MOORE STEPHENS

Protocol No.: 043/1819

AUDIT REPORT OF THE CONSOLIDATED ANNUAL ACCOUNTS
ISSUED BY AN INDEPENDENT AUDITOR OF

TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER
COMPANY AND
ITS SUBSIDIARIES

AS AT 31 DECEMBER 2018

AUDIT REPORT OF THE CONSOLIDATED ANNUAL ACCOUNTS ISSUED BY AN INDEPENDENT AUDITOR

To the Sole Member of TEKNIA MANUFACTURING GROUP, S.L. SINGLE-MEMBER COMPANY AND ITS SUBSIDIARIES:

Opinion

We have audited the consolidated annual accounts of the company TEKNIA MANUFACTURING GROUP, S.L., Single-Member Company (the Parent Company) and its SUBSIDIARIES (the Group), which include the consolidated balance sheet as at 31 December 2018, the consolidated profit and loss account, the statement of changes in the consolidated net equity, the statement of consolidated cash flow and the annual report corresponding to the financial year ended on said date.

In our opinion, the attached consolidated annual accounts express, in all significant aspects, the true image of the consolidated equity and of the consolidated financial situation of the Group on 31 December 2018, as well as of the consolidated results and consolidated cash flows corresponding to the annual period ended on said date, in accordance with the applicable regulatory framework on financial information (as specified in note 2.1 of the consolidated report) and, in particular, with the accounting principles and criteria contained therein.

Basis of the opinion

We have performed our audit in accordance with the regulatory framework for account auditing which is valid in Spain. Our responsibilities in accordance with the said regulations are described below in the section *Responsibilities of the auditor in relation to the auditing of the consolidated annual accounts* of our report.

We are independent of the Group in accordance with the ethical requirements, including those of independence, that apply to our audit of the consolidated annual accounts in Spain, as required by the regulations in respect of the activity of account audits. In this regard, we have not provided services other than those of an auditor of accounts nor have any situation or circumstances occurred which, in accordance with the terms of the said regulations would have affected the requisite independence in any way that would have compromised it.

We consider that the audit evidence that we have obtained provides a sufficient and adequate basis for our opinion.

Most important aspects of the audit

The most important aspects of the audit are those which, in our professional judgement, have been deemed the most important material risks of inaccuracy in our audit of the consolidated annual accounts of the current period. These risks have been treated in the context of our audit of the consolidated annual accounts as a whole, and in the forming of our opinion on these, and we express no separate opinion on those risks,

MOORE STEPHENS AMS, S.L.
Cardenal Gardoqui, 9 – ppal. Izda., 48008 Bilbao Telephone: 94 443 66 00 Fax: 94 410 38 79 E-mail: ams@grupoams.com

Recoverablity of the deferred tax assets

The group recorded tax assets amounting to 12,110 thousand Euro on 31 December, 2018. The recovery of these tax assets is contingent upon the obtaining by certain Group companies of sufficient positive tax bases in the future, whose estimation is based on the said companies' business plan, and is therefore subject to significant judgements and estimations of the Directors. Due to the matters stated above, we have considered this as a relevant aspect to be covered in our report.

To address this important aspect of the audit, we have analysed the projections of the future results of the companies that contribute the most significant amounts of these assets to the consolidated annual accounts, discussing the possibility of the recovery of the same with the Group’s financial management.

The most significant information regarding these assets is stated in notes 3.7 and 14 of the Notes to the consolidated annual accounts.

Goodwill

In accordance with note 4 of the consolidated annual accounts, the Group has recorded goodwill amounting to 13,564 thousand Euros as of 31 December, 2018, in relation to certain owned companies. The impairment of these assets is subject to the fair value of the same being higher than their book value. The fair value is calculated based on future cash flows of the Group companies that contribute this goodwill. The estimation of these cash flows is based on the business plans of these companies, so it is subject to judgements and significant subjective estimates of the Directors. Due to the matters stated above, we have considered this as a relevant aspect to be covered in our report.

To address this important aspect of the audit, we have analysed the evaluation process that the Company follows, with respect to these companies that contribute goodwill, to understand the criteria used by the Company and their compliance with current regulations. Likewise, for the companies that generate this goodwill, we have discussed with the Group’s financial management the key assumptions on which their estimates are based and we have carried out sensitivity analyses on possible variations of the estimates used, to verify their reasonableness, and it has been verified that the amortisation criteria of these assets are in line with those of the previous year.

Additionally, we have assessed whether the information revealed in notes 3.15 and 4 of the report on the consolidated annual accounts in relation to this question is adequate as per the requirements of the regulatory framework on financial reporting that applies to the Group.

Other information: Consolidated management report

The other information exclusively comprises the consolidated management report for the year 2018, the preparation of which is the responsibility of the Directors of the Parent Company and is not an integral part of the consolidated annual accounts.

MOORE STEPHENS AMS, S.L.
Cardenal Gardoqui, 9 – ppal. Izda., 48008 Bilbao Telephone: 94 443 66 00 Fax: 94 410 38 79 E-mail: ams@grupoams.com

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report.

Our responsibility relating to the information contained in the consolidated management report is defined in the audit regulations in force, which establish two distinct levels of review:

a) A specific level applicable to the non-financial information statement, which consists solely of verifying that the aforementioned information has been provided in the consolidated management report or, if applicable, that the corresponding reference to the separate report on non-financial information has been provided as per the audit regulations, and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated management report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated annual accounts, from the knowledge obtained during the audit of said consolidated accounts, and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this part of the consolidated management report conform with the applicable regulations. If, based on the work we have carried out, we conclude that there are material misstatements, we are obliged to report them.

Based on the work performed, as described above, we have verified that the information mentioned in section a) above is provided in the separate report “Non-Financial Information Statement” which is referred to in the management report, and that the other information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for 2018, and that its content and presentation conform with the applicable regulations.

Responsibility of the Parent Company's Directors in relation to the consolidated annual accounts

The Directors of the Parent Company are responsible for the preparation of the attached consolidated annual accounts, in a way that reflects a true and faithful view of the consolidated equity, financial situation and results of the Group, in accordance with the regulatory framework on financial reporting applicable to the Group in Spain, and are also responsible for the internal control they deem necessary to prepare the annual accounts free from material misstatements due to fraud or error.

In the preparation of the consolidated annual accounts, the Parent Company's Directors are responsible for the evaluation of the Group's capacity to continue as a going concern, disclosing, as applicable, the issues related to the going concern and using the accounting principle of a going concern except if said Directors intend to liquidate the Group or cease its operations, or where no other realistic alternative exists.

MOORE STEPHENS AMS, S.L.
Cardenal Gardoqui, 9 – ppal. Izda., 48008 Bilbao Telephone: 94 443 66 00 Fax: 94 410 38 79 E-mail: ams@grupoams.com

Responsibilities of the auditor in relation to the auditing of the consolidated annual accounts

Our objectives are to obtain reasonable assurance that the consolidated annual accounts as a whole are free from material misstatement, due to fraud or error, and issue an audit report that contains our opinion.

Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with the regulations governing audits in force in Spain will always detect material misstatement when it exists. Misstatements may be due to fraud or error and are considered material if, individually or in a cumulative manner, they could reasonably be expected to influence the economic decisions that users make based on the consolidated annual accounts.

As part of an audit in accordance with the regulations governing account auditing in Spain, we apply our professional judgement and maintain an attitude of professional scepticism throughout the audit. Furthermore:

- We identify and assess the risks of material misstatement in the consolidated annual accounts, due to fraud or error, design and apply audit procedures to respond to such risks and obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than in the case of a material misstatement due to error, since the fraud may involve collusion, falsification, deliberate omissions, intentionally erroneous statements, or evasion of internal control.

- We obtain information on the relevant internal control for the audit in order to design the audit procedures that are adequate depending on the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We assess whether the accounting policies applied are adequate and the reasonableness of the accounting estimates and the corresponding information disclosed by the Directors of the Parent Company.

- We conclude on whether the use by the Directors of the Parent Company of the accounting principle of a going concern is appropriate and, based on the audit evidence obtained, we conclude on whether or not there is material uncertainty related to facts or conditions that may generate significant doubts about the Group's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in our audit report to the relevant information disclosed in the consolidated annual accounts or, if such disclosures are not adequate, that we express an amended opinion. Our conclusions are based on the audit evidence obtained to the date of our audit report. However, future events or conditions may cause the Group to cease to be a going concern.

- We assess the overall presentation, structure and content of the consolidated annual accounts, including the disclosed information, and whether the consolidated annual accounts represent the underlying transactions and events in a way that succeeds in expressing a true image.

- We obtain sufficient and adequate evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the management, supervision and performance of the Group's auditing. We are solely responsible for our audit opinion.

MOORE STEPHENS AMS, S.L.
Cardenal Gardoqui, 9 – ppal. Izda., 48008 Bilbao Telephone: 94 443 66 00 Fax: 94 410 38 79 E-mail: ams@grupoams.com

We communicate with the Directors of the Parent Company regarding, among other matters, the scope and timing of the planned audit and the significant findings of the audit, as well as any significant internal control deficiencies that we identified during the course of the audit.

Among the significant risks that have been communicated to the Directors of the Parent Company, we determine those that have been most significant in the audit of the consolidated annual accounts of the current period and which risks are consequently deemed most significant.

We describe those risks in our audit report unless the legal or regulatory provisions prohibit the public disclosure of the issue.

MOORE STEPHENS AMS, S.L.
ROAC No.: S0516

[Unreadable signature]

Signed: Mª Carmen Iñarra Muñoz
ROAC (Official Register of Accounts Auditors) No.: 19998
Partner

AUDITORS
SPANISH INSTITUTE OF CHARTERED ACCOUNTANTS

MOORE STEPHENS AMS, S.L.

2019 No. 03/19/04081

COMPANY SEAL: 96,00 euro

Report subject to the regulations on accounts auditing in Spain

Bilbao, 23 April 2019

MOORE STEPHENS AMS, S.L.
Cardenal Gardoqui, 9 – ppal. Izda., 48008 Bilbao Telephone: 94 443 66 00 Fax: 94 410 38 79 E-mail: ams@grupoams.com

State stamp

Class 8

0.03 EUROS

Three cents Euros

0N6770774

TEKNIA MANUFACTURING GROUP, S.L.,
SINGLE-MEMBER COMPANY

AND SUBSIDIARIES

CONSOLIDATED ANNUAL ACCOUNTS

AS AT 31 DECEMBER 2018

State stamp

Class 8

0.03 EUROS

Three cents Euros

0N6770775

TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

ASSETS	NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS	Thousands of Euros	
		2018	**2017**
A) NON-CURRENT ASSETS		**122,186**	**103,299**
I. Intangible fixed assets			
1. Consolidated goodwill	4	13,564	8,101
2. Other intangible fixed assets	9	3,527	3,357
		17,091	**11,458**
II. Tangible fixed assets			
1. Land and buildings	8	18,302	25,011
2. Technical installations and other tangible fixed assets	8	67,789	49,181
3. Fixed assets under construction and advances	8	4,409	4,791
		90,500	**78,983**
III. Investment property		**301**	**-**
IV. Long-term investments in Group and affiliated companies			
3. Other financial assets		1,204	-
		1,204	**-**
V. Long-term financial investments	11.1.1	**961**	**600**
VI. Deferred tax assets	14.3	**12,110**	**12,118**
VIII. Non-current trade receivables	11.1.1	**19**	**140**
B) CURRENT ASSETS		**143,188**	**116,490**
I. Non-current assets held for sale		**258**	**368**
II. Inventory	12	**62,193**	**48,667**
III. Trade and other receivables			
1. Receivables for sales and services rendered	11.1.1	59,648	53,848
3. Current tax assets	14.1 and 14.6	1,417	1,597
4. Other debtors	11.1.1 and 14.1	4,297	3,502
		65,362	**58,947**
IV. Short-term investments in Group and affiliated companies			
1. Loans to related parties	11.1.1 and 18.1		170
		-	**170**
V. Short-term financial investments	11.1.1	**190**	**19**
VI. Short-term accruals		**1,650**	**1,140**
VII. Cash and cash equivalents		**13,535**	**7,179**
TOTAL ASSETS (A+B)		**265,374**	**219,789**

Elorrio, 29 March 2019

CONSOLIDATED BALANCE SHEET FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

TOTAL EQUITY AND LIABILITIES	NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS	Thousands of Euros	
		2018	**2017**
A) EQUITY		**74,351**	**73,536**
A-1) Equity			
I. Capital	13.1	20,000	20,000
III. Reserves	13.2	53,180	46,198
VI. Net income for the year attributable to the parent company		6,326	11,912
		79,506	**78,110**
A-2) Valuation adjustments			
II. Translation differences from consolidated companies	13.3	(5,627)	(5,162)
		(5,627)	**(5,162)**
A-3) Grants, donations and legacies received			
I. In consolidated companies	15	404	523
		404	**523**
A-4) External shareholders	5	**68**	**65**
B) NON-CURRENT LIABILITIES		**75,146**	**55,103**
I. Long-term provisions	16	**1,548**	**726**
II. Long-term debt			
1. Bonds and other marketable securities	11.1.2	19,786	19,708
2. Debts with financial institutions	11.1.2	39,118	27,061
3. Creditors due to financial leases	10.2 and 11.1.2	2,915	1,010
4. Other financial liabilities	11.1.2	7,832	4,535
		69,651	**52,314**
IV. Deferred tax liabilities	14.3	**3,947**	**2,063**
C) CURRENT LIABILITIES		**115,877**	**91,150**
II. Short-term provisions	16	**468**	**243**
III. Short-term debt			
1. Bonds and other marketable securities	11.1.2	542	542
2. Debts with financial institutions	11.1.2	17,415	14,651
3. Creditors due to financial leases	10.2 and 11.1.2	2,449	916
4. Other financial liabilities	11.1.2	19,246	13,931
		39,652	**30,040**
V. Trade and other payables			
1. Suppliers	11.1.2	49,539	40,290
2. Suppliers, group and affiliated companies	11.1.2 and 18.1	-	8
3. Current tax liabilities	14.1 and 14.6	418	37
4. Other creditors	11.1.2 and 14.1	25,190	20,080
		75,147	**60,415**
VI. Short-term accruals		**610**	**452**
TOTAL EQUITY AND LIABILITIES (A + B + C)		**265,374**	**219,789**

Elorrio, 29 March 2019

State stamp

Class 8

0.03 EUROS

Three cents Euros

0N6770777

TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2018

	NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS	Miles de euros	
		2018	**2017**
A) ONGOING OPERATIONS			
1. Net revenue	17.1	**370,671**	**325,054**
a) Sales		369,712	323,957
b) Services rendered		959	1,097
2. Changes in inventories of finished goods and work in progress		**408**	**2,347**
3. Work carried out by the group for its own assets		**349**	**720**
4. Supplies		**(200,239)**	**(182,437)**
a) Consumption of merchandise	17.2	(9,467)	(8,543)
b) Raw materials and other consumables used	17.2	(167,792)	(146,262)
c) Subcontracted work		(22,888)	(27,497)
d) Impairment of merchandise, raw materials and other supplies		(92)	(135)
5. Other operating income		**1,048**	**809**
a) Non-core and other income from ongoing operations		921	749
b) Operating grants taken to income	15	127	60
6. Staff expenses		**(89,601)**	**(72,617)**
a) Wages, salaries and similar		(69,251)	(56,146)
b) Employee benefits expense		(19,967)	(16,282)
c) Provisions		(383)	(189)
7. Other operating expenses		**(51,151)**	**(43,595)**
a) Losses, impairment and variation of provisions due to commercial operations		(90)	(319)
b) Other expenses from ongoing operations		(51,061)	(43,276)
8. Amortisation of fixed assets	4, 8 and 9	**(17,489)**	**(11,906)**
9. Allocation of subsidies for non-trade and other fixed asset investments	15	-	**7**
10. Provision surpluses		**31**	-
11. Impairment and profit/loss on divestment of fixed assets		**2,026**	**411**
a) Impairments and losses		13	(109)
b) Results due to divestment and others	8	2,013	520
14. Other balances		**(144)**	**126**
A.1) RESULTS FROM OPERATING ACTIVITIES (1+2+3+4+5+6+7+8+9+10+11+12+13+14)		**15,909**	**18,919**
15. Financial income		**225**	**213**
a) From interest in equity instruments			-
b) From marketable securities and other financial securities		64	32
c) Allocation of subsidies, donations or legacies of a financial nature	15	161	181
16. Financial costs		**(3,402)**	**(2,978)**
18. Exchange rate fluctuations		**(1,678)**	**(1,232)**
A.2) FINANCIAL PROFIT (14+15+16+17+18)		**(4,855)**	**(3,997)**
A.3) PROFIT BEFORE TAX (A.1 + A.2 +19+20+21)		**11,054**	**14,922**
24. Income tax	14.2	(4,731)	(3,040)
A.4) PROFIT AND LOSS FROM ONGOING OPERATIONS (A.3 + 22)		**6,323**	**11,882**
B) DISCONTINUED OPERATIONS		**-**	**-**
A.5) CONSOLIDATED RESULT FOR THE FINANCIAL YEAR (A.4 + 23)		**6,323**	**11,882**
Balance attributed to the parent company		6,326	11,912
Balance attributed to external shareholders		(3)	(30)

