has amounted to a total of €46,206 thousand. The payment has been effective on 6th July 2020.

On 4th December 2019, the Board of Directors has approved the payment of an interim dividend from 2019 profit of €0.37 gross per share carrying dividend rights, implying a total payout of €47,730 thousand. Payment has been effective on 3rd January 2020.

13. Financial liabilities at amortised cost

	2021	**2020**
Non-current financial liabilities at amortised cost		
- Bank borrowings (Notes 5 and 13.a)	1,394,633	1,350,880
CIE Automotive Group companies and associates, non-current (Note 13.c)	153,107	152,569
Other non-current payables		
- Other non-current payables (Note 13.d)	49,994	49,963
Current financial liabilities at amortised cost	**1,597,734**	**1,553,412**
- Bank borrowings (current portion of non-current borrowings) (Notes 5 and 13.a)	70,267	179,193
- Commercial paper program (Note 13.b)	360,750	278,100
- Payables to CIE Automotive Group companies (Note 13.c)	8,659	4,142
- Trade payables	7,755	5,979
- Fixed asset suppliers	534	292
- Accrued wages and salaries	6,979	4,468
- Dividend payable (Note 12)	44,113	30,638
TOTAL	**499,057**	**502,812**

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2021 (in thousand euro)

a) Bank loans and credit facilities

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 2021			
Total borrowings	1,464,900	1,394,633	152,019
Effect of interest rate swaps (Note 8)	-	-	-
Exposure	**1,464,900**	**1,394,633**	**152,019**
At 31st December 2020			
Total borrowings	1,530,073	1,350,880	155,282
Effect of interest rate swaps (Note 8)	(373,333)	(384,211)	-
Exposure	**1,156.740**	**966,669**	**155,282**

Non-current borrowings mature as follows:

	2021	2020
Between 1 and 2 years	243,868	183,153
Between 3 and 5 years	998,746	1,012,445
Over 5 years	152,019	155,282
TOTAL	**1,394,633**	**1,350,880**

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 1.25%, as in the year 2020.

The Company has the following undrawn credit lines:

Thousand euro	**2021**	**2020**
Maturing within one year	59,195	204,456
Maturing in more than one year	492,486	384,192
TOTAL UNDRAWN CREDIT LINES	**551,681**	**588,648**

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 2021, the Company repaid € 557.9 million under these financing agreements (2020: €364.7 million) and raised new funding in the amount of €493.0 million (2020: €526.5 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 has been signed due on April 2026, and which has been approved by all financial entities involved.

The drawn amount of this syndicated financing agreement on 31st December 2021 amounts to €300 million (2020: €345 million), and its interest rate is indexed to Euribor plus a variable margin based on the Net Finance Debt/EBITDA ratio.

On 14th July 2016 a new loan was arranged 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 2021 and 2020 amounts to €68 million.

In 2014 and 2018, the Company signed financing agreements with the European Investment Bank (EIB) in order to finance various research and development projects in the automotive components sector. During the first half year of 2021 the group has pay-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 2021 amounts to €116 million (€139 million as of 31st December 2020).

All these financing facilities are subject to compliance with different financial ratios usual for these contracts in the market.

During 2020, the Company signed, in all its financing agreements subject to compliance with certain financial obligations ("covenants" or "financial ratios"), the corresponding contractual documents in which the new terms of enforceability of the contractual clauses of such financings, in relation to compliance with the aforementioned covenants. These documents also set new compliance conditions align with market standards in exceptional situations such as that caused by the Covid-19 pandemic.

It should be noted that, in addition to and after the sign-off of such contractual documents, the Company had signed agreements in 2020 (given their different typology, in the form of deeds of non-extinctive modifying novation, amendment agreements, accession agreements, etc.) that imply a novation of the different agreements that make up its structural financing, establishing, in line with what has already been agreed, that certain covenants will not be enforceable until after 30th June 2021. Likewise, it had been agreed that the first certification (with a binding obligation) of compliance with the aforementioned financial ratios will be made with the audited Consolidated Annual Accounts of the Group as of 31st December 2021. In these new agreements, in addition to these references to compliance with covenants, the new requirements mentioned in the previous paragraph had been included, maturities had also been modified, the guarantors had been modified, and other standard updates for these types of finance agreements had been made.

In this way, and as a consequence of signing the aforementioned documents, the Company complied, as of 31st December 2020, with all the obligations that, according to the financing agreements, were in force and were enforceable by different lenders as of that date.

During the first half of 2021, and with effective date 1st July 2021, the Group has updated its structural financial agreements, by negotiating the limits of existing covenants, extending the maturity of certain facilities and modifying some of the financing agents. Accordingly, the Company has improved its financing conditions, as of 31st December 2021, the Company complies with all the ratios required in its financing.

During 2020, a series of financing contracts were signed with various financial entities and guaranteed by the Official Credit Institute (ICO) for a maximum amount of €442 million, and they were within the national program of injection of liquidity to mitigate the economic impacts caused by the Covid-19 pandemic. These financing accrue a market interest rate. As of 31st December 2021, there was no balance pending to repayment for these financings as they had been amortised in advance (31st December 2020: €297 million).

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

b) Commercial Paper Program

On 19th July 2018, the Company 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 euros and on 21st July 2020 the program was renewed. As of 31st December 2021, the drawn balance amounts to €361 million (€278 million as of 31st December 2020).

c) 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, €153,107 thousand (2020: €152,569 thousand).

These payable balances, as well as the receivable balance to receive (Note 6), arise principally from the action of the Company as financing management center for the Group companies.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2021 (in thousand euro)

The breakdown of non-current payables to group companies, at 31st December 2021 and 2020 is as follows:

	2021	2020
CIE Udalbide, S.A.U.	3,646	2,882
Gameko Fabricación de Componentes, S.A.	9,503	19,612
Inyectametal, S.A.	-	8,787
Mecanizaciones del Sur-Mecasur, S.A.	4,383	938
Nova Recyd, S.A.U.	16,665	6,032
Orbelan Plásticos, S.A.	1,566	2,796
CIE Plasty CZ, s.r.o.	5,427	7,308
CIE Compiegne, S.A.S.	7,925	15,924
Recyde, S.A.U.	-	923
CIE Zdanice, s.r.o.	18,297	12,045
CIE Unitools Press CZ, a.s.	2,959	4,904
Componentes de Dirección Recylan S.L.U.	3,718	4,630
Industrias Amaya Tellería, S.A.U.	16,482	23,225
MAR SK, s.r.o.	21,889	17,300
Advanced Comfort Systems France, S.A.S.	8,995	8,992
Advanced Comfort Systems Ibérica, S.A.U.	3,450	4,350
CIE Roof Systems, S.L.U.	16,331	2,141
Biosur Transformación, S.L.U.	4,440	4,277
Alurecy, S.A.U.	1,750	1,837
Other less significant balances	5,681	3,666
TOTAL	**153,107**	**152,569**

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 €8,659 thousand (2020: €4,142 thousand).

d) Other long-term debts

At 31st December 2021 this heading includes mainly the granted loan in December 2019 with COFIDES, which at 31st December 2021 held a balance of €49,838 thousand, being fully classified in the long term (2020: €49,807 thousand classified in the long term), and accrues an interest at a rate benchmarked to Euribor plus a market spread.

