CONSOLIDATED YEARLY FINANCIAL STATEMENTS AUDIT REPORT ISSUED BY AN INDEPENDENT AUDITOR CONCERNING

TEKNIA MANUFACTURING GROUP, S.L., A SOLE PROPRIETORSHIP COMPANY AND ITS SUBSIDIARY COMPANIES

AS OF 31st DECEMBER 2020

CONSOLIDATED YEARLY FINANCIAL STATEMENTS AUDIT REPORT ISSUED BY AN INDEPENDENT AUDITOR

To the Sole Shareholder of TEKNIA MANUFACTURING GROUP, S.L. A PROPRIETORSHIP COMPANY AND ITS SUBSIDIARY COMPANIES:

Opinion

We have audited the Consolidated Yearly Financial Statements of TEKNIA MANUFACTURING GROUP, S.L., a Sole Proprietorship Company (the controlling Company) and its SUBSIDIARY COMPANIES (the Group), which include the Balance Sheet as of 31 December 2020, the Profit and Loss Account, the Statement of Changes in Corporate Net Worth, the Statement of Cash Flows and the Annual Report, consolidated all of them, for the financial year that ended on that date.

In our opinion, the attached Consolidated Yearly Financial Statements express, in all significant respects, the faithful image of the Group's assets and financial situation as of 31 December 2020, as well as its results and cash flows, consolidated all of them, concerning the financial year that ended on that date, in accordance with the applicable regulatory framework for financial information (identified in note 2.1 of the consolidated report) and, in particular, with the accounting principles and criteria contained therein.

Basis of opinion

We have carried out our audit in accordance with the regulations governing the account audit activity in force in Spain. Our responsibilities under these standards are described below in the *Auditor's Responsibilities in relation to the audit of the Consolidated Yearly Financial Statements* section of our report.

We are independent from of the Group in accordance with the ethical requirements, including those of independence, which are applicable to our audit of the Consolidated Yearly Financial Statements in Spain, as required by the regulatory framework of the audit activity of Yearly Financial Statements. In this respect, we have not provided services other than those of the audit of Yearly Financial Statements, nor have we been in situations or circumstances which, in accordance with the provisions of the aforementioned regulatory framework, have compromised our necessary independence.

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

Most relevant aspects of the audit

The most relevant aspects of the audit are those which, in our professional judgement, have been considered as the most significant material misstatement risks in our audit of the current period's Consolidated Yearly Financial Statements. These risks have been dealt with in the context of our audit of the Consolidated Yearly Financial Statements as a whole and in the formation of our opinion on these, and we do not express a separate opinion on these risks.

Recovery rate of deferred tax assets.

As of 31st December 2020, the Group has deferred tax assets registered for an amount of 11,792 thousand euros. The recovery of these assets is subject to the collection, by certain companies of the group, of positive taxable bases in the future, sufficient to be able to offset this amount. Estimates of positive taxable bases are based on the business plan of these companies and are therefore subject to significant judgements and estimates by the Directors. Due to the above, we have considered this chapter as a relevant aspect to be included in our report.

To address this important aspect of the audit, we have analysed the projections, based on the Group's Strategic Plan approved by the Directors of the Controlling Company, of the future results of the companies that contribute the most significant amounts of these assets to the Consolidated Yearly Financial Statements, bringing to the attention of the Financial Management area of the group the analysis carried out on their recovery possibilities.

The most significant information concerning these assets is given in Notes 3.7 and 14 of the Consolidated Yearly Financial Statements Annual Report.

Goodwill

According to Note 4 of the Consolidated Yearly Financial Statements Annual Report, the Group has registered goodwill amounting to 9,360 thousand euros as of 31st December 2020, in respect of certain Affiliated Companies. The impairment of these assets is contingent on their fair value being higher than their recorded amount. Fair value is calculated on the basis of the future cash flows of the companies of the group that contribute to this goodwill. The estimate of these cash flows is based on the business plans of these companies, and is therefore subject to significant subjective judgement and estimates by the Directors. Due to the above, we have considered this chapter as a relevant aspect to be included in our report.

To address this important aspect of the audit, we have analysed the assessment process that the Controlling Company follows, with respect to these companies that contribute goodwill, in order to understand the criteria used by the Controlling Company and its conformity with the current regulations. In addition, for the Companies that generate this goodwill, we have discussed with the Financial Management team of the group the significant assumptions on which their estimates are based, in order to verify their reasonableness, and the fact that the depreciation criteria for these assets was consistent with those used the previous year has been verified.

In addition, we have assessed whether the information disclosed in notes 3.15 and 4 of the Consolidated Yearly Financial Statements Annual Report in relation to this issue is adequate with the requirements of the financial information regulatory framework applicable to the group.

Other information: Management Consolidated Report

The other information covers exclusively the management consolidated report for the financial year 2020, the formulation of which is the responsibility of the Directors of the Controlling Company and is not an integral part of the Consolidated Yearly Financial Statements.

Our audit opinion on the Consolidated Yearly Financial Statements does not cover the Management Consolidated Report. Our responsibility over the Management Consolidated Report, as required by the regulatory framework of the accounts audit activity, is:

a) Verifying only, that the Non-Financial Information Consolidated Statement has been provided in the manner established by the applicable regulations, and if not, reporting this fact.

b) Evaluating and reporting on the consistency of the rest of the information contained in the Management Consolidated Report with the Consolidated Yearly Financial Statements, based on the knowledge of the Group obtained in carrying out the audit of those Statements, as well as evaluating and reporting whether the content and submission of this part of the Management Consolidated Report comply with the applicable regulations. If, on the basis of the work we have done, we conclude that there are inaccuracies, we are obliged to report it.

On the basis of the work carried out, as described above, we have found that the information referred to in the previous paragraph a) is submitted in the manner established by the applicable regulations and that the rest of information contained in the Management Consolidated Report is consistent with that of the Consolidated Yearly Financial Statements for the financial year 2020 and its content and submission comply with the applicable regulations.

Responsibility of the Directors of the Controlling Company in relation to the Consolidated Yearly Financial Statements

The Directors of the Controlling Company are responsible for formulating the attached Consolidated Yearly Financial Statements, in such a way as to express the faithful image of the Company's assets, its financial situation and consolidated results of the Group, in accordance with the financial reporting regulatory framework applicable to the Group in Spain, and of the internal control they consider necessary to allow the preparation of Yearly Financial Statements free of material misstatement, due to fraud or error.

In the preparation of the Consolidated Yearly Financial Statements, the Directors the Controlling Company are responsible for the assessment of the Company's ability to continue as an operating company, revealing, as appropriate, any matters related to the operating company and using the company-in-operation accounting principle except if the aforementioned Directors intend to liquidate the Group or cease operations, or there is no other realistic alternative.

Responsibilities of the auditor in relation to the Consolidated Yearly Financial Statements audit

Our goals are to obtain reasonable assurance that the Consolidated Yearly Financial Statements as a whole are free of material misstatement, due to fraud or error, and to issue an audit report containing our opinion.

Reasonable assurance is a high level of security but does not guarantee that an audit conducted in accordance with the regulatory framework for the audit activity in force in Spain always detects a material misstatement when it exists. Misstatements may be due to fraud or error and are considered material if, individually or in an aggregated manner, they can be reasonably expected to influence economic decisions that users make based on the Consolidated Yearly Financial Statements.

As part of an audit in accordance with the regulations framework for the audit activity in force in Spain, we apply our professional judgement and maintain a professional scepticism attitude throughout the audit. Also:

- We identify and value the risks of material misstatement in the Consolidated Yearly Financial Statements, due to fraud or error, we design and implement audit procedures to respond to such risks, and we obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is higher than in the case of material misstatement due to error, as fraud may involve collusion, counterfeiting, deliberate omissions, intentionally erroneous statements, or circumvention of internal control.

- We gain knowledge of the internal control relevant to the audit in order to design audit procedures that are appropriate depending on the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group.

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

- We conclude on whether the use, by the Directors the Controlling Company, of the company-in-operation accounting principle is appropriate and, based on the audit evidence obtained, we conclude whether or not there is material uncertainty related to facts or with conditions that may generate significant doubts about the Group's ability to continue as an operating company. If we conclude that there is material uncertainty, we are required to draw attention in our audit report to the corresponding information disclosed in the Consolidated Yearly Financial Statements or, if such disclosures are not appropriate, to express a modified opinion. Our findings are based on the audit evidence obtained up to the date of issue of our audit report. However, future facts or conditions may cause the Group to cease being an operating company.

- We evaluate the overall submission, structure and content of the Consolidated Yearly Financial Statements, including disclosed information, and whether they represent underlying transactions and facts in a way that is able to reflect the faithful image.

- We obtain sufficient and appropriate evidence in relation to the financial information of the business entities and activities within the Group to express an opinion on the Consolidated Yearly Financial Statements. We are responsible for the direction, supervision and conduct of the Group audit. We are solely responsible for our audit opinion.

We communicate with the Directors of the Controlling Company regarding, among other issues, the scope and timing of the planned audit and its significant findings, as well as any significant internal control deficiencies that we identify during the audit.

Among the significant risks that have been communicated to the Directors of the Controlling Company, we determine those that have been of the greatest importance in the audit of the Consolidated Yearly Financial Statements for current period and that are, therefore, considered as the most significant risks.

We describe these risks in our audit report unless laws or regulations prohibit public disclosure of the matter.

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

Signed: Maria Carmen Iñarra Muñoz
ROAC No: 19998
Partner

Bilbao, 13th of April 2021

TEKNIA MANUFACTURING GROUP, S.L.,
(Sole Proprietorship Company) and Subsidiary Companies

Consolidated Yearly Financial Statements
pertaining to the financial year that ended on the
31 December 2020

TEKNIA MANUFACTURING GROUP, S.L., A SOLE PROPRIETORSHIP COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET FOR THE FINANCIAL YEAR THAT ENDED ON 31 DECEMBER 2020

ASSETS	REPORT NOTES	Thousands of Euros	
		2020	2019
A) NON-CURRENT ASSETS		**110.442**	**121.888**
I. Intangible fixed assets			
1. Consolidation goodwill	4	9.360	11.790
2. Other intangible fixed assets	8	2.092	3.059
		11.452	**14.849**
II. Tangible fixed assets			
1. Property and structures	9	19.293	17.431
2. Technical installations, and other tangible fixed assets	9	63.626	67.949
3. In-progress fixed assets and advanced payments	9	2.950	7.809
		85.869	**93.189**
III. Real estate investments		**283**	**303**
IV. Long-term investments on group and associated companies			
3. Other financial assets		334	-
		334	**-**
V. Long-term financial investments	**11.1.1**	**712**	**984**
VI. Deferred tax assets	**14.3**	**11.792**	**12.030**
VIII. Non-current trade receivables	**11.1.1**	**-**	**533**
B) CURRENT ASSETS		**151.276**	**136.629**
II. Stock	12	**52.450**	**56.790**
III. Trade and other accounts receivables			
1. Customer receivables for sales and services	11.1.1	49.896	60.924
2. Clients group and associated companies		-	28
3. Current tax assets	14.1 and 14.6	1.296	1.235
4. Other receivables	11.1.1 and 14.1	5.249	4.805
		56.441	**66.992**
IV. Short-term investments on group and associated companies			
1. Credits to linked parties	11.1.1 and 18.1	-	1.204
		-	**1.204**
V. Short-term financial investments	**11.1.1**	**23**	**82**
VI. Short-term accruals		**892**	**1.309**
VII. Cash and other cash equivalents		**41.470**	**10.252**
TOTAL ASSETS (A + B)		**261.718**	**258.517**

Elorrio, 31 March 2021

TEKNIA MANUFACTURING GROUP, S.L., A SOLE PROPRIETORSHIP COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET FOR THE FINANCIAL YEAR THAT ENDED ON 31 DECEMBER 2020

NET WORTH AND LIABILITIES	REPORT NOTES	Thousands of Euros	
		2020	2019
A) NET WORTH		**71.720**	**78.440**
A-1) Stockholder equity			
I. Capital	**13.1**	**20.000**	**20.000**
III. Reserves	**13.2**	**61.192**	**57.074**
VI. Profits/losses of the financial year attributed to the Controlling Company		1.911	6.118
		83.103	**83.192**
A-2) Adjustments due to changes in value			
II. Consolidated company conversion differences	13.3	(11.697)	(5.052)
		(11.697)	**(5.052)**
A-3) Subsidies, donations and legacies received			
I. In consolidated companies	15	314	300
		314	**300**
A-4) External Partners	**5**	**-**	**-**
B) NON-CURRENT LIABILITIES		**57.509**	**64.843**
I. Long-term provisions	**16**	**1.626**	**1.682**
II. Long-term debts			
1. Bonds and other negotiable securities	11.1.2	-	19.868
2. Bank loans	11.1.2	46.375	32.079
3. Creditors by financial lease	10.2 and 11.1.2	1.650	1.669
4. Other financial liabilities	11.1.2	3.823	5.748
		51.848	**59.364**
IV. Deferred tax liabilities	**14.3**	**4.035**	**3.797**
C) CURRENT LIABILITIES		**132.489**	**115.234**
II. Short-term provisions	**16**	**775**	**456**
III. Short-term debts			
1. Bonds and other negotiable securities	11.1.2	20.497	542
2. Bank loans	11.1.2	11.549	17.352
3. Creditors by financial lease	10.2 and 11.1.2	1.557	1.588
4. Other financial liabilities	11.1.2	21.439	19.660
		55.042	**39.142**
V. Trade creditors and other accounts payable			
1. Suppliers	11.1.2	44.205	46.814
3. Current tax liabilities	14.1 and 14.6	133	622
4. Other creditors	11.1.2 and 14.1	30.970	27.800
		75.308	**75.236**
VI. Short-term accruals		**1.364**	**400**
TOTAL NET WORTH AND LIABILITIES (A + B+ C)		**261.718**	**258.517**

Elorrio, 31 March 2021

TEKNIA MANUFACTURING GROUP, S.L., A SOLE PROPRIETORSHIP COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT
PERTAINING TO THE FINANCIAL YEAR THAT ENDED ON 31 DECEMBER 2020