Elorrio, 29 March 2019

TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A) CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS	Thousands of Euros	
		2018	**2017**
A) Consolidated profit for the financial year		**6,323**	**11,882**
Income and expenses directly allocated to equity			
III. Subsidies, donations and legacies received	15	-	-
VI. Exchange rate differences		(459)	(2,021)
VII. Tax effect	15	-	-
B) Total income and expenses directly allocated to consolidated net equity (I+II+III+IV+V+VI+VII)		**(459)**	**(2,021)**
Transfers to the consolidated profit and loss account			
X. Subsidies, donations and legacies received	15	(161)	(188)
XIII. Tax effect	15	42	49
C) Total amounts transferred to the consolidated income statement (VIII+IX+X+XI+XII+XIII)		**(119)**	**(139)**
TOTAL RECOGNISED CONSOLIDATED INCOME AND EXPENDITURE (A+B+C)		**5,745**	**9,722**
Total income and expenses attributed to the parent company		5,742	9,752
Total income and expenses attributed to external shareholders		3	(30)

Elorrio, 29 March 2019

State stamp

Class 8

0.03 EUROS

Three cents Euros

0N6770779

TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES
B) TOTAL STATEMENT OF CHANGES IN THE CONSOLIDATED EQUITY FOR
THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
Thousands of Euros

	Capital	Reserves and results from previous financial years (*)	Result of the financial year attributed to parent company	Adjustments due to changes in Value	Subsidies donations and legacies received	External shareholders	Total
A. Balance at the end of 2016	**20,000**	**39,553**	**10,987**	**(3,141)**	**662**	**164**	**68,225**
I. Adjustments for changes in criteria 2016 and previous years	-	-	-	-	-	-	-
II. Adjustments due to errors 2016 and previous years	-	-	-	-	-	-	-
B. Adjusted balance, at the beginning of 2017	**20,000**	**39,553**	**10,987**	**(3,141)**	**662**	**164**	**68,225**
I. Total recognised income and expense			11,912	(2,021)	(139)	(30)	9,722
II. Transactions with shareholders or owners	-	(4,330)	-	-	-	-	(4,330)
4. (-) Distribution of dividends	-	(4,330)	-	-	-	-	(4,330)
III. Other equity variations	-	10,975	(10,987)	-	-	(69)	(81)
2. Other changes	-	10,987	(10,987)	-	-	-	-
3. Increase in participation in affiliate companies	-	(12)	-	-	-	(69)	(81)
C. Balance at the end of 2017	**20,000**	**46,198**	**11,912**	**(5,162)**	**523**	**65**	**73,536**
I. Adjustments due to criteria changes 2017	-	-	-	-	-	-	-
II. Adjustments due to errors 2017	-	-	-	-	-	-	-
D. Adjusted balance, at the beginning of 2018	**20,000**	**46,198**	**11,912**	**(5,162)**	**523**	**65**	**73,536**
I. Total recognised income and expense			6,326	(465)	(119)	3	5,745
II. Transactions with shareholders or owners	-	(4,700)	-	-	-	-	(4,700)
1. Share capital increases	-	-	-	-	-	-	-
4. (-) Distribution of dividends	-	(4,700)	-	-	-	-	(4,700)
III. Other equity variations	-	11,682	(11,912)	-	-	-	(230)
2. Other changes	-	11,682	(11,912)	-	-		(230)
E. Balance at the end of 2018	**20,000**	**53,180**	**6,326**	**(5,627)**	**404**	**68**	**74,351**

Elorrio, 29 March 2019

State stamp

Class 8

0.03 EUROS

Three cents Euros

0N6770780

TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	NOTES TO THE FINANCIAL STATEMENTS	Thousands of Euros 2018	2017
A) CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax		**11,054**	**14,922**
2. Adjustments to profit		**18,998**	**13,832**
a) Amortisation of fixed assets (+)	4, 8 and 9	17,489	11,906
b) Valuation changes for impairment (+/-)		222	(320)
c) Changes in provisions (+/-)		284	189
d) Allocation of subsidies (-)	15	(161)	(188)
e) Profit/loss on divestment of fixed assets (+/-)		(2,013)	(520)
g) Financial income (-)		(225)	(213)
h) Financial costs (+)		3,402	2,978
3. Changes in working capital		**(4,314)**	**(11,099)**
a) Inventories (+/-)	12	(5,068)	(6,422)
b) Trade and other receivables (+/-)		(1,715)	(4,716)
c) Other current assets (+/-)		115	(3)
d) Trade and other payables (+/-)		2,396	(26)
e) Other current liabilities (+/-)		136	68
f) Other non-current assets and liabilities (+/-)		(178)	-
4. Other cash flows from operating activities		**(5,302)**	**(6,569)**
a) Payment of interest (-)		(3,130)	(2,707)
c) Interest received (+)		225	213
d) Corporate Income tax income/(expense)		(2,397)	(4,075)
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)		**20,436**	**11,086**
B) CASH FLOWS FROM INVESTMENT ACTIVITIES			
6. Payments for investments (-)		**(23,513)**	**(20,668)**
a) Group companies, net cash flows in consolidated companies	6	(7,677)	(3,067)
d) Intangible fixed assets	9	(1,112)	(1,195)
e) Tangible fixed assets	8	(14,724)	(16,236)
g) Other financial assets			(170)
7. Receipts for divestitures (+)		**12,323**	**4,020**
e) Tangible fixed assets		12,323	2,078
g) Other financial assets		-	1,942
8. Cash flows from investment activities (6+7)		**(11,190)**	**(16,648)**
C) CASH FLOWS FROM FINANCING ACTIVITIES			
9. Receipts and payments for equity instruments		**-**	**(75)**
e) Acquisition of equity interest from external shareholders (-)		-	(75)
10. Receipts and payments for financial liability instruments		**1,810**	**2,870**
a) Issue			
2. Debt with financial institutions (+)	11.1.2	37,130	6,938
5. Other debts (+)		5,799	10,889
b) Return and amortisation of			
2. Debts with financial institutions (-)	11.1.2	(32,753)	(12,979)
5. Other debts (-)		(8,366)	(1,978)
11. Payments due to dividends and compensation of other equity instruments		**(4,700)**	**(4,330)**
a) Dividends (-)		(4,700)	(4,330)
12. Cash flows from financing activities (+/-9+/-10-11)		**(2,890)**	**(1,535)**
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS			
E) NET INCREASE/DECREASE OF CASH OR CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)		**6,356**	**(7,097)**
Cash or cash equivalents at the beginning of the financial year		7,179	14,276
Cash or cash equivalents at the end of the financial year		**13,535**	**7,179**

Elorrio, 29 March 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. GROUP COMPANIES

1.1 Parent company

The Parent Company TEKNIA MANUFACTURING GROUP, S.L., (Single-Member Company), was incorporated in Bilbao on 30 July 1998, before the Notary Public Andrés Mª Urrutia Badiola, who is registered at Barrio San Agustín, unnumbered, Elorrio (Vizcaya).

The activities of the Parent Company are described in Article 5 of the Company's Articles of Association. Currently, they include the promotion of companies, the acquisition, holding and use of all types of securities, and the provision of consultancy and advisory services to companies.

The activities of the different companies that make up the Group are set out in Appendix I of this consolidated report, which is an integral part of the same.

The consolidated Financial Statements of Teknia Manufacturing Group, S.L., Single-Member Company, and its subsidiaries for the financial year 2017 were prepared on 28 March 2018 and are filed with the Commercial Registry of Vizcaya (31 March 2017 for financial year 2016).

1.2 Consolidated subsidiaries

The companies that have been consolidated through the global integration method, of which none are listed on the Stock Exchange, are indicated in Appendix I, which forms an integral part of this report.

Subsidiaries are deemed to be all the companies in which the total direct and indirect equity interest of Teknia Manufacturing Group, S.L. exceeds 50% of the same.

The closing date of the financial statements of all the companies used in the consolidation is 31.12.2018.

1.3. Variation in the composition of the Group and other operations

During the financial year 2018 the most significant operations carried out were the following:

- The purchase of 100% of the shares in the company Teknia Ampuero, S.L. (Single-Member Company) (formerly Mecanizados Norte Bravo, S.L.), which, in turn, owns 100% of the share capital of Mecanor Rumanía, S.R.L and 100% of the share capital (with the exception of one share acquired by Teknia Manufacturing Group, S.L. (Single-Member Company)) of the Mexican company Técnicos en la Alta Producción, SA. de C.V. The price consists of a fixed amount of 12,277 thousand Euros, and a variable amount of a maximum of 486 thousand Euros. Subsequently, Mecanizados Norte Bravo, S.L, now named Teknia Ampuero, S.L. (Single-Member Company), increased its share capital by 2,000 thousand Euros, subscribed in full by the Company.

- A contribution of 359 thousand Euros was made to offset losses to Teknia R&D, S.L. (Single-Member Company) through partial offsetting of credit balance held by the Company.

During the financial year 2017, the following operations have been carried out:

- There has been an increase of capital in Teknia KG doo, Kragujevac (formerly Promotor IRVA), of 57,320,386 RSD, equivalent to 480,000 Euros and acquiring shares with a value of 75,000 Euros, which has increased the holding of the company to 100% of the share capital.

- There has been an increase of capital in Teknia San Luis de Potosi S.A. de C.V. (formerly Teknia Automotive Mexico), of 1,200,000 USD, equivalent to 1,128,668.17 Euros, which has increased the holding of the company to 97.59% of the share capital.

- The purchase of 100% of the shares of the Turkish company Teknia Gebzre Makine Sanayi VE Ticaret A.S. (Formerly USTUN MAKINE A.S.), for a total of 3,944 thousand Euros.

- The incorporation of the company Teknia Entidad de Gestión, S.L. (Single-Member Company) through the segregation of the branch of activity mentioned in Note 7.

- At the close of the financial year the company Teknia Japan GK had been incorporated, to which on that date the amount of 83.15 Euros had been contributed.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS

2.1. Legal framework of financial information and true and fair view

The Parent Company and all subsidiary companies have been consolidated with their Financial Statements on 31 December 2018 (on 31 December 2017 the previous year).

The Financial Statements of the Spanish companies that make up the consolidated Group have been obtained from the accounting records of the companies and are presented according to Spanish Royal Decree 1514/2007 which approves the General Chart of Accounts, and its subsequent amendments.

The framework of the financial information is also indicated in Note 2.7.

The Consolidated Annual Accounts are submitted in accordance with Royal Decree 1159/2010 of 17 September, which approves the Standards for the Formulation of Consolidated Financial Statements and modifies the General Chart of Accounts approved by Royal Decree 1514/2007, dated 16 November and the General Chart of Accounts for Small and Medium-sized Enterprises, approved by Royal Decree 1515/2007 dated 16 November, and show a true and fair view of the equity, financial position and results of the Group, and the veracity of the flows incorporated in the consolidated cash flow statement.

All the Companies have applied the generally accepted accounting principles when preparing the Financial Statements, and the information regarding all the Companies is comparable between them.

The attached Consolidated Financial Statements for the financial year 2018 have been prepared by the Board of Directors of the Parent Company and are those that shall be submitted for approval at the Shareholders' Meeting. It is expected that these will be approved with no amendments.

All the figures in these consolidated Financial Statements are presented in thousands of Euros, except when indicated otherwise in the notes.

2.2. Non-mandatory accounting principles applied

When preparing these consolidated Financial Statements, no non-mandatory accounting principles were applied.

2.3. Critical aspects of the valuation and estimate of uncertainties

When preparing the attached consolidated Financial Statements, estimates were used made by the Directors of the Parent Company to value some of the assets, liabilities, income, expenses and commitments recorded therein. They basically refer to:

- Valuation of the tangible and intangible fixed assets and their useful life.
- Valuation of financial instruments.
- Evaluation of the impairment of assets, including goodwill.
- Calculation of provisions
- Recoverability of tax credits

Despite the fact that these estimates have been made on the basis of the best information available at the end of the financial year 2018, it is possible that events that may occur in the future could oblige adjustment (upward or downward) in future financial years, which would be conducted in a prospective manner where applicable.

2.4. Comparison of information

The information related to 2017 contained in this report of the year 2018 is presented for comparison purposes.

The change in the composition of the Group is covered in Note 1.3 of this Report. These consolidated Financial Statements must be read taking this circumstance into account.

2.5. Grouping of items

Certain items in the consolidated balance sheet, the income statement, the statement of changes in equity and the cash flow statement may be presented together in order to facilitate comprehension, although, if the item is significant, the separated information has been presented in the relevant report notes. In particular, the receipts and payments from financial assets, as well as those payments and receipts relating to financial liabilities with a high-turnover rate, are reflected as net figures. The turnover rate is considered to be high when the period between the date of acquisition and the maturity date does not exceed six months.

2.6. Correction of errors

No significant errors have been found in the preparation of the consolidated financial statements that would have entailed the restatement of the amounts included in the consolidated financial statements for the financial year 2017.

2.7. Principles of consolidation

The Directors of the Parent Company have prepared these consolidated Financial Statements following all of the mandatory accounting principles. To do so, the following have been applied:

- The Commercial Code.
- The General Chart of Accounts, considering the Group as the accounting entity to which the accounts refer.
- The Royal Decree 1159/2010 of 17 September, which approves the Regulations for the Formulation of Consolidated Annual Accounts and modifies the General Chart of Accounts

- The Subsidiaries stated in Appendix I, which forms an integral part of this report, have been consolidated using the full consolidation method, adding the respective amount for each heading of the Subsidiaries to the balance sheet and income statement of the Parent Company.

- The Financial Statements of the Foreign Companies have been converted to Euros applying the closing exchange rate.

Global integration

- All the companies' financial statements include a full financial year, with the fiscal year-end at 31 December, 2018, with the exception of Mecanizados Norte Bravo, S.L.U. and its subsidiaries that were incorporated into the Group in mid-march 2018. Therefore the income statement for these companies reflects the period between the date of their incorporation into the Group and 31 December, 2018. (In the previous financial year, all the companies' financial statements included a full financial year with the fiscal year-end at 31 December, 2017, given that all company incorporations into the Group were made at the beginning of the financial year).

- All of the balances, transactions made, profits and losses due to operations between Group Companies that were not carried out outside of the same have been removed.

- The item external shareholders is included in the equity of the consolidated balance sheet, except for the amount to be classified as a liability (if agreements have been reached to deliver cash or other assets, which shall be presented in the balance sheet as financial liabilities).

- Whenever applicable, the part of the "reserves", "valuation adjustments" and "grants, donations and legacies received" that correspond to them shall be attributed to the external shareholders according to their equity holdings. Whenever applicable, the pending disbursements not required on the shares of external shareholders have been deducted.

3. RECOGNITION AND VALUATION STANDARDS

The principal recognition and valuation standards used by the Group when preparing these consolidated Financial Statements, in accordance with those established by the General Chart of Accounts, were the following:

3.1. Standardisation of items

Temporary standardisation:

All the Group companies have been consolidated with their Financial Statements as of 31 December 2018.

When a company becomes a Group company or is no longer a Group company, the individual income statement, the statement of changes in equity and the cash flow statement included in the consolidation only refers to the period of the financial year when said company formed part of the Group.

In the financial year 2018, this is the case for the companies Mecanizados Norte Bravo, S.L.U., Técnicos en la Alta Producción, S.A. de C.V. and Mecanor Rumanía, S.R.L. In the financial year 2017, the acquisition of the company USTUN MAKINE A.S (now named Teknia Gebze Makine Sanayi VE Ticaret A.S.) was completed on 11 January 2017, hence the entire income statement has been consolidated as the transactions carried out by this company during the period, when it was not part of the Group, were not significant.

Valuation standardisation

The elements of the consolidated financial statements have been valued following uniform methods, according to the Commerce Code, the General Chart of Accounts and other applicable laws and regulations, performing the necessary adjustments for standardisation in the cases that any consolidated company has valued an element according to methods that are not the same as those applied in the consolidation and provided that the effect of applying this method is significant.

Standardisation due to internal operations:

When the amounts of the items derived from internal transactions do not coincide, or a transaction has not been recorded, the Group makes the relevant adjustments to then carry out the eliminations required.

Standardisation for aggregation:

The Group has made the necessary reclassifications to adapt the structure of the financial position of the subsidiary companies that did not match with the structure of the consolidated Financial Statements.

3.2. Intangible fixed assets, except for goodwill

The intangible fixed assets were initially valued at acquisition price or production cost. They have subsequently been valued at cost reduced according to the respective amortisation reserve. These assets are amortised depending on their estimated useful life.

IT applications:

In this account the Group records the costs incurred in the acquisition and development of computer software. This amount is depreciated, on a straight-line basis, considering a period of no longer than five years. The maintenance costs of computer applications are registered in the income statement of the financial period in which they are incurred.

Research and development expenses:

The Group follows the criteria of recording research expenses incurred during the financial year in the income statement. Regarding development expenses, these are recognised in assets when the following conditions are met:

- They are specifically broken down by project and their cost can be established clearly
- There are sound reasons to believe in the technical success and economic and commercial profitability of the project

The assets generated in that way are amortised on a straight-line basis throughout their useful life (a period of no longer than 5 years).

If there are any doubts about technical success or economic profitability of the project, then the amounts recorded in the asset are directly attributed to the consolidated income statement for the financial year.

Industrial property:

Under this account the amounts paid for the acquisition of ownership or the right to use the related items, or for the expenses incurred in registration of the rights developed by the Group are recorded.

3.3. Tangible fixed assets

The Group initially values tangible fixed assets at their acquisition or production cost and this is then reduced by the corresponding amortisation reserve and impairment losses, if any.