The breakdown of trade payables settled during 2021 and 2020 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	
	2021	2020
Average payment period to suppliers	57	57
Paid operations ratio	65	63
Outstanding operations ratio	49	48

	Thousand euros	
	2020	2019
Payments made	7,779	9,971
Outstanding payments	7,755	5,982

14. Provisions

As of 31st December 2021 and 2020 the Company has provisions relating the hedge of various non-operating risks and other contingencies.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2021 (in thousand euro)

15. Deferred taxes

The analysis of deferred taxes is as follows:

	2021	2020
Deferred tax assets:		
- Deductible temporary differences	4,547	5,274
- Tax credits (capex)	12,204	11,567
	16,751	**16,841**
Deferred tax liabilities:		
- Taxable temporary differences	-	-
Deferred taxes (net)	**16,751**	**16,841**

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.

The net movement in the deferred income tax account in 2021 and 2020 is as follows:

	2021	2020
Opening balance	16,841	17,159
(Charged)/credited to the income statement (Note 17)	2,680	(237)
Tax recognised directly in equity	(2,770)	(81)
Closing balance	**16,751**	**16,841**

The movements in deferred tax assets in 2021 and 2020 are as follows:

Deferred tax assets	Hedges	Provisions & other	Tax credits (capex)	Total
Balance at 1st January 2020	**2,808**	**2,444**	**11,907**	**17,159**
(Charged)/credited to the income statement	-	103	(340)	(237)
(Charged)/credited to equity	(81)	-	-	(81)
Balance at 31st December 2020	**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**

Deferred taxes charged to equity in 2021 and 2020 correspond to cash flow hedges. After the early cancellation of the hedging derivatives in 2021, the reversal of the temporary difference associated with them has occurred.

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

At 31st December 2021 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 (forecast)	244
TOTAL	**30,683**

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2021 (in thousand euro)

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. Additionally, the competent Tax Administration regularized the amount of the negative tax base generated in fiscal year 2010.

The tax-loss carryforwards 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 €7,364 thousand. Of the mentioned tax-loss carryforwards correspond to CIE Automotive, S.A. a total of €13,798 thousand, which represents a deferred tax asset of €3,311 thousand.

At 31st December 2021, the Company does not maintain tax loses pending compensation generated previous to its integration to the fiscal Group.

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	646
TOTAL	**18,449**

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 carryforwards generated, also stipulating that the 30-year period commences as from 1st January 2014 for tax credits and tax-loss carryforwards existing prior to that date.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2021 (in thousand euro)

16. Income and expense

a) Revenue

Revenue breaks down as follows:

	2021	2020
Rendering of services	68,503	51,282
Dividend income (Note 6.a)	61,300	53,134
Interest on loans	21,488	19,594
TOTAL	**151,291**	**124,010**

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), totaling €68,503 thousand (2020: €51,282 thousand), based on the locations of the receiving companies, is as follows:

Mercado	**2021**	**2020**
Spain	28%	30%
America	54%	60%
Rest of the world	18%	10%
TOTAL	**100%**	**100 %**

a.2) Dividends received from CIE Automotive Group companies

The Company received in 2021 a dividend from the subsidiaries Advanced Comfort Systems, Ibérica, S.L.U. and CIE Automotive Boroa, S.L.U. for its distribution of results for the year 2020 amounting to €655 thousand and €7,645 thousand, respectively.

In year 2021, the Company has also received dividends charged to available reserves of its subsidiaries Autokomp Ingeniería, S.A.U. and CIE Automotive Boroa, S.L.U. for amounts of €9,000 thousand and €8,000 thousand respectively, and CIE Berriz, S.L. has distributed a dividend amounting to €36,000 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 2021. 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 2021 the Company accrued interest income on credits to CIE Automotive Group companies for an amount of €21,488 thousand (2020: €19,594 thousand).

b) Employee benefit expense

	2021	2020
Wages and salaries	25,101	16,097
Termination benefits	-	350
Social security costs		
- Social security	904	843
TOTAL	**26,005**	**17,290**

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

	Headcount	
	2021	**2020**
Executives	9	9
University graduates and specialists	57	54
TOTAL	**66**	**63**

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2021 (in thousand euro)

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

	2021			2020		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**
Directors	5	8	13	3	11	14
Executives	4	4	8	4	4	8
University graduates and specialists	28	31	59	23	32	55
TOTAL	**37**	**43**	**80**	**30**	**47**	**77**

Likewise, there were no persons employed in 2021 and 2020 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 with a maturity date of 31st December 2022, with an interest rate of zero. 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 the heading "Non-current financial investments" of the balance sheet, and as of 31st December 2021 amount to €20 million (2020: €23 million) (Note 5).

c) Other operating expenses

Other operating expenses are broken down as follows:

	2021	2020
Travel expenses	427	347
Repairs and maintenance	1,429	1,251
Independent professional services and other services	2,705	3,129
Leases	519	456
Insurance premiums	1,591	1,584
Other	2,210	(2,522)
TOTAL	**8,881**	**4,245**

17. 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.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2021 (in thousand euro)

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:

	2021			2020		
	Increases	**Decreases**	**Net**	**Increases**	**Decreases**	**Net**
Profit /(loss) for year			89,929			73,907
Income tax			(4,017)			(20)
Permanent differences	3,245	(77,193)	(73,948)	3,229	(79,326)	(76,097)
Temporary differences:						
- originated in current year	8,659	-	8,659	5,128	-	5,128
- originated in previous year	-	-	-	-	(4,700)	(4,700)
Individual taxable income tax base			**20,623**			**(1,782)**

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

	2021	2020
Individual taxable income tax base	20,623	(1,782)
Tax Group taxable base	**20,623**	**(1,782)**
Current tax payable	4,949	(428)
Tax base not compensated	-	4
Current tax	**4,949**	**(424)**

The breakdown of income tax expense is as follows:

	2021	2020
Current tax	4,949	(424)
Deferred tax (Note 15)	(2,043)	(103)
Tax credits (Note 15)	(637)	340
Correction of prior-year income tax	(32)	55
Income tax withholdings (retained abroad)	646	112
Register of provisions and other	(6,900)	-
Total	**(4,017)**	**(20)**

No corporate income tax was payable to the Tax Administration in 2021 and 2020 (Note 15).