	REPORT NOTES	Miles de euros	
		2020	**2019**
A) CONTINUED OPERATIONS			
1. Turnover net amount	**17.1**	**284.516**	**378.116**
a) Sales		283.445	377.002
b) Services provided		1.071	1.114
2. Change in stock of finished and in-process products		**(1.002)**	**(3.258)**
3. Works performed by the group for its assets		**549**	**790**
4. Supplies		**(145.913)**	**(197.601)**
a) Consumption of goods	17.2	(8.706)	(12.961)
b) Consumption of raw materials and other consumable materials	17.2	(119.025)	(161.374)
c) Works carried out by other companies		(17.977)	(23.110)
d) Goods, raw materials and other supplies impairment		(205)	(156)
5. Other operating income		**3.592**	**2.020**
a) Additional and other routine management income		667	1.860
b) Operating subsidies incorporated into the profits/losses of the financial year	15	2.925	160
6. Personnel expenses		**(76.354)**	**(91.839)**
a) Salaries, wages and the like		(58.032)	(69.942)
b) Social security contributions		(18.144)	(21.913)
c) Provisions		(178)	16
7. Other operating expenses		**(39.751)**	**(55.866)**
a) Losses, impairment and variation of provisions due to trade operations		(39)	(76)
b) Other routine management expenditure		(39.712)	(55.790)
8. Amortization of fixed assets	**4, 8 and 9**	**(17.028)**	**(18.375)**
9. Allocation of subsidies for non-financial fixed assets and others	**15**	**2**	**1**
10. Excess provisions		**4**	**12**
11. Impairment and profits/losses on disposals of fixed assets		**474**	**227**
a) Impairment and losses		-	(17)
b) Profits/losses on disposals and others	8	474	244
14. Other profits/losses		**308**	**(621)**
A.1) OPERATING PROFITS/LOSSES (1+2+3+4+5+6+7+8+9+10+11+12+13+14)		**9.397**	**13.606**
15. Financial income		**91**	**186**
b) From negotiable securities and other financial instruments		16	47
c) Allocation of subsidies, donations and legacies of a financial nature	15	75	139
16. Financial expenses		**(2.505)**	**(3.041)**
18. Exchange differences		**(2.993)**	**(971)**
A.2) FINANCIAL PROFITS/LOSSES (14+15+16+17+18)		**(5.407)**	**(3.826)**
A.3) PRE-TAX PROFITS/LOSSES (A.1 + A.2 +19+20+21)		**3.990**	**9.780**
24. Taxes on profits	**14.2**	**(2.079)**	**(3.662)**
A.4) FINANCIAL YEAR PROFITS/LOSSES FROM CONTINUED OPERATIONS (A.3 + 22)		**1.911**	**6.118**
B) DISCONTINUED OPERATIONS		**-**	**-**
A.5) CONSOLIDATED PROFITS/LOSSES OF THE FINANCIAL YEAR (A.4 + 23)		**1.911**	**6.118**
Profits/losses attributed to the Controlling Company		1.911	6.118
Profits/losses attributed to external partners		-	-

Elorrio, 31 March 2021

TEKNIA MANUFACTURING GROUP, S.L., A SOLE PROPRIETORSHIP COMPANY AND SUBSIDIARY COMPANIES

STATEMENT OF CHANGES TO THE CONSOLIDATED NET WORTH PERTAINING TO THE FINANCIAL YEAR THAT ENDED ON 31 DECEMBER 2020

A) CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENDITURE PERTAINING TO THE FINANCIAL YEAR THAT ENDED ON 31 DECEMBER 2020

	REPORT NOTES	Thousands of Euros	
		2020	2019
A) Consolidated profits/losses of the financial year		**1.911**	**6.118**
Income and expenditure allocated directly to net worth			
III. Subsidies, donations and legacies received	15	95	-
VI. Exchange differences	13.3	(6.645)	575
VII. Tax-effected basis	15	(24)	-
B) Total income and expenditure allocated directly to consolidated net worth (I+II+III+IV+V+VI+VII)		**(6.574)**	**575**
Transfers to the consolidated profit and loss account			
X. Subsidies, donations and legacies received	15	(77)	(140)
XIII. Tax-effected basis	15	20	36
C) Total transfers to the consolidated profit and loss account (VIII+IX+X+XI+XII+XIII)		**(57)**	**(104)**
TOTAL RECOGNIZED CONSOLIDATED INCOME AND EXPENDITURE (A+B+C)		**(4.720)**	**6.589**
Total income and expenditure attributed to the Controlling Company		(4.720)	6.589
Total income and expenditure attributed to external partners		-	-

Elorrio, 31 March 2021

TEKNIA MANUFACTURING GROUP, S.L., A SOLE PROPRIETORSHIP COMPANY AND SUBSIDIARY COMPANIES

B) TOTAL STATEMENT OF CHANGES TO THE CONSOLIDATED NET WORTH PERTAINING TO THE FINANCIAL YEAR THAT ENDED ON 31 DECEMBER 2020
Thousands of Euros

	Capital	Reserves and profits/losses prior financial years (*)	rofits/Losses of the financial year attributed to the Controlling Company	Adjustments due changes of value	Subsidies donations and legacies received	External partners	Total
C. End balance for the financial year 2018	**20.000**	**53.180**	**6.326**	**(5.627)**	**404**	**68**	**74.351**
I. Adjustments due to changes in criteria 2018 and earlier	-	-	-	-	-	-	-
II. Adjustments for errors 2018 and previous	-	-	-	-	-	-	-
C. Adjusted balance, beginning of the financial year 2019	**20.000**	**53.180**	**6.326**	**(5.627)**	**404**	**68**	**74.351**
I. Total recognized income and expenditure			6.118	575	(104)		6.589
II. Operations with partners or owners							
4. (-) Distribution of dividends	-	(2.500)	-	-	-	-	(2.500)
III. Other variations in net worth							
2. Other movements	-	6.326	(6.326)	-	-		-
3. Increase of participation in subsidiaries	-	68	-	-	-	(68)	-
C. End balance for the financial year 2019	**20.000**	**57.074**	**6.118**	**(5.052)**	**300**	**-**	**78.440**
I. Adjustments due to changes in criteria 2019	-	-	-	-	-	-	-
II. Adjustments for errors 2019	-	-	-	-	-	-	-
D. Adjusted balance, beginning of the financial year 2020	**20.000**	**57.074**	**6.118**	**(5.052)**	**300**	**-**	**78.440**
I. Total recognized income and expenditure			1.911	(6.645)	14		(4.720)
II. Operations with partners or owners							
4. (-) Distribution of dividends	-	(2.000)	-	-	-	-	(2.000)
III. Other variations in net worth							
2. Other movements	-	6.118	(6.118)	-	-		-
E. End balance for the financial year 2019	**20.000**	**61.192**	**1.911**	**(11.697)**	**314**	**-**	**71.720**

Elorrio, 31 March 2021

TEKNIA MANUFACTURING GROUP, S.L., A SOLE PROPRIETORSHIP COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED CASH FLOWS STATEMENT PERTAINING TO THE FINANCIAL YEAR THAT ENDED ON 31 DECEMBER 2020

	REPORT NOTES	Thousands of Euros 2020	2019
A) CASH FLOWS FROM OPERATING ACTIVITIES			
1. Pre-tax profits/losses of the financial year		**3.990**	**9.780**
2. Profits/losses adjustments		**19.790**	**21.975**
a) Amortization of fixed assets (+)	4, 8 and 9	17.028	18.375
b) Valuation corrections for impairment (+/-)		330	676
c) Variation of provisions (+/-)		494	234
d) Allocation of subsidies (-)	15	(77)	(140)
e) Profits/losses due to cancellation and disposals of fixed assets (+/-)		(474)	(244)
g) Financial income (-)		(16)	(47)
h) Financial expenses (+)		2.505	3.041
k) Other income and expenses (-/+)		-	80
3. Changes in current capital		**12.293**	**178**
a) Stock (+/-)	12	4.049	4.614
b) Debtors and other accounts receivables (+/-)		5.349	(4.408)
c) Other current assets (+/-)		417	449
d) Creditors and other accounts payable (+/-)		1.650	(141)
e) Other current liabilities (+/-)		964	(324)
f) Other non-current assets and liabilities (+/-)		(136)	(12)
4. Other cash flows from operating activities		**(4.489)**	**(5.801)**
a) Interest payments (-)		(2.364)	(2.763)
c) Interest collected (+)		16	47
d) Collections (payments) on income tax		(2.141)	(3.085)
5. Other cash flows from operating activities (+/-1+/-2+/-3+/-4)		**31.584**	**26.132**
B) CASH FLOWS FROM INVESTING ACTIVITIES			
6. Investment Payments (-)		**(12.822)**	**(20.630)**
a) Group companies, net of cash in consolidated companies	6	(1.089)	(236)
d) Intangible fixed assets	9	(311)	(588)
e) Tangible fixed assets	8	(11.422)	(19.806)
g) Other financial assets			
7. Receivables from divestitures (+)		**2.756**	**2.638**
e) Tangible fixed assets		2.697	2.638
g) Other financial assets		59	-
8. Other cash flows from investing activities (6+7)		**(10.066)**	**(17.992)**
C) CASH FLOWS FROM FINANCING ACTIVITIES			
9. Collections and payments from equity instruments		**95**	**-**
g) Subsidies, donations and legacies received (+)		95	-
10. Collections and payments from financial liabilities		**11.605**	**(8.923)**
a) Issue			
2. Bank loans (+)	11.1.2	22.277	2.643
5. Other debts (+)		1.134	438
b) Return and amortization of			
2. Bank loans (-)	11.1.2	(10.978)	(10.292)
5. Other debts (-)		(828)	(1.712)
11. Dividend payments and remuneration from other equity instruments		**(2.000)**	**(2.500)**
a) Dividends (-)		(2.000)	(2.500)
12. Cash flows from financing activities (+/-9+/-10-11)		**9.700**	**(11.423)**
D) EFFECT OF EXCHANGE RATE VARIATIONS		**-**	**-**
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)		**31.218**	**(3.283)**
Cash or cash equivalents at the beginning of the financial year		10.252	13.535
Cash or cash equivalents at the end of the financial year		**41.470**	**10.252**

Elorrio, 31 March 2021

CONSOLIDATED REPORT PERTAINING TO THE FINANCIAL YEAR THAT ENDED ON THE 31 DECEMBER 2020

1. COMPANIES OF THE GROUP

1.1 Controlling Company

The Controlling Company Teknia Manufacturing Group, S.L., (a Sole Proprietorship Company), was incorporated in Bilbao on the 30th of July of 1998, before the Notary Mr. Andrés Maria Urrutia Badiola. It was domiciled in Barrio San Agustín without number, Elorrio (Vizcaya).

The activity of the Controlling Company is detailed in its Articles of Association, being at the present time the promotion of companies, the acquisition, holding and enjoyment of all kinds of securities, as well as the provision of consulting and advice services to companies.

The activity of the various companies that make up the Group is indicated in Annex I to this Consolidated Report, which is an integral part of it.

The company Teknia Manufacturing Group, S.L. is, in turn, dependent on the company Siuled, S.L. with registered office at Calle María de Molina, 39 - 8º. (Madrid). The Consolidated Yearly Financial Statements and the Management Consolidated Report of Siuled, S.L. and its subsidiary companies pertaining to the financial year 2020 shall be formulated in good time and in an appropriate manner and submitted, together with the appropriate Audit Report, in the Commercial Registry within the legally established deadlines.

The Consolidated Yearly Financial Statements of the Teknia Manufacturing Group, S.L., (a Sole Proprietorship Company), and its Subsidiary Companies and the Management Consolidated Report pertaining to the financial year 2019 were formulated on the 15th of April, 2020 and have been submitted to the Companies Registry of Vizcaya.

The Consolidated Yearly Financial Statements and Management Consolidated Report of Grupo Siuled, S.L. and its Subsidiary Companies pertaining to the financial year 2019 were formulated on the 15th of June, 2020 and have been submitted to the Commercial Registry of Madrid, together with the appropriate Audit Report.

1.2 Consolidated Subsidiary Companies

The Companies that have been consolidated by the method of global integration, and of which none are listed on the Stock Exchange, are indicated in Annex I which is an integral part of this Consolidated Annual Report.

Subsidiary Companies are those in which the total direct and indirect shareholding of Teknia Manufacturing Group, S.L. (a Sole Proprietorship Company) exceeds 50% in these companies.

The end date of the Yearly Financial Statements and the Financial Statements of all companies used in the consolidation is the 31st of December, 2020.

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

During the 2020 financial year, no operations have been performed that affect the consolidation perimeter.

During the financial year 2019, the shareholding from Teknia San Luis de Potosí, S.A. de C.V. was acquired from external partners.

2. BASIS FOR THE SUBMISSION OF CONSOLIDATED YEARLY FINANCIAL STATEMENTS

2.1. Financial Information and Faithful Image Regulatory Framework

Both the Controlling Company and all Subsidiary Companies have been consolidated with their Financial Statements as of the 31st of December, 2020 (as of the 31st of December, 2019 in the previous financial 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 submitted in accordance with the Royal Decree 1514/2007 approving the Spanish General Chart of Accounts, and subsequent amendments thereto.

The financial reporting framework is also indicated in Note 2.7.

The Consolidated Yearly Financial Statements are submitted in accordance with Royal Decree 1159/2010 of the 17th of September, approving the Rules for the Formulation of Consolidated Yearly Financial Statements (NOFCAC) and modifying the Spanish General Chart of Accounts approved by Royal Decree 1514/2007, of the 16th of November and the Spanish General Chart of Accounts for Small and Medium-sized Business, approved by Royal Decree 1515/2007 of the 16th of November, as well as by the subsequent regulations that have amended the aforementioned Royal Decree and show the faithful image of the equity, the financial situation and the results of the group, as well as the truthfulness of the flows incorporated in the Consolidated Statement of Cash Flows.

All Companies have applied generally accepted accounting principles when preparing their Yearly Financial Statements and Individual Financial Statements, the information of all companies being comparable to each other.

The attached Consolidated Yearly Financial Statements pertaining to the financial year 2020 have been formulated by the Board of Directors of the Controlling Company, Teknia Manufacturing Group, S.L. (a Sole Proprietorship Company), and are those that will be submitted for approval by the Sole Shareholder, hoping that they will be approved without changes.

All figures in these Consolidated Yearly Financial Statements are presented in thousands of euros, except where otherwise indicated in any of the notes.

2.2. Non-mandatory accounting principles applied

In the preparation of these Consolidated Yearly Financial Statements, no non-mandatory accounting principles have been applied.

2.3. Critical Aspects of Assessing and Estimating Uncertainty

Estimates made by the Directors of the Controlling Company have been used in the preparation of the attached Consolidated Yearly Financial Statements in order to assess some of the assets, liabilities, income, expenses and commitments recorded in them. They basically refer to:

- Valuation of tangible and intangible fixed assets and their useful lives.
- Valuation of financial instruments.
- Assessment of asset deterioration, including goodwill.
- The calculation of provisions.
- The recoverability of tax credits.