The maintenance and conservation expenses for the various elements that comprise the tangible fixed assets are recorded in the income statement of the financial year in which they are incurred. Conversely, the amounts invested in improvements that contribute to increasing the capacity or efficiency or to extend the useful life of these goods are recorded as an increase in their cost.

The Group amortises tangible fixed assets on a straight-line basis, applying annual amortisation percentages calculated depending on the estimated years of useful life of the respective goods, according to the following breakdown:

	Factors
Buildings	2.5% - 4%
Machinery	6% - 30%
Tooling	6% - 35%
Other fixtures, tools and furniture	8% - 33%
Computer hardware	5% - 35%
Transport equipment	12.5% - 33%

The calculation of property depreciation takes into account the work shifts of the different assets, as well as whether they are new or used, therefore for some facilities and machinery the percentage may reach 30%, although these are not material figures.

The Group will register the value adjustment for impairment of intangible fixed assets and materials provided that there are signs of lost value that reduce the recoverable value of said assets to an amount inferior to its book value.

3.4. Leases

Operating leases

The expenses derived from the operating lease agreements are attributed to the income statement in the financial year in which they are accrued.

Financial leasing

In financial leasing operations in which the Group acts as the lessee, the cost of the assets leased is shown in the consolidated balance sheet according to the nature of the goods featured in the contract and, simultaneously, as a liability for the same amount. This amount shall be the lower of the fair value of the goods leased and their current value upon starting the lease of the minimum quantities agreed, including the option to buy, when there is no reasonable doubt that the option will be exercised. This calculation does not include any contingent lease payments, costs for services and taxes to be paid by and reimbursed to the lessor. The total financial burden of the contract is recorded in the income statement of the financial year in which it was accrued, applying the effective interest rate method. These contingent lease payments are acknowledged as expenditures for the financial year in which they were incurred.

The assets recorded for this type of operation are depreciated according to criteria similar to those applied to tangible assets as a whole, in view of their nature.

3.5. Financial instruments

3.5.1 Financial assets

The financial assets held by the Group are classified by the following categories:

- Loans and receivables

  Financial assets originating from the sale of goods or services rendered in the course of the company's business, or those that are not of commercial origin, are neither equity instruments nor derivatives and whose collection is a fixed or determined amount and are not negotiated in an active market.

Initial valuation

Financial assets are initially recorded at the fair value of the cost paid plus the transaction costs that are directly attributable.

Subsequent valuation

They are subsequently valued at their amortised cost if the term exceeds one year and the relevant adjustment is material.

Calculation of the impairment

At least at year-end the Group performs an impairment test for the financial assets that are not recorded at fair value if there is objective evidence of impairment. It is deemed that there is objective evidence of impairment if the recoverable value of the financial asset is lower than its book value. When this occurs, this impairment is recorded in the consolidated income statement.

In particular, with respect to the value adjustments related to trade and other receivables, the criteria used by the Group to calculate the corresponding value adjustments is estimated based on an individual analysis of the age of the debt and the financial position of the debtor.

De-recognition of financial assets

The Group derecognises financial assets when they expire or when the rights to the cash flow of the corresponding financial asset have been transferred and the risks and benefits inherent to the property have been substantially transferred, such as in the sale of assets, transfer of commercial credits in "factoring" operations where the company does not retain any credit or interest risk, sale of financial assets with a repurchase pact for its fair value or securitisation of financial assets where the transferring company does not retain subordinate financing or transfer any type of guarantee or assume any other type of risk.

Conversely, the Group does not write off financial assets, and recognises a financial liability in an equal amount to the amount of the consideration received, where the Group substantially retains all the risks and rewards of ownership of the asset, as in the case of draft discounting facilities, recourse factoring, the sale of financial assets in relation to which a repurchase agreement is entered into at a fixed price or at the sale price plus interest, and the securitisation of financial assets in which the assignor retains subordinated financing or other kinds of guarantees that substantially cover all of the projected losses.

3.5.2 Financial liabilities

The financial liabilities held by the Group are classified by the following category:

- Debts and payables

  Financial liabilities from the purchase of goods and services in the normal course of the company's business, and also those with a non-commercial origin, that cannot be regarded as derivative financial instruments.

Initial valuation

Their initial valuation is performed at the fair cost of the payment received, adjusted by the transaction costs that are directly attributable.

Subsequent valuation

It is subsequently valued at its amortised cost. Notwithstanding the foregoing, debits for commercial transactions with a maturity of no more than one year, or payments required by third parties for participations, where the amounts are expected to be received in the short-term, will be valued at their nominal value when the effect of not updating the cash flows is not significant.

De-recognition of financial liabilities

The Group writes off financial liabilities when the obligations generated are terminated.

3.6. Transactions in foreign currency

The functional currency used by the Group is the Euro. In consequence, the operations in currencies other than the Euro are considered to be in foreign currency.

In this regard, the Spanish companies that at year-end have monetary assets and liabilities in foreign currency are converted by application of the exchange rate in force as at the date of the balance sheet. The profits or losses demonstrated are directly attributed to the income statement for the financial year in which they occur.

On the other hand, the financial statements of the foreign companies whose functional currency is not the Euro, as previously indicated, have been converted to the Euro by application of the exchange rate in force at year-end.

3.7. Profit taxes

Expense or income due to profit tax includes the portion related to expense or income due to current tax and the portion corresponding to the expense or income due to deferred tax.

Current taxes is the amount that the Group's companies pay in concept of profit taxes related to a financial year. Tax deductions and other tax benefits, excluding taxes withheld and advance payments, and tax losses that can be offset from previous financial years and effectively applied during this year, lead to a lower amount for current taxes.

Deferred taxes income or expenses correspond to the recognition and cancellation of the deferred tax assets and liabilities. These include temporary differences that are identified as the amounts that are expected to be paid or recoverable derived from the differences between the book amounts of the assets and liabilities and their tax value, as well as the negative taxable base pending payment and the credits for tax deductions that have not been applied.

These amounts are recorded applying to the relevant temporary difference or credit the tax rates that are expected to apply when the asset is to be recovered or liquidated.

Deferred tax liabilities are recognised for all taxable temporary differences, except those resulting from an initial recognition of goodwill or other assets and liabilities in a transaction that does not affect either the tax or accounting results.

Deferred tax assets are only recognised if it is considered likely that each Group company shall have sufficient taxable profits in the future against which the deferred tax assets can be utilised in a period no longer than 10 years.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits in a period no longer than 10 years.

3.8. Income and expenses

Income and expenditure are recorded on an accruals basis, i.e. in the period in which the income or expense deriving from the goods or services in question is earned or incurred rather than when the resulting monetary or financial flow takes place. This income is valued at the fair value of the consideration received, after deduction of discounts and taxes.

Revenue associated with the rendering of services is recognised by reference to the stage of completion of the transaction on the date of the consolidated balance sheet, provided that the outcome of the transaction can be estimated reliably.

3.9. Assets and liabilities of an environmental nature

Environmental assets are considered to be goods used on a lasting basis in the Group's operations, whose main purpose is to minimise the impact on the environment and to protect and improve the environment, including the reduction or eradication of future contamination.

3.10. Severance payments

In accordance with the current legislation, the Group is compelled to pay compensation to its employees with whom, under certain conditions, its labour relations are to be terminated. Therefore, the severance payments subject to reasonable quantification are recorded as an expense in the financial year in which the decision to implement the dismissal is adopted.

3.11. Subsidies

For the accounting of subsidies, donations and legacies received, the Group follows these criteria:

Non-refundable capital grants, donations and legacies:

These are measured at the fair value of the amount or the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss, except for grants received from shareholders or owners, which are recognised directly in equity and do not give rise to the recognition of any income.

Refundable subsidies:

While they are refundable, they are recognised as a liability.

Operating subsidies:

They are credited to results at the time they are granted except if they are used to fund operational losses in future financial years, in which case they are to be recorded in these financial years. If they are granted to fund specific expenses, they shall be recorded as the expenses are accrued.

3.12. Transactions with related parties

Group companies are understood to be companies that are linked by a direct or indirect controlling relationship according to the provisions of article 42 of the Commercial Code for groups of companies, or when the companies are controlled in any way by one or more natural or legal persons that act jointly or are under the same management as per resolutions or clauses of company articles. Related parties are understood to be those defined in rule 15 for reporting Financial Statements of the General Chart of Accounts of 2007 and in article 83 of Royal Decree 1159/2010 dated 17 September, which approves consolidation regulations.

The Group performs all its transactions with related parties at market prices.

3.13. Provisions and contingencies

Provisions are credit balances that cover current liabilities arising from past events, whose cancellation shall probably cause a loss of resources, but that shall be uncertain in terms of their amount and/or moment of cancellation. Contingent liabilities are possible liabilities that arise from past events and whose existence is conditioned to the occurrence or non-occurrence of one or more future events beyond the control of the each company.

The consolidated Financial Statements include all the provisions for which it is considered that it is more likely than not that the liability shall have to be settled. Contingent liabilities are not recognised in the consolidated Financial Statements, but are mentioned in the report notes, up to the extent to which they are not considered to be remote.

Provisions are valued at their current value of the best possible estimate of the amount needed to cancel or transfer the liability, taking into account the information available on the event and its consequences, and registering the adjustments that may arise due to the update of these provisions as financial expenses as they are accrued.

3.14. Pension liabilities

<u>Defined benefit plans</u>

Plans that are not defined contribution schemes are treated as defined benefit plans. Generally, these defined benefit plans establish the amount employees shall receive when they retire, normally depending on one or more factors such as age, years of service and salary.

The Group recognises a provision in the consolidated balance sheet with respect to the defined benefit plans for the difference between the current value of the contracted remuneration and the fair value of the possible assets subject to the commitments with which the liabilities shall be settled, reduced, whenever applicable, by the amount of the costs due to past services not yet recognised.

If an asset arises from the above difference, its value cannot exceed the current value of the benefits that may be returned to the Group in the form of direct reimbursement or smaller future contributions, plus, whenever applicable, the part still to be attributed to the results of costs due to past services. Any adjustment that the Group has to make due to this limit in the valuation of the asset is directly attributed to net equity, and recognised as reserves.

The total current value of the obligation has been calculated using actuarial methods and actuarial and financial hypotheses.

Certain foreign companies, based on their national legislation, are obliged to make certain payments to their staff once they stop providing their services (Note 16.1)

Any variation in the calculation of the current value of the contracted remuneration or, whenever applicable, of the affected assets, arising from post-employment plans, at year-end, due to actuarial profits and losses are recognised in the financial year in which they arise, directly in the net equity as reserves. The variations produced in the long term employee benefit plans are recognised in the financial year in which they arise, directly in the consolidated income statement. To this end, the profits and losses are exclusively the variations that arise due to changes in the actuarial hypotheses or adjustments due to the practice.

The costs due to past services are immediately recognised in the consolidated profit and loss account, except when the rights can be revoked, in which case they are recognised in the consolidated profit and loss account on a straight-line basis for the remainder of the period until they can no longer be revoked. Nevertheless, if an asset arises, the revocable rights are recognised in the consolidated profit and loss account immediately, except when a decrease may occur in the current value of the benefits that may be returned to the Group in the form of direct reimbursement or smaller future contributions, in which case the excess above this reduction is immediately attributed to the consolidated profit and loss account.

3.15. Goodwill and negative consolidation difference

In compliance with rule 2 of Article 46 of the Code of Commerce, the difference between the book value of the equity interest in the subsidiary and the value attributable to this equity interest in the fair value of the assets acquired and liabilities undertaken, according to Accounting and Measurement Rule 19, is recognised, if positive, as consolidated goodwill. In the unlikely event that it is negative, it is recorded as revenue of the financial year in the consolidated income statement.

The assets and liabilities of the companies acquired in the business combinations that were already in the Group are valued at the amount for which they appear in the consolidated Financial Statements and those acquired from third parties independent of the Group for their fair value, valuing the assets and liabilities acquired within a one year period as from their acquisition.

In accordance with the Royal Decree 602/2016, of 2 December, whereby the General Chart of Accounts is modified, the General Chart of Accounts for SMEs and the Rules for the Preparation of the Consolidated Financial Statements, the Goodwill shall be valued at the purchase cost minus accumulated amortisation, and, as the case may be, the aggregated amount of the value adjustments due to impairment recognised in accordance with the criteria set forth in the rule of registration and valuation no. 6 Specific Rules for Intangible Fixed Assets of the General Chart of Accounts.

The Group considers that the Goodwill has a useful life of 10 years, and its recovery occurs on a straight line basis.

3.16. Information by sectors

Operating sectors are the sectors of the Group that perform activities from which income is obtained and where costs are incurred, whose result is the subject of regular revision, discussion and evaluation, by the maximum authority in the process of decision-making in the entity. For this purpose, the Board of Directors of the Group's Parent Company is considered the maximum authority.

The sectors designated as such are:

- The automotive sector in general (industrial division), Teknia Automotive.
- Research and development, activities begun in the financial year 2010, Teknia Technologies.

These sectors are the two sectors used by the Directors of the Parent Company for studies, analyses and decision-making performed for the Group.

3.17. Inventories

Inventories are measured at the lower of the acquisition price, production cost or net realisable value. Trade discounts, rebates, other similar items and interest included in the face value of the related payables are deducted in determining the costs of purchase.

Production cost includes the costs of direct materials and, where applicable, direct workforce and production overheads.

Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The Company recognises the relevant value adjustments as an expense in the income statement when the net realisable value of the inventories is lower than the acquisition price or production cost.

3.18 Business combinations

The business combinations carried out in the financial year were the merger by absorption of two Group companies (Teknia Bilbao XXI, S.L. (Single-Member Company) and Teknia Montmeló, S.L. (Single-Member Company)), accounted for in the first (acquiring company) consolidated value, which has not affected the consolidated group, and the acquisition of shares in Mecanizados Norte Bravo, S.L. by Teknia Manufacturing Group, S.L. (Single-Member Company).

In their individual income statements, Teknia Manufacturing Group, S.L. (Single-Member Company) valued the inversion in shares of Mecanizados Norte Bravo, S.L. in accordance with section 2.5 of rule 9 of the General Chart of Accounts, relating to financial instruments.

Note 6 of this consolidated report includes the valuation of the assets acquired and the liabilities assumed in this business combination to which the acquisition method set out in the 19th Valuation Standard for business combinations of the General Chart of Accounts has been applied in the consolidated income statement.

4. CONSOLIDATED GOODWILL

The breakdown of this section in the financial year is as follows, expressed in thousands of Euros:

	31/12/2017	Exchange rate differences	Additions	Derecognitions	31/12/2018
COST					
Teknia Bilbao XXI, S.L.U.	1,169	-	-	-	1,169
Teknia USA Inc (and subsidiary Teknia Nashville, L.L.C.)	4,157	164	1,111	-	5,432
Teknia Polska Sp. z o.o. and its subsidiaries	365	-	-	-	365
Mexico City, S.A. de C.V.	961	-	-	-	961
Teknia Gebze Makine Sanayi VE Ticaret A.S.	2,933	-	-	-	2,933
Teknia Ampuero, S.L.U. (formerly Mecanizados Norte Bravo, S.L.)	-	-	5,959	-	5,959
	9,585	**164**	**7,070**	**-**	**16,819**
AMORTISATION					
Teknia Bilbao XXI, S.L.U.	(234)	-	(117)	-	(351)
Teknia USA Inc (and subsidiary Teknia Nashville, L.L.C.)	(691)	-	(732)	-	(1,423)
Teknia Polska Sp. z o.o. and its subsidiaries	(73)	-	(36)	-	(109)
Mexico City, S.A. de C.V.	(193)	-	(96)	-	(289)
Teknia Gebze Makine Sanayi VE Ticaret A.S.	(293)	-	(293)	-	(586)
Teknia Ampuero, S.L.U. (formerly Mecanizados Norte Bravo, S.L.)	-	-	(497)	-	(497)
	(1,484)	**-**	**(1,771)**	**-**	**(3,255)**
NET	**8,101**	**164**	**5,299**	**-**	**13,564**

The breakdown of this section in the financial year 2017 is as follows, expressed in thousands of Euros:

	01/01/2017	Exchange rate differences	Additions	Derecognitions	31/12/2017
COST					
Teknia Bilbao XXI, S.L.U.	1,169	-	-	-	1,169
Teknia Nashville, L.L.C.	4,730	(573)	-	-	4,157
Teknia Polska Sp. z o.o. and its subsidiaries	365	-	-	-	365
Mexico City, S.A. de C.V.	961	-	-	-	961
Teknia Gebze Makine Sanayi VE Ticaret A.S.	-	-	2,933	-	2,933
	7,225	**(573)**	**2,933**	**-**	**9,585**
AMORTISATION					
Teknia Bilbao XXI, S.L.U.	(117)	-	(117)	-	(234)
Teknia Nashville, L.L.C.	(315)	39	(415)	-	(691)
Teknia Polska Sp. z o.o. and its subsidiaries	(36)	-	(37)	-	(73)
Mexico City, S.A. de C.V.	(96)	-	(97)	-	(193)
Teknia Gebze Makine Sanayi VE Ticaret A.S.	-	-	(293)	-	(293)
	(564)	**39**	**(959)**	**-**	**(1,484)**
NET	**6,661**	**(534)**	**1,974**	**-**	**8,101**

The Parent Company performs an impairment test on the goodwill account, through the valuation of the company that generated it, based on the expected future cash flow. The annual updating rate applied is between 8% and 11.6%. This amount is compared to the net equity of the company and if the difference is greater, it is considered that the goodwill account is not depreciated.