The periods not prescribed under prevailing legislation are opened to inspection by the tax authorities, which are the years between 2017 and 2021.

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 2021 or 2020.

The corporate income tax legislation applicable to the Company in 2021 is that relating to Bizkaia Regional Regulation 11/2013, December 5; modified by the Foral Regulation 2/2018, of 12th March.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2021 (in thousand euro)

18. Finance income/expense

	2021	2020
Finance income:		
Other finance income	1,038	1,782
	1,038	**1,782**
Finance expense:		
Borrowings from group companies (Note 24)	(2,367)	(2,566)
Third-party borrowings	(25,688)	(26,200)
Other finance expense	(223)	(223)
	(28,278)	**(28,989)**
Change in fair value of financial instruments:		
Gains/(losses) recognised regarding financial instruments	70	2,036
	70	**2,036**
Net exchange differences	**(108)**	**(34)**
Finance income/expense	**(27,278)**	**(25,205)**

19. Cash flows from operating activities

	2021	2020
Profit for the year before tax	**85,912**	**73,887**
Adjustments for:		
- Depreciation	3,700	3,570
- Change in provisions	1,000	(4,700)
- Finance income (Note 18), dividend income and interest income from CIE Automotive Group companies (Note 16)	(83,826)	(74,510)
- Finance expense (Note 18)	28,278	28,989
- Exchange rate differences (Note 18)	108	34
- Change in fair value of financial instruments (Note 18)	(70)	(2,036)
	(50,810)	**(48,653)**
Changes in working capital:		
- Trade and other receivables	(1,964)	16,034
- Trade and other payables	2,779	368
	815	**16,402**
Other cash flows from operating activities:		
- Interests paid	(28,702)	(22,778)
- Dividends received (Note 16)	61,300	53,134
- Interests received	20,632	21,080
	53,230	**51,436**
Cash flows from operating activities	**89,147**	**93,072**

20. Cash flows from investing activities

	2021	2020
Payments for investments:		
- Group companies and associates (Note 6.b)	(15,073)	-
- Intangible assets	(1,158)	(643)
- Property, plant and equipment	(217)	(45)
- Other financial assets	(7)	(13)
	(16,455)	**(701)**
Proceeds from disposals:		
- Other financial assets	4,196	3,872
	4,196	**3,872**
Cash flows from investing activities	**(12,259)**	**3,171**

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2021 (in thousand euro)

21. Cash flows from financing activities

	2021	2020
Proceeds from and repayments of financial liabilities:		
- Issuance:		
- Bank borrowings (Note 13)	493,000	526,500
- Commercial paper program (Note 13)	82,650	-
- Net change in other debts (Note 13)	-	39,500
- Repayment and depreciation of:		
- Bank borrowings (Note 13)	(557,918)	(364,671)
- Commercial paper program (Note 13)	-	(21,100)
- Settlement of hedging derivatives	(10,944)	-
- Net change in loans to/from Group companies and associates (*)	(14,061)	(67,244)
	(7,273)	**112,985**
Payment of dividends and remuneration of other equity instruments:		
- Sale/(Acquisition) of treasury shares (Note 10.c)	78	(95,391)
- Payment of dividends (Note 12.b)	(61,262)	(93,936)
	(61,184)	**(189,327)**
Cash flows from financing activities	**(68,457)**	**(76,342)**

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

22. Contingencies

Contingent liabilities

The Company had not extended any guarantees or pledges other than those disclosed at 31st December 2021 and 2020 (Note 13).

23. 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 €11.268 thousand (2020: €5,535 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 24. 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.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2021 (in thousand euro)

b) Compensation and loans to Key Management personnel

As of 31st December 2021 and 2020, the Company's Senior Management was made up of 4 women and 3 men.

The total compensation accrued by key management personnel in 2021 amounted to €5,455 thousand (2020: €5,382 thousand). Likewise, Senior management personnel do not have life or civil liability insurance at the expense of the Company.

As explained in Note 16, 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 2021 is €6,425 thousand (2020: €7,486 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 2021 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 has proceeded to partially execute the incentive, so that the amount accrued for said remuneration has amounted to €5,900 thousand. With this partial execution, the base price has been set for possible subsequent years of the incentive at €25.37 per share.

24. 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 2021 and 2020 is provided below:

	2021	2020
Services rendered:	**151,291**	**124,010**
- Dividends received (Note 16)	61,300	53,134
- Services (Note 16)	68,503	51,282
- Financial services (Note 16)	21,488	19,594
Interest:		
- Financial (Note 18)	(2,367)	(2,566)

Closing balances at the 2021 and 2020 year ends derived from the transactions described above are set out in Notes 5, 6, 7 and 13.c) above.

A breakdown of movements in non-current credit lines and loans granted to and received from companies of CIE Automotive Group in 2021 and 2020 is provided in Note 6.d) and Note 13.c).

As of 31st December 2021, there are advances made to related parties for an amount of €7,800 thousand (2020: €9,100 thousands) (Notes 5.5 and 23.a).

In 2021, no provision was required for the impairment of loans granted to group companies (neither in 2020).

25. 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 did not incur any expenses of an environmental nature in either 2021 or 2020.

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.

26. Auditor fees

The fees charged by 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 €206 thousand in 2021 (2020: €216 thousand). Other services rendered by PricewaterhouseCoopers, S.L. have amounted to €54 thousand in 2021 (2020: €64 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 charged during the year by other firms from the PwC network related tax advisory services have amounted to €94 thousand (2020: €93 thousand).

27. Financial risk management

27.1 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

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 they 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.

CIE Automotive 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 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 2021, 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 €268/€220 million (2020: increased/decreased by €228/€187 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 €23,2/€19,0 million higher/ lower, respectively (2020: €15.4/€12.6 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 2021, 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	91	(74)	5.5	(4.5)
US dollar	69	(56)	9.1	(7.4)
Indian rupee	59	(48)	1.4	(1.1)
Brazilian real	27	(22)	4.1	(3.3)

(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 2021 the average interest rate on borrowings denominated in euro had been 10 basis points higher/lower, all other variables remaining constant, profit after tax for the year would have been €1,465 thousand lower/higher (2020: €1,227 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 2020, 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 increased/decreased equity by €798/€802 thousand.

(iv) Covid-19 pandemic

In fiscal year 2020, the measures adopted by governments to contain the pandemic, including limitations on the movement of people, restrictions on flights and other forms of travel, temporary closure of businesses and educational centers and cancellation of events affected economic activity, producing a significant impact on sectors such as tourism, transport, retail and entertainment. Similarly, due to the industrial shutdown in the second quarter of the year, there was a significant impact on the supply and production chains of goods around the world and the decline in economic activity reduced the levels of demand for many goods and services.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2021 (in thousand euro)

After the 2020 financial year, 2021 has continued to be marked by the Covid-19 pandemic, with successive outbreaks and tensions in the supply chain, which have negatively affected economic activity with a strong impact on the automotive market, which reached in 2021 a global production of 77.1 million vehicles, compared to 74.6 million vehicles produced in 2020 and significantly below 89 million vehicles of 2019.