Although these estimates have been made on the basis of the best information available at the end of the year 2020, it is possible that events that may occur in the future will force a revision (upward or downward) upon them in the following years, which will be done, if any, prospectively.

2.4. Comparing the information

The information pertaining to 2019 contained in the Consolidated Yearly Financial Statements pertaining to the financial year 2020 is presented for comparative purposes.

2.5. Grouping of items

Certain items of the Consolidated Statement, of the Consolidated Profit and Loss Account, of the Consolidated Statement of Changes in Corporate Net Worth and the Consolidated Statement of Cash Flows, could appear as aggregate data to facilitate understanding, although whenever relevant, the itemized information has been included in the appropriate Annual Report notes. In particular, collections and payments from financial assets, as well as those pertaining to high-turnover financial liabilities, are shown as net in the Statement of Cash Flows. The turnover period is considered to be high when the period between the acquisition date and the expiration date does not exceed six months.

2.6. Error correction

When preparing the attached Consolidated Yearly Financial Statements, no significant errors have been detected that would have made it necessary to adjust the amounts included in the Consolidated Yearly Financial Statements pertaining to the financial year 2019.

2.7. Principles of consolidation

The Directors of the Controlling Company have formulated these Consolidated Yearly Financial Statements in accordance with all mandatory accounting principles. These have been used for preparation:

- The Commercial Code.
- The Spanish General Chart of Accounts, considering the Group as the accounting subject to which the accounts relate.
- Royal Decree 1159/2010 of the 17th of September, approving the Rules for the Formulation of Consolidated Yearly Financial Statements (hereinafter NOFCAC) and amending the Spanish General Chart of Accounts and its subsequent amendments.

The Subsidiary Companies listed in Annex I, which is an integral part of this Consolidated Annual Report, have been consolidated by the method of global integration, incorporating into the Balance Sheet, the Profit and Loss Account, the Statement of Changes in Corporate Net Worth and the Statement of Cash Flows of the Controlling Company, all assets, liabilities, income, expenses, cash flows and other items in the Individual Yearly Financial Statements of the companies of the Group, after performing the relevant previous homogenizations and deletions.

The Individual Yearly Financial Statements of the foreign companies have been converted to euros by the closing exchange rate method for their assets and liabilities. The net worth items have been converted to euros at the historical exchange rate. The income and expenses of the Profit and Loss Account have been converted to euros at the closing exchange rate provided that there are no significant differences with the weighted average monthly rate, in case of significant differences, the latter is used. All exchange differences that arise as a result of the above are recorded as exchange differences in the net worth of the Consolidated Balance Sheet.

Global integration

- All the Yearly Financial Statements of the companies contain the information of one financial year, with its end at the 31st of December 2020. (In the previous financial year, all the Yearly Financial Statements of the companies contained one financial year, with its end at the 31st of December 2019).

- All balances, transactions made, losses and profits from operations between companies of the Group that have not been carried out outside of it have been eliminated.

- The item of external partners, if any, is included in the net worth of the Consolidated Balance Sheet, except for the amount that needs to be classified as liabilities (if agreements have been reached, forcing cash or other assets to be delivered, which will be presented in the Consolidated Balance Sheet as financial liabilities).

- External partners are attributed, where appropriate, the share of “reserves”, “adjustments due to changes in value” and “subsidies, donations and legacies received” that corresponds to their shareholding and, where appropriate, uncalled outstanding disbursements on shares of external partners have been deducted.

3. STANDARDS OF REGISTRATION AND VALUATION

The main registration and valuation standards used by the Group when preparing its Consolidated Yearly Financial Statements, in accordance with those established by the Spanish General Chart of Accounts and the NOFCAC, have been as follows:

3.1. Homogenization of items

Temporary homogenization:

All companies in the Group have been consolidated with their Financial Statements as of the 31st of December 2020.

When a company becomes part or is left out of the Group, the Profit and Loss Account, the Statement of Changes in Corporate Net Worth and the Individual Statement of Cash Flows of that company included in the consolidation refer only to the part of the financial year in which that company has been a part of the Group.

Valuing homogenization

The elements of the Consolidated Yearly Financial Statements have been valued using uniform methods, in accordance with those set out in the Commercial Code, the Spanish General Chart of Accounts and other applicable laws. The necessary adjustments for homogenization are made in cases where a consolidated company has valued some element according to methods not uniform to those applied in consolidation and provided that the effect of applying that method is significant.

Homogenization by internal operations:

Where the amounts of the items derived from internal transactions do not match, or in the event of an operation pending recording, the Group has made the appropriate adjustments in order to carry out the appropriate deletions later on.

Homogenization to perform aggregation:

The Group has made the necessary reclassifications to adapt the structure of the Financial Statements of the Subsidiary Companies that did not match the structure of the Consolidated Yearly Financial Statements.

3.2. Intangible fixed assets, except goodwill

The intangible fixed assets was initially valued by its purchase price or production cost. It has subsequently been valued at its reduced cost by the corresponding accumulated amortization. These assets are amortized based on their estimated useful life.

Computer software:

The Group records in this account the costs incurred in the acquisition and development of computer software. This amount is amortized, linearly, over a maximum period of five years. The costs of maintaining the computer software are recorded in the profit and loss account for the year in which they are incurred.

Research and development expenses:

The Group follows the criterion of recording in the Consolidated Profit and Loss Account the research expenses incurred into during the year. For development expenses, they are activated when the following conditions are met:

- They are specifically itemized by projects and their cost can clearly be established.
- There are well-founded reasons to rely on the technical success and the economic and commercial profitability of the project.

The assets thus generated are amortized linearly over their useful life (within a maximum period of 5 years).

If doubts exist about the technical success or economic profitability of the project, then the amounts recorded on the asset are directly allocated to the Consolidated Profit and Loss Account for the financial year.

Industrial Property:

This account records the amounts satisfied for the acquisition of the property or the right to use the different manifestations of the same, or for the expenses incurred in connection with the registration of the property developed by the Group.

3.3. Tangible fixed assets

The tangible fixed assets are initially valued for their acquisition price or production cost, and are subsequently reduced by the appropriate accumulated amortization and impairment losses, if any.

The costs of maintaining the various elements that make up the tangible fixed assets are allocated to the profit and loss account for the financial year in which they are incurred. On the contrary, amounts invested on improvements that contribute to increasing the capacity or efficiency of such goods or to extending their useful life are recorded as their higher costs.

The Group amortizes the tangible fixed assets following the linear method, applying annual amortization percentages calculated on the basis of the years of estimated useful life of the each assets, according to the following detail:

	Coefficients
Structures	2.5% - 4%
Technical installations and equipment	6% - 33%
Tools	10% - 30%
Other installations and furniture	10% - 20%
Information processing equipment	20% - 30%
Transport elements	8% - 25%

The calculation of the provisions for the amortization of the assets takes into account the working shifts of the different assets, as well as their quality of new or used, so that in some installations and equipment the percentage can reach 30%, although they are not material figures.

The Group shall record the valuation correction for amortization of its intangible and tangible fixed assets provided that there are signs of loss of value that reduce the recoverable value of such assets to an amount lesser than its book value.

3.4. Leases

Operating Lease

Expenses arising from operating lease agreements are allocated to the Consolidated Profit and Loss Account in the year of accrual.

Financial Lease

In the financial leasing operations in which the Group acts as a tenant, the cost of the leased assets is presented on the Consolidated Balance Sheet according to the nature of the property and, simultaneously, a liability of the same amount. This amount shall be the lesser of the fair value of the leased property and the present value at the start of the lease of the agreed minimum amounts, including the purchase option, where there are no reasonable doubts about its exercise. The calculation does not include contingent fees, the cost of services and taxes incurred by the lessor. The total financial burden of the contract is allocated to the Consolidated Profit and Loss Account for the financial year in which it is accrued, using the effective interest rate method. Quotas of a contingent nature are recognized as expenditure for the financial year in which they are incurred.

Assets registered by this type of operation are amortized using criteria similar to those applied to all material assets, depending on their nature.

3.5. Financial instruments

3.5.1 Financial assets

The financial assets held by the Group fall into the following categories:

- Loans and receivables

  Financial assets arising from the sale of goods or the provision of services by the company's traffic operations, or those which, having no commercial origin, are not equity or derivative instruments and whose collections are fixed or determinable and are not traded in an active market.

Initial Valuation

The financial assets are initially recorded at the fair value of the contribution delivered plus the transaction costs that are directly attributable.

Subsequent Valuation

Its subsequent valuation is done for its amortized cost if the maturity is greater than the year and the relevant update is significant.

Impairment calculation

At least at the end of the financial year, the Group performs an impairment test for financial assets that are not recorded at fair value if there is objective evidence of impairment. Objective evidence of impairment is considered to exist if the recoverable value of the financial asset is less than its book value. When it occurs, the record of this impairment is done at the Consolidated Profit and Loss Account.

In particular, with regard to valuation corrections relating to trade and other accounts receivables, the criterion used by the Group to calculate the appropriate valuation corrections is estimated on the basis of an individualized analysis of the debt age and the financial situation of the debtor.

Cancellation of financial assets

The Group cancels its financial assets when the rights over the cash flow of the financial asset expire or have been relinquished and the risks and benefits inherent in its ownership have been substantially transferred, such as in firm sales of assets, commercial loan assignments in factoring operations where the company does not retain any credit or interest risk, sales of financial assets with a repurchase agreement for their fair value or financial asset securitisations in which the endorsing company does not retain subordinated financings, grant any collateral or assume any other risk.

On the contrary, the Group does not cancel financial assets, and recognizes a financial liability of an amount equal to the compensation received, in the assignments of financial assets in which the risks and benefits inherent in its ownership are substantially retained, such as draft discount, factoring with recourse, sales of financial assets with repurchase agreements at a fixed price or at the selling price plus interest and financial asset securitisations in which the endorsing company retains subordinated financing or other collateral that substantially absorb all expected losses.

3.5.2 Financial liabilities

The financial liabilities held by the Group fall into the following categories:

- Debits and items to be paid

  Financial liabilities arising from the purchase of goods and services for traffic operations of the company, or also those that without having a commercial origin, cannot be considered as financial derivative instruments.

Initial Valuation

Their initial valuation is done at the fair value of the compensation received, adjusted for the transaction costs attributable directly.

Subsequent Valuation

Its subsequent valuation is based on its amortized cost. However, debits for business operations with a maturity of not more than one year, as well as disbursements required by third parties on shareholdings, whose amounts are expected to be received in the short term, are valued at their nominal value, when the effect of not updating cash flows is not significant.

Cancellation of financial liabilities

The Group cancels its financial liabilities when the obligations that have generated them are terminated.

3.6. Foreign currency transactions

The functional currency used by the Group is the Euro. As a result, transactions in currencies other than the Euro are considered denominated in foreign currency.

In this respect, Spanish companies which at the end of the financial year have monetary assets and liabilities denominated in foreign currency convert them by applying the exchange rate on the balance sheet date. The profits or losses shown are directly allocated to the Profit and Loss Account for the financial year in which they occur.

On the other hand, the Yearly Financial Statements of foreign companies whose functional currency is different from the Euro, as indicated above, have been converted to Euros using the method indicated in Note 2.7.

3.7. Taxes on profits

The expense or income derived from the taxes on profits includes the portion of the current tax expense or income and the portion of the deferred tax expense or income.

Current tax is the amount that the Group's companies satisfy as a result of the tax settlements of profit tax for one year. Deductions and other tax benefits in the tax rate, excluding withholdings and payments on account, as well as compensable tax losses from prior financial years and actually applied to the current one, result in a lower amount of current tax.

Deferred tax expense or income corresponds to the recognition and cancellation of deferred tax assets and liabilities. These include temporary differences that are identified as expected amounts payable or recoverable from differences between the book amounts of assets and liabilities and their tax value, as well as negative tax bases outstanding and tax deduction credits not applied tax-wise.

These amounts are recorded by applying to the appropriate temporary difference or credit the type of taxation to which they are expected to be recovered or settled.

Deferred tax liabilities are recognized for all taxable temporary differences, except those arising from the initial recognition of goodwill or other assets and liabilities in an operation that does not affect the tax result or the accounting result.

Deferred tax assets are only recognized to the extent that each company in the Group is likely to have future tax gains against which they can be made effective within 10 years.

Deferred tax assets and liabilities, originating from transactions with direct debits or credits in equity accounts, are also accounted for in net worth.

At each accounting year end, deferred tax assets recorded are reconsidered, and appropriate corrections are made to them to the extent that there are doubts about their future recovery. Similarly, deferred tax assets that are not recorded on the balance sheet are evaluated at each year end and are recognized to the extent that they are likely to recover with future tax benefits over a period of no more than 10 years.

3.8. Income and expenses

Income and expenses are allocated on the basis of the accrual basis, i.e. when the actual flow of goods and services that they represent occurs, regardless of when the monetary or financial flow from them occurs. Such income is valued at the fair value of the payment received, once discounts and taxes have been deducted.

As regards service delivery income, this is recognized considering the degree of completion of the service as of the consolidated balance sheet date, provided that the outcome of the transaction can be reliably estimated.

3.9. Patrimonial elements of an environmental nature

Assets of an environmental nature mean those assets that are used in a lasting manner within the Group's activity and whose main purpose is the minimization of environmental impact and the protection and improvement of the environment, including the reduction or elimination of future pollution.

3.10. Compensations for dismissal

In accordance with the legislation in force, the Group is obliged to pay a compensation to those employees with whom, under certain conditions, it terminated its work relations. Compensations for dismissal that are reasonably measurable are recorded as expenditure in the financial year in which the dismissal decision is made and communicated.

3.11. Subsidies

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

- *Subsidies, donations and non-refundable capital legacies:*
  These are valued at the fair value of the amount or good granted, depending on whether they are monetary or not, and are allocated to the results in proportion to the amount of amortization made in the period for the subsidized elements or, where appropriate, when their disposal or valuation correction for impairment occurs.
- *Subsidies of a returnable nature*:
  As long as they are returnable they are registered as liabilities.
- *Operating subsidies*:
  They are paid to results at the time they are granted except if they are intended to finance operating deficits for future financial years, in which case they will be allocated to those years. If they are granted to finance specific expenses, the allocation shall be made as the financed expenses accrue.