In the financial year 2018, the purchase price of Mecanizados Norte Bravo S.L. (now named Teknia Ampuero, S.L. (Single-Member Company) and its subsidiaries was set by independent appraisers, with the values allocated to the recognised assets and liabilities additional to those registered by the acquired company and its subsidiaries amounting to 3,017 thousand Euros. Goodwill amounted to 5,959 thousand Euros. The only recognised intangible asset other than the goodwill was IT applications of 10 thousand Euros.

In the financial year 2017, the purchase price of Tecknia Gebze Makine Sanayi VE Ticaret, A.S. was set by external appraisers, with the values allocated to the recognised assets and liabilities additional to those registered by the acquired company amounting to 451 thousand Euros (4,380 thousand TRY). Goodwill amounted to 2,933 thousand Euros. No intangible assets other than the goodwill have been recognised.

In the financial year 2018 Teknia Hashville, LLC recorded the correction of the accounting of deferred tax liabilities derived from their purchase by Teknia USA, Inc. This meant an increase of 1,111 thousand Euros in goodwill and deferred tax liabilities. This adjustment does not significantly impact the Group's consolidated financial statement.

5. EXTERNAL SHAREHOLDERS

The transactions in this section in the financial year are as follows:

(thousands of Euros)	2018	2017
Opening balance	**65**	**164**
Due to capital percentage variations and exchange rate differences	6	(69)
Profit and loss of the financial year attributed to external shareholders	(3)	(30)
Closing balance	**68**	**65**

The breakdown by company is as follows, in thousands of Euros:

Financial year 2018

	Capital, reserves and valuation adjustments	Result	Total
Teknia San Luis Potosí, S.A. de C.V.	71	(3)	68
	71	**(3)**	**68**

Financial year 2017

	Capital, reserves and valuation adjustments	Result	Total
Teknia San Luis Potosí, S.A. de C.V.	95	(30)	65
	95	**(30)**	**65**

6. BUSINESS COMBINATIONS

During financial years 2018 and 2017, shares were acquired in companies in which no shares had previously been held. The most significant details of these transactions are set out below:

Financial year 2018

During this financial year 100% of the shares in the Spanish company Mecanizados Norte Bravo, S.L. were purchased, which, as previously mentioned, owns the companies Técnicos en la Alta Producción, SA. de C.V. and Mecanor Rumanía, S.R.L., meaning that Group Teknia holds 100% of the capital shares of these three companies. The price consists of a fixed amount of 12,277 thousand Euros, and a variable amount of a maximum of 486 thousand Euros.

The most relevant data regarding this acquisition are the following:

Date of acquisition: 22 March 2018

The amount of the assets and liabilities identified in the combination of business is as follows:

	Amounts expressed in thousands of Euros
ASSETS	
Cash and bank balances	2,277
Accounts receivable	4,953
Inventories	8,603
Accrual adjustments	779
Financial investments	332
Deferred tax assets	2,205
Net fixed assets	18,250
LIABILITIES	
Debts with financial institutions	(7,674)
Financial leasing	(1,277)
Other financial liabilities	(7,927)
Accounts payable	(12,056)
Deferred taxes	(1,367)
Provisions	(780)
NET TOTAL ASSETS AND LIABILITIES	6,318
Price paid	(12,277)
Goodwill	5,959

The principal reason for this acquisition was the incorporation of injection and machining technology for aluminium parts, which opens new opportunities for growth for Teknia, both in markets where it already operates and potential new markets.

During the financial year 2018, since its acquisition, this incorporation has generated income for the Group of 40,682 thousand Euros through sales and 1,779 thousand Euros through results. If the transaction had been carried out at the beginning of the financial year, the income would have amounted to 48,535 thousand Euros and 2,496 thousand Euros in results.

Financial year 2017

In financial year 2017, 100% of the Turkish company USTUN MAKINE A.S., were acquired for the total amount of 3,944 thousand Euros (subsequently called Teknia Gebze Makine Sanayi VE Ticaret Anonim Sirketin).

The most relevant data regarding this acquisition are the following:

Date of acquisition: 11 January 2017

The amount of the assets and liabilities identified in the combination of business is as follows:

ASSETS	Amounts expressed in thousands of Euros
Cash and bank balances	677
Accounts receivable	414
Inventories	126
Accrual adjustments	28
Net fixed assets	1,061
LIABILITIES	
Debts with financial institutions	(503)
Accounts payable	(702)
Deferred taxes	(90)
Net total assets and liabilities	1,011
Price paid	(3,944)
Goodwill	2,933

The principal reason for this acquisition was the entry in the Turkish automotive market to carry out projects in that country that had already been secured, as well as other strategic products and customers with whom the Group intended to gain market share.

During the financial year 2017, since its acquisition, this incorporation has generated income for the Group of 3,422 thousand Euros through sales and 62 thousand Euros through results. The incorporation took place at the beginning of the 2017 financial year.

Throughout recent financial years, several merger operations between Group companies have been carried out aimed at the re-organisation of the Group. The most important information regarding these operations, beginning mainly in 2010, can be found in the consolidated Financial Statements of the financial years in which these operations took place.

- Merger by take-over of the company Industrial J. Gispert S.A.U. by Teknia Manresa, S.L.
- Merger by takeover of the company Construcciones Mecánicas Croli, S.A. by Teknia Barcelona, S.L.U.
- Merger by takeover of the company Teknia Dej, S.L.U. by Teknia Elorrio, S.L.U.
- Merger by takeover of the company Acabados Plásticos, S.L. by Teknia Martos, S.L.U.
- Merger by takeover of the company Sociedad Fegomi, S.L. by Teknia Martos, S.L.U.
- Merger by takeover of the company Segove Cataluña, S.L.U by the company Teknia Barcelona, S.L.U.
- De-merger of Teknia Manufacturing Group, S.L.U. in favour of Teknia Entidad de Gestión, S.L.U.
- Merger by takeover of the company Teknia Montmeló, S.L.U by the company Teknia Bilbao XXI, S.L.U.

7. MERGER AND DE-MERGER PROCESSES WITHIN THE GROUP

In addition to the business combinations in Note 6 above, throughout the years other operations have been carried out within the Group which, although not affecting the information on the same, are detailed below with regards to the financial years 2018 and 2017:

Financial year 2018

In financial year 2018, the Sole Member of Teknia Bilbao XXI, S.L. (Single-Member Company) approved the merger by takeover of the companies Teknia Bilbao XXI, S.L. (Single-Member Company) (acquiring company) and Teknia Montmeló S.L., (Single-Member Company) (acquired company), with dissolution and termination, without liquidation of the acquired company and contribution of all its assets to the acquiring company, thereby taking on ownership of all rights and obligations. The acquiring company does not proceed with any share swap transactions given that both companies are wholly owned by the same common shareholder. The merger takes effect on 1 January, 2018, in accordance with accounting regulations, since the companies belong to the same Group.

The deed of merger states that the special tax regime provided for in Chapter VII of Title VI of the Regional Law 11/2013 of 5 December on Corporate Income Tax is included within the same. The acceptance of this tax regime was agreed by Sole Member decision, whose agreements have been notarised.

All of the information required by tax regulations is detailed in the relevant Reports in respect of the annual accounts posted on 31 December, 2018 of the company Teknia Bilbao XXI, S.L. (Single-Member Company).

Financial year 2017

In financial year 2017, the Sole Member of Teknia Manufacturing Group, S.L. (Single-Member Company) (segregated company) agreed to approve the segregation of assets (due to the absence of liabilities) that made up the branch of activity for the provision of management services to the subsidiary companies.

This branch of activity, which formed part of an autonomous economic unit in financial year 2017, was valued at 152,672.46 Euros and transferred in block from the segregated company to Teknia Entidad de Gestión, S.L. (Single-Member Company) (beneficiary company).

All of the information related to this transaction is detailed in the abbreviated annual accounts corresponding to the financial year ended 31 December, 2017 of the company Teknia Entidad de Gestión, S.L. (Single-Member Company).

8. TANGIBLE FIXED ASSETS

The movement of the tangible fixed assets in financial year 2018 is the following, in thousands of Euros:

	Land and buildings	Technical installations and other tangible fixed assets	Fixed assets in process and advances made	TOTAL
GROSS OPENING BALANCE, FINANCIAL YEAR 2018	**31,515**	**175,543**	**4,791**	**211,849**
(+) Acquisitions	232	16,359	3,778	20,369
(+) Entries in the consolidation scope	5,045	49,986	75	55,106
(-) Disposals, derecognitions or reductions	(11,913)	(4,383)	(127)	(16,423)
(-/+) Exchange rate differences	(240)	(1,058)	76	(1,222)
(- / +) Transfers to/from other items	1,463	2,437	(4,184)	(284)
(+) Other transactions				-
GROSS CLOSING BALANCE, FINANCIAL YEAR 2018	**26,102**	**238,884**	**4,409**	**269,395**
ACCUMULATED AMORTISATION, OPENING BALANCE FINANCIAL YEAR 2018	**(6,504)**	**(126,253)**	**-**	**(132,757)**
(+) Allocations to amortisation in the financial year	(929)	(12,942)	-	(13,871)
(+) Entries in the consolidation scope	(1,872)	(35,972)	-	(37,844)
(+) Disposals, derecognitions or reductions	1,459	3,510	-	4,969
(-/+) Exchange rate differences	46	635	-	681
(- / +) Transfers to/from other items		23	-	23
(+) Other transactions				-
ACCUMULATED AMORTISATION, CLOSING BALANCE FINANCIAL YEAR 2018	**(7,800)**	**(170,999)**	**-**	**(178,799)**
IMPAIRMENT GROSS OPENING BALANCE, FINANCIAL YEAR 2018	**-**	**(109)**	**-**	**(109)**
(+) Allocations in the financial year	-	-	-	-
(+) Disposals, derecognitions or reductions	-	13	-	13
IMPAIRMENT GROSS OPENING BALANCE, FINANCIAL YEAR 2018	**-**	**(96)**	**-**	**(96)**
NET 2018	**18,302**	**67,789**	**4,409**	**90,500**

The movement of tangible fixed assets in the financial year 2017 was the following, in thousands of Euros:

	Land and buildings	Technical installations and other tangible fixed assets	Fixed assets in process and advances made	TOTAL
GROSS OPENING BALANCE, FINANCIAL YEAR 2017	**30,949**	**170,836**	**1,276**	**203,061**
(+) Acquisitions	756	10,334	5,424	16,514
(+) Entries in the consolidation scope	-	1,458	27	1,485
(-) Disposals, derecognitions or reductions	(566)	(7,659)	(8)	(8,233)
(-/+) Exchange rate differences	661	(1,313)	(48)	(700)
(- / +) Transfers to/from other items	(285)	1,856	(1,880)	(309)
(+) Other transactions	-	31	-	31
GROSS CLOSING BALANCE, FINANCIAL YEAR 2017	**31,515**	**175,543**	**4,791**	**211,849**
ACCUMULATED AMORTISATION, OPENING BALANCE FINANCIAL YEAR 2017	**(6,004)**	**(122,903)**	**-**	**(128,907)**
(+) Allocations to amortisation in the financial year	(877)	(9,360)	-	(10,237)
(+) Entries in the consolidation scope	-	(424)	-	(424)
(+) Disposals, derecognitions or reductions	566	6,563	-	7,129
(-/+) Exchange rate differences	(189)	(98)		(287)
(- / +) Transfers to/from other items	-	-	-	-
(+) Other transactions	-	(31)	-	(31)
ACCUMULATED AMORTISATION, CLOSING BALANCE FINANCIAL YEAR 2017	**(6,504)**	**(126,253)**	**-**	**(132,757)**
IMPAIRMENT GROSS OPENING BALANCE, FINANCIAL YEAR 2017	**-**	**-**	**-**	**-**
(+) Allocations in the financial year	-	(109)	-	(109)
(+) Disposals, derecognitions or reductions	-	-	-	-
IMPAIRMENT GROSS OPENING BALANCE, FINANCIAL YEAR 2017	**-**	**(109)**	**-**	**(109)**
NET 2017	**25,011**	**49,181**	**4,791**	**78,983**

Properties

All Group companies carry out their activities in leased properties with the exception of Teknia Epila, S.L.U., Teknia Uhersky Brod, AS and Componentes de Automoción Marroquíes SARL.

The company Teknia Nashville, LLC carries out its activity in premises leased from Teknia USA, Inc.

Guarantees provided

Various Group companies have provided mortgages and other guarantees that have been described in note 19.1 of this Report.

Other information regarding tangible fixed assets

(thousands of Euros)	**2018**	**2017**
Amortised elements in use (cost)	**115,970**	**92,417**
Land and buildings, separation of values		
- Land	3,505	3,171
- Buildings costs	22,389	28,344
- Buildings/Amortisation	(7,592)	(6,504)
Net totals	**18,302**	**25,011**
Fixed assets outside Spanish territory (net amount)	**59,373**	**61,305**
Results from divestment of fixed assets	**2,255**	**520**

Fixed assets located outside Spanish territory correspond to those held by foreign companies and their composition is as follows:

	2018		2017	
	Land and buildings	Other fixed assets	Land and buildings	Other fixed assets
Cost	19,550	94,152	27,566	70,463
Amortization	(4,515)	(49,718)	(3,882)	(32,746)
Impairment	-	(96)	-	(96)
	15,035	44,338	23,684	37,621

At year-end, there were firm commitments to purchase tangible fixed assets for an approximate amount of 1,044 thousand Euros. At the same date there were no firm commitments to sell tangible fixed assets.

The Group's policy is to contract insurance policies that cover all Group companies against any potential risks to which their different tangible fixed assets are exposed.

9. RESEARCH EXPENDITURES AND OTHER INTANGIBLE ASSETS

The movements in this section in the financial year 2018were the following, in thousands of Euros:

	R&D costs	Patents, licenses, brands and similar	IT applications	Other intangible fixed assets	Advances and intangible fixed assets in progress	TOTAL
GROSS OPENING BALANCE, FINANCIAL YEAR 2018	**4,410**	**423**	**5,345**	**1,381**	**14**	**11,573**
(+) Additions	166	-	806	105	35	1,112
(+/-) Transfers	-	-	(27)	269	25	267
(-) Disposals, derecognitions or reductions	(1,246)	(6)	(4)	-	-	(1,256)
(+) Entries in the scope	7,403	6	600	-	-	8,009
(-) Exchange rate differences	-	(7)	(63)	(31)	-	(101)
GROSS CLOSING BALANCE, FINANCIAL YEAR 2018	**10,733**	**416**	**6,657**	**1,724**	**74**	**19,604**
ACCUMULATED AMORTISATION, OPENING BALANCE FINANCIAL YEAR 2018	**(4,123)**	**(418)**	**(2,857)**	**(818)**	**-**	**(8,216)**
(+) Allocations to amortisation in the financial year	(878)	-	(799)	(170)	-	(1,847)
(+/-) Transfers				(23)		(23)
(+) Disposals, derecognitions or reductions	1,005	-	1	-	-	1,006
(+) Entries in the scope	(6,524)	-	(498)	-	-	(7,022)
(-) Exchange rate differences	-	2	6	17	-	25
ACCUMULATED AMORTISATION, CLOSING BALANCE FINANCIAL YEAR 2018	**(10,520)**	**(416)**	**(4,147)**	**(994)**	**-**	**(16,077)**
NET 2018	**213**	**-**	**2,510**	**730**	**74**	**3,527**

The movements in this section in the financial year 2017 were the following, in thousands of Euros:

	R&D costs	Patents, licenses, brands and similar	IT applications	Other intangible fixed assets	Advances and intangible fixed assets in progress	TOTAL
GROSS OPENING BALANCE, FINANCIAL YEAR 2017	**4,123**	**410**	**4,557**	**1,106**	**239**	**10,435**
(+) Additions	287		833	75		1,195
(+/-) Transfers			15	224	(239)	-
(-) Disposals, derecognitions or reductions			(21)	(65)		(86)
(-) Exchange rate differences		13	(39)	41	14	29
GROSS CLOSING BALANCE, FINANCIAL YEAR 2017	**4,410**	**423**	**5,345**	**1,381**	**14**	**11,573**
ACCUMULATED AMORTISATION, OPENING BALANCE FINANCIAL YEAR 2017	**(4,123)**	**(405)**	**(2,301)**	**(696)**	**-**	**(7,525)**
(+) Allocations to amortisation in the financial year	-	-	(543)	(167)		(710)
(+) Disposals, derecognitions or reductions	-	-	10	65		75
(-) Exchange rate differences	-	(13)	(23)	(20)		(56)
ACCUMULATED AMORTISATION, CLOSING BALANCE FINANCIAL YEAR 2017	**(4,123)**	**(418)**	**(2,857)**	**(818)**	**-**	**(8,216)**
NET 2017	**287**	**5**	**2,488**	**563**	**14**	**3,357**

Fully amortised elements

The Group has intangible fixed assets that were fully depreciated, including R&D expenditure, as at 31 December 2018, amounting to 13,356 thousand Euros (6,423 thousand Euros in 2017).

Investments abroad

The intangible fixed assets that at 2018 year-end belonged to foreign companies amount to 1,694 thousand Euros (1,452 thousand Euros in the previous year).