In this context of market stagnation, the Group has demonstrated, once again, its operational strength and flexibility, which have allowed it to reach pre-covid levels, growing in sales, at constant currency, by 14.9% compared to 2020, and thus increasing its market share by 11.5 percentage points compared to 2020.

At the formulation of these Annual Statements, the Company does not expect that the crisis in the global supply chain and the rest of the effects derived from the Covid-19 pandemic may have a significant impact in the Group companies. With regard to the demand for vehicles during the period of economic crisis, the Management updates monthly the market estimates in each of the geographical areas in which it operates and carries out, making use of the flexibility of its management model, the necessary measures to adapt to the expected demands.

Additionally, in 2020 the existence of independent external reports was already mentioned that supported the theory that collective transport or the use of shared cars can begin to lose strength, in favor of the recovery of the use of private vehicles, either out of fear or as a precautionary measure for drivers, turning this fact into a market opportunity. Although this trend has not yet been transferred to vehicle production in 2021, collective transport is still far from recovering pre-pandemic quotas; which shows, at least in the short term, that the private vehicle can regain strength against collective transport, and therefore, promote the demand for cars in some of the main markets where the Group operates.

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), which as a matter of policy do not exceed roughly one-third of trade receivable balances and other receivables, in order to preserve the level of liquidity and working capital structure required under its business plans.

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 2021 and 2020 as follows:

Thousand euro	**31.12.2021**	**31.12.2020**
Cash and cash equivalents	658,788	565,561
Other current financial assets	126,135	105,176
Undrawn lines of credit	724,767	806,494
Liquidity buffer	**1,509,690**	**1,477,231**
Bank borrowings	2,179,853	2,248,031
Other current financial liabilities	-	17,630
Cash and cash equivalents	(658,788)	(565,561)
Other current financial assets	(126,135)	(105,176)
Net debt	**1,394,930**	**1,594,924**

Additionally, as of 31st December 2021, Shanghai Golde Automotive Parts, Co. Ltd., a joint venture in which the Group has a 50% and consolidates using the equity method, has a net treasury of €36 million (2020: €39 million).

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 all year payments without increasing net financial debt.

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.

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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.

Group's amounts payables to credit institutions in the short term include recurring loans originating from the recurring discounting of commercial paper issued by Group customers (2021: €4.6 million; 2020: €28 million). 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 2021 of €725 million of undrawn credit lines and loans (2020: €806 million) at the consolidated CIE Automotive Group level.

The following table shows a breakdown of working capital in the Group's consolidated balance sheet at 31st December 2021 as compared with 31st December 2020, stating the relative significance of each item:

Thousand euro	**31.12.2021**	**31.12.2020**
Inventories	482,868	370,632
Trade and other receivables	284,155	344,831
Other current assets	51,819	38,290
Current tax assets	60,467	58,739
Current operating assets	**879,309**	**812,492**
Other current financial assets	102,865	60,811
Cash and other cash equivalents	658,788	565,561
CURRENT ASSETS	**1,640,962**	**1,438,864**
Trade and other payables	934,873	851,328
Current tax liabilities	82,007	61,219
Current provisions	135,084	116,108
Other current liabilities	168,346	165,855
Current operating liabilities	**1,320,310**	**1,194,510**
Short-term bank borrowings	525,775	586,694
Other current financial liabilities	-	30
CURRENT LIABILITIES	**1,846,085**	**1,781,234**
TOTAL WORKING CAPITAL	**(205,123)**	**(342,370)**

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 has 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 has improved the conditions of its financing and, as of 31st December 2021, 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 Company.

In Note 5 it is disclosed the maturity of third-party resources and other non-current liabilities of the Company.

There are no restrictions to the use of cash/other cash equivalents.

In the context of the risks derived from the Covid-19 pandemic, the Group has estimated that the existing liquidity reserve as of 31st December 2021 is sufficient to meet any future payment.

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 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.

The Company does not estimate that the pandemic has had or will have an impact on the collectability of its accounts receivable, derived from their high credit quality.

d) Raw material price risk

The Group has not a significant risk in raw price variations. In these companies were 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.

27.2 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 2021 and 31st December 2020, the Company did not have foreign resources denominated in foreign currency that were designated as hedges of the net investment. As of 31st December 2021, the Group maintain investments whose net assets are 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 aim to support the Glroup's sustainable growth in North America. In 2021, the negative exchange difference generated by this financing, which amounted to €9,605 thousand, was recognized under the heading "Net Investment Coverage" of the Consolidated Global Income Statement; heading under "foreign currency conversion differences".

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.

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.

27.3 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 January 12, 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).

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2021 (in thousand euro)

The following table presents the Company's assets and liabilities that are measured at fair value at 31st December 2021 and 31st December 2020:

2021 - thousand euro	**Note**	**Level 2**	**Level 3**	**TOTAL**
Credits at fair value	8/16	-	20,465	20,465
Derivatives		4,541	-	4,541
Total assets at fair value		**4,541**	**20,465**	**25,006**
2020 - thousand euro	**Note**	**Level 2**	**Level 3**	**TOTAL**
Credits at fair value	8/16	-	22,947	22,947
Total assets at fair value		**-**	**22,947**	**22,947**
Derivatives	8	(17,600)	-	(17,600)
Total liabilities at fair value		**(17,600)**	**-**	**(17,600)**

There were no transfers between levels during 2021 and 2020.

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.

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 8).

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 2021, there are loans granted to Group employees valued at fair value and amounting to €20,465 thousand (2020: €22,947 thousand) (Notes 8 and 16).

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

27.4 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 paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2021 (in thousand euro)

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 as 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. In fiscal year 2020, mainly due to the impact of the currency translation on the Group's equity, and to the capital reduction made (Note 13), the leverage ratio had risen to 0.62; not assuming a significant deviation or modifying the defined strategy.

The gearing ratios at 31st December 2021 and 2020 are as follows:

Thousand euro	**2021**	**2020**
Borrowings	2,179,853	2,248,031
Financial liabilities	-	17,630
Less: Cash, cash equivalents and financial assets	(784,923)	(670,737)
Net debt	**1,394,930**	**1,594,924**
Equity	1,367,622	994,974
Total capital used	**2,762,552**	**2,589,898**
Gearing ratio	**0.50**	**0.62**

At 31st December 2021 and 2020, the Group has agreements formalised related with credit and bank loans that oblige it to comply with certain covenants (Note 13).

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

27.5 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, the climate change risk is directly related to its impact in the Company's subsidiaries and future cashflows which are estimated to get from.