3.12. Transactions with affiliated companies

Companies of the Group are those companies that are affiliated by a relationship of direct or indirect control in accordance with the provisions of article 42 of the Commercial Code related to groups of companies, or where companies are controlled by any means by one or more natural or legal persons acting jointly or under the sole direction of statutory agreements or clauses. Affiliated parties are those defined in the Standard for the Preparation of the Yearly Financial Statements (NECA) No. 15 of the 2007 Spanish General Chart of Accounts and in Article 83 of Royal Decree 1159/2010, of the 17th of September, approving the NOFCAC.

The Group carries out all its operations with affiliated companies using market values.

3.13. Provisions and contingencies

Provisions are credit balances that cover current obligations arising from past events, the cancellation of which is likely to result in an outflow of resources, but which are indeterminate in terms of their amount and/or time of cancellation. Contingent liabilities are possible obligations arising as a result of past events, whose future materialization is conditioned on whether or not one or more future events occur, independently of the will of each company.

The Consolidated Yearly Financial Statements contain all provisions for which it is estimated that the probability of the obligation having to be met is greater than the opposite case. Contingent liabilities are not recognized in the Consolidated Yearly Financial Statements, but are reported in the Consolidated Annual Report notes, to the extent that they are not considered as remote.

The provisions are valued at the current value of the best possible estimate of the amount necessary to settle or transfer the obligation, taking into account the available information about the occurrence and its consequences, and the adjustments arising from the updating of those provisions as a financial expense as it accrues.

3.14. Commitments concerning pensions

<u>Defined benefit plans</u>

Plans that do not have a defined contribution nature are considered defined benefit plans. Generally, defined benefit plans establish the amount of the benefit the employee will receive at the time of retirement, usually based on one or more factors such as age, years of service, and salary.

The Group recognizes in the consolidated balance sheet a provision in respect of benefit plans defined by the difference between the present value of the committed remuneration and the fair value of any assets subject to the commitments to which the obligations are to be settled, reduced, where appropriate, for the amount of costs for past services not yet recognized.

If an asset arises from the above difference, its valuation may not exceed the present value of the benefits that may return to the Group in the form of direct refunds or lower future contributions, plus, where appropriate, the part that is pending allocation to cost results for past services. Any adjustments that the Group has to make for this limit in the valuation of the asset are directly allocated to net worth, being recognized as reserves.

The present value of the obligation is determined by actuarial methods of calculation and financial and actuarial assumptions.

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

The variation in the calculation of the present value of the committed remunerations or, where appropriate, of the affected assets, derived from post-employment plans, on the year-end date, due to actuarial gains and losses is recognized in the financial year in which it arises, directly on the net worth, as reserves. Variations in long-term benefit plans are recognized in the financial year in which they arise directly in the Consolidated Income Statement. For these purposes, losses and gains are exclusively the variations arising from changes in actuarial assumptions or adjustments for experience.

Costs for past services are immediately recognized in the Consolidated Profit and Loss Account, except in the case of revocable rights, in which case, they are allocated to the Consolidated Profit and Loss Account linearly in the remaining period until the rights for past services are irrevocable. However, if an asset arises, the revocable rights are allocated to the Consolidated Profit and Loss Account immediately, unless there is a reduction in the present value of benefits that may be returned by the Group in the form of direct refunds or lower future contributions, in which case, the excess on such a reduction is immediately allocated to the Consolidated Profit and Loss Account.

3.15. Goodwill and negative consolidation difference

In accordance with Article 46, Rule 2, of the Commercial Code, the difference between the book value of the shareholding in the Subsidiary Company and the value attributable to such shareholding of the fair value of the assets acquired and liabilities assumed under NRV 19 shall be recognized, if positive, as a consolidation goodwill. On the exceptional case that it is negative, as income of the financial year in the Consolidated Profit and Loss Account.

The assets and liabilities of the companies acquired in the business combinations already in the Group are valued at the amount with which they appear in the Consolidated Yearly Financial Statements and those acquired from third parties outside the Group at their fair value, performing the valuation of assets and liabilities acquired within one year of acquisition.

In accordance with Royal Decree 602/2016, of the 2nd of December, amending the Spanish General Chart of Accounts, the Spanish General Chart of Accounts for SMEs and the NOFCAC, the Goodwill shall be valued at the acquisition price less the accumulated amortization and, where appropriate, the cumulative amount of impairment valuation corrections recognized in accordance with the criteria included in the registration and valuation rule 6, Specific Rules on Intangible Fixed Assets of the Spanish General Chart of Accounts.

The Group considers that the useful life of the goodwill is 10 years and its recovery is linear.

3.16. Information by segments

Operational segments are the components of the Group, which develop activities in which revenue is obtained and costs are incurred, the result of which is the subject of regular review, discussion and evaluation, by the highest authority in the decision-making process in the entity. For this purpose, the members of the Board of Directors of the Group's Controlling Company are considered to be the highest authority. Until the 2018 financial year, the segments designated as such and used by the Directors of the Controlling Company for the study, analysis and decision-making of the Group were the automotive segment in general (industrial area), Teknia Automotive and the research and development segment, activity started in 2010, Teknia Technologies.

However, in the 2019 financial year, the Group decided that each company should carry out its own projects as an additional role within its own management and not consider the area of research and development as an independent segment. Therefore, during the financial years 2020 and 2019, the Directors have not had information on this activity for its study, analysis or decision-making within the Group and have considered that only the automotive segment exists.

3.17 Stock

Stocks are valued at their acquisition price, production cost or net realisable value, the smallest. The commercial discounts, reductions obtained, other similar items and interests included in the nominal debits are deducted in the determination of the purchase price.

The cost of production includes direct material costs and, where applicable, direct labour costs and manufacturing overhead.

Net realizable value represents the estimate of the sale price minus all estimated costs to complete its manufacture and the costs to be incurred in the marketing, sales and distribution processes.

The Group makes appropriate valuation corrections, recognizing them as an expense in the Consolidated Profit and Loss Account when the net realisable value of the stock is lower than its acquisition price or its cost of production.

3.18 Business Combination

In the financial year 2020, a merger was made by absorption of two companies of the Group (Teknia Empresa de Gestión, S.L. (Sole Proprietorship Company) and Teknia R&D S.L. (Sole Proprietorship Company)), accounted for in the first (absorbing company) at consolidated values, not affecting this operation to the Consolidated Group.

No combination of business was conducted in 2019.

4. CONSOLIDATION GOODWILL

The composition and movement of this chapter in the financial year were as follows:

(thousands of euros)	**Initial balance**	**Exchange differences**	**Amortization of the financial year**	**Other variations**	**31.12.2020**
Teknia Bilbao XXI, S.L.U.	701	-	(117)	-	584
Teknia USA Inc (and subsidiary company Teknia Nashville, L.L.C.)	3.529	(298)	(510)	-	2.721
Teknia Polska Sp. z o.o. (and its subsidiary companies)	222	(15)	(35)	-	172
Teknia Mexico City, S.A. de C.V.	610	(79)	(89)	-	442
Teknia Gebze Makine Sanayi VE Ticaret, A.S.	1.862	(497)	(195)	-	1.170
Teknia Ampuero, S.L.U.	4.866	-	(595)	-	4.271
	11.790	**(889)**	**(1.541)**	**-**	**9.360**

The composition and movement of this chapter in the 2019 financial year were as follows:

(thousands of euros)	**Initial balance**	**Exchange differences**	**Amortization of the financial year**	**Other variations**	**31.12.2019**
Teknia Bilbao XXI, S.L.U.	818	-	(117)	-	701
Teknia USA Inc (and subsidiary company Teknia Nashville, L.L.C.)	4.009	77	(557)	-	3.529
Teknia Polska Sp. z o.o. (and its subsidiary companies)	256	3	(37)	-	222
Teknia Mexico City, S.A. de C.V.	672	40	(102)	-	610
Teknia Gebze Makine Sanayi VE Ticaret, A.S.	2.347	(219)	(266)	-	1.862
Teknia Ampuero, S.L.U.	5.462	-	(596)	-	4.866
	13.564	**(99)**	**(1.675)**	**-**	**11.790**

The Controlling Company carries out an impairment test of the accounted goodwill, through the valuation of the company that generated it, on the basis of the cash flows expected in the future. The updating rates used are between 10% and 10.5% (8% and 9.8% in the financial year 2019). This amount is compared to the company's net worth and if the difference is greater, it is considered that the accounted goodwill is not depreciated.

5. EXTERNAL PARTNERS

The movement in this Chapter in the years 2020 and 2019 was as follows:

(thousands of euros)	**2020**	**2019**
Initial balance	**-**	**68**
By variation in capital percentage and exchange differences	-	-
Profits/losses of the financial year attributed to external partners	-	-
By purchase of shareholding from external partners	-	(68)
Final Balance	**-**	**-**

In the financial year 2019, the shareholding of external partners in the Subsidiary Company Teknia San Luis Potosi, S.A. de C.V. was purchased

6. BUSINESS COMBINATIONS

In the financial years 2020 and 2019, the Group has not been involved in any business combinations that affects the consolidation perimeter.

In recent financial years, the Group has carried out various corporate reorganization operations, conducting merger operations between Group companies. The most significant information for each of these operations, carried out mainly since the financial year 2010, is reflected in the Consolidated Yearly Financial Statements for the financial years in which these operations happened.

- Merger by takeover of the Industrial Company J. Gispert S.A.U. by Teknia Manresa, S.L.U.
- Merger by takeover of the Company Construcciones Mecánicas Croli, S.A. by Teknia Barcelona, S.L.U.
- Merger for the takeover of the Teknia Dej Company, 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 Fegomi, S.L. by Teknia Martos, S.L.U.
- Merger for takeover of the Company Segove Cataluña, S.L.U. by the Company Teknia Barcelona, S.L.U.
- Segregation of Teknia Manufacturing Group, S.L.U. in favour of Teknia Entidad de Gestión, S.L.U.
- Merger for takeover of the Company Teknia Montmeló, S.L.U. by the Company Teknia Bilbao XXI, S.L.U.
- Merger for takeover of the Company Teknia R&D, S.L.U. by the Company Teknia Entidad de Gestión, S.L.U.

7. MERGER AND SEGREGATION PROCESSES PERFORMED WITHIN THE GROUP

In the financial year 2020, the Sole Shareholder of Teknia Entidad de Gestión, S.L. (a Sole Proprietorship Company) and Teknia R&D, S.L. (a Sole Proprietorship Company) approved the merger by takeover of these Companies, the first one being the acquiring company and Teknia R&D S.L. (a Sole Proprietorship Company) the acquired company. The merger process is carried out with dissolution by winding-up without liquidation of the acquired company and mass transmission of all its assets and liabilities to the acquiring company, which acquires by universal succession the rights and obligations of the acquired company.

The acquiring company does not make any exchange of shares since both companies are wholly owned by the same common partner. The date from which the merger has accounting effects is the 1st of January 2020, in accordance with the accounting rules, as they are companies of the same Group.

This merger is subject to the special tax regime for mergers, divisions, contributions of assets, exchange of shares and change of registered office of a European Company or a European Cooperative Society from one Member State to another of the European Union, provided for in Chapter VII of Title VII of Law 27/2014, of the 27th of November, on Company Tax.

All the information required by the fiscal regulations is detailed in the Annual Report pertaining to the Yearly Financial Statements for the financial year that ended on the 31sf of December 2020 of the company Teknia Entidad de Gestión, S.L. (a Sole Proprietorship Company).

No such operations were carried out in the financial year 2019.

8. RESEARCH AND OTHER INTANGIBLE FIXED ASSETS

The movement in this Chapter in the financial year 2020 was as follows:

(thousands of euros)	R&D expenses	Patents, licenses, trademarks and the like	Computer software	Other intangible fixed assets	Advanced payments and current intangible fixed assets	TOTAL
INITIAL BALANCE COST, 2020	**10.520**	**608**	**7.363**	**1.708**	**13**	**20.212**
(+) Additions	-	-	162	149	-	311
(+-) Transfers	-	-	6	(6)	-	-
(-) Outputs, cancellations and reductions	-	-	(5)	(6)	-	(11)
(+) Perimeter inputs	-	-	-	-	-	-
(-) Exchange differences	-	(28)	(248)	(110)	(1)	(387)
GROSS FINAL BALANCE, FINANCIAL YEAR 2020	**10.520**	**580**	**7.278**	**1.735**	**12**	**20.125**
ACCUMULATED AMORTIZATION, INITIAL BALANCE FINANCIAL YEAR 2020	**(10.520)**	**(418)**	**(5.020)**	**(1.195)**	**-**	**(17.153)**
(+) Funding allowance to the amortization of the financial year	-	(35)	(766)	(184)	-	(985)
(+-) Transfers	-	-	-	-	-	-
or reductions	-	-	-	7	-	7
(+) Perimeter inputs	-	-	-	-	-	-
(-) Exchange differences	-	15	24	59	-	98
ACCUMULATED AMORTIZATION, FINAL BALANCE FINANCIAL YEAR 2020	**(10.520)**	**(438)**	**(5.762)**	**(1.313)**	**-**	**(18.033)**
NET BOOK VALUE, 2020	**-**	**142**	**1.516**	**422**	**12**	**2.092**

The movement in this Chapter in the financial year 2019 was as follows:

(thousands of euros)	**R&D expenses**	**Patents, licenses, trademarks and the like**	**Computer software**	**Other intangible fixed assets**	**Advanced payments and current intangible fixed assets**	**TOTAL**
INITIAL BALANCE COST, 2019	**10.733**	**416**	**6.657**	**1.724**	**74**	**19.604**
(+) Additions	-	190	555	33	-	778
(+-) Transfers	-	-	144	(78)	(61)	5
(-) Outputs, cancellations and reductions	(213)	-			-	(213)
(+) Perimeter inputs	-	-	-	-	-	-
(-) Exchange differences	-	2	7	29	-	38
FINAL BALANCE COST, 2019	**10.520**	**608**	**7.363**	**1.708**	**13**	**20.212**
ACCUMULATED AMORTIZATION, INITIAL BALANCE FINANCIAL YEAR 2019	**(10.520)**	**(416)**	**(4.147)**	**(994)**	**-**	**(16.077)**
(+) Funding allowance to the amortization of the financial year	-		(853)	(193)	-	(1.046)
(+-) Transfers			(13)			(13)
(-) Outputs, cancellations or reductions						-
(+) Perimeter inputs						-
(-) Exchange differences		(2)	(7)	(8)		(17)
ACCUMULATED AMORTIZATION, FINAL BALANCE FINANCIAL YEAR 2019	**(10.520)**	**(418)**	**(5.020)**	**(1.195)**	**-**	**(17.153)**
NET BOOK VALUE, 2019	**-**	**190**	**2.343**	**513**	**13**	**3.059**

Fully amortized items

The Group has items within the intangible fixed assets, including R&D expenditure, fully amortized at 31st of December 2020 amounting to 15,556 thousands of euros (14,434 thousands of euros in 2019).