10. LEASES

10.1. Operating leases

In the position of lessee, the consolidated income statement records expenses due to the leasing of property and machinery, where the main contracts are the following:

Company	Lessor	Annual amount		Term	
		2018	2017	2018	2017
Teknia Entidad de Gestión S.L.U.	Third parties	(63)	(60)	2021	2018
Teknia Elorrio, S.L.U.	Clomi, S.L.	(179)	(177)	2022	2022
Teknia Pedrola, S.L.U.	Clomi, S.L.	(198)	(196)	2020	2021
Teknia Barcelona, S.L.U.	Third parties	(278)	(275)	2026	2026
Teknia Martos, S.L.U.	Third parties	(274)	(266)	Extendible annually	Extendible annually
Teknia Azuqueca, S.L.U.	Clomi, S.L.	(397)	(353)	2020, extendible for terms of 5 years	2020
Teknia Brasil Ltda.	Veradale, S.L.U.	(283)	(288)	2020	2020
Teknia Brasil Ltda.	Third parties	(662)	(392)	2018	2018
Teknia R&D, S.L.U.	Third parties	(32)	(32)	2021	2021
Componentes de Automoción Marroquíes, S.A.R.L.	Third parties	-	(65)	-	2019
Teknia Manresa, S.L.U.	Third parties	(268)	(266)	2026	2026
Teknia San Luis Potosí, S.A. de C.V.	Third parties	(148)	(152)	2019	2019
Teknia Bilbao XXI, S.L.U.	Veradale, S.L.U.	(465)	(471)	2025	2025
Teknia Ampuero, S.L.U.	Third parties	(142)	-	2028	-
Teknia Rzeszow Sp. Z.o.o.	Veradale Polska, Sp. z.o.o	(183)	-	2027	-
Teknia Kalisz Sp. Z.o.o.	Veradale Polska, Sp. z.o.o	(244)	-	2027	-

Movements with companies related to the Group, amount to:

	Operating expenses	
	2018	2017
Clomi, S.L.	774	726
Veradale, S.L.U.	767	759
Veradale Polska, Sp. z.o.o	441	-

The pending balances relating to leases are:

	2018		2017	
	Short-term creditors and suppliers	Long term deposits	Short-term creditors and suppliers	Long term deposits
Veradale, S.L.U.	-	120	8	114
Veradale Polska, Sp. z.o.o	-	91		
Clomi, S.L.	-	166	-	163

It has been estimated that the future payments in 2019 and beyond will be similar to those of this financial year, with amendments based on the annual CPI and considering the whole financial year in the companies acquired in each financial year.

10.2. Financial leasing

The Group maintains certain financial leasing contracts. The most important data in this regard is:

Concept	Net book value of the asset (thousands of Euros) 2018	2017
Installations, machinery and other fixed assets	8,262	3,847

The schedule for the future payments of these contracts at the closure of the financial year 2018 is the following:

Years	Thousands of Euros
Short-term:	
2019	**(2,449)**
Long-term:	
2020	(1,487)
2021	(1,111)
2022	(295)
2023	(22)
	(2,915)

The schedule for the future payments of these contracts at the closure of the financial year 2017 was the following:

Years	**Thousands of Euros**
Short-term:	
2018	**(916)**
Long-term:	
2019	(621)
2020	(286)
2021	(103)
	(1,010)

11. FINANCIAL INSTRUMENTS

11.1. Offsetting of financial assets and liabilities

11.1.1. Financial assets

Details are provided below on the entries for financial assets. Their breakdown, in thousands of Euros, is the following:

(thousands of Euros)	Long-term: Credits, derivatives, and others		Short-term: Credits, derivatives, and others	
	2018	2017	2018	2017
Loans and receivables	2,184	740	60,106	55,242
Total	**2,184**	**740**	**60,106**	**55,242**

Long-term financial assets

The main items recorded in this section, amounting to 2,184 thousand Euros (740 thousand Euros in the previous financial year) are:

- Guarantees amounting to 895 thousand Euros (447 thousand Euros in the previous financial year), of which 163 correspond to the company Clomi, S.L.U. (163 thousand Euros in 2017) and 121 thousand Euros to Veradale, S.L.U. (114 thousand Euros in the previous year). (Note 10.1)

- Balance pending collection for the sale of buildings in Poland to Veradale Polska, Sp. Z.o.o., for the amount of 1,204 thousand Euros.

The terms by year of the most significant long-term financial assets are the following:

Financial year 2018

	2020	2021	2022	2023 and beyond	No fixed term	Total
Loans and receivables	1,204					1,204
Guarantees	176	10	35	414	260	895
						2,099

Financial year 2017

	2019	2020	2021	2022 and beyond	No fixed term	Total
Loans and receivables					140	140
Guarantees	13	184		229	21	447
						587

Non-current financial assets

The breakdown of the short-term credits, derivatives and others is as follows:

(thousands of Euros)	**2018**	**2017**
Customers	59,648	53,848
Staff	98	222
Other financial assets	190	19
Sundry debtors	170	983
	60,106	55,072
Loans to related parties	-	170
	60,106	**55,242**

The movement in the adjustments due to value impairment caused by the credit risk during the financial year was the following:

	Thousands of Euros
Impairment losses at the beginning of the financial year 2018	(673)
(+) Valu adjustment due to impairment	(90)
(+) Entries in the scope	(88)
(+) Exchange rate differences and others	13
Impairment losses at the end of the financial year 2018	**(838)**

The movement in the adjustments due to value impairment caused by the credit risk during the previous financial year was the following:

	Thousands of Euros
Impairment losses at the beginning of the financial year 2017	(473)
(+) Valu adjustment due to impairment	(319)
(-) Disposals and reductions	99
(+) Exchange rate differences	20
Impairment losses at the end of the financial year 2017	**(673)**

11.1.2. Financial liabilities

The breakdown of the financial liabilities by class and category is as follows in 2018:

Class	Non-current financial liabilities			Non-current financial liabilities		
Categories	Bonds and other marketable securities	Debts with financial institutions	Derivatives and others	Bonds and other marketable securities	Debts with financial institutions	Derivatives and others
Debts and payables	(19,786)	(42,033)	(7,832)	(542)	(19,864)	(88,742)
TOTAL	(19,786)	(42,033)	(7,832)	(542)	(19,864)	(88,742)

The breakdown of the financial liabilities by class and category is as follows in 2017:

Class	Non-current financial liabilities			Non-current financial liabilities		
Categories	Bonds and other marketable securities	Debts with financial institutions	Derivatives and others	Bonds and other marketable securities	Debts with financial institutions	Derivatives and others
Debts and payables	(19,708)	(28,071)	(4,535)	(542)	(15,567)	(70,266)
TOTAL	(19,708)	(28,071)	(4,535)	(542)	(15,567)	(70,266)

Bonds issuance

As at 20 June 2016, Teknia Manufacturing Group, SLU, as the holding company in the Group, proceeded to bring to the Alternative Fixed Income Securities Market (MARF), the Base Document for Information to Investors (DBII) in mid and long term securities named "EUR 40.000.000 Senior Unsecured Notes Programme", for an amount up to €40,000,000 and expiring on 20 June 2017. This document was included in the MARF pursuant to the agreement adopted by the Board of Directors of the AIAF Mercado de Renta Fija on the same date. It is available to the general public on both the BME website (www.bmerf.es) and the Company's website (www.tekniagroup.com/investor).

On 5 July 2016, pursuant to an agreement adopted by the Board of Directors of AIAF Mercado de Renta Fija, the securities issued under the bonds program above explained, whose details are listed below, were included in the Alternative Fixed Income Securities Market (MARF):

ISIN CODE	CODE AIAF	NUMBER OF SECURITIES	AMOUNT (Euros)	DISBURSEMENT DATE	MATURITY DATE
ES0305105001	14869	200	20,000,000	05-07-2016	05-07-2021

The net amount after the deduction of the issuance cost amounts to €19,600,000. Short term interest accrued amounts to €542,465.78 (€542,465.77 in the previous year) and long term interest accrued amounts to €185,550.53 (€108,097.55 in the previous year).

Pursuant to the content in the DBII, the securities issued must always be backed, through an abstract guarantee and at first request, by affiliated companies representing at least 95% of the Groups total EBITDA. This group of affiliated companies shall be collectively known as “scope of grantors” of the bond. The companies included in the scope of grantors, at year-end, are the following: Teknia Elorrio, S.L.U., Teknia Bilbao XXI, S.L.U, Teknia Pedrola, S.L.U. Teknia Martos, S.L.U. Teknia Azuqueca, S.L.U., Teknia Barcelona, S.L.U., Teknia Épila S.L.U, Teknia Manresa, S.L.U., Teknia R&D, S.L.U., Teknia Kálisz Sp. z.o.o., Teknia Rzeszow, Sp. z.o.o, Teknia Uhersky Brod a.s, Teknia Brasil Ltda. and Teknia Nashville, LLC. However, other Group companies could be incorporated into the aforementioned scope of grantors to meet the requirement described, if necessary.

Likewise, the Parent Company is subject to compliance with certain commitments, and any breach thereof would imply the advanced payment of the relevant outstanding debt. One of the commitments consists of abstaining from carrying out any operations if the indebtedness ratio (Net Financial Debt/Consolidated EBIDA) is more than 3.50. Amongst such operations are the following: not incurring additional indebtedness, not distributing dividends if the said limit was exceeded in the previous year ended on 31 December; and the distribution is subject to restrictions even if the limit was not exceeded.

There are other commitments that both the Issuer (the Company) and the subsidiary Grantors (scope of grantors) must honour. These relate to several matters, such as the restrictions on the sale of assets, imposing the form of receipt of the sale proceeds if these are sold; the setting out of conditions in transactions with related parties; the prohibition to create liens or encumbrances on the companies, assets or income as a guarantee without having insured, whether previously or simultaneously, the Bonds (or provide any other kind of guarantee thereof); and restrictions on structural alterations in the company (mergers, winding-up, dissolution, etc.).

Likewise, should a change in the control of the Company occur, each holder of bonds shall have right to choose whether to require the early cancellation or the total or partial purchase of the bonds at a rate of 101% of its principal plus the accrued interest not yet past due.

Debts with financial institutions

This section includes debts for financial leasing and debts with financial institutions for loans and other items.

- Creditors due to financial leasing

These correspond to the debt due to financial leasing operations indicated in note 10.2. (In the note corresponding to the previous year, this section was included in the derivatives and others category).

- Debts with financial institutions due to loans and other concepts

The maturity of the debts with financial institutions at year-end in 2018 and 2017 is broken down as follows, in thousands of Euros:

Term	2018
Short-term:	
2019	(17,415)
Long-term:	
2020	(7,867)
2021	(6,760)
2022	(6,893)
2023	(7,198)
2023 and subsequent years	(10,400)
	(39,118)

Term	2017
Short-term:	
2018	(14,651)
Long-term:	
2019	(7,355)
2020	(7,425)
2021	(5,585)
2022 and subsequent years	(6,696)
	(27,061)

Within the section of short-term credit entities there are discounted bills that have not yet matured, for an amount of €2,982 thousand (€2,951 thousand in the previous financial year). The limit of the credit accounts of the Parent Company together with the subsidiaries amounts to 4,482 thousand Euros (4,367 thousand Euros in 2017) and the draft discounting limit, advances for invoices and factoring entries amount to 24,889 thousand Euros and 7,800 US dollars (12,000 thousand Euros and 6,800 thousand Euros, respectively, in the previous financial year).

Derivatives and others

The breakdown of this section is as follows, expressed in thousands of Euros:

	2018		2017	
(thousands of Euros)	Long-term	Short-term	Long-term	Short-term
Advances and loans repayable	(5,094)	(1,071)	(4,312)	(2,207)
Fixed assets suppliers	(245)	(1,429)	(150)	(684)
Other debts	(2,473)	(57)	(73)	(150)
Promissory notes	-	(16,689)	-	(10,890)
Trade and other accounts payable:				
Suppliers	-	(49,539)	-	(40,290)
Suppliers, group and affiliated companies	-	-	-	(8)
Other payables:				
Staff	-	(5,970)	-	(4,206)
Customer advances	-	(12,204)	-	(7,521)
Others	(20)	(1,783)	-	(4,310)
	(7,832)	**(88,742)**	**(4,535)**	**(70,266)**

- Fixed assets suppliers

The maturity of the suppliers of fixed assets at 2018 year-end are the following:

Year	Euros
Short-term:	
2019	(1,429)
Total	(1,429)
Long-term:	
2020	(95)
2021	(25)
2022	(10)
2023	(10)
Rest	(105)
	(245)

The maturities of the suppliers of fixed assets at the closure of the financial year 2017 were the following:

Year	Thousands of Euros
Short-term:	
2018	(684)
Total	(684)
Long-term:	
2019	(10)
2020	(10)
2021	(10)
2022	(10)
Rest	(110)
	(150)

- Advances and loans repayables (CDTI, Ministry of Education and Science, Ministry of Industry and Technology and Competitiveness Plan):

The nominal amount of the loans without interest amounted to 6,384 thousand Euros (5,192 thousand Euros in the previous year). The interest rate of the repayable advance with interest is 3.06% per annum (3.04% and 3.95% in 2017).

The terms at 2018 year-end were the following:

Year		**Total**
Short-term:		
	2019	(1,071)
		(1,071)
Long-term:		
	2020	(952)
	2021	(929)
	2022	(877)
	2023	(856)
	Rest	(1,480)
		(5,094)
Total		**(6,165)**

The terms at 2017 year-end were the following:

Year		**Total**
Short-term:		
	2018	(2,207)
		(2,207)
Long-term:		
	2019	(749)
	2020	(677)
	2021	(654)
	2022	(633)
	Rest	(1,599)
		(4,312)
Total		**(6,519)**

- Other debts

This sections includes 2,473 thousand Euros pending payment in the long term for the purchase of the Mecanor group (now Teknia Ampuero, SL and subsidiaries), as well as 57 thousand Euros in the short term for the purchase in the previous year of the company Teknia Gebzre Makine Sanayi VE Ticaret A.S. The maturity of the debt in the long term is as follows:

Year 2020:	1,237 thousand Euros
Year 2021:	1,236 thousand Euros

- Issuance of promissory notes

As at 15 February 2017, Teknia Manufacturing Group, SLU, as the holding company in the Group, proceeded to bring to the Alternative Fixed Income Securities Market (MARF), the Base Document for Information to Investors (DBII) in mid-term and long-term securities named “€25,000,000 Commercial Paper Programme Teknia 2017”, for an amount up to €25,000,000 and expiring on 15 February 2018. This document was included in the MARF pursuant to the agreement adopted by the Board of Directors of the AIAF Mercado de Renta Fija on the same date. It is available to the general public on both the BME website (www.bmerf.es) and the Company’s website (www.tekniagroup.com/investor).

At 2017 year-end the nominal value of the debt due to promissory notes amounted to 10,900,000 Euros. These promissory notes all matured in the first quarter of 2018, with the interest rate being around 0,7%.

Likewise, on February 15, 2018, Teknia Manufacturing Group, SLU proceeded to bring to the Alternative Fixed Income Securities Market (MARF), the Base Document for Information to Investors (DBII) in mid-term and long term securities named “€25,000,000 Commercial Paper Programme Teknia 2018”, for an amount up to €25,000,000 and expiring in February 2019. To date, from these accounts the Base Document for Information to Investors, named “Commercial Paper Programme Teknia 2019” has been incorporated into the MARF, for a maximum amount of 25,000,000 Euros and expiring on 19 February, 2020.

At 2018 year-end the nominal value of the debt due to promissory notes amounted to 16,700,000 Euros. These promissory notes all matured in the first quarter of 2019, with the interest rate being between 0.457% and 0.537%.

11.2. Information on the nature and the level of risk due to financial instruments

11.2.1. Qualitative

The management of the Group's financial risks is centralised in the Financial Management of the Group, which has established the mechanisms needed to control the exposure to interest rate and exchange rate variations, and to credit and liquidity risks. The main financial risks that affect the Group are indicated below:

a) Credit risk:

Overall, the Group maintains its cash and bank balances and cash equivalents in financial entities with high levels of solvency.

The credit risk is determined by the sales of the Group's companies to their customers. At this time, given the current economic situation and some of the economic sectors in which the Group operates, each of the company's clients have been studied individually in order to minimise the impact of this type of risks.

b) Liquidity risks:

In order to fulfil all of the payment commitments deriving from its activities, the Group has sufficient cash and bank balances, cash equivalents and assets with significant liquidity, as set out in the consolidated balance sheet. The dividends policy followed is prudent and takes into account those investments needed in order to maintain the competitiveness of the Group. Similarly, the credit limits indicated in note 11.1.2 are maintained.

c) Market risks (interest rate, exchange rate, etc.):

The Group is not significantly exposed to these risks, as the significant liabilities with interest rates are linked to the EURIBOR and large rises are not expected in the short-term or they were signed at a fixed rate in order to minimise the impact of any variations in the interest rate.

With respect to exchange rate risks, the Group does not consider the need for coverage in this respect, as has been demonstrated in the past that the automotive sector is a long-term business in which interest rate variations shall have both positive and negative effects, but this effect shall be practically neutral over time.

The company focuses on the automotive sector, so the risk of a drop in the market is the same as that of the sector in which it operates. The Group is present in various countries to minimise the possible impact the differing evolution in manufacturing costs and vehicle purchases has in each country.