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 has updated its Environment Policy in 2021, where it is 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.

Below are the action plans established to address each of the climate-related risks that have an impact on the financial statements of the operating subsidiaries and consequently, on the Company's 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.

Together with the risks derived from the climate and that directly impact the sale of goods, is the electrification of the automobile, and which is one of the Lines of Work of the Group for the fulfilment of its specific objectives. So far, more than 80% of the products have been able to be used in both electrified and combustion vehicles, but the rise of the electric car means that the Group aims to increase its presence in the electrified powertrain to position itself in the market with new components of high added value, mainly related to the engine and power electronics, the gearboxes and batteries. This objective is 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) *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, 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 and India.
   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, we have our 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) *Waste management*: 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 in subsidiaries' impairment assessment described in Note 6.

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

As of 31st December 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 risk:

a) *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.

b) *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.

c) *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 assessment of impairment of subsidiaries' described in Note 6, the Group 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 used, discount rates and risk rates are market ratios that implicitly also reflect the assessment 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's UGEs.

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 recoverability analysis of non-financial assets taking into account that they have already been incorporated into the Group's business plans.

28 Events after the balance sheet date

As of the date of preparation of these Annual Accounts, there have been no significant events subsequent to the end of the year 2021 that could alter or have any effect on the Annual Accounts for the period ended on 31st December 2021.

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%	-
Belgium Forge, N.V. (dormant)	CIE Berriz, S.L.	Manufacture of auto parts	Belgium	-	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. (without activity)	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%
Comlube s.r.l. (*) (dormant) (2)	CIE Berriz, S.L.	Biofuels	Italy	-	80.00%
Glycoleo s.r.l. (without activity) (2)	Comlube s.r.l.	Biofuels	Italy	-	40.80%
Biocombustibles de Guatemala, S.A. (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. (2)	CIE Berriz, S.L.	Biofuels	Barcelona	-	100.00%

APPENDIX I: LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Company	Parent company	Activity	Location	% effective Shareholding of CIE Automotive Direct	Indirect
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%
CIE Automotive Goiain, S.L.U.	CIE Berriz, S.L.	Manufacture of auto parts	Álava/Araba	-	100.00%
Somaschini, S.P.A.(5)(*)	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. (7)(*)	CIE Berriz, S.L.	Manufacture of auto parts	Brazil	-	100.00%
Durametal, S.A.	Autometal, Ltda.	Manufacture of auto parts	Brazil	-	84.88%
Autometal SBC Injeção e Pintura de Plásticos Ltda. (3)	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, S.A.	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. (*) (6)	CIE Berriz, S.L.	Holding company	Mexico	-	100.00%
Pintura y Ensambles de México, S.A. de C.V. (10)	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%
Gescrap Autometal Mexico Servicios, S.A. de C.V.	Gescrap Autometal de Mexico, S.A. 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%

APPENDIX I: LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Company	Parent company	Activity	Location	% effective Shareholding of CIE Automotive Direct	Indirect
Nugar, S.A. de C.V. (8)	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. (4)	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.(*) (8)	CIE Berriz, S.L.	Holding company	Biscay	-	100.00%
Mahindra CIE Automotive Ltd. (*)	Participaciones Internacionales Autometal Dos S.L.U.	Manufacture of auto parts	India	-	60.75%
Stokes Group Ltd. (2)	Mahindra CIE Automotive Ltd.	Manufacture of auto parts	United Kingdom	-	60.75%
CIE Galfor, S.A.U. (*)	Mahindra CIE Automotive Ltd.	Manufacture of auto parts	Orense	-	60.75%
Mahindra Forgings Europe AG (*)	CIE Galfor, S.A.U.	Holding company	Germany	-	60.75%
Gesenkschmiede Schneider GmbH	Mahindra Forgings Europe AG	Manufacture of auto parts	Germany	-	60.75%
Jeco Jellinghaus GmbH	Mahindra Forgings Europe AG	Manufacture of auto parts	Germany	-	60.75%
Falkenroth Umformtechnik GmbH	Mahindra Forgings Europe AG	Manufacture of auto parts	Germany	-	60.75%
Schoneweiss & Co. GmbH	Mahindra Forgings Europe AG	Manufacture of auto parts	Germany	-	60.75%
CIE Legazpi, S.A.U.	CIE Galfor, S.A.U.	Manufacture of auto parts	Gipuzkoa	-	60.75%
UAB CIE LT Forge	CIE Galfor, S.A.U.	Manufacture of auto parts	Lithuania	-	60.75%
Galfor Eólica, S.L.	CIE Galfor, S.A.U.	Power generation and trade	Orense	-	15.19%
Metalcastello S.p.A.	CIE Galfor, S.A.U.	Manufacture of auto parts	Italy	-	60.73%
BillForge de Mexico S de RL de CV	Mahindra CIE Automotive Ltd.	Manufacture of auto parts	Mexico	-	60.75%
BF Precision Pvt. Ltd.	Mahindra CIE Automotive Ltd.	Manufacture of auto parts	India	-	60.75%
Aurangabad Electricals, Ltd. (*)	Mahindra CIE Automotive Ltd.	Manufacture of auto parts	India	-	60.75%
CIE Hosur, Ltd. (1)	Mahindra CIE Automotive Ltd.	Manufacture of auto parts	India	-	60.75%
Gescrap India Pvt. Ltd.	Mahindra CIE Automotive Ltd.	Manufacture of auto parts	India	-	18.23%
Clear Max Deneb Power, LLP (1)	Mahindra CIE Automotive Ltd.	Power generation and trade	India	-	15.80%
Sunbarn Renewables PvT., Ltd. (1)	Mahindra CIE Automotive Ltd.	Power generation and trade	India	-	16.81%
Advanced Comfort Systems Ibérica, S.L.U.	CIE Automotive, S.A.	Manufacture of auto parts	Orense	100.00%	-

APPENDIX I: LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Company	Parent company	Activity	Location	% effective Shareholding of CIE Automotive Direct	Indirect
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%
Advanced Comfort Systems Wuhan 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%
Componentes Automotivos Taubaté, Ltda. (*)	Autokomp Ingeniería, S.A.U.	Holding company	Brazil	-	100.00%
Autoforjas, Ltda.	Componentes Automotivos Taubaté, 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. (I)	CIE Automotive, S.A.	Manufacture of auto parts	Korea	100.00%	-
CIE Roof Systems, S.L.U. (*)	CIE Automotive, S.A.	Holding company	Biscay	100.00%	-
Golde Holding, BV(*)	CIE Roof Systems, S.L.U.	Holding company	The Netherlands	-	100.00%
Golde Tianjin Co., Ltd.	Golde Holding, BV	Manufacture of auto parts	People's Republic of China	-	100.00%
Golde Wuhan Co., Ltd.	Golde Holding, BV	Manufacture of auto parts	People's Republic of China	-	100.00%
Golde Shandong Co., Ltd.	Golde Holding, BV	Manufacture of auto parts	People's Republic of China	-	100.00%
Golde USA, LLC (*)	CIE Roof Systems, S.L.U.	Holding company	USA	-	100.00%
Inteva Products (Barbados), Ltd. (*)	Golde USA, LLC	Holding company	Barbados	-	100.00%
Golde Shanghai Co., Ltd.	Inteva Products (Barbados), Ltd.	Manufacture of auto parts	People's Republic of China	-	100.00%
Golde Changchun Co., Ltd.	Inteva Products (Barbados), Ltd.	Manufacture of auto parts	People's Republic of China	-	100.00%
CIE Golde Shanghai Innovation Co., Ltd.	Inteva Products (Barbados), Ltd.	Technology center	People's Republic of China	-	100.00%