Investments abroad

The net amount of intangible fixed assets held by foreign companies at the end of financial year 2020 amounts to 1,610 thousands of euros (2,059 thousands of euros in the previous financial year).

9. TANGIBLE FIXED ASSETS

The movement of the tangible fixed assets in this Chapter in the financial year 2020 was as follows:

(thousands of euros)	Property and structures	Technical installations, and other tangible fixed	In-progress fixed assets and advanced payments	TOTAL
INITIAL BALANCE COST, FINANCIAL YEAR 2020	**26.216**	**249.194**	**7.809**	**283.219**
(+) Acquisitions	1.708	10.029	2.129	13.866
(+) Entries in the consolidation perimeter	-	-	-	-
(-) Outputs, cancellations or reductions	-	(5.217)	(79)	(5.296)
(-/+) Exchange differences	(706)	(10.529)	(28)	(11.263)
(- /+) Transfers to / from other items	1.691	5.190	(6.881)	-
(+) Other movements	-	-	-	-
FINAL BALANCE COST, FINANCIAL YEAR 2020	**28.909**	**248.667**	**2.950**	**280.526**
ACCUMULATED AMORTIZATION, INITIAL BALANCE FINANCIAL YEAR 2020	**(8.785)**	**(181.149)**	**-**	**(189.934)**
(+) Funding allowance to the amortization of the f	(1.079)	(13.423)	-	(14.502)
(+) Entries in the consolidation perimeter	-	-	-	-
(+) Outputs, cancellations or reductions	-	4.281	-	4.281
(-/+) Exchange differences	124	5.470	-	5.594
(- /+) Transfers to / from other items	124	(124)	-	-
(+) Other movements	-	-	-	-
ACCUMULATED AMORTIZATION, FINAL BALANCE FINANCIAL YEAR 2020	**(9.616)**	**(184.945)**	**-**	**(194.561)**
IMPAIRMENT, INITIAL BALANCE FINANCIAL YEAR 2020	**-**	**(96)**	**-**	**(96)**
(+) Funding allowances for the financial year	-	-	-	-
(+) Outputs, cancellations or reductions	-	-	-	-
IMPAIRMENT, FINAL BALANCE FINANCIAL YEAR 2020	**-**	**(96)**	**-**	**(96)**
NET BOOK VALUE 2020	**19.293**	**63.626**	**2.950**	**85.869**

The movement of the tangible fixed assets in this Chapter in the financial year 2019 was as follows:

(thousands of euros)	Property and structures	Technical installations, and other tangible fixed assets	In-progress fixed assets and advanced payments	TOTAL
INITIAL BALANCE COST, FINANCIAL YEAR 2019	**26.102**	**238.884**	**4.409**	**269.395**
(+) Acquisitions	77	14.284	5.185	19.546
(+) Entries in the consolidation perimeter	-	-	-	-
(-) Outputs, cancellations or reductions	(45)	(8.064)	-	(8.109)
(-/+) Exchange differences	219	1.671	50	1.940
(- /+) Transfers to / from other items	(137)	2.419	(1.835)	447
(+) Other movements	-	-	-	-
FINAL BALANCE COST, FINANCIAL YEAR 2019	**26.216**	**249.194**	**7.809**	**283.219**
ACCUMULATED AMORTIZATION, INITIAL BALANCE FINANCIAL YEAR 2019	**(7.800)**	**(170.999)**	**-**	**(178.799)**
(+) Funding allowance to the amortization of the f	(978)	(14.756)	-	(15.734)
(+) Entries in the consolidation perimeter	-	-	-	-
(+) Outputs, cancellations or reductions	34	5.704	-	5.738
(-/+) Exchange differences	(41)	(1.079)	-	(1.120)
(- /+) Transfers to / from other items	-	(19)	-	(19)
(+) Other movements	-	-	-	-
ACCUMULATED AMORTIZATION, FINAL BALANCE FINANCIAL YEAR 2019	**(8.785)**	**(181.149)**	**-**	**(189.934)**
IMPAIRMENT, INITIAL BALANCE FINANCIAL YEAR 2019	**-**	**(96)**	**-**	**(96)**
(+) Funding allowances for the financial year	-	-	-	-
(+) Outputs, cancellations or reductions	-	-	-	-
IMPAIRMENT, FINAL BALANCE FINANCIAL YEAR 2019	**-**	**(96)**	**-**	**(96)**
NET BOOK VALUE, 2019	**17.431**	**67.949**	**7.809**	**93.189**

Real estate

All companies that are part of the Group carry out their activities in leased properties except Teknia Epila, S.L.U., Teknia Uhersky Brod, AS, Componentes de Automoción Marroquíes SARL., Teknia USA Inc., Teknia Germany GmbH, Teknia KG doo, Kragujevac, Teknia Ampuero, S.L.U. and Teknia Oradea, SRL.

Collateral securities offered

Various Group companies have offered mortgage collaterals and other guarantees as set out in Note 19.1 to this Consolidated Annual Report.

Other information on the tangible fixed assets

(thousands of euros)	**2020**	**2019**
Amortized Items in Use (Cost)	**128.992**	**125.595**
Property and structures, values separation		
- Property	4.207	3.545
- Structures Cost	23.473	22.450
- Structures / Amortization	(8.387)	(8.564)
Net Totals	**19.293**	**17.431**
Fixed assets outside of Spanish territory (net amount)	**56.512**	**63.716**
Profits/losses on disposals of fixed assets	**474**	**244**

The fixed assets located outside the Spanish territory corresponds to those owned by foreign companies and equipment of a Spanish company. Its composition is as follows:

	2020		2019	
	Property and structures	All other fixed assets	Property and structures	All other fixed assets
Cost	22.151	96.135	19.647	106.029
Amortization	(5.775)	(55.903)	(5.310)	(56.554)
Impairment	-	(96)	-	(96)
	16.376	40.136	14.337	49.379

At the end of the financial year, firm commitments to purchase assets were approximately 1,085 thousands of euros (1,837 thousands of euros at the end of financial year 2019). At the end of the financial years 2020 and 2019, there were no firm commitments for sales of tangible fixed assets.

The usual practice of the Group is to take out insurance policies to cover all its companies against the possible risks to which the various elements of their tangible fixed assets are exposed.

10. LEASES

10.1. Operating Lease

In its position as a tenant, the Consolidated Profit and Loss Account includes expenses for the leasing of real estate, premises and land, the main contracts being the following:

Company	Lessor	Annual amount		Expiration	
		2020	**2019**	**2020**	**2019**
Teknia Elorrio, S.L.U.	Clomi, S.L.U.	(162)	(181)	2022	2022
Teknia Pedrola, S.L.U.	Clomi, S.L.U.	(179)	(201)	2026	2026
Teknia Barcelona, S.L.U.	Third parties	(276)	(286)	2026	2026
Teknia Martos, S.L.U.	Third parties	(260)	(272)	Annual extendable	Annual extendable
Teknia Azuqueca, S.L.U.	Clomi, S.L.U.	(350)	(401)	2025, extendable for periods of 5 years	2020, extendable for periods of 5 years
	Third parties	(219)	(217)	2033	2033
Teknia Brasil Ltda.	Veradale, S.L.U	(544)	(720)	2028	2028
Teknia Mexico City S.A. de C.V.	Third parties	(83)	(90)	Annual extendable	Annual extendable
Teknia Manresa, S.LU.	Third parties	(230)	(309)	Annual extendable and 2026	Annual extendable and 2026
Teknia San Luis Potosí, S.A. de CV	Third parties	(123)	(104)	2025	2025
Teknia Bilbao XXI, S.L.U.	Veradale, S.L.U	(421)	(471)	2025	2025
Teknia Ampuero, S.L.U.	Third parties	(178)	(174)	2028	2028
Teknia Rzeszow Sp. Z.o.o.	Veradale Polska, Sp. z.o.o	(371)	(361)	2027	2027
Teknia Kalisz Sp. Z.o.o.	Veradale Polska, Sp. z.o.o	(535)	(551)	2027	2027
Teknia Gebze Makíne Sanayi ve Ticaret A.S	Third parties	(90)	(120)	2032	2032
Teknia Tepejí , S.A. de C.V.	Third parties	(468)	(483)	2022	2022
Teknia Oradea, S.R.L.	Third parties	(16)	(16)	2037	2037

All transactions with companies affiliated to the Group amount to:

(thousands of euros)	Operating expenses	
	2020	**2019**
Clomi, S.L.U.	700	783
Veradale, S.L.U.	965	1191
Veradale Polska, Sp. z.o.o	1,117	1100

Balances outstanding for lease or other items are, as of the 31st of December:

(thousands of euros)	2020		
	Clients	Short-term creditors and suppliers	Long-term guarantees
Clomi, S.L.U.	-	-	163
Veradale, S.L.U.	-	-	160
Veradale Polska, Sp. z.o.o	-	-	153

(thousands of euros)	2019		
	Clients	Short-term creditors and suppliers	Long-term guarantees
Clomi, S.L.U.	-	-	163
Veradale, S.L.U.	28	-	195
Veradale Polska, Sp. z.o.o	-	-	151

During the financial year 2020 and due to the activity stoppage motivated by the COVID-19 pandemic, temporary rent reductions have been agreed by the lessors, so in the financial year 2021 et seq., it is estimated that future payments will be restored to amounts prior to such reductions, increasing on the basis of annual CPI or similar indicators established in the contracts.

10.2. Financial Lease

The Group maintains certain financial leasing contracts for tangible fixed assets whose most significant data are:

	Net book value of the asset *(thousands of euros)*	
Object	**2020**	**2019**
Installations, equipment and other fixed assets	6,552	5,630

The schedule of future payments for these contracts at the end of financial years 2020 and 2019 is as follows:

Years	**31.12.2020**	**31.12.2019**
Short-term:		
2020	-	(1,588)
2021	(1,557)	-
	(1,557)	**(1,588)**
Long-term:		
2021	-	(1,207)
2022	(727)	(373)
2023	(416)	(60)
2024	(387)	(29)
2025	(120)	-
	(1,650)	**(1,669)**

11. FINANCIAL INSTRUMENTS

11.1. Category of financial assets and liabilities

11.1.1. Financial assets

The following are the items of financial assets, with their breakdown in thousands of euros as follows:

(thousands of euros)	Long-term Loans, derivatives and others		Short-term Loans, derivatives and others	
	2020	2019	2020	2019
Loans and receivables	1.046	1.517	50.521	62.880
Total	**1.046**	**1.517**	**50.521**	**62.880**

Long-term financial assets

This chapter, for the amount of 1,046 thousands of euros (1,517 thousands of euros in the previous financial year) mainly covers:

- Guaranties amounting to 901 thousands of euros (930 thousands of euros in the previous financial year), of which 476 thousands of euros are with related parties (509 thousands of euros in the financial year 2019) (Note 10.1).

The year maturities of long-term financial assets are as follows:

Year 2020

	2022	2023	2024	2025 and following ones	No expiration set	Total
Loans and receivables	50	-	-	-	95	145
Guaranties	191	4	1	642	63	901
						1.046

The year maturities of the most significant long-term financial assets of the financial year 2019 are as follows:

Year 2019

	2021	2022	2023	2024 and following ones	No expiration set	Total
Loans and receivables					533	533
Guaranties	131	139	-	462	198	930
						1.463

Short-term financial assets

The composition of short-term loans, derivatives and others is as follows:

(thousands of euros)	2020	2019
Clients	49.896	60.924
Clients group companies	-	28
Staff	52	147
Other financial assets	23	82
Other debtors	550	495
	50.521	61.676
Credits to linked parties	-	1.204
	50.521	**62.880**

The movement of corrections due value impairment caused by credit risk with customers during the financial year was as follows:

	Thousands of Euros
Impairment loss at the beginning of the financial year	(895)
(+) Valuation correction due to impairment	(39)
(-) Provisions applied	-
(+) Exchange differences and others	39
Impairment loss at the end of the financial year 2020	**(895)**

The movement of corrections due to value impairment caused by credit risk with customers during the previous financial year was as follows:

	Thousands of Euros
Impairment loss at the beginning of the financial year	(838)
(+) Valuation correction due to impairment	(76)
(-) Provisions applied	22
(+) Exchange differences and others	(3)
Impairment loss at the end of the financial year 2019	**(895)**

Factoring lines without recourse.

In the financial year 2020, several companies of the Group have signed factoring policies without recourse with several financial entities. The combined ceiling is 18,299 thousands of euros and 2,019 thousands of USD.

The factored amounts have been reduced from the number of Clients because the risks have been derived to the financial institutions and because of a lack of the Group's continued involvement with them. As of the 31st of December 2020, the total amount factored by the Group amounts to 7,391 thousands of euros and 1,439 thousands of USD respectively.

11.1.2. Financial liabilities

The composition of financial liabilities by class and category is as follows in the financial year 2020:

	Long-term financial liabilities			Short-term financial liabilities		
(thousands of euros)	Bonds and other negotiable securities	Bank loans	Derivatives and others	Bonds and other negotiable securities	Bank loans	Derivatives and others
Debits and items to be paid	-	(48,025)	(3,823)	(20,497)	(13,106)	(91,795)
TOTAL	**-**	**(48,025)**	**(3,823)**	**(20,497)**	**(13,106)**	**(91,795)**

The composition of financial liabilities by classes and categories was as follows in the financial year 2019:

	Long-term financial liabilities			Short-term financial liabilities		
(thousands of euros)	Bonds and other negotiable securities	Bank loans	Derivatives and others	Bonds and other negotiable securities	Bank loans	Derivatives and others
Debits and items to be paid	(19,868)	(33,748)	(5,748)	(542)	(18,940))	(88,804)
TOTAL	**(19,868)**	**(33,748)**	**(5,748)**	**(542)**	**(18,940)**	**(88,804)**

<u>Bonds and other negotiable securities</u>: Issuance of Bonds

On the 20th of June, 2016, Teknia Manufacturing Group, S.L. (A Sole Proprietorship Company), as the Group's lead company, proceeded with the incorporation in the Fixed Income Alternative Market (MARF) of the Medium and Long Term Securities Information Base Document (DBII), referred to as “EUR 40,000,000 Senior Unsecured Notes Program”, for a maximum amount of up to 40,000 thousands of euros and effective until June 20, 2017. This document was incorporated into the MARF by virtue of an agreement of the Board of Directors of AIAF Fixed Income Market with the same date, being this public and available both on the BME website (www.bmerf.es) and on the company website (www.tekniagroup.com/investor).