11.2.2. Quantitative information

As previously indicated, the main risks relate to exchange rate variations of the companies whose operating currency is not the Euro. A natural coverage policy is applied for the companies that operate in more than one currency.

12. INVENTORIES

The breakdown of this section is as follows, in thousands of Euros:

	2018	2017
Merchandise, auxiliary raw materials and others	19,137	16,213
Product in progress	14,256	12,900
Finished products	20,727	15,985
By-products and waste	12	531
Advances to suppliers	9,031	4,153
Impairment	(970)	(1,115)
	62,193	**48,667**

13. CAPITAL AND RESERVES

13.1. Share capital

The share capital of the Parent Company is represented by 332,779 shares (332,779 shares in the previous financial year) with a nominal value of 60.10 Euros each. The sole shareholder is the company Siuled, S.L.

The share capital of the Company has been fully subscribed and disbursed, through the following contributions, in thousands of Euros:

	Thousands of Euros
Contribution in kind of company shares	23,547
Monetary contribution upon constitution	1,030
Monetary Contribution upon capital increase	5,053
Translation into Euros	(1)
Capital reduction in 2013	(9,629)
	20,000

13.2. Reserves

The breakdown of this section at the end of the financial year is as follows:

(thousands of Euros)	2018	2017
Legal reserve of the Parent Company	4,000	4,000
Voluntary reserve of the Parent Company	12,730	10,062
Consolidation reserves	36,450	32,136
	53,180	**46,198**

According to article 214 of the Capital Companies Act, in all cases, a figure equal to 10 percent of the profit of the financial year shall be allocated to the legal reserve until it reaches at least 20 percent of the share capital.

As long as this limit has not been reached, the legal reserve may only be used to compensate losses whenever there are no other reserves available to such purposes.

The movement of the reserves is included in the Consolidated Statement of Changes in Equity.

13.3 Exchange rate differences

This amount is from certain Group companies, according to the following details, in thousands of Euros:

	2018	**2017**
Teknia Brasil, Ltda.	(4,091)	(3,470)
Teknia Polska Spolka z o.o. and subsidiaries	(758)	(364)
Teknia Uhersky Ubrod, AS	383	475
Teknia USA Inc, and subsidiary	(192)	(682)
Componentes de Automoción Marroquíes, SARL	(25)	(37)
Teknia San Luis de Potosí, S.A. de C.V.	(585)	(725)
Teknia Mexico City, S.A. de C.V.	(214)	(283)
Teknia KG doo, Kragujeva	29	26
Teknia Gebze Makine Sanayi VE Ticaret A.S.	(255)	(102)
Técnicos en la Alta Producción, S.A. de C.V.	81	-
Teknia Oradea, S.R.L.	-	-
	(5,627)	(5,162)

The foreign exchange rates with respect to the Euro, applied in the conversion of the financial statements of the foreign companies were the following on 31 December 2018 and 2017:

	2018	**2017**	**2016**	**% var. 2018/2017**	**% var. 2017/2016**
Brazilian Real	4.444	3.9729	3.4305	11.86%	15.81%
Polish Zloty	4.3014	4.1770	4.4103	2.98%	-5.29%
Czech Koruna	25.724	25.5350	27.021	0.74%	-5.50%
American Dollar	1.145	1.1993	1.0541	-4.53%	13.77%
Mexican Peso	22.492	23.6612	21.7719	-4.94%	8.68%
Moroccan Dirham	10.9532	11.2236	10.6586	-2.41%	5.30%
Serbian Dinar	118.1946	118.4727	123.4723	-0.23%	-4.05%
Turkish Lira	6.0588	4.5464	-	33.27%	-
Romanian Leu	4.6639	-	-	-	-
Japanese Yen	125.85	-	-	-	-

14. TAX SITUATION

14.1. Public administrations

The composition of this section is as follows, in thousands of Euros:

	2018		2017	
	Payable	Receivable	Payable	Receivable
Current tax	1,417	418	1,597	37
Tax on personal income I.R.P.F	-	1,310	-	971
Value Added Tax, V.A.T.	3,772	1,407	2,207	773
Others	199	210	80	339
Social security costs	58	2,306	10	1,960
	4,029	5,233	2,297	4,043

14.2. Conciliation of the net amount of income and expenses with the taxable base of the profit taxes

The information corresponding to the financial year 2018 was the following:

	Consolidated income statement Amount for financial year 2018			Income and expenses directly recognised as net equity Amount for financial year 2018		
Balance of income and expenses of the financial year			6,323			(459)
	Increase	**Reduction**	**Net effect**	**Increase**	**Reduction**	**Net effect**
Corporate income taxes	4,731	-	4,731			
Permanent differences:						
-from consolidation adjustments	16,993	-	16,993	459		459
-of individual companies	3,929	(15,395)	(11,466)		-	-
Temporary differences from consolidation adjustments	630	(561)	69			-
Temporary differences from individual companies	1,162	(1,029)	133			-
Compensation of negative taxable bases from previous financial years			(4,896)			-
Tax base (taxable income)			**11,887**			**-**

The information corresponding to the financial year 2017 was the following:

	Consolidated income statement Amount for financial year 2017			Income and expenses directly recognised as net equity Amount for financial year 2017		
Balance of income and expenses of the financial year			11,882			(2,021)
	Increase	**Reduction**	**Net effect**	**Increase**	**Reduction**	**Net effect**
Corporate income taxes	3,040		3,040	-		-
Permanent differences:						
-from consolidation adjustments	6,509		6,509	2,021	-	2,021
-of individual companies	115	(9,209)	(9,094)		-	-
Temporary differences from consolidation adjustments	688	(352)	336			-
Temporary differences from individual companies	764	(1,594)	(830)			-
Compensation of negative taxable bases from previous financial years			(1,153)			
Tax base (taxable income)			**10,690**			**-**

Regarding the permanent differences that have arisen from the consolidation entries, in both 2017 and 2018, the most significant refer to the dividends and impairments of the holdings in subsidiaries.

The most significant permanent differences, in both 2018 and 2017, of individual companies recognise dividends from exempt investees.

14.3. Conciliation of deferred tax assets and liabilities

The conciliation of deferred taxes is as follows, in thousands of Euros:

	2018		2017	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Opening balance	**12,118**	**2,063**	**12,036**	**1,528**
Increases				
* Entries in the scope	2,205	1,367	-	90
* Negative taxable bases and deductions pending compensation	364	-	1,538	2
* Subsidies allocated directly to equity (Note 15)	-	-	-	-
* Consolidation adjustments	-		-	
* Goodwill	-	827	116	187
* Others	2	112	225	427
Decreases				
* Negative taxable bases and deductions	(2,089)	-	(1,122)	(32)
* Subsidies transferred to the profit and loss account (Note 15)	-	(6)	-	(49)
* Adjustments in consolidation	(133)	(134)	43	(46)
* Others	(84)	(282)	(468)	(62)
* Individual company adjustments	(229)	-		
* Exchange rate differences	(44)	-	(250)	18
Closing balance	**12,110**	**3,947**	**12,118**	**2,063**

The negative taxable bases applied in the financial year totalled 4,896 thousand Euros (1,153 thousand Euros in the previous financial year).

The Spanish companies have deductions from previous and current years for investments, research and other expenses, pending allocation amounting to 11,852 thousand Euros (10,098 thousand Euros in the previous year) and negative tax bases from previous years pending offsetting amounting to 8,280 thousand Euros (6,069 thousand Euros in the previous year). Those corresponding to the foreign companies have negative tax bases amounting to 25,193 thousand Euros (18,086 thousand Euros in the previous financial year).

Regarding the Group companies with registered addresses in Bizkaia, the applicable law for the assessment of corporation taxes for the financial year 2018, as in the previous financial year, is Provincial Law of Bizkaia.

14.4. Years open to inspection

Under the current law, no tax returns may be deemed to be final until they have been inspected by the tax authorities or the statute of limitations period has elapsed.

The Group's companies have the financial years for which the statute of limitations period has not yet elapsed open to inspection for all taxes.

The Directors of the Parent Company and consolidated subsidiary companies consider that these taxes were calculated correctly and, accordingly, that even if discrepancies arise in the interpretation of the current regulations applicable to the tax treatment of the transactions, the resulting liabilities, if any, would not have material effect on the accompanying consolidated financial statements.

14.5 Consolidated tax group

The Parent Company is part of a consolidated Tax Group that is taxed in the provincial territory of Bizkaia.

In accordance with the approval of the Legislative Provincial Decree 2/2015 of 10 February, which modifies the Provincial Regulation 12/2013 of 5 December, of the Non-Resident Income Tax and Regional Regulation 11/2013, of 5 December, of the Corporation Tax (NFIS) and more specifically, of article 2 section 2 that modifies article 85 of the NFIS, the holding entity Siuled, S.L., sole shareholder of Teknia Manufacturing Group, SL (Single-Member Company), is not part of the Tax Group that is taxed under the Regional Regulations.

In accordance with the provisions of Articles 83.2 and 88.6 of the NFIS, Siuled, S.L., non-resident in the provincial and dominant territory of the Tax Group in accordance with the regulations applicable from 1 January 2015, agreed that Teknia Manufacturing Group, S.L. (Single-Member Company) would act as representative of the Tax Group.

In addition to Teknia Manufacturing Group, S.L. (Single-Member Company), the consolidated Tax Group is formed by: Teknia Elorrio, S.L. (Single-Member Company), Teknia Bilbao XXI, S.L. (Single-Member Company), Teknia Montmeló, S.L. (Single-Member Company), (the latter until financial year 2017, since in 2018 it was absorbed by Teknia Bilbao XXI, S.L (Single-Member Company)) and Teknia R & D, S.L. (Single-Member Company), which entered the Tax Group in 2018.

14.6 Current tax assets and liabilities

The breakdown for corporate income tax due to the different public administrations is as follows:

	Payable		Receivable	
	2018	2017	2018	2017
Basque Country Regional Treasury	115	54	-	-
State Treasury	932	1,122	(48)	(3)
Foreign Treasury	370	421	(370)	(34)
	1,417	1,597	(418)	(37)

15. SUBSIDIES

Details are provided below regarding the transactions of the financial year under the heading of grants and subsidies:

Subsidies, donations and legacies included in the consolidated balance sheet, granted by third parties other than the shareholders:

	Thousands of Euros	
	2018	**2017**
Balance at the start of the financial year	**523**	**662**
Increases	-	-
Tax effects (note 14.3)	-	-
Allocation to results	(161)	(188)
Tax effects (note 14.3)	42	49
Cancellation		
Balance at the closure of the financial year	**404**	**523**

The capital subsidies basically include those granted by the CDTI for investments made, and an update of the loan for the competitiveness plans granted to the Group companies.

All the subsidies originate in the subsidiaries, and the Group and the Group considers that the conditions related thereto are complied with.

Subsidies allocated to the consolidated income statement.

The composition of this section is as follows, in thousands of Euros:

	2018	2017
Operating subsidies incorporated in the annual balance	127	60
Allocation of non-financial assets subsidies	-	7
Allocation of financial subsidies	161	181
	288	**248**

16. PROVISIONS

The breakdown in this heading is as follows:

	2018		2017	
	Short-term	**Long-term**	**Short-term**	**Long-term**
Staff remuneration	(321)	(1,043)	(107)	(687)
Other provisions	(147)	(505)	(136)	(39)
	(468)	**(1,548)**	**(243)**	**(726)**

Other long-term provisions include an amount of 197 thousand Euros provided by the company Mecanizados Norte Bravo, S.L.U. in previous years to cover possible commercial and labour litigation and 308 thousand Euros from the Brazilian company for tax litigation.

16.1. Staff remuneration

This section contains provisions made by Polish and Mexican companies, in accordance with the legislations of their countries. The current value of commitments has been determined, applying to quantify it the updating interest rates and life tables, and other generally accepted actuarial hypotheses, according to the legal regulations applicable to each country.

The movement during the financial years 2018 and 2017 was as follows:

(thousands of Euros)	**2018**	**2017**
Opening balance of the financial year	(794)	(1,351)
Entries in the scope	(213)	-
Allocation variations	(383)	(189)
Payments	22	88
Transfers to creditors	-	660
Exchange rate differences	4	(2)
Closing balance	**(1,364)**	**(794)**

17. INCOME AND EXPENDITURE

17.1. Net revenue

The details of the net revenue, according to the destination in the geographical markets are the following:

	%	
	2018	2017
National	26	31
Rest of the European Union	41	37
Rest of the world	33	32
	100	**100**

Practically the entire turnover is within the automotive market.

The Group has 1 client (1 in 2017) who has individually been invoiced a percentage higher than 10% of the net amount of the Group's revenue. In 2018 and 2017 this client has been invoiced the following percentages:

%	
2018	2017
21%	15%

For the purposes of this note, a company or group of companies is considered a client.

17.2. Purchases

The details of the purchases of goods and raw materials and other supplies according to their respective geographical market are the following:

	%	
	2018	2017
National	34	35
Rest of the European Union	38	40
Rest of the world	28	25
	100	**100**

17.3. Staff

The breakdown of both the Group’s average and end-of-year workforce and personnel according to category and gender is as follows:

	Average workforce 2018	Personnel on December 31st 2018 Total	Men	Women	Average workforce with a disability
Company Directors	**4.00**	**4**	**4**	**-**	**-**
Senior Management	10.00	10	10	-	-
Structure	297.16	303	173	130	30.50
Indirect workforce	943.72	980	777	203	12.00
Direct workforce	2,281.89	2,325	1,483	842	2.00
Totals	**3,532.77**	**3,618**	**2,443**	**1,175**	**44.50**

Two of the Parent Company Directors are also employees of the Group.

The breakdown of both the Group's average and end-of-year workforce and personnel according to category and gender is as follows:

	Average workforce 2017	Personnel on December 31st 2017 Total	Men	Women
Company Directors	**4**	**4**	**4**	**-**
Structure and indirect workforce	1,077.54	1,105	862	243
Direct workforce	1,741.00	1,822	1205	617
Totals	**2,818.54**	**2,927**	**2,067**	**860**

In 2017, the Group had an average employed staff of people with disabilities greater than or equal to 33% of 41.87, 34.87 of which corresponded to the direct workforce category and 9 to the indirect workforce category.

18. OPERATIONS AND BALANCES WITH RELATED PARTIES

18.1. Balance and transactions with the Sole Member

In addition to the operations with related companies indicated in Note 10, the Group has maintained the following operations with the Sole Shareholder of Teknia Manufacturing Group, S.L. (Single-Member Company) in thousands of Euros:

	Operating expenses 2018	2017
Siuled, S.L.	88	116

At 31 December, 2018, the Group does not have balances with this company (at 2017 year-end it had a debit balance of 170 thousand Euros and a credit balance of 8 thousand Euros).

18.2 Remuneration of directors and key personnel

The amount received in financial year 2018 by all of the Parent Company Directors amounted to 514 thousand Euros (543.5 thousand Euros in financial year 2017), of which 434 thousand Euros was received as remuneration (428 thousand Euros in financial year 2017) and 81 thousand Euros for services rendered (115.5 thousand Euros in financial year 2017).

The Company's Sole Shareholder, Siuled, S.L., which is in turn Administrator, has balances and transactions that are stated in the relevant notes of this report.

The salaries received in the financial year 2018 by the personnel considered to be of key importance by the Group amount to 1,480 thousand Euros (1,015 thousand Euros in the previous financial year).

In addition, the Parent Company has a civil liability insurance policy for Directors and Officers whose premium is 5 thousand Euros (including tax) (in the previous financial year, 5 thousand Euros).

19. FINANCIAL STRUCTURE

The Financial Management of the Group is responsible for arbitrating the global financial policy, but grants the individual companies autonomy of management. Although each company generates its own cash and cash equivalents and manages its collection and payment schedules, as well as preparing its cash and cash equivalents budgets, the parent company has centralised the financial management of the Group's subsidiaries, obtaining financing through bank loans and issuing bonds and promissory notes, which is subsequently transferred to the subsidiaries and maintains a current account with each subsidiary.

All foreign companies manage their cash and bank balances and cash equivalents independently based on the guidelines established by the Administration.

19.1. Sureties and guarantees

In financial year 2018, the Parent Company issued three generic Letter of Comfort to clients of Teknia Pedrola, S.L. (Single-Member Company), Teknia Kalisz Sp. Z.o.o. and Teknia Nashville, LLc (three in 2017 to clients of Teknia Pedrola, S.L. (Single-Member Company) and Teknia Brasil, Ltda.) and another to a financial institution through a factoring line of Teknia Martos, S.L. (Single-Member Company) of 1,800 thousand Euros. In addition, in 2018, the Company is a guarantor and joint and several guarantor of loans whose owners are the subsidiaries Teknia San Luís de Potosí, S.A. de C.V., Teknia Oradea, S.R.L. and Técnicos en la Alta Producción, S.A. de CV, whose total balance at the end of the year amounted to 1,645 thousand Euros (in the year 2017, it guaranteed its subsidiaries Teknia Brasil Ltda. a loan from a financial institution of 2,550 thousand BRL and a credit account with a 2,000 thousand Euros limit to Teknia Entidad de Gestion SL (Single-Member Company)).

The company Teknia Bilbao, S.L. (Single-Member Company) has pledged deposits of 74 thousand Euros in debt guarantee before the Ministry of Industry, Energy and Tourism (74 thousand Euros in the previous year the company Teknia Montmeló, SL (Single-Member Company), absorbed by Teknia Bilbao XXI, SL (Single-Member Company in 2018).