APPENDIX I: LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Company	Parent company	Activity	Location	% effective Shareholding of CIE Automotive Direct	Indirect
Golde Netherlands, BV [*]	CIE Roof Systems, S.L.U.	Holding company	The Netherlands	-	100.00%
Golde Bengaluru India PvT Ltd.	Golde Netherlands, BV	Technology center	India	-	100.00%
Roof Systems Germany, Gmbh	Golde Netherlands, BV	Technology center	Germany	-	100.00%
Golde Oradea, SRL	Golde Netherlands, BV	Manufacture of auto parts	Romania	-	100.00%
Golde Lozorno, Spol, s.r.o.	Golde Netherlands, BV	Manufacture of auto parts	Slovakia	-	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%
SIR S.A.S. [*]	Golde Netherlands, BV	Holding company	France	-	100.00%
Shanghai Golde Automotive Parts Co., Ltd. [*]	SIR S.A.S.	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. [1]	CIE Roof Systems, S.L.U.	Manufacture of auto parts	India	-	100.00%

(1) Companies added to consolidation scope in 2021 together with their subsidiaries.
(2) Discontinued companies at 31st December 2021
(3) Merged in 2020 with Autocromo Cromaçao de Plásticos, Ltda.
(4) Merged in 2020 with Cortes de Precisión de México S. de RL. de C.V.
(5) Merged in 2020 with Immobiliare Somaschini S.p.A and CIE Immobiliare Italia SRL.
(6) Previously CIE Autometal de México, S.A. de C.V.
(7) Previously Autometal, S.A.
(8) Merged in 2021 with PIA Forging Products, S.L.U.
(9) Merged in 2021 with Percaser de México, S.A. de C.V.
(10) Merged in 2021 with Servicat S. Cont., Adm. y Técnicos, S.A. de C.V.
(*) Parent company of all investees listed subsequently in the table.

CONSOLIDATED BALANCE SHEETS AS AT 31ST DECEMBER 2021
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)

Thousand euro	**31.12.2021**	**31.12.2020**
Property, plant and equipment	1,575,325	1,475,982
Intangible assets	1,865,831	1,771,764
Goodwill	1,830,247	1,738,622
Other intangible assets	35,584	33,142
Non-current financial assets	23,270	44,365
Investments in joint ventures and associates	48,399	45,404
Deferred tax assets	192,866	180,331
Other non-current assets	47,801	23,992
Non-current assets	**3,753,492**	**3,541,838**
Inventories	482,868	370,632
Trade debtors and other accounts receivable	396,441	441,860
Trade and other receivables	284,155	344,831
Other current assets	51,819	38,290
Current tax assets	60,467	58,739
Other current financial assets	102,865	60,811
Cash and cash equivalents	658,788	565,561
Current assets	**1,640,962**	**1,438,864**
Disposal group assets classified as held-for-sale	**3,661**	**2,869**
TOTAL ASSETS	**5,398,115**	**4,983,571**

CONSOLIDATED BALANCE SHEET AT 31ST DECEMBER 2021
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)

Thousand euro	31.12.2021	31.12.2020
Capital and reserves attributable to the Parent company´s shareholders	987,253	646,803
Share capital	30,637	30,637
Treasury shares	(401)	-
Share premium	152,171	152,171
Retained earnings	1,085,617	874,853
Interim dividend	(44,113)	(30,638)
Translation differences	(236,658)	(380,220)
Non-controlling interests	380,369	348,171
TOTAL EQUITY	**1,367,622**	**994,974**
Deferred income	**15,653**	**12,647**
Non-current provisions	196,534	208,881
Non-current borrowings	1,654,078	1,661,337
Other non-current financial liabilities	-	17,600
Deferred tax liabilities	161,834	141,653
Other non-current liabilities	153,417	162,442
Non-current liabilities	**2,165,863**	**2,191,913**
Current borrowings	525,775	586,694
Trade creditors and other payables	1,016,880	912,547
Trade and other payables	934,873	851,328
Current tax liabilities	82,007	61,219
Other current financial liabilities	-	30
Current provisions	135,084	116,108
Other current liabilities	168,346	165,855
Current liabilities	**1,846,085**	**1,781,234**
Disposal group liabilities classified as held-for-sale	**2,892**	**2,803**
TOTAL LIABILITIES	**4,014,840**	**3,975,950**
TOTAL EQUITY AND LIABILITIES	**5,398,115**	**4,983,571**

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2021
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)

	Year ended December 31st	
Thousand euro	**2021**	**2020**
OPERATING REVENUE	**3,501,248**	**2,942,680**
Revenue	3,269,111	2,882,494
Other operating income	200,060	90,021
Change in inventories of finished goods and work in progress	32,077	(29,835)
OPERATING EXPENSES	**(3,097,756)**	**(2,659,260)**
Consumption of raw materials and secondary materials	(2,021,796)	(1,673,383)
Employee benefit expense	(599,566)	(561,193)
Depreciation, amortisation and impairment	(171,167)	(147,814)
Other operating expenses	(305,227)	(276,870)
OPERATING PROFIT	**403,492**	**283,420**
Finance income	24,479	9,210
Finance costs	(53,169)	(52,237)
Net exchange differences	(1,462)	4,358
Result of financial instruments at fair value	(20)	2,260
Share of profit/(loss) from joint ventures and associates	6,971	5,755
PROFIT BEFORE TAX	**380,291**	**252,766**
Income tax	(88,242)	(57,786)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**292,049**	**194,980**
PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS AFTER TAX	**1,426**	**266**
PROFIT FOR THE YEAR	**293,475**	**195,246**
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(25,931)	(10,021)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	**267,544**	**185,225**
Basic and diluted earnings per share from continuing operations (in euro)	2.17	1.48
Basic and diluted earnings per share from discontinued operations (in euro)	0.00	0.00

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.

1. CIE AUTOMOTIVE GROUP

1.1 Profile of the Group

CIE Automotive (hereinafter called, "CIE" or "the Group" interchangeably) is an industrial group specialist in high value-added processes, which develops its activities in Automotive components business.

