CIE Automotive, S.A. and subsidiaries

Audit Report,
Consolidated Annual Accounts at 31 December 2018
and Directors' Report for 2018

"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 consolidated annual accounts

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

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of CIE Automotive, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2018, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2018, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

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 consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated 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 consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Key audit matters	How our audit addressed the key audit matter
Recovery of goodwill	
The Group's goodwill represents a substantial part of its assets, amounting to €997 million at year-end. As indicated in Note 7 to the accompanying consolidated annual accounts, the Group carries out tests on the recoverability of the amounts recorded under this balance sheet heading on an annual basis. Such impairment testing is based mainly on estimated cash flows of the cash generating units (value in use) to which the assets analysed relate and therefore require that Group Management makes judgements and significant estimates. These estimates include, among other things, expectations regarding sales and future margins, growth rate projections, estimates of discount rates in order to calculate the present value of cash flows (WACC - Weighted average cost of capital), etc. The most important assumptions used by the Group in its analysis are summarised in Note 7 to the accompanying consolidated annual accounts. Deviations in these rates and estimates trigger significant variations in the calculations performed and therefore in the analysis of the recoverability of goodwill.	First, we gained an understanding of the internal process used by Group Management to test goodwill for impairment, verifying the calculation criteria applied for consistency and the methodology of value in use established in the applicable regulations. For cash flows, we checked not only the calculations made but also the projected annual cash flows, based on the plans and budgets approved by Group management, against those actually obtained in 2018, and we analysed the key assumptions used to determine the growth rates and forecast future margins, verifying them against available comparables (historical results and sector margins) 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 specialist team. For the sensitivity analyses disclosed in the notes to the accompanying consolidated annual accounts, we verified the reasonableness of the calculations made and the coherence of the variations and assumptions taken into account with respect to possible changes. As a result of our analyses and tests performed, we consider that Group Management's conclusion concerning the absence of impairment of goodwill, the estimates made and the information disclosed in the accompanying consolidated annual accounts are adequately supported and are consistent with the information currently available.

Key audit matters	How our audit addressed the key audit matter
Recoverability of deferred tax assets	
The Group recognises deferred tax assets amounting to €181 million as non-current assets at year-end (Notes 2.22.b), 4.1.c) and 21 to the accompanying consolidated annual accounts), recovery of which depends on the generation of taxable income in future years. Recovery of these deferred tax assets is analysed annually by the Group by estimating the tax bases for the next years. The estimation of future tax bases is based on the business plans of the different Group companies and the planning possibilities permitted under applicable tax legislation, taking into account, in each case, the different consolidated tax groups in which the Group companies are taxed (Note 2.22.a) to the accompanying consolidated annual accounts). Therefore, the conclusion concerning the recovery of the deferred tax assets recognised on the consolidated balance sheet is subject to judgments and significant estimates by Group Management with respect to both future tax results and applicable tax legislation in the different jurisdictions in which it operates.	On the basis of the business plans, which are based on the plans and budgets approved by Group management, we compared annual projected flows with real flows obtained in 2018 and analysed the key assumptions used to determine growth rates and forecast future margins, comparing them against available comparables (historical results and sector margins) and analysing if appropriate, their reasonableness using available third-party contracts or agreements. On the other hand, we gained an understanding and assessed the criteria used by the Group's tax management to estimate the possibility of using and recovering deferred tax assets in subsequent years, in light of the business plans. As part of these analyses, with the collaboration of our tax specialists, we reviewed the tax adjustments taken into account to estimate taxable income, applicable tax legislation and the decisions concerning the possibilities of using applicable tax benefits with respect to the Group companies. The analyses performed permitted us to verify that the calculations and estimates made by the Group and the conclusions reached in relation to the recognition and recovery of deferred tax assets are consistent with the current situation, with expectations of the future results of the Group and its individual companies and with the tax planning possibilities available under current legislation.