The subgroup Teknia Polska Sp. Z.o.o. and its subsidiaries had at 31 December 2018 signed guarantee contracts with financial entities to guarantee the payment of the loans, credits, lines of discount and other funding obtained, amounting to 5,970 thousand PLN. (3,960 thousand PLN at 31 December 2017).

The Czech company, Teknia Uhersky Brod, a.s., was granted a mortgage guarantee for an amount totalling 22,730 thousand Czech Koruna (47,690 thousand Czech Koruna (CZK) in 2017).

The company Teknia Brasil Ltda. guarantees with machinery and facilities a loan amounting to 1,912 thousand BRL (2,221 thousand BRL, in the previous year). This loan is guaranteed by the Parent Company.

Moreover, financial entities have provided guarantees on behalf of Group Companies for an approximate total amount equal to 553 thousand Euros (440 thousand Euros in 2017).

20. OTHER INFORMATION

20.1. Information on the acquisition price of the shares provided

The values at which the shares provided to the Parent Company at the time of its incorporation are included in the Consolidated Annual Accounts of financial year 2007 and previous years.

In the event that these shares are sold, the capital gains to declare would be the difference between the sale price and the value of the tax cost mentioned above.

20.2. Auditors' fees

The fees accrued by the auditors of the parent company for carrying out the Audit of the Consolidated Financial Statements and the Financial Statements of the Group Companies amounted to 130 thousand Euros (100 thousand Euros in the previous year). The amount for other work amounts to 30 thousand Euros, (34.1 thousand Euros in the previous year).

Similarly, the fees for the audits of the foreign and Spanish companies conducted by other auditors from the Moore Stephens network amounted to 126 thousand Euros (107 thousand Euros in 2017) and 38 thousand Euros for other work performed for the group (28.1 thousand Euros in 2017).

20.3. Foreign currency

The global amount of the most important asset and liabilities elements in foreign currencies is the following:

	Thousands of Euros																
ASSETS	**Brazilian Reals**		**PLN**		**Dirham**		**Czech Koruna**		**Mexican Peso**		**USD**		**Serbian Dinar**		**Turkish Lira**		**Romanian RON**
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**
Tangible fixed assets	6,555	5,272	11,223	21,604	2,875	2,771	12,743	12,812	8,903	4,887	10,972	10,497	1,614	1,403	802	908	3,240
Inventories	5,541	4,632	9,335	8,206	574	477	3,324	3,705	6,340	2,779	2,247	2,284	648	551	638	338	704
Trade and other accounts receivable	6,296	7,038	5,997	9,510	6	659	424	382	578	711	3,741	3,522	151	566	807	537	53
Cash and other equivalent liquid assets	32	46	268	651	13	137	25	148	41	142	616	479	134	170	7	107	39

	Thousands of Euros															
LIABILITIES	**Brazilian Reals**		**PLN**		**Dirham**		**Czech Koruna**		**Mexican Peso**		**USD**		**Serbian Dinar**		**Turkish Lira**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Long-term debt with financial institutions	(387)	(604)	(332)	(1,761)	-	-	-	-		-	(3,804)	(2,021)		-	-	(5)
Short-term debt with financial institutions	(113)	(82)	(1,056)	(2,292)	-	-		-	(175)	-	(6,346)	(4,936)	-	-	(1)	(5)
Trade and other accounts payable	(4,735)	(4,597)	(7,168)	(8,337)	(380)	(444)	(1,640)	(2,392)	(2,406)	(743)	(3,490)	(2,790)	(198)	(414)	(571)	(720)

	Thousands of Euros																
	Brazilian Reals		**PLN**		**Dirham**		**Czech Koruna**		**Mexican Peso**		**USD**		**Serbian Dinar**		**Turkish Lira**		**Romanian RON**
PROFIT AND LOSS	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**		**2017**	**2018**
Supplies	(13,895)	(11,318)	(14,024)	(15,630)	(29)	(1,402)	(965)	(19,709)	(2,622)	(1,564)	(29,379)	(21,303)	(1,141)	(403)	(638)	(536)	(1,265)
Net revenue	24,542	23,200	4,001	6,291	-	2,765	41	640	2,187	6,900	57,176	33,982	1,757	1,360	2,419	2,161	39

20.5. Article 229 of the rewritten text of the Capital Companies Act

The Administrators, both natural and legal persons, in addition to the legal person representing the latter, declare that neither they nor the persons related thereto, as defined in Art. 231 of the Capital Companies Act [LCS, initials in Spanish], are affected by any of the situations of conflicts of interest as listed in Art. 229 of the Capital Companies Act. Although it is indicated that they have interests and hold positions in related companies.

21. ENVIRONMENTAL INFORMATION INCLUDING GREENHOUSE GAS EMISSION RIGHTS

21.1. Environmental Information

In the performance of its productive activities, the Group is committed to the elimination or, in its absence, the minimisation of environmental impact.

In this regard, most of the Group's production plants have an environmental management system certified according to international standards (ISO 14001 or ISO/TS 16949). As a Tier 2 agent in the automotive sector, TEKNIA Group companies are committed to continuous investment in R&D in order to improve the energy efficiency of their production processes and develop new products or lighter parts in order to collaborate in the development of new generation vehicles (vehicles with reduced CO2 emissions).

The expenses allocated by the Spanish companies to the protection and improvement of the environment charged directly to the consolidated income statement for 2018 amounted to 241 thousand Euros (301 thousand Euros in 2017) and basically correspond to the expenses incurred for waste treatment.

21.2. Information on greenhouse gas emission rights

The Group's companies do not engage in any activities in facilities that need trading greenhouse gas emission allowances and, consequently, no entries of this nature are posted.

22. INFORMATION ON THE AVERAGE PERIOD OF PAYMENT TO PROVIDERS. THIRD ADDITIONAL PROVISION DUTY OF INFORMATION IMPOSED BY THE LAW 15/2010, OF 5 JULY.

The information on the average payment period to suppliers for financial years 2018 and 2017 is as follows:

	Payments made and pending payment at the closure of the consolidated balance sheet	
	2018	**2017**
	Days	
Average period of payment to suppliers	68.41	63.36
Ratio of transactions settled	69.25	68.03
Ratio of transactions not yet settled	69.2	40.68
	Amount	
Total payments made (thousands of Euros)	1,149,815	152,503
Total payments pending (thousands of Euros)	28,158	25,573

23. SUBSEQUENT EVENTS

In February 2019, the promissory note program in the MARF (Alternative Fixed Income Market) was renewed, maintaining the volume of the previous programs of up to 25 million Euros.

There are no subsequent events worth mentioning that could have a significant effect on the attached Consolidated Financial Statements.

24. SECTORED INFORMATION

24.1. Criteria of allowance and allocation used to determine and offer the information regarding each of the sectors

As indicated previously (Note 3.16), the Board of Directors of the Parent Company has identified the sectors of its activities to be the following:

- Automotive
- Research and development.

The data regarding these sectors is as follows:

Concepts	Sectors					
	Automotive		Research and Development		Total	
	2018	2017	2018	2017	2018	2017
Net revenue	370,659	325,047	12	7	370,671	325,054
- External customers	370,659	325,047	12	7	370,671	325,054
- Inter-sectoral (A)	184	24	614	110	798	134
Supplies						
- External suppliers	(200,175)	(182,261)	(64)	(176)	(200,239)	(182,437)
- Inter-sectoral (A)	(614)	(110)	(184)	(24)	(798)	(134)
Staff expenses	(88,739)	(71,894)	(862)	(723)	(89,601)	(72,617)
Amortisation of fixed assets	(17,480)	(11,898)	(9)	(8)	(17,489)	(11,906)
PROFIT AND LOSS FROM OPERATING ACTIVITIES	17,235	19,230	(1,326)	(311)	15,909	18,919
PROFIT AND LOSS BEFORE TAX	12,392	15,238	(1,338)	(316)	11,054	14,922
Sector assets	264,907	219,234	467	555	265,374	219,789
Sector liabilities	190,917	145,322	106	931	191,023	146,253
Net cash flows resulting from the following activities						
- Operations	21,210	11,494	(774)	(408)	20,436	11,086
- Investment	(11,018)	(16,361)	(172)	(287)	(11,190)	(16,648)
- Financing	(2,891)	(1,531)	1	(4)	(2,890)	(1,535)

(A): Transactions that have been removed upon the consolidation.

As can be seen, practically all of the operating, financial and investment flows of the financial years 2018 and 2017 are from the automotive sector.

Elorrio, 29 March 2019.

TEKNIA MANUFACTURING GROUP, S.L. SINGLE-MEMBER COMPANY AND SUBSIDIARIES
APPENDIX I
(thousands of Euros)

	Teknia Elorrio, S.L.U.		**Teknia Bilbao XXI, S.L.U.**		**Teknia Montmeló, S.L.U.**		**Teknia Martos, S.L.U.**		**Teknia Brasil, Ltda.**	
Registered address	Barrio San Agustín nº11 Elorrio – (Bizkaia)		Abanto y Ciervana (Bizkaia)		Pol. Ind. El Pedregal, c/Industria, 3 – Montmeló Barcelona		Martos (Jaén)		Itaquera (São Paulo) BRAZIL	
Business activity	Manufacture of pipe assemblies		Bar cutting		Manufacturing of industrial screw products for bar cutting		Injection of plastic		Manufacture tubes, stamping, cutting and injection of plastic	
	2018	2017	2017	2017	2018	2017	2018	2017	2018	2017
Percentage of ownership										
- Direct	100%	100%	100%	100%	(A)	100%	100%	100%	100%	100%
- Indirect	-	-	-	-		-	-	-	-	-
Holder of the indirect share	-	-	-	-	-	-	-	-	-	-
Dividends received during the year	881	21	266	233	-	-	2,418	1,057	-	-
Net equity:										
- Share Capital	60	60	174	174	-	103	139	139	15,750	17,618
- Issuance premium, reserves and results from previous years.	4,591	4,090	3,463	2,795	-	765	4,296	3,913	(10,515)	(10,019)
- Other items in own assets	4	7	36	44	-	-	-	-		
- Results from the year	456	1,382	174	266	-	29	1,908	2,801	(4,006)	(1,744)
Recorded value of the equity interest	9,443	5,539	3,844	3,280	(A)	434	6,343	6,841	1,229	5,853
Auditor of the company	Moore Stephens AMS, S.L.		Moore Stephens AMS, S.L.		Not audited		Moore Stephens AMS, S.L.		Moore Stephens Lima Lucchesi	

(A): Company absorbed by Teknia Bilbao XXI, S.L.U. during the financial year.

The dividends received from the subsidiaries are included in Note 13.2 of the Report

TEKNIA MANUFACTURING GROUP, S.L. SINGLE-MEMBER COMPANY AND SUBSIDIARIES
APPENDIX I
(thousands of Euros)

	Teknia Epila, S.L.U.		**Teknia Barcelona, S.L.U.**		**Teknia Pedrola, S.L.U.**		**Teknia Polska Sp. z o.o.**		**Teknia Kalisz Sp. z o.o.**	
Registered address	Epila (Zaragoza)		Parets del Vallés (Barcelona)		Pol. Ind. El Pradillo Pedrola - Zaragoza		Nowogrodza, 12 (Warsaw)		Zlota, 20 (Kalisz)	
Business activity	Stamping of metal parts		Bar cutting		Manufacture of pipe assemblies		Holding		Stamping and pipes	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Percentage of ownership										
- Direct	100%	100%	100%	100%	100%	100%	100%	100%	-	-
- Indirect	-	-	-	-	-	-	-	-	100%	100%
Holder of the indirect share	-	-	-	-	-	-	-	-	Teknia Polska Sp. z o.o.	
Dividends received during the year	-	-	1,005	700	-	-	-	-	-	-
Net equity:										
- Share Capital	1,200	1,200	240	240	500	500	2,302	2,370	314	323
- Issuance premium, reserves and results from previous years.	(177)	(184)	1,752	1,430	551	854	2,805	2,887	6,957	6,062
- Other items in own assets		-	49	62	97	122	-	-		-
- Results from the year	173	7	1,837	1,327	335	(303)	1,921	2	(109)	1,102
Recorded value of the equity interest	1,196	1,023	11,289	3,059	26	26	2,395	2,395	-	-
Auditor of the company	Moore Stephens AMS, S.L.		Moore Stephens Addveris Auditores y Consultores, S.L.P		Moore Stephens AMS, S.L.		Moore Stephens Central Audit Sp. z o.o.		Moore Stephens Central Audit Sp. z o.o.	

TEKNIA MANUFACTURING GROUP, S.L. SINGLE-MEMBER COMPANY AND SUBSIDIARIES

APPENDIX I

(thousands of Euros)

	Teknia Rzeszów, Sp. z o.o.		**Teknia Azuqueca, S.L.U.**		**Teknia Uhersky Brod a.s.**		**Teknia San Luis de Potosi, S.A: de C.V.**		**Teknia Germany GmbH**	
Registered address	Przemyslowa, 4 (Rzeszow)		Pol. Ind. Miralcampo de Arriba – Azuqueca de Henares (Guadalajara)		Rybárská 2330 Uherský Brod, PSC 688 01 (Czech Republic)		Ciudad de Santiago, Querétaro (Mexico)		Stuttgart (Germany)	
Business activity	Injection of plastics		Manufacture of parts in plastics and other materials		Manufacture of parts in plastics and other materials		Manufacture of parts in plastics and other materials		Design and engineering of automotive parts	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Percentage of ownership										
- Direct	-	-	100%	100%	100%	100%	97.6%	97.6%	100%	100%
- Indirect	100%	100%	-	-	-	-	-	-	-	-
Holder of the indirect share	Teknia Polska Sp. z o.o.		-	-	-	-			-	-
Dividends received during the year	-	-	2,436	1,580	983	1,000	-	-	-	-
Net equity:										
- Share Capital	136	139	3,500	3,500	4,734	4,769	5,901	5,609	25	25
- Issuance premium, reserves and results from previous years.	7,012	7,657	700	700	6,127	5,914	(2,941)	(2,172)	731	710
- Other items in own assets		-	218	288	-	-	-	-	-	-
- Results from the year	3,070	1,708	(5)	2,436	1,000	1,252	(127)	(624)	31	21
Recorded value of the equity interest	-	-	-	-	3,636	3,636	2,764	2,747	620	620
Auditor of the company	Moore Stephens Central Audit Sp. z o.o.		Moore Stephens AMS, S.L.		Moore Stephens, S.R.O.		Moore Stephens Orozco Medina, S.C.		Not audited	

State stamp

Class 8

0.03 EUROS

Three cents Euros

0N6770842

TEKNIA MANUFACTURING GROUP, S.L. SINGLE-MEMBER COMPANY AND SUBSIDIARIES

APPENDIX I

(thousands of Euros)

	Teknia R&D, S.L.U.		**Componentes de Automoción Marroquíes, SARL**		**Teknia Manresa, S.L.U.**		**Teknia USA Inc.**		**Teknia Mexico City, S.A. de C.V.**	
Registered address	Plaza Marqués de Salamanca, 9, planta 7, puerta iz. 28006 Madrid		TFZ D'Exportation Ilot 30- Lot n02 Mod.1 - Tangier		Plaza Marqués de Salamanca, 9, planta 7, puerta iz. 28006 Madrid		601 Abbot Road, East Lansing, Michigan 48823 (USA)		Calle Avena nº 218, Colonia Granjas Mexico. Distrito Federal	
Business activity	Research, creation and development of research and development projects		Creation, manufacturing and marketing of individual automotive parts		Stamping of metal parts		Management of technical and commercial activities.		Purchase-sale, distribution and manufacture of die-cuts or tourneys, among others.	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Percentage of ownership										
- Direct	100%	100%	99.99%	99.99%	100%	100%	100%	100%	100%	100%
- Indirect	-	-	-	-	-	-	-	-	-	-
Holder of the indirect share	-	-			-	-	-	-	-	-
Dividends received during the year	-	-	-	-	2,116	1,719	-	-	-	-
Net equity:										
- Share Capital	300	300	1,462	1,427	60	60	11,454	10,935	742	706
- Issuance premium, reserves and results from previous years.	(264)	(241)	(976)	(1,071)	4,754	4,754	(67)	22	631	424
- Other items in own assets	-	-	-	-	-	-	-	-	-	-
- Results from the year	(980)	(382)	6	118	2,027	2,116	484	(86)	148	175
Recorded value of the equity interest	180	-	493	475	3,825	3,825	10,338	10,308	2,395	2,362
Auditor of the company	Moore Stephens AMS, S. L	Not audited	Not audited		Moore Stephens AMS, S. L		Moore Stephens (Elliot Davis Decosimo) is auditor of the consolidation of Teknia USA Inc. and its subsidiary		Moore Stephens Orozco Medina, S.C.	