The business of Automotive components encompassed the design, production and distribution of integral services, components and sub-assemblies for the global Automotive market. This 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.

1.2 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 multitechnological 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 favor 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

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

The ethical framework is developed in these series of corporate policies developed by each of the responsible departments being mandatory for all members of the company that are structured as:

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 policy and prevention of criminal risks (approved for the first time in 2021).

1.3 Business Units – Automotive components

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

The Group develops all its line of products across seven basic processes or technologies: machining, tube stamping and shaping, forging, plastic, aluminium injection, steel foundry and roof systems. With them, components and sub-assemblies are made for all the parts of a vehicle, such as: engine and transmission, chassis and steering sets, and exterior and interior of the vehicle.

Since 25 years, after its creation in 1996, CIE Automotive's progress as a supplier of components and sub-assemblies for the Automotive industry has been driven by cycles of economic prosperity and hampered by other crises, that the Group has overcome and passed thanks to the features that define its business model: geographical balance, commercial diversification, multitechnology, investments control and de-centralised management and integration of ESG standards..

2. EVOLUTION OF THE BUSINESS OF CIE AUTOMOTIVE S.A. IN 2021

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 €17.2 million, after the recovery of the results of the subsidiaries and a year marked by the global production stoppage generated by the Covid-19 pandemic. Dividend income for the year increased by €8 million.

Regarding the rest of operating income and expenses, they have experienced a variation of €13 million of greater expense, mainly related to the increase in remuneration to staff amounting to €9 million.

The main variation of the financial result, whose net impact amounts to €2 million of higher expense compared to the year 2020, which corresponds to financial assets and liabilities at fair value. On the one hand, it includes a reclassification to results of interest rate hedging instruments after their liquidation, once settled for an amount of €10.9 million of higher expense, offset by the income recognised by the variation in value of the "equity swap" of €10.6 million.

Finally, the main variation in corporate tax expenses is given by the reversal of tax provisions after an update of the same in 2021.

2.1 Summary of the year

This year 2021, all geographical areas have contributed to the Group's good results, despite the fact that the impact of the pandemic, the semiconductor crisis and the tensions in the supply chain have been different in the different regions.

By geographical areas, the summary of the year 2021 is the following:

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 Czechia, 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 strong links to industrial vehicles, and the historical plants of CIE, linked to passenger vehicles.

CIE Automotive's sales in Europe stand at €1,277 million, a figure that represents an increase of 7%, in a context of weakness in the automotive sector, with a decrease in production of 4.4%. Despite the difficulties caused by the various waves of the pandemic, the semiconductor crisis, the rise in energy and raw material prices, and difficulties in transportation, margins remain high both at CIE Automotive's traditional plants, linked to the light vehicle, as in the MCIE Europe plants, linked mainly to the truck. The traditional market plants achieve an EBITDA of 16.1% and an EBIT of 8.9%, while those of Mahindra CIE present an EBITDA margin of 12.7% and an EBIT margin of 8.4%.

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 2021, the North American plants have reached a turnover of €873 million, 22% more than in 2020 at constant exchange rates. The good evolution of the US automotive sector has had a positive impact on the plants in Mexico and the US. Margins have remained very high, similar to those prior to the pandemic with an EBITDA of 22.3% and an EBIT of 17.6%.

Brazil:

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

In the same context of the evolution of the pandemic and additional temporary effects that have slowed down the recovery of sales in the sector, CIE Automotive recorded sales of €216 million in Brazil, 26% more than in 2020 at a constant exchange rate, compared to 9% of the market, with an EBITDA margin of 21.0% and EBIT of 13.6%.

Asia:

The Group has several plants in Asia, a joint-venture and a technology center. Its presence in India stems from the alliance with the Indian group Mahindra & Mahindra Ltd., while its presence in China was reinforced with the incorporation of Golde's roof business companies. India is one of the engines of development in the region and China is the world's leading car producer. In India, CIE Automotive achieved a turnover of €463 million (46% more) and maintained its operating margins in a scenario marked by closures due to the pandemic, EBITDA of 14.0% and EBIT of 9.5%.

In China, CIE Automotive sales fell 1%, in a market with more moderate growth than the rest, motivated by the better performance in 2020, maintaining high EBITDA margins of 18.0% and EBIT of 14.7%.

2.2 Predictable evolution of the Company

The evolution of the business of the future years is directly subject to evolution of the geographical 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 the 2022 financial year and future will be significantly impacted by the Covid-19 pandemic and its subsequent effects.

Looking ahead to 2022, 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 incorporations of recent years
- Ensure the standardization of productions according to market forecasts
- Maximize the efficiency of margins and returns in all geographic areas
- Maintain its high level of operating cash generation by reducing the leverage ratio.

2.3 Business Strategy

In 2021, CIE begins the deployment of its 2025 Strategic Plan, a new comprehensive strategy to respond to market trends and concerns of stakeholders and which sets the objectives to follow and the integration of ESG aspects in the day to day of the business.

With this new Strategic Plan, CIE seeks to guarantee sustainable profitability in a complex context given the economic situation caused by the pandemic and successfully facing the transformation of the sector.

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 euros 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
  - Industry 4.0
  - Comfort
  - Internationalization
- 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:
  - Culture CIE
  - Ethical commitment
  - Eco-efficiency
  - Active listening.

3. 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

4. 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 Fulfillment, 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) 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 2021, 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 €268/€220 million (2020: increased/decreased by €228/€189 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 €23.2/€19.0 million higher/lower, respectively (2020: €15.4/€12.6 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 2021, 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	91	(74)	5.5	(4.5)
US dollar	69	(56)	9.1	(7.4)
Indian rupee	59	(48)	1.4	(1.1)
Brazilian real	27	(22)	4.1	(3.3)

(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 2021 the average interest rate on borrowings denominated in euro had been 10 basis points higher/lower, all other variables remaining constant, profit after tax for the year would have been €1,465 thousand lower/higher (2020: €1,227 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 2020, 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, increasing/decreasing by €798/€802 thousand.

(iv) Covid-19 pandemic

The measures adopted by governments to contain the pandemic, including limitations on free movement, flight restrictions and other type of commuting, temporary closure of businesses and education centers and cancellation of events have affected the economic activity, resulting in a significant impact in sectors such as tourism, transportation, retail and entertainment. Similarly, due to the industrial stoppage in the second quarter of the year, there was a significant impact on global supply chains and production of goods and the decline in economic activity reduced the levels of demand for many goods and services.

After the 2020 financial year, 2021 has continued to be marked by the Covid-19 pandemic, with successive outbreaks and tensions in the supply chain, which have negatively affected economic activity with a strong impact on the automotive market, which reached a global production of 77.1 million vehicles in 2021, compared to 74.6 million vehicles produced in 2020 and significantly below the 89 million vehicles in 2019.