On the 5th of July, 2016, by virtue of an agreement of the Board of Directors of AIAF Fixed Income Market, the securities issued under the framework of the bond program explained above are incorporated, with the following characteristics:

ISIN CODE	CODE AIAF	NUMBER OF SECURITIES	AMOUNT (thousands of euros)	PAYOUT DATE	DUE DATE
ES0305105001	14869	200	20,000	07-05-2016	07-05-2021

The net amount, once deducted the issuing costs, amounted to 19,600 thousands of euros. Short-term accrued interest amounts to 542 thousands of euros (at the end of 2019, short-term accrued interest amounted to 542 thousands of euros and, long-term, to 268 thousands of euros).

As described in the DBII, securities issued must always be guaranteed, through an abstract guarantee and at first request, by subsidiaries representing at least 95% of the Group's total EBITDA. This group of companies is called the bond's "guarantors' perimeter." The companies that make up this perimeter of guarantors at the end of the financial year are as follows: Teknia Elorrio, S.L. (A Sole Proprietorship Company), Teknia Bilbao XXI, S.L. (A Sole Proprietorship Company), Teknia Pedrola, S.L. (A Sole Proprietorship Company) Teknia Martos, S.L. (A Sole Proprietorship Company), Teknia Azuqueca, S.L. (A Sole Proprietorship Company), Teknia Barcelona, S.L. (A Sole Proprietorship Company), Teknia Épila S.L. (A Sole Proprietorship Company), Teknia Manresa, S.L. (A Sole Proprietorship Company), Teknia R&D, S.L. (A Sole Proprietorship Company), acquired by Teknia Entidad de Gestión, S.L. during financial year 2020 (A Sole Proprietorship Company), Teknia Kalisz Sp. z.o.o., Teknia Rzeszów, Sp. z.o.o., Teknia Uhersky Brod a.s, Teknia Brasil Ltda. and Teknia Nashville, LLC. However, other Group companies could be added to the above-mentioned perimeter of guarantors in order to fulfill the above requirement, if necessary.

In addition, the Controlling Company is obliged to comply with certain commitments, the default of which could result in the advanced repayment of the debt. Among them is the failure to perform a series of operations if the debt ratio (net financial debt/consolidated EBITDA) is greater than 3.50, such as incurring additional debt, or the ban on the distribution of dividends if the above limit has been exceeded in the previous financial year ended on the 31st of December, and the distribution is limited even if it has not been exceeded.

There are other commitments that must be fulfilled by both the issuer (Controlling Company) and its subsidiary guarantors (the perimeter of guarantors) and which refer to various aspects, including the limitation on the sale of assets, which establishes the method of collection of the amount of the sale, in case of sale; the establishment of conditions in transactions with related parties; the prevention to offer charges or collateral on companies, assets or income, as unsecured debt, before or at the same time, the Bonds (or providing other kind of security to them), or limitations on structural modifications (mergers, liquidation, winding-up, etc.).

Likewise, in the event of a change of ownership in the Controlling Company, it shall give each holder of the bonds the option of requiring the advanced cancellation or purchase of the bonds in whole or in part to 101% of its principal plus accrued interest and not expired.

Bank loans

This chapter covers financial leasing debts and debts due to bank loans and other items.

(thousands of euros)	2020			2019		
	Long-term	**Short-term**	**Total**	**Long-term**	**Short-term**	**Total**
Bank loans	(46.375)	(11.549)	(57.924)	(32.079)	(17.352)	(49.431)
Creditors by financial lease	(1.650)	(1.557)	(3.207)	(1.669)	(1.588)	(3.257)
	(48.026)	**(13.106)**	**(61.132)**	**(33.748)**	**(18.940)**	**(52.688)**

The financial leasing creditors refer to the debts for the leasing operations indicated in Note 10.2.

The maturity of the debts with credit institutions at the end of financial years 2020 and 2019 is broken down as follows, in thousands of euros:

Expiration	2020	Expiration	2019
Short-term:		Short-term:	
2021	(11.549)	2020	(17.352)
Long-term:		Long-term:	
2022	(11.822)	2021	(6.847)
2023	(13.203)	2022	(7.115)
2024	(10.670)	2023	(7.441)
2025	(7.558)	2024	(5.094)
2026 and beyond	(3.122)	2025 and beyond	(5.582)
	(46.375)		(32.079)

Within the chapter on short-term credit institutions are outstanding discounted bills of 2,118 thousands of euros and 1,412 thousands of dollars (1,249 thousands of euros and 7,113 thousands of dollars in the previous year). For the financial year 2020, the limit for the discounted bills, advance payments of invoices, etc. amounts to 20,650 thousands of euros (26,290 thousands of euros in the financial year 2019).

On the other hand, at the end of the financial year 2020, the Group has credit accounts granted by financial institutions with a total limit of 17,100 thousands of euros and 5,300 thousands of zlotys (12,100 thousands of euros in 2019 and 5,300 thousands of zlotys), of which at the end of the financial year 2020 had drawn an amount of 58 thousands of euros (520 thousands of euros and 5,092 thousands of zlotys at the end of the financial year 2019). Out of the 17,100 thousands of euros in loans granted at 31 December 2020, 8,000 thousands of euros would have a maturity of more than 18 months.

The Controlling Company has, of the above, a total of 13,800 thousands of euros in loans and 10,000 thousands of euros in lines of credit granted by financial institutions at the end of the financial year 2020 which are endorsed by the Official Credit Institute (ICO) (Note 19.1) covered by one of the lines referred to in Royal Decree-Law 8/2020, of the 17th of March, on extraordinary urgent measures to deal with the economic and social impact of COVID-19. There, the purpose of these funds is subject to the provisions of that entity.

Derivatives and others

The breakdown of this chapter is as follows, in thousands of euros:

	2020		2019	
(thousands of euros)	Long term	Short term	Long term	Short term
Advanced payments and reimbursable loans	(3.304)	(924)	(3.922)	(943)
Suppliers of fixed assets	(119)	(1.734)	(151)	(989)
Other debts	(400)	(1.669)	(1.236)	(1.237)
Promissory notes	-	(17.113)	-	(16.491)
Suppliers	-	(44.205)	-	(46.814)
Other creditors:				
Staff	-	(5.265)	-	(5.651)
Advanced payments from customers	-	(13.321)	-	(11.952)
Others	-	(7.564)	(439)	(4.727)
	(3.823)	**(91.795)**	**(5.748)**	**(88.804)**

The Group has no financial assets held to negotiate or hedging instruments (speculative derivatives and hedging derivatives, respectively) (same situation as in 2019).

Advanced payments and reimbursable loans (CDTI, Ministry of Education and Science, Ministry of Industry and Technology and Competitiveness Plan):

The nominal of non-interest-rate loans amounts to 4,648 thousands of euros (5,407 thousands of euros in the previous financial year). The interest rate of the reimbursable advanced payment with interest is 3.06% per year (3.06% in 2019).

The maturities at the end of the financial year 2020 and 2019 are as follows:

Year		**Total**
Short-term:		
	2021	(924)
		(924)
Long-term:		
	2022	(832)
	2023	(856)
	2024	(843)
	2025	(399)
	Rest	(374)
		(3.304)
Total		**(4.228)**

Year		**Total**
Short-term:		
	2020	(943)
		(943)
Long-term:		
	2021	(858)
	2022	(843)
	2023	(829)
	2024	(814)
	Rest	(578)
		(3.922)
Total		**(4.865)**

Suppliers of fixed assets

The maturities of suppliers of fixed assets at the end of the financial year 2020 and 2019 are as follows:

Year	Euros
Short-term:	
2021	(1.734)
Total	(1.734)
Long-term:	
2022	(10)
2023	(10)
2024	(10)
2025	(10)
Rest	(79)
	(119)

Year	Euros
Short-term:	
2020	(989)
Total	(989)
Long-term:	
2021	(25)
2022	(10)
2023	(10)
2024	(11)
Rest	(95)
	(151)

Other debts

As of the 31st of December 2020, this chapter contains outstanding short-term 1,236 thousands of euros for the purchase of the Mecanor group (today Teknia Ampuero, S.L. and its subsidiary companies). As of the 18th of March 2021, this debt has been written-off.

As of the 31st of December 2019, this chapter contained outstanding long-term 1,236 thousands of euros for the purchase of the Mecanor group (today Teknia Ampuero, S.L. and its subsidiary companies) and outstanding short-term 1,236 thousands of euros for the same object.

Year 2020: 1,237 thousands of euros
Year 2021: 1,236 thousands of euros

Issuance of promissory notes

As in the previous financial year, dated February 2020, the Company incorporated into the Fixed Income Alternative Market (MARF) the Short-Term Securities Information Base Document (DBII), entitled “€25,000,000 Commercial Paper Programme Teknia 2020”, for a maximum amount of up to 25,000,000 euros. Subsequently, it was incorporated into the MARF, the Investor Information Base Document, called “Commercial Paper Program Teknia 2020, for a maximum amount of 25,000,000 euros.

At the end of the financial year 2020 the nominal value of the debt for the promissory notes amounts to 17,200,000 euros and they expire in the course of the financial year 2021, with the interest rate between 0.472% and 1.196%.

At the end of the financial year 2019, the nominal value of the debt for the promissory notes was 16,500,000 euros and all reached maturity in the first quarter of 2020, with the interest rate between 0.341% and 0.473%.

In addition, on September 17, 2020, a contract of guarantee was registered as a public deed and signed on the same date between:

- The Official Credit Institute, E.E.E (ICO), which has the quality of a guarantor, on behalf of the Ministry of Economic Affairs and Digital Transformation
- BOLSAS Y MERCADOS ESPAÑOLES DE RENTA FIJA, S.A., which is the "Governing Company".
- TEKNIA MANUFACTURING GROUP, S.L.", which is the endorsed and "Issuing Company or Entity".

- "NORBOLSA, SOCIEDAD DE VALORES, S.A.", "BEKA FINANCE, SV, S.A." and "BANKINTER, S.A.", which are the "Processing Entities" of the issuance of promissory notes subject to the guarantee.
- And again "BANKINTER, S.A.", which is the "Paying Agent" of the issues of promissory notes subject to the guarantee.

The purpose of the contract was the granting by ICO, on behalf of the Ministry of Economic Affairs and Digital Transformation, of guarantees under the ICO Guarantees Promissory Notes Program provided for in article 29.1 of the Royal Decree Law 8/2020, with the participation of Bolsas y Mercados Españoles Renta Fija S.A.U as the MARF Market Governing Company.

Under the above-mentioned contract, the amount of funding obtained through the Guaranteed Promissory Notes will be used exclusively to meet the liquidity needs arising from the economic impact of COVID-19, among other purposes, to cope with payrolls, managing of invoices to providers and suppliers of goods and services, the need for circulation and the expiration of current tax and financial obligations or other liquidity needs in general with maturities after 17 march 2020.

The amount of the guarantee is 70% of the discounted nominal amount of each issuance and the discounted unit nominal amount of each promissory note.

Failure to pay any promissory notes issued with the guarantee's coverage once reached the maturity date, regardless of whether or not the guarantee has been executed, will suspend the guarantee's coverage provided for in this Agreement for the issuing entity's successive issuances and will cause the Agreement to be terminated.

The term of the granted guarantee will match the maturity term of the Issuance of Guaranteed Promissory Notes, which in no case may be greater than 24 months, increased by 10 working days.

The remuneration of the guarantees shall be of 30 basis points (0.30%) per year for promissory notes with a maturity of 12 months or less and 60 basis points (0.60%) per year for promissory notes with a maturity of more than 12 months and up to 24 months, in both cases on the amount guaranteed.

The characteristics of the promissory notes issued by Teknia Manufacturing Group, S.L.U. and endorsed by the ICO at the end of the financial year are:

Issuer	ISIN	Volume	Payout Date	Maturity Date
TEKNIA MANUFACTURING GROUP, S.L.U.	ES0505105413	3,000,000.00	28/09/2020	20/09/2021
TEKNIA MANUFACTURING GROUP, S.L.U.	ES0505105421	3,000,000.00	26/10/2020	25/10/2021
TEKNIA MANUFACTURING GROUP, S.L.U.	ES0505105439	600,000.00	23/11/2020	19/11/2021
TEKNIA MANUFACTURING GROUP, S.L.U.	ES0505105447	5,400,000.00	23/11/2020	21/05/2021

The balance at the end of the financial year 2020 of the ICO-endorsed Guaranteed Promissory Notes amounts to a total of 8,338 thousands of euros (Note 19.1).

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

11.2.1. Qualitative

The management of the Group's financial risks is centralized on the Financial Management Team of Group, which has established the necessary mechanisms to control exposure to changes in interest and exchange rates, as well as credit and liquidity risks. These are the main financial risks that impact the Group:

a) Credit risk:

Generally the Group maintains its cash and cash equivalents in high-level of solvency financial institutions.

Credit risk is determined by the group companies' sales to their customers. At this time, given the current economic situation and one of the economic sectors in which the Group operates, each client has been reviewed individually in order to minimize the impact of this type of risk.

b) Liquidity Risk:

In order to be able to meet all payment commitments resulting from its activity, the Group has sufficient cash and assets of high liquidity, as shown in the Consolidated Balance Sheet. The dividend policy followed is prudent and takes into account the investments necessary to maintain the Group's competitiveness. The credit limits indicated in Note 11.1.2 are also maintained.

c) Market risk (Interest rate, exchange rates, etc.):

The Group is not too exposed to this risk as significant interest-rate liabilities are Euribor-referenced and no large increases are expected in the short term or were signed at a fixed rate to minimize the impact of any change in interest rates.

With regard to the exchange rate risk, the group does not consider it necessary to have coverage in place for this, since historically it has been proven that the automotive sector is a long-term business in which rate fluctuations will affect both positively and negatively but its long-term effect will be practically neutral.

The Group's activity is focused on the automotive sector, so the risk of market drop is the same as that of the sector in which it operates. The Group is present in several countries to minimize the possible impact of different developments in manufacturing costs and car consumption in each country.

11.2.2. Quantitative information

As indicated above, the main risk would be the exchange rate changes of companies whose functional currency is not the Euro. A policy of natural coverage of companies operating in more than one currency is applied. Quantitative information in this regard is found in note 20.3 (Foreign currency).