TEKNIA MANUFACTURING GROUP, S.L. SINGLE-MEMBER COMPANY AND SUBSIDIARIES

APPENDIX I

(thousands of Euros)

	Teknia KG doo, Kragujevac		**Teknia Nashville, LLC**		**Teknia Gebze Makine Sanayi VE Ticaret A.S.**		**Teknia Entidad de Gestión S.L.U.**	
Registered address	Kragujevac, 56 Dragoslav Srejovic street.		94 Belinda Parkway, Mt Juliet, 37122 Tennessee, USA.		Dilovasi/Kocaeli, Turkey		Plaza Marqués de Salamanca, 9, planta 7, puerta iz. 28006 Madrid	
Business activity	The production of other parts and additional equipment for the vehicles		Stamping		Manufacturing of parts for industrial machinery and automotive subsidiary. In addition to the sale and marketing of these products.		Provision of management services and technical, economic and financial advice.	
	2018	2017	2018	2017	2018	2017	2018	2017
Percentage of ownership								
- Direct	100%	100%	-	-	100%	100%	100%	100%
- Indirect	-	-	100%	100%			-	-
Holder of the indirect share	-	-	Teknia USA Inc.				-	-
Dividends received during the year	-	-	-	-	-	-	-	-
Net equity:								
- Share Capital	1,814	1,809	8,616	8,226	129	172	153	153
- Issuance premium, reserves and results from previous years.	(201)	(313)	(590)	(48)	329	376	9	-
- Other items in own assets	-	-	-	-	-	-	-	-
- Results from the year	257	112	(885)	(516)	(100)	62	98	9
Recorded value of the equity interest	1,680	1,609	-	-	3,011	3,944	153	153
Auditor of the company	Moore Stephens Revizija i Racunovodstvo d.o.o. Beograd		Moore Stephens (Elliot Davis Decosimo)		Moore Stephens Turkey MBK Independent Auditing and CPA Co		Moore Stephens AMS, S. L	

TEKNIA MANUFACTURING GROUP, S.L. SINGLE-MEMBER COMPANY AND SUBSIDIARIES

APPENDIX I

(thousands of Euros)

	Teknia Japan GK	**Teknia Ampuero, S.L.U. (formerly Mecanizados Norte Bravo, S.L.)**	**Técnicos en la Alta Producción, S.A. de CV**	**Teknia Oradea, S.R.L. (formerly Mecanor Rumanía, S.R.L.)**
Registered address	1-1+-7 Sakuragi-cho Naka-ku, Yokohama-shi, Kanagawa, Japan	Polígono Industrial barrio Marrón, Nº 1, Ampuero - Cantabria	Tapejí del Río (Hidalgo - Mexico)	Oradea - Bihor (Romania)
Business activity	Engineering services for automotive, solar, domestic and electronic applications and participation in companies of the aforementioned activities	Manufacture and sale of metallic parts.	Purchase-sale, import and export, distribution, marketing, manufacturing, die cutting, assembly of all kinds of spare parts and machinery for industry and metal casting	Mechanical operations in general
	2018	2018	2018	2018
Percentage of ownership				
- Direct	100%	100%	-	-
- Indirect	-	-	100%	100%
Holder of the indirect share	-	-	Teknia Ampuero, S.L.U.	Teknia Ampuero, S.L.U.
Dividends received during the year	-	-	-	-
Net equity:				
- Share Capital	24	2,889	3,903	1,156
- Issuance premium, reserves and results from previous years.	11	4,668	22	208
- Other items in own assets	-	50	-	-
- Results from the year	18	1,873	396	44
Recorded value of the equity interest	36	**14,277**		
Auditor of the company	-	Moore Stephens AMS, S.L.	Moore Stephens Orozco Medina, S.C.	Moore Stephens, KSC

MANAGEMENT REPORT 2018

1. SITUATION OF TEKNIA GROUP AND PROJECTED EVOLUTION

Evolution of turnover

With an amount of 370 million Euros, the sales growth trend in the Group continues. Sales are up 14% compared to the figures for financial year 2017.

This growth includes, in addition to the organic growth of the member companies of the Teknia Group at the end of the previous year, the turnover from the incorporation of the Spanish business group Bravo, acquired on 22 March 2018, which represents 11% of the total Group turnover.

This operation constitutes the greatest incorporation in turnover (contribution of 18% of EBITDA and 11% of growth in sales) to the multinational in its 27-year history, being one step closer to the fulfilment of the Strategic Plan and the basis of the development of Teknia's technologies in the aluminium sector.

The start-up of the acquisitions made over recent years, which have been notable for their good results at a commercial level, are the reason for the organic growth of the Group. All technologies, except plastics, have experienced growth in their turnover, despite the fact that the excellent sales growth trend produced in the first half of the year was absorbed by the general sales decline in the sector during the second half of the year. This sales growth has been seen in all of the markets in which the Group operates: that is, northern Europe 3%, southern Europe 20%, Brazil 4% and the NAFTA area 15%.

Turnover figures and their evolution over recent years are as follows:

	2018 Euros ‘000	**%**	*2018 vs 2017*	2017 Euros ‘000	%	*2017 vs 2016*	2016 Euros ‘000	%	*2016 vs 2015*
Net revenue	**370,671**	100%	14.03%	**325,054**	100%	9.20%	**297,662**	100%	20.86%
Operating margin	**15,909**	4.29%	-15.91%	**18,919**	5.82%	5.87%	**17,870**	6.00%	*20.60%*
EBITDA[1]	**33,367**	9.00%	8.25%	**30,818**	9.48%	11.45%	**27,652**	9.29%	*22.80%*

Since 2010, the consolidated total sales increase of the group has been 117.98% (CAGR 2010-18 = 10.2%)

The Spanish business group Bravo, incorporated on 22 March, 2018, consisted of three companies: Mecanizados Norte Bravo, S.L. (leading company of the group, located in Ampuero, Spain), Mecanor Rumania, S.R.L. (With manufacturing plant in Oradea Romania) and Técnicos de la Alta Producción, S.A. de C.V. (located in Mexico), all of which are specialised in technology for the casting and machining of non-ferrous metal parts (mainly aluminium) for the automotive sector.

[1] EBITDA is calculated as the operating result deducted in the provision for amortisation, the allocation of subsidies to non-financial fixed assets, surplus of provisions, and the result from the loss of control of consolidated holdings and the difference in a business combination.

With this acquisition, Teknia Group strengthens its presence in Europe (Spain and Romania) and NAFTA (Mexico) and incorporates strategic customers and products with this new technology.

Synergies at customer and market level have been evident since the beginning of their incorporation into the Group.

On a commercial level, Teknia Group achieved a record number of new businesses in 2018, meaning an increase in volume achieved in 2017 of 16.7%. This increase in new business has occurred in all technologies, highlighting that of Plastic with 37,414 thousand Euros and Metal with 25,435 thousand Euros.

The total volume of new business obtained in 2018 adds an allocation of 500 million Euros to that already achieved in 2017 and 2016 of approximately 400 million Euros each year (new business x 5 years on average in a project). This business result will allow the Group to maintain sustainable organic growth over the coming years.

‘000	2018	2017	2016
New business[2]	101,182	86,644	84,576

Consolidation of the EBITDA levels

The Group’s consolidated EBITDA has reached the figure of 33,367 thousand Euros, which means an increase of 8.25% with regards to financial year 2017. This growth has been driven by the incorporation of aluminium technology within the Group.

Even having operated in a global environment characterised from the second half of 2018 by a decrease in sales and an increase in the price of raw materials, factors that caused a 0.7% decrease in margin, Teknia Group has managed to report a positive EBITDA during this financial year 2018.

In addition, during 2018 the transfer of all technologies located in Brazil to the city of Jacarei was completed, which involved a non-recurring cost overrun of relocation expenses, staff restructuring, extra production costs to meet the deliveries requested by our customers. Operational cost synergies will be fully manifested next year.

Being aware of the trend and evolution of the automotive market, Teknia Group will focus its efforts on achieving greater profitability in its operations, leaving the growth in turnover that was its main objective in previous years in the background. We believe that with the current portfolio of new business and the proven specialisation and competence in each and every one of our current technologies, we can face the future with a substantial improvement in the profitability of our operations.

[2] New business refers to projects for the manufacturing of parts in terms of expected annual sales.

Non-operating results (financial)

In this sector, mention must be made of two issues:

- Increase in the volume of debt with respect to 2017, mainly due to the entry of the Spanish business group Bravo, which alone has contributed a volume of debt of 13,084 thousand Euros, which has meant that the leverage ratio measured in terms of DFN/E BITDA was finally 2.87x.

- Refinancing of bank debt for a total of 21 million Euros, improving both the average cost and its term, achieving improvements in deferrals of on average 2 years.

- Maintenance of the Group's recurring cost of financing with a net cost of financing of 2.91% in respect of Debt.

	2018	**2017**	**2016**	**2015**	**2014**
Cost of Debt[3]	3,402	2,978	2,550	1,688	1,965
Debt	109,304	82,354	81,547	52,826	55,555
Debt Cost/Debt	3.1%	3.6%	3.1%	3.2%	3.5%

Exchange differences (financial)

The following chart shows the annual changes of the most significant currencies with which Teknia Group has been operating in recent years.[4]

	% var. 2018 vs 2017	2018	% var. 2017 vs 2016	2017	% var. 2016 vs 2015	2016
Brazilian Real	-11.86%	4.444	-15.81%	3.9729	20.44%	3.4305
Polish Zloty	-2.98%	4.3014	5.29%	4.177	-3.43%	4.4103
Czech Koruna	-0.74%	25.724	5.50%	25.535	0.01%	27.021
US Dollar	4.53%	1.145	-13.77%	1.1993	3.18%	1.0541
Moroccan Dirham	2.41%	10.953	-5.30%	11.2236	1.17%	10.6586
Mexican Peso	4.94%	22.492	-8.68%	23.6612	-15.11%	21.7719
Turkish Lira	-33.27%	6.0588	--	4.5464	--	--
Romanian RON	--	4.6635	--	--	--	--

Source: www.ecb.europa.eu, data on 31 December of each year.

[3] The heading Cost of Debt includes all financial expenses and Debt calculated as the result of the sum of the long-term and short-term debt.

[4] In the table, variation (+) means appreciation, while variation (-) means depreciation

2. SITUATION OF THE GROUP'S FINANCE POLICY AND FINANCIAL RATIOS

The management of the Group's financial risks is centralised in the Corporate Finance Management, which has established the mechanisms needed to control the exposure to interest rate and exchange rate variations, and to credit and liquidity risks.

The Group's Strategic Plan clearly sets out the objective of diversifying the financial sourcing. This diversification plan fixes for the year 2021 a composition of the Group's debt distributed at 60% in alternative financing and 40% in bank financing.

To achieve this, the Group continues to opt for financing in alternative debt markets to the "traditional" banking sector, launching in February 2018 a programme of promissory notes in the MARF (initials in Spanish for the fixed income alternative market) of up to 25 million Euros, with a live average balance during the year of 17 million Euros.

This promissory notes programme has brought Teknia Group new investors, in addition to those already present in the 2016 bonds issue. It is estimated that Teknia now has 20-32 institutional investors: these are insurance companies, mutual insurers, fund and estate managers, investment brokers and investment banks and agencies.

As part of this programme, 2018 issues were made in 11, with the yield trending downwards and demand usually exceeding the supply of the issues, which reflects investors' growing confidence in the project.

Both MARF programmes, promissory notes and bonds are a structural and stable part of Teknia Group's future financing.

<u>Management of real estate assets</u>

Since 2013 the Group has created a team to manage all of its real estate assets, both owned and rented, to improve profitability on the one hand and greater liquidity on the other, thus decreasing the Group's debt.

Of the divestments planned in 2018, the two in Poland have been consolidated, the benefits of which have been fully passed on to the Group.

RATIOS[5]

	2018	2017	2016	2015	2014
DEBT AND CASH					
CURRENT ASSETS / CURRENT LIABILITIES	1.24	1.28	1.37	1.33	1.25
CURR + NON-CURR LIAB / EQUITY	2.57	1.99	2.13	1.78	1.87
NET FIN. DEBT / EQUITY	1.29	1.02	1.00	0.83	0.84
NET FIN. DEBT / EBITDA	2.87x	2.44x	2.47x	2.18x	2.50x
RETURN					
RETURN ON SALES (ROS)	1.71%	3.66%	3.69%	3.90%	4.71%
RETURN ON ASSETS (ROA)	5.99%	8.60%	8.37%	9.03%	7.53%
RETURN ON EQUITY (ROE)	8.50%	16.16%	16.08%	16.3%	18.47%
RETURN ON CAPITAL EMPLOYED (ROCE)	10.60%	14.68%	13.77%	15.43%	13.03

When reading the ratios for 2018, it should be taken into account that due to the incorporation of the Spanish business group Bravo in the first quarter of the year, the data is not comparable with those of the previous years, since it was preferred to maintain the data published in previous reports for greater transparency.

3. IMPORTANT EVENTS FOR THE GROUP OCCURRING AFTER FINANCIAL YEAR-END

In February 2019, the promissory note programme in the MARF (Alternative Fixed Income Market) was renewed, maintaining the volume of the previous programs of up to 25 million Euros.

4. RESEARCH AND DEVELOPMENT ACTIVITIES

Since 2010 the Group is committed to the research and development of both products and processes. The result is the creation of a company wholly dedicated to this activity. Teknia R&D, S.L. (Single-Member Company).

The main mission of this company is to still concentrate all efforts in the area of R&D+i, to coordinate all the initiatives and lead the change and technological progress of Teknia.

During financial year 2018, work has been carried out to consolidate the projects to be worked on in the coming years together with the Teknia Group's production plants.

5. SHARES IN TREASURY STOCK

During financial year 2018, no transactions were carried out for the acquisition of own shares (or stock) by any of the companies that make up Teknia Group.

[5] In financial year 2017 the headings comprising the definition of net financial debt and EBITDA have changed. Thus, the ratios from previous years differ slightly from those included in the management report for the previous year.

6. GROUP EXPOSURE TO PRICE RISK, CREDIT RISK, LIQUIDITY RISK AND CASH FLOW RISK.

The management of the Group's financial risks is centralised in the Financial Management of the Group, which has established the mechanisms needed to control the exposure to interest rate and exchange rate variations, and to credit and liquidity risks. The main financial risks that affect the Group are indicated below:

- Credit risk:

  Overall, the Group maintains its cash and bank balances and cash equivalents in financial entities with high levels of solvency.

  The credit risk is determined by the sales of the Group's companies to their customers. At this time, given the current economic situation and some of the economic sectors in which the Group operates, each of the company's clients have been studied individually in order to minimise the impact of this type of risks.

- Liquidity risks:

  In order to fulfil all of the payment commitments deriving from its activities, the Group has sufficient cash and bank balances, cash equivalents and assets with significant liquidity, as set out in the consolidated balance sheet. The dividends policy followed is prudent and takes into account those investments needed in order to maintain the competitiveness of the Group. Similarly, the credit limits indicated in note 11.1.2 are maintained.

- Market risks (interest rate, exchange rate, etc.):

  The Group is not significantly exposed to these risks, as the significant liabilities with interest rates are linked to the EURIBOR and large rises are not expected in the short-term or they were signed at a fixed rate in order to minimise the impact of any variations in the interest rate.

  With respect to exchange rate risks, the Group does not consider the need for coverage in this respect, as has been demonstrated in the past that the automotive sector is a long-term business in which interest rate variations shall have both positive and negative effects, but this effect shall be practically neutral over time.

  The company focuses on the automotive sector, so the risk of a drop in the market is the same as that of the sector in which it operates. The Group is present in various countries to minimise the possible impact the differing evolution in manufacturing costs and vehicle purchases has in each country.

Material losses

The Group's policy is to contract insurance policies that cover all Group companies against any potential risks to which their different tangible fixed assets are exposed.

The criterion for calculating the insured capital is the replacement as new at their market value, so we believe that with Teknia's current policies and future updates, the company's assets are 100% insured against potential and unforeseen losses.

At the same time, in collaboration with our insurance companies, loss rate studies have been carried out in the installations to obtain a detailed report of any possible needs in order to avoid the same.

ii. Civil liability

The company insures the risks of its activities by means of a general civil liability insurance policy with the aim of providing maximum insurance for any losses that may arise due to the activities of the Group.

One of the most important sections to note refers to cover for operation and production, which has limits per loss that were updated in 2018 as follows:

Operating civil liability	€8,000,000	Per claim
Civil Liability of Products /Post-working	€8,000,000	Per claim and year
Export Extensions USA/Canada	€8,000,000	Per claim and year

7. AVERAGE PERIOD OF PAYMENT TO SUPPLIERS

The average period of payment to suppliers amounts to 68.41. (63.36 in 2017)

8. NON-FINANCIAL INFORMATION STATEMENT

In accordance with the provisions of Law 11/2018 of 28 December, which will modify the Commercial Code, the revised text of the Capital Companies Law and Law 22/2015 of 20 July, audit of accounts In terms of non-financial information and diversity, the group has prepared a non-financial information statement, which forms an integral part of this management report and is presented in a separate report.

Elorrio, 29 March, 2019.

These Financial Statements (consolidated Balance Sheet, consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flow, and Consolidated Notes to the Financial Statements), and the Consolidated Management Report for the financial year 2018 of the Company Teknia Manufacturing Group, S.L. Single-Member Company, are printed on the front side of stamp-impressed papers, numbers 0N6770775 through to 0N6770831, inclusive, numbers 0N6770839 through to 0N6770844, inclusive, and numbers 0N6770832 through to 0N6770838, inclusive.

The Board of Directors signs this page number 0N6770845, in recognition of the preparation of the Consolidated Financial Statements and of the Company's Management Report:

	Signature:
Chairman **SIULED, S.L.** (represented by MR. JAVIER QUESADA SUESCUN)	
Chief Executive Officer JAVIER LAZPITA SARRIUGARTE	
Board Member: SETH OSSORIO HERRERIA	
Board Member: IGNACIO MARCO-GARDOQUI IBAÑEZ	