In this context of market stagnation, the Group has demonstrated, once again, its operational strength and flexibility, which have allowed it to reach pre-covid levels, growing in sales, at constant currency, by 14.9% compared to 2020, and thus increasing its market share by 11.5 percentage points compared to 2020.

When preparing these Consolidated Annual Accounts, the Group does not expect that the crisis in the global supply chain and the rest of the effects derived from the Covid-19 pandemic may have a significant impact. With respect to the demand for vehicles during the period of economic crisis that has occurred, the Management updates monthly the market estimates in each of the geographical areas in which it operates and carries out, making use of the flexibility of its management model, the necessary measures to adapt to the expected demands.

Additionally, in 2020 the existence of independent external reports was already mentioned that supported the theory that collective transport or the use of shared cars may begin to lose strength, in favour of the recovery of the use of private vehicles, either out of fear or as a precautionary measure for drivers, turning this fact into a market opportunity. Although this trend has not yet been transferred to vehicle production in 2021, collective transport is still far from recovering pre-pandemic quotas; which shows, at least in the short term, that the private vehicle can regain strength compared to collective transport, and therefore, promote the demand for automobiles in some of the main markets where the Group operates.

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), which as a matter of policy do not exceed roughly one-third of trade receivable balances and other receivables, in order to preserve the level of liquidity and working capital structure required under its business plans.

Management monitors the Group's forecast liquidity requirements together with the trend in net debt.

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 all year recurrent payments without increasing net financial debt.

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 originating from the recurring discounting of commercial paper issued by Group customers (2021: €4.6 million; 2019: €28 million). 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 2021 of €725 million of undrawn credit lines and loans (31st December 2020: €806 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.

Likewise, the Group Management effectively controls the periods of payment of expenses and the period of performance of the current assets, conducting a comprehensive monitoring of cash projections, in order to ensure that it has sufficient cash to meet the operational needs while maintaining adequate availability of credit facilities not used at all times so that the Group does not breach the limits and indexes ("covenants") established by the funding. Therefore, it is estimated that the cash generation in 2021 will meet the needs enough to meet the commitments in the short term, avoiding any actions ongoing tense situation in the cash position.

In the context of the current macroeconomic and sectoral risks arising from the Covid-19 pandemic the Group has estimated that the existing liquidity reserve as of 31st December 2021 is more than sufficient to meet any future payment.

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

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 that receivables due within 60 days presented no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong.

The Company does not estimate that the pandemic has had or will have an impact on the collectability of its accounts receivable, derived from their high credit quality.

d) Raw material price risk

The Group has not a significant risk in raw price variations. In these companies were 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. As a consequence of the holding nature of the Company, the climate change risk is directly related to its impact in the Company's subsidiaries and future cashflows which are estimated to get from.

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 has updated its Environment Policy in 2021, where it is 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.

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

Together with the risks derived from the climate and that directly impact the sale of goods, is the electrification of the automobile, and which is one of the Lines of Work of the Group for the fulfilment of its specific objectives. So far, more than 80% of the products have been able to be used in both electrified and combustion vehicles, but the rise of the electric car means that the Group aims to increase its presence in the electrified powertrain to position itself in the market with new components of high added value, mainly related to the engine and power electronics, the gearboxes and batteries. This objective is 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) *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, 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 and India.
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, we have our 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) *Waste management*: 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 impairment assessment of investment subsidiaries described in Note 6.

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

As of 31st December 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 risk:

a) *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.

b) *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.

c) *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 assessment of impairment of subsidiaries described in Note 6, the Group 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. 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's UGEs.

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 recoverability analysis of non-financial assets taking into account that they have already been incorporated into the Group's business plans.

5. TRADING WITH TREASURY SHARES

The balance of existing treasury shares in the Parent Company at the end of 2021 amounted to 15,244 shares. As of 31st December 2020, there were no own shares in portfolio, once the capital reduction carried out by the Parent Company with a charge to own shares acquired during the 2020 financial year was materialized.

The movement of treasury shares in 2021 was as follows:

	31st December 2021	
	Number of shares	Amount (Thousands of euros)
Initial Balance	**-**	**-**
Acquisitions of the year	2,067,455	50,563
Sales for the year	(2,052,211)	(50,162)
Capital stock reduction	-	-
Ending Balance	**15,244**	**401**

Likewise, the mandate conferred by the General Shareholders' Meeting held on 5th May 2021 is in force until 5th May 2026, inclusive, by virtue of which the Company's Board of Directors is empowered to acquire, in at any time, and as many times as it deems appropriate, shares of CIE Automotive, SA, by any of the means permitted by law, even charged to profits for the year and/or unrestricted reserves, as well as those that may be disposed of or redeemed subsequently the same, all in accordance with article 146 and concordant of the Law of Capital Companies.

6. AVERAGE PAYMENT PERIOD TO SUPPLIERS

The breakdown of trade payables settled during 2021 and 2020 those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2,010 of 5 of July, is as follows:

Days	**2021**	**2020**
Paid operations ratio	57	57
Outstanding operations ratio	65	63
Average payment period to suppliers	49	48

Payments in thousand euro	**2021**	**2020**
Payments made	7,779	9,971
Outstanding payments	7,755	5,982

A series of measures have been launched by the Company essentially intended to the identification of the deviations through the monitoring and periodic analysis of the accounts payable to suppliers, of the review and improvement of internal management procedures of suppliers as well as the compliance and, in its case update, of the conditions laid down in the commercial operations subject to the applicable regulations.

7. STOCK EXCHANGE INFORMATION

Stock

In 2021, CIE Automotive shares have continued to be weighed down by their belonging to a sector penalized at the stock market level without reflecting the excellent results obtained in the year or the strategic commitments reached and set for the future or the maintenance of their remuneration commitment to shareholders.

The share, which had a better performance than the average of IBEX 35 companies, closed at 27.36 euros/share, 25.85% more than its value at the end of 2020, still maintaining a significant difference between the listing and the price set by the consensus of analysts that follows the company.

Shareholder remuneration

CIE Automotive has remained faithful to its shareholder remuneration commitment, consisting of distributing a third of the estimated net profit despite the economic context, and for this reason the Board of Directors approved the distribution of €61.2 million charged to 2020, paid in two payments in January and July.

Remuneration is expected to recover historical levels once the results have recovered from the effects of the pandemic and in this line, the Board of Directors approved in December 2021 the distribution of an interim dividend out of the results of the 2021 financial year of €0.36 gross per share, effective in January.

8. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE YEAR

As of the date of preparation of these Annual Accounts, there have been no significant events subsequent to the end of the year 2021 that could alter or have any effect on the Annual Accounts for the period ended on 31st December 2021.