12. STOCK

The composition of this chapter at the end of the financial year is as follows in thousands of euros:

	2020	2019
Goods, auxiliary raw materials and others	15.600	18.772
Ongoing product	13.791	15.288
Finished product	15.563	17.157
By-products and waste	-	7
Advanced payments to suppliers	9.421	7.155
Impairment	(1.925)	(1.589)
	52.450	**56.790**

13. STOCKHOLDER EQUITY

13.1. Share Capital

The share capital of the Controlling Company is represented by 332,779 shares (332,779 shares in the previous year) of 60.10 euros in nominal value being Siuled, S.L. the Sole Shareholder.

The share capital of the Controlling Company is fully subscribed and disbursed, through the following contributions, in thousands of euros:

	Thousands of Euros
Non-cash contribution of company shares	23.547
Cash contribution at incorporation	1.030
Cash contribution at capital increases	5.053
Redenomination to euros	(1)
Share capital reduction in 2013	(9.629)
	20.000

13.2. Reserves

The composition at year-end of the financial year of this chapter is as follows:

(thousands of euros)	2020	2019
Legal reserve of the Controlling Company	4.000	4.000
Voluntary reserves of the Controlling Company	26.047	26.187
Consolidation Reserves	31.145	26.886
	61.192	**57.073**

According to article 214 of the Spanish Capital Companies Act, in any case, a figure equal to 10 per 100 of the profit from the financial year will be allocated to the legal reserve until it reaches at least 20 per 100 of the share capital.

The legal reserve, until it reaches the limit indicated, may only be used for loss compensation in the event that no other reserves are available for this purpose.

The movement of reserves is reflected in the Consolidated Statement of Changes in Corporate Net Worth.

13.3 Exchange differences

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

	2020	2019
Teknia Brasil, Ltda.	(6.156)	(4.309)
Teknia Polska Spolka z o.o and its subsidiary companies	(1.847)	(587)
Teknia Uhersky Ubrod, AS	145	530
Teknia USA Inc., and its subsidiary company	(815)	7
Componentes de Automoción Marroquíes SARL	(71)	(16)
Teknia San Luis de Potosí, S.A. de C.V.	(969)	(415)
Teknia Mexico City, S.A. de C.V.	(406)	(71)
Teknia KG doo, Kragujeva	40	39
Teknia Gebzre Makine Sanayi VE Ticaret, A.S.	(1.156)	(531)
Teknia Japan, GK	(1)	2
Teknia Tepejí, S.A. de C.V.	(400)	335
Teknia Oradea, S.R.L.	(61)	(34)
	(11.697)	(5.052)

The exchange rates in relation to the Euro applied in the conversion of the financial statements of foreign companies were as follows as of the 31st of December 2020 and 2019:

	2020	2019	2018	% var. 2020/2019	% var. 2019/2018
Brazilian Real	6,3735	4,5157	4,4440	41,14%	1,61%
Polish Zloty	4,5597	4,2568	4,3014	7,12%	-1,04%
Czech Crown	26,2420	25,408	25,7240	3,28%	-1,23%
American Dollar	1,2271	1,1234	1,1450	9,23%	-1,89%
Mexican Peso	24,4160	21,2202	22,4920	15,06%	-5,65%
Moroccan Dirham	10,9351	10,7465	10,9532	1,75%	-1,89%
Serbian Dinar	117,5802	117,5928	118,1946	-0,01%	-0,51%
Turkish Lira	9,1131	6,6843	6,0588	36,34%	10,32%
Romanian Leu	4,8683	4,783	4,6639	1,78%	2,55%
Japanese Yen	126,49	121,94	125,85	3,73%	-3,11%

14. TAXATION SITUATION

14.1. Public Governments

The composition of this chapter is as follows, in thousands of euros:

	2020		2019	
	Debtor	Creditor	Debtor	Creditor
Current tax	1.296	(133)	1.235	(622)
Personal Income Tax	12	(1.273)	102	(1.239)
VAT	4.432	(1.285)	3.966	(1.380)
Others	166	(288)	38	(508)
Social Security	37	(1.973)	57	(2.343)
	4.647	(4.819)	4.163	(5.470)

14.2. Reconciliation of the income and expenses net amount with the tax base of taxes on profits

The appropriate information in financial year 2020 is as follows:

	Consolidated Profit and Loss Account Amount for the financial year 2020			Income and expenses allocated directly to net worth Amount for the financial year 2020		
Balance of income and expenses during the financial year			1.911			(6.574)
	Increase	**Decrease**	**Net Effect**	**Increase**	**Decrease**	**Net Effect**
Corporate Tax	2.079	-	2.079	24	-	24
Permanent differences:						
- from consolidation adjustments	13.812	(124)	13.688	6.645	-	6.645
- from individual companies	2.146	(10.970)	(8.824)	-	-	-
Temporary differences of consolidation adjustments	2.006	(615)	1.391	-	-	-
Temporary differences of individual companies	3.024	(3.172)	(148)	-	(95)	(95)
Prior Year Negative Taxable Basis Compensation			(3.960)			-
Taxable Base (Tax Result)			**6.137**			-

The appropriate information in financial year 2019 was as follows:

	Consolidated Profit and Loss Account Amount for the financial year 2019			Income and expenses allocated directly to net worth Amount for the financial year 2019		
Balance of income and expenses during the financial			6.118			575
	Increase	**Decrease**	**Net Effect**	**Increase**	**Decrease**	**Net Effect**
Corporate Tax	3.662	-	3.662			
Permanent differences:						
- from consolidation adjustments	9.923	(7.412)	2.511	-	(575)	(575)
- from individual companies	908	(8.092)	(7.184)		-	-
Temporary differences of consolidation adjustments	296	(785)	(489)			-
Temporary differences of individual companies	4.289	(3.944)	345			-
Prior Year Negative Taxable Basis Compensation			(1.787)			-
Taxable Base (Tax Result)			**3.176**			-

With regard to the most significant permanent differences that have arisen from the consolidation entries, as well as in the individual companies, both in the financial year 2020 and in the financial year 2019, they refer to the dividends and impairment of the shareholdings in Subsidiary Companies.

14.3. Reconciliation of deferred tax liabilities and assets

The deferred tax reconciliation is as follows, in thousands of euros:

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Initial balance	12.030	3.797	12.110	3.947
Increases				
* Due to negative taxable bases and deductions to be cleared	548		704	-
* Subsidies allocated directly to net worth (Note 15)	-	24		-
* Adjustments in consolidation	168		-	-
* Due to Goodwill		160	-	-
* Others	154	358	655	240
Decreases				
* Negative taxable bases and deductions	(755)		(1.084)	-
* Subsidies transferred to the P&L account (Note 15)	-	(20)	-	(36)
* Adjustments in consolidation		(163)	(75)	(272)
* Others	(94)	(7)	(310)	(109)
* Individual company correction			-	-
* Exchange differences	(259)	(114)	30	27
Final Balance	11.792	4.035	12.030	3.797

The negative tax bases applied in the financial year amounted to 3,960 thousands of euros (1,787 thousands of euros in the previous financial year).

The Spanish companies have deductions from previous and current years due to investments, research and other expenses, which are still to be allocated amounting to 12,348 thousands of euros (11,649 thousands of euros in the previous financial year) and, negative taxable bases from previous outstanding financial years in the amount of 12,511 thousands of euros (6,494 thousands of euros in the previous financial year). Foreign companies have negative taxable bases in the amount of 28,528 thousands of euros. (27,709 000 thousands of euros in the previous financial year).

With regard to group companies domiciled in Bizkaia, the law applicable to the settlement of Company Tax for the financial year 2020, as in the previous financial year, is that applicable to the Bizkaia territory special Tax (Foral) Standard.

14.4. Years open for inspection

In accordance with current legislation, taxes cannot be considered definitively paid until the submitted tax returns have been inspected by the tax authorities, or the statutory submission period has elapsed.

All companies in the Group have open inspections by the Spanish Tax Agency of all non-expired financial years, for all taxes.

The Directors of the Controlling Company and of the consolidated Subsidiary Companies, consider that the tax settlements have been properly performed, so that, even if discrepancies arise in the interpretation of the regulations in force for the tax treatment granted to the operations, any resulting liabilities, if realized, would not significantly affect the attached Consolidated Yearly Financial Statements.

14.5 Consolidated Tax Group

The Controlling Company is part of a consolidated Tax Group which taxes in the territory special Tax (Foral) Territory of Bizkaia.

In accordance with the approval of the Regulatory territory special Tax (Foral) Decree 2/2015 of the 10th of February, amending the territory special Tax (Foral) Standard 12/2013 of the 5th of December, on the Tax on the Income of Non-Residents and the territory special Tax (Foral) Standard 11/2013, of the 5th of December, on the Company Tax (NFIS) and more specifically, of Article 2, Section 2, amending Article 85 of the NFIS, the Controlling Company Siuled, S.L., sole shareholder of Teknia Manufacturing Group, S.L. (A Sole Proprietorship Company), is not part of the Tax Group which taxes under territory special Tax (Foral) Regulations.

In accordance with the provisions of Articles 83.2 and 88.6 of the NFIS, Siuled, S.L., not resident in the foral territory and Controlling Company of the Tax Group in accordance with the regulations applicable since January 1, 2015, it was agreed that Teknia Manufacturing Group, S.L. (A Sole Proprietorship Company) would act as a representative of the Tax Group.

The consolidated Tax Group in the financial year 2019 was also made up by Teknia Manufacturing Group, S.L. (A Sole Proprietorship Company), Teknia Elorrio, S.L. (A Sole Proprietorship Company), Teknia Bilbao XXI, S.L. (A Sole Proprietorship Company) and Teknia R&D, S.L. (A Sole Proprietorship Company). However, in the financial year 2020, the latter company no longer belonged to the Consolidated Tax Group, having been acquired by another company of the Group.

14.6 Current tax assets and liabilities

The breakdown in terms of corporate tax to the various Public Governments is as follows:

	Debtor		Creditor	
	2020	2019	2020	2019
Basque Country Tax Agency	34	135	-	-
Spanish Common Territory Tax Agency	1.050	962	-	(45)
Foreign Tax Agencies	212	138	(133)	(577)
	1.296	1.235	(133)	(622)

15. SUBSIDIES

The following details the movement in the financial year in the Subsidies chapter:

Subsidies, donations and legacies contained in the Consolidated Balance Sheet, granted by third parties other than the partners:

	Thousands of Euros	
	2020	**2019**
Balance at the beginning of the financial year	**300**	**404**
Increases	95	-
Tax Effect (Note 14.3)	(24)	-
Allocation to profits/losses	(77)	(140)
Tax Effect (Note 14.3)	20	36
Balance at year-end of the financial year	**314**	**300**

The capital subsidies basically cover those granted by the CDTI for investments made, as well as the updating of the loan from the competitiveness plans granted to the companies of the Group. The 2020 addition refers to a grant from the Institute for Energy Diversification and Saving (IDEA).

All subsidies originate from the Subsidiary Companies, and the Group considers that the conditions associated with them are being fulfilled.

Subsidies allocated to the consolidated profit and loss account.

The composition of this chapter is as follows, in thousands of euros:

	2020	**2019**
Operating subsidies incorporated into the profits/losses of the financial year	2.925	160
Allocation of subsidies for non-financial fixed assets	2	1
Allocation of subsidies of a financial nature	75	139
	3.002	**300**

Within the chapter on operating subsidies incorporated into the profits/losses of the financial year are included 2,736 thousands of euros of various types of aid received by companies of the group whose purpose has been to alleviate the effects of the COVID-19 pandemic.

16. PROVISIONS

The composition of this chapter is as follows:

	2020		2019	
	Short-term	Long-term	Short-term	Long-term
Remuneration to staff members	-	(1.210)	-	(1.135)
Other provisions	(775)	(416)	(456)	(547)
	(775)	**(1.626)**	**(456)**	**(1.682)**

Other long-term provisions include an amount of 102 thousands of euros (102 thousands of euros in 2019) provided by Teknia Ampuero, S.L.U. in previous financial years to cover possible commercial and labour disputes and 314 thousands of euros (445 thousands of euros in 2019) of the Brazilian company for tax disputes.

16.1. Remuneration to staff members

This chapter contains provisions made by the Polish and Mexican companies, in accordance with the laws of their countries. The present value of the commitments has been determined, applying for their quantification the capitalization interest rates and life tables and other generally accepted actuarial assumptions, following the legal standards of each country.

The movement in the financial years 2020 and 2019 was as follows:

(thousands of euros)	2020	2019
Balance at the beginning of the financial year	(1.135)	(1.364)
Perimeter inputs	-	-
Funding allowances variation	(178)	16
Payments	-	19
Transfers	-	226
Exchange differences	103	(32)
Final Balance	**(1.210)**	**(1.135)**

17. INCOME AND EXPENSES

17.1. Turnover net amount

The turnover net amount breakdown, according to the destination of the geographic markets, is as follows:

	%	
	2020	2019
National	21%	24%
Rest of the European Union	45%	42%
Rest of the world	34%	34%

The Group has 1 customer (1 in 2019) who have been individually billed a percentage greater than 10% of the net amount of the Group's turnover. This customer has been billed in 2020 and 2019 for the following percentages:

%	
2020	**2019**
22%	19%

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

17.2. Purchases

The purchases of goods and raw materials and other supplies breakdown by geographic markets are as follows:

	%	
	2020	**2019**
National	38%	35%
Rest of the European Union	39%	39%
Rest of the world	23%	26%

17.3. Staff

The breakdown of average staff as well as staff at year-end of the Group by category and gender is shown below:

		Staff as of the 31st of December 2020			
	Average staff 2020	**Total**	**Men**	**Women**	**Average of staff with disabilities**
Directors (external staff)	**1,00**	**1**	**1**	**-**	**-**
Directors (internal staff)	2,00	2	2	-	-
Senior Management	6,00	6	5	1	-
Structure	310,15	310	176	134	2,00
Indirect workforce	844,26	926	778	148	13,00
Direct workforce	1.968,92	2.036	1.205	831	30,00
Totals	**3.131,33**	**3.280**	**2.166**	**1.114**	**45,00**

Two of the Directors of the Controlling Company in the financial year 2020 are, in turn, workers of the Group (one in the financial year 2019).

The breakdown of average staff as well as staff at previous year-end of the Group by category and gender is shown below:

	Average staff 2019	Staff as of the 31st of December 2019			Average of staff with disabilities
		Total	**Men**	**Women**	
Directors (external staff)	**1,00**	**1**	**1**	**-**	**-**
Directors (internal staff)	2,33	2	2	-	-
Senior Management	17,08	17	16	1	-
Structure	285,68	272	147	125	2,00
Indirect workforce	985,21	967	812	155	13,00
Direct workforce	2.195,57	2.199	1.337	862	35,00
Totals	**3.485,87**	**3.457**	**2.314**	**1.143**	**50,00**

18. OPERATIONS AND BALANCES WITH ASSOCIATED PARTIES

18.1. Balances and transactions with the sole shareholder

In addition to the operations with the associated companies indicated in Note 10, the Group has maintained the following operations with the Sole Shareholder of Teknia Manufacturing Group, S.L. (A Sole Proprietorship Company) in thousands of euros:

	Operating income		Operating expenses	
	2020	2019	2020	2019
Siuled, S.L.	-	3	61	58

As of the 31st of December 2020, as at the year-end date of the financial year 2019, the Group does not maintain balances with this company.

18.2 Remuneration of the Directors and key staff

The remuneration paid in 2020 to all the Directors of the Controlling Company amounted to 389 thousands of euros (338 thousands of euros in the financial year 2019), of which 306 thousands of euros were paid as wages (258 thousands of euros in 2019) and 83 thousands of euros as services (80 thousands of euros in 2019).

The Sole Shareholder of the Controlling Company, Siuled, S.L., which in turn is an administrator, has balances and transactions that are indicated in the appropriate notes of this Consolidated Annual Report.

The remuneration met in the financial year 2020 for the staff considered key by the group amounted to 725 thousands of euros (2,177 thousands of euros in the financial year 2019). The decrease in remuneration is due to the reorganization of the Group's management.

In addition, the Controlling Company has a Liability of Directors and Officers Insurance Policy in place, whose Premium amounts to 5 thousands of euros (taxes included) (5 thousands of euros in the previous financial year).

19. FINANCIAL STRUCTURE

The Group's Financial Management is the one that arbitrates the overall financial policy, but it also allows the national companies freedom of management. Although each company generates its own treasury and manages its collection and payment schedules, and puts its own cash budgets together, the Controlling Company has centralized the financial management of the Group's subsidiaries, obtaining financing, through bank loans and issuance of bonds and promissory notes, that is subsequently transferred to the subsidiaries and maintaining a checking account with each subsidiary company.

Foreign companies independently manage their treasury on the basis of the guidelines set by the Group Management.

19.1. Guarantees and collateral

As of the 31st of December 2020, the Controlling Company has secured loans from the Official Credit Institute (ICO) with a balance of 13,800 thousands of euros as of the 31st of December 2020 (Note 11.1.2), undrawn lines of credit for a total limit of 10,000 thousands of euros (Note 11.1.2) and an amount of 8,338 thousands of euros from outstanding promissory notes at year-end (Note 11.1.2).

In the financial year 2020, in addition to the generic collateral indicated in note 11.1.2 concerning factoring lines without recourse, the Controlling Company has issued three generic Comfort Letters to customers of Teknia Pedrola, S.L. (A Sole Proprietorship Company) and Teknia Kalisz Sp. Zoo and before a supplier for Teknia Brasil Ltda and a fourth Comfort Letter from Teknia Rzeszow Sp.zoo to financial institution CITI Bank Handlowy (three Comfort Letters in the financial year 2019).

In addition, for the financial year 2020, the Controlling Company is a surety and guarantor of loans whose holders are subsidiaries whose total balance at year-end of the financial year 2020 amounts to 7,290 thousands of euros (8,790 thousands of euros at year-end of the financial year 2019).

Teknia Rzeszów Sp. z o.o., has contracts in place with financial institutions to guarantee the payment of loans, credits, discount lines and other financing obtained in the amount of 2,595 thousands of PLN (1,462 PLN in 2019), as well as Blank Bill to financial institutions, guaranteeing their leases for a total of 239 thousands of euros (376 thousands of euros in 2019).

Teknia Kalisz, Sp. z o.o has contracts in place with financial institutions to guarantee the discount lines obtained in 2020 for an amount of 1,938 thousands of PLN (zero euros in 2019).

Czech Republic, Teknia Uhersky Brod, a.s., has a mortgage guarantee amounting to 862 thousands of euros (1,063 thousands of euros in 2019). It has also signed a "Blank Bill" for these loans and an additional one amounting to 531 thousands of euros (820 thousands of euros in 2019).

Teknia Brasil Ltda. guarantees with equipment and facilities a loan of 1,275 thousands of BRL (1,594 thousands of BRL, in the previous financial year). This loan is guaranteed by the Controlling Company, as are two bank loans with an outstanding balance of 84 thousands of BRL as of the 31st of December 2020 (132 thousands of BRL in the previous financial year).

Teknia Oradea, S.R.L. has a mortgage loan of 366 thousands of euros (448 thousands of euros in 2019), with the cost of the mortgage good being 1,382 thousands of euros (1,418 thousands of euros in 2019). In turn, the loans of this company amounting to 588 thousands of euros at the year-end of the financial year 2020 (840 thousands of euros in 2019) are guaranteed by its Controlling Company Teknia Ampuero, S.L.U.

On the other hand, Note 11.1.2 of this Consolidated Annual Report contains the guarantee granted by Teknia Manufacturing Group, S.L.U. and other companies of the Group in the issuance of Bonds by that company.

20. OTHER INFORMATION

20.1. Information on the purchase cost prices of the contributed shares

The values for which the shares contributed to the Controlling Company were entered into the accounts at the time of its incorporation are reflected in the Consolidated Yearly Financial Statements for the financial year 2007 and earlier.

In the case of the sale of these stocks, the tax gain to be reported would be the difference between the sale price and the tax cost value mentioned above.

20.2. Auditors' fees

The fees accrued by the auditors of the Controlling Company for the audit of the Group and its companies' Consolidated Yearly Financial Statements amounted to 124 thousands of euros (130 thousands of euros in the previous financial year) and for performing other tasks, 20 thousands of euros, (30 thousands of euros in the previous financial year).

In addition, the fees for the audits of foreign and Spanish companies carried out by other auditors of the Moore Global Network (formerly Moore Stephens), amounted to 49 thousands of euros (133 thousands of euros in 2019 by auditors of the Moore Global Network) and 3 thousands of euros for other tasks performed for the group (47 thousands of euros in 2019).

20.3. Foreign currency

The overall amount of the most significant assets and liabilities elements denominated in foreign currency is as follows:

	Thousands of Euros																	
ASSETS	**Brazilian Real**		**PLN**		**Dirham**		**Czech Crown**		**Mexican Peso**		**USD**		**Serbian Dinar**		**Turkish Lira**		**Romanian LEU**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Tangible fixed assets	5253	7,182	10,155	11,902	3,893	3,783	10,073	11,499	8,701	10,725	9,715	10,868	5,062	3,220	685	649	2,258	3,053
Stock	2,469	4,267	8,590	8,285	-	452	3,637	3,297	3,686	6,706	2,210	1,973	888	1,023	597	668	-	464
Trade and other accounts receivables	4,369	5,961	769	742	-	7	217	197	621	1,129	11,543	10,307	144	166	557	624	64	94
Cash and other cash equivalents	653	32	323	312	6	-	59	53	62	114	1,109	991	102	118	36	40	-	28

	Thousands of Euros																	
LIABILITIES	**Brazilian Real**		**PLN**		**Dirham**		**Czech Crown**		**Mexican Peso**		**USD**		**Serbian Dinar**		**Turkish Lira**		**Romanian LEU**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Long-term debt to credit institutions	(213)	(311)	-	-	-	-	-	-	-	-	(3,963)	(2,614)	-	-	-	-	-	-
Short-term debt to credit institutions	-	(71)	-	(1,196)	-	-	-	-	-	-	(1,151)	(7,866)	-	-	-	-	-	-
Trade creditors and other accounts payable	(5,193)	(5,605)	(6,820)	(4,874)	(39)	(23)	(724)	(843)	(377)	(168)	(4,478)	(5,330)	(377)	(168)	(1,365)	(377)	(385)	-

	Thousands of Euros																	
	Brazilian Real		**PLN**		**Dirham**		**Czech Crown**		**Mexican Peso**		**USD**		**Serbian Dinar**		**Turkish Lira**		**Romanian LEU**	
PROFITS AND LOSSES	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Supplies	(8,495)	(16,082)	(10,679)	(16,710)	(629)	-	(1,177)	(235)	(3,409)	(3,485)	(20,033)	(26,844)	(591)	(512)	(422)	(1,375)	(1,121)	(1,522)
Turnover net amount	13,542	27,006	3,038	3,965	-	-	432	261	120	266	49,543	62,113	1,793	1,984	2,241	2,613	-	41

20.5. Article 229 of the Consolidated Text of the Spanish Capital Companies Act

The Directors state that neither they nor the persons associated with them, as defined in Article 231 of the Spanish Capital Companies Act, incur none of the conflict of interest situations listed in article 229 of said Act. Although it is indicated that they have stakes and hold positions in the affiliated companies.

21. ENVIRONMENTAL AND GREENHOUSE GAS EMISSIONS RIGHTS INFORMATION

21.1. Environmental information

The Group, within the development of its productive activities, is committed to the elimination, or at least, the minimization of environmental impact.

In this sense, 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 automotive agent, TEKNIA Group companies are committed to continuous investment in R&D in order to improve the energy efficiency of their production processes and to develop new products or lighter parts in order to support the development of new generation vehicles (with reduced emissions of CO2).

The expenditure incurred by the Spanish companies for the protection and improvement of the environment directly allocated to the Consolidated Profit and Loss Account for the financial year 2020 amounts to 233 thousands of euros (206 thousands of euros in the financial year 2019) and they refer basically to the costs of waste treatment.

21.2. Information on greenhouse gas emissions rights

The group companies do not perform activities in facilities that give rise to trade in greenhouse gas emission rights, and therefore no such items are recorded.

22. INFORMATION ABOUT THE AVERAGE SUPPLIER PAYMENT PERIOD. THIRD ADDITIONAL PROVISION. "DUTY OF INFORMATION" OF LAW 15/2010, OF THE 5TH OF JULY.

The information on the average supplier payment period for the financial years 2020 and 2019 is as follows:

	Made and pending payments at the year-end date of the Consolidated Balance Sheet	
	2020	**2019**
	Days	
Payment to suppliers average period	64,15	63,50
Rate of paid transactions	69,35	66,97
Rate of outstanding transactions	44,89	44,70
	Amount	
Total payments made (thousands of euros)	105.715	148.241
Total outstanding payments (thousands of euros)	27.190	26.788

23. SUBSEQUENT FACTS

In February 2021, the promissory notes program at MARF (Fixed Income Alternative Market) has been renewed, maintaining the volume of previous programs of up to 25 million euros.

There are no further noteworthy developments that could significantly affect the attached Consolidated Yearly Financial Statements.

24. SEGMENTED INFORMATION

24.1. Assignment and allocation criteria used to determine and offer the information for each of the segments

As indicated above (Note 3.16), in the financial years 2020 and 2019 the Board of Directors of the Controlling Company has identified a single segment (Automotive), so it is not necessary to collect segmented information concerning this financial year.

Elorrio, on the 31st of March 2021.

2020 MANAGEMENT REPORT

1. STATUS OF TEKNIA GROUP AND FORESEEABLE EVOLUTION

Turnover Evolution

The year 2020 began with a previous slowdown in 2019 caused by environmental requirements, changes in the supply of vehicles with different electrification options and consumer uncertainty related to diesel vehicles. From the month of March the health crisis of the COVID-19 which forced during the months of April to June the partial or total closure of activity in the factories of the main vehicle producers worldwide. Despite the fast recovery in both demand and vehicle production in the second part of the year, the automotive sector has been unable to avoid “the worst crisis in its history,” said OICA President Mr. Fu Bingfeng. Finally, at the year-end of 2020 the production of light vehicles contracted by -16.1% to 76.3[1] million cars and sales by -14.4% to 76.2 million, reversing the growth of the last 10 years.

The net amount of the Group's turnover was 284,516 thousands of euros, 24.75% less than in 2019. This fall above that of the world market is due to the fact that TEKNIA Group mainly depends on the European market, which has fallen by 24% compared to 2019. The distribution of the Group's revenues by EMEA markets was 79% over the total (same as 2019), the NAFTA market was 17% (16% in 2019) and finally the Brazilian market was 5% (7% in 2019).

In sales by technology, there are no big changes from the previous financial year. Plastic is 35% (38% in 2019), metal is 38% (37% in 2019), bar cutting is 16% (14% in 2019) and aluminium 12% (11% in 2019).

The turnovers and their evolution in recent years are:

	2020 Euros ‘000	%	*2020 Vs 2019*	2019 Euros ‘000	%	*2019 vs 2018*	2018 Euros ‘000	%	*2018 vs 2017*
Turnover Net Amount	**284,516**	100%	(24.75%)	**378,116**	100%	2.01%	**370,671**	100%	14.03%
Operating margin	**9,397**	3.30%	(30.93%)	**13,606**	3.60%	(14.48%)	**15,909**	4.29%	(15.91%)
EBITDA[2]	**26,419**	9.29%	(17.36%)	**31,968**	8.45%	(4.19%)	**33,367**	9.00%	8.27%

From a commercial point of view, 2020 has been a year of smaller gainings due mainly to delays in the nomination of projects by clients due to the pandemic. The estimate budgeted for 2021 is to gradually return to pre-COVID levels, without jeopardizing future sales volumes through past gainings.

It is important to highlight the strategic product projects captured within the area of Brake & Safety (vehicle security) that represent 26% of the gainings and where Teknia is getting better positioning. Also noteworthy is the entry into projects in the area of Electrification mainly in Aluminium technology and that have accounted for 13% of the 2020 gainings.

[1] *Source: Marklines database*

[2] EBITDA calculated as the operating result deducted in the funding allowances to amortization, the allocation of subsidies for non-financial fixed assets, excess provisions, and the result for loss of control of consolidated shares and the difference in combination of business.

€'000	2020	2019	2018
Gainings[3]	63,683	95,055	101,182

EBITDA and DEBT improved levels during times of crisis.

The Group's EBITDA has reached a figure of 26,419 thousands of euros, which is a -17% drop from 2019. In other words, despite having experienced a fall in sales of -25%, the Group has managed to adjust its structure of both fixed and variable costs by beating the contraction of demand itself. In this way, the levels of profitability have been improved in percentage terms from 8.45% in 2019 to 9.29% in 2020 in the previous financial year.

On the other hand, and no less noteworthy, it has been the financial management of the Group at all levels and departments of the organization, trying to prioritize cash generation in each and every decision. The result of this management is the improvement in DEBT levels in terms of Net Financial Debt / EBITDA compared to 2019, from a 2.76x to a 2.48x. This has allowed Teknia to:

- Comply with the "covenants" agreed with investors and creditors without requiring any waiver or deferral of compliance with them;
- Have a cash surplus that