Key audit matters	How our audit addressed the key audit matter
Disposal of the Solutions and Services Segment	
During 2018 the Solutions and Services segment ceased to form part of the Group as a result of the distribution of an extraordinary dividend in kind to the parent company's shareholders. For the Group, this transaction entailed not only recognising a significant dividend payable against retained earnings, whose valuation on the payout date amounted to €405 million, but also recognising a capital gain of €239 million in the income statement for 2018 as a result of the difference between the value of that dividend and the carrying amount of the Group's interest in the net assets of that segment on the payout date (Note 1 to the accompanying consolidated financial statements). On the other hand, this transaction, which in accordance with the applicable legislative framework (IFRS 5 - Non-current assets held for sale and discontinued operations), enables the disposal of the segment to qualify as a discontinued operation, has had a significant effect on the presentation of results and operations of that segment in both 2018 and the comparative consolidated income statement for 2017. The materialisation of the agreement adopted has had significant accounting impacts on both the consolidated balance sheet at 31 December 2018 and the Group's consolidated income statement for the current and previous year, in view of the requirement to properly identify the net assets exiting the Group and measure the liability for the dividend distributed and ensure its appropriate accounting recognition.	The Group's derecognition of the Solutions and Services segment during the year has required us to carry out an analysis of the agreement adopted, identifying and measuring the assets and liabilities disposed of, measuring the dividend agreed and verifying the appropriate disclosure and reporting of the information in accordance with the applicable legislative framework. In this regard, we obtained a comprehensive understanding of the agreement adopted, including the appropriate measurement of the dividend, in accordance with the price of the shares of Global Dominion Access, S.A., the parent company of the Solutions and Services segment, identifying and measuring the assets and liabilities connected with the segment disposed of. Also, we verified the appropriate accounting recognition of the operation, the presentation of the consolidated income statement and disclosures required in the accompanying consolidated financial statements, taking into account that, as mentioned, the transaction entailed the discontinuing of the segment disposed of. As a result of our analyses we were able to verify the consistency between the agreement adopted by the Group and the amounts recognised when accounting for the disposal of the Solutions and Services segment and their appropriate presentation and the appropriateness of the information disclosed in the accompanying consolidated financial statements in accordance with the applicable legislative framework.

Other information: Consolidated Directors' Report

Other information comprises only the consolidated directors' report for the 2018 financial year, the formulation of which is the responsibility of the Parent company´s directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated directors' report. Our responsibility for the information contained in the consolidated directors' report is defined in the legislation governing the audit practice, which establishes two distinct levels in this regard:

a) A specific level which is applicable to the consolidated statement of non-financial information and certain information included in the Annual Corporate Governance Report, as defined in article 35.2 b) of Audit Law 22/2015, that consists of verifying solely that that information was provided in the consolidated directors' report or, if appropriate, that the consolidated directors' report includes the pertinent reference to the separate report on non-financial information in the manner provided and if not, reporting the fact.

b) A general level applicable to other information included in the consolidated directors' report that consists of assessing and reporting on the consistency of that information with the consolidated annual accounts, on the basis of the understanding of the Group obtained in the performance of the audit of those consolidated accounts and without including information other than that obtained as evidence during the audit and assessing and reporting on whether the content and presentation of that part of the consolidated directors' report are in conformity with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report this fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in paragraph a) above is provided in the consolidated directors' report, and that the other information contained in the consolidated directors' report is consistent with that contained in the consolidated annual accounts for the 2018 financial year, and its content and presentation are in accordance with the applicable regulations.

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

The Parent company´s directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company´s directors are responsible for assessing the Group´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 Group or to cease operations, or have no realistic alternative but to do so.

The Parent company´s audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group´s internal control.

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

- Conclude on the appropriateness of the Parent company´s 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 Group´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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent 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 Parent 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 Parent company´s audit committee, we determine those matters that were of most significance in the audit of the consolidated 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

Additional report to the Parent company´s audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated February 25, 2019.

Appointment period

The General Ordinary Shareholders' Meeting held on April 24, 2018 appointed us as auditors for 2018.

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

Services provided

Services provided to the Group for services other than the audit of the accounts are detailed in Note 35 to the accompanying consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Jose Antonio Simón Maestro (15886)

February 25, 2019