1. Chairman and CEO’s statement

Dear friends,

This Annual Report attempts to summarise CIE Automotive’s performance in 2018, another year of sustainable and profitable growth in which we had the honour of being added to Spain’s blue chip stock index, the IBEX-35. That development is tantamount to acknowledgement of our track record and brings us greater visibility in the market, particularly vis-à-vis important international investors.

In 2018, automotive revenue reached a record €3.03 billion, while recurring net profit continued to climb, to €243 million, which is a significant 20% more than in 2017.

Thanks to these strong results, the company’s shareholders saw their cash dividends increase by 37%. They also received an in-kind dividend consisting of shares of Global Dominion, a company CIE Automotive exited in 2018, as was always planned. We wish that company the very best going forward.

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These figures, which stack up well on their own, are even more remarkable in light of the macroeconomic uncertainty and sector turmoil in which they were achieved: an economic slowdown in China; protectionist threats in the US; new emissions regulations in Europe; lower production estimates, etc. However, it is in times of trouble that CIE Automotive demonstrates the solidity of its business model; thanks to our geographical, technological and customer diversification and our financial discipline, among other strengths, we managed to continue to post growth quarter after quarter and end the year with a new set of record earnings.
In September 2018, we agreed to acquire Inteva’s roof systems division, a giant in this segment with sales of approximately $1 billion. That acquisition, the largest in our history, makes us the number-three supplier of roof systems worldwide and puts us in a privileged position in one of the sector’s most promising niches.

Meanwhile, we continued to build a number of greenfield projects, particularly in markets with high growth potential such as Mexico, Brazil and India. By way of illustration, this strategy crystallised in a 5% increase in our shareholding in the Mahindra CIE group, the start-up of a factory in Puebla (Mexico) and the incorporation of a new company, Autometal Minas (Brazil).

Highlights on the corporate finance front included the arrangement of a €150 million loan with IFC/EDC to fund our growth in Mexico and another €80 million loan from the EIB to fund our R&D programme in Europe. In addition, we registered our first promissory note issue, raising €200 million which we will use to finance working capital.

In this context of adverse external factors but rock solid company fundamentals, we are in a position to reiterate our guidance for 2020, specifically for net profit of €300 million that year, which would imply significantly outperforming the market’s growth during the five years of the Business Plan and once again generating significant value for our shareholders.

Beyond our earnings performance, we feel proud of the value we have generated for society in the 17 countries we do business in. In each of those markets we are striving to act as agents of social development, framed by the commitments assumed as signatory of the United Nations Global Compact and in the new Strategic Corporate Social Responsibility Plan set in motion during the year.

Our 98 production facilities and 7 research centres employed over 23,000 people who encounter in our company a place to develop their capabilities to the full in a safe and protected environment.

Our suppliers, the large majority of which local, invoiced us 9% more in 2018. We strengthened our ties with them by launching a Suppliers Portal which facilitates access to our supply chain and enables us to control their value propositions better.

The total quality we offer was once again endorsed by our Tier-1 supplier and OEM customers. To maintain our quality edge, we invested €120 million in upgrading and expanding our production facilities and we devote nearly 2% of revenue to R&D projects every year.
On the environmental front, we continue to work to reconcile our business activities with environmental conservation by reducing harmful emissions and the use of water and raw materials. Every year we fine-tune our environmental evaluation systems and the efficiency of each and every one of our factories.

Not satisfied with all of that, we are keen to make further progress on integrating social and environmental criteria into our activities and on engaging the entire organisation in that effort. To this end we globalised the company’s CSR workshops, at which we managed to identify the environmental, social and governance aspects of greatest concern to the members of our organisation.

In short, the fine work done by CIE Automotive in 2018 allows us to look to the future with optimism. We are convinced that in the coming years we will continue to deliver our objectives, overcoming any and all obstacles, by leveraging the ideas, experience and hard work of all.

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We also act as agents of social development by paying taxes and carrying out community work. Here is it worth highlighting the signature of our first community project at the corporate level in collaboration with Save The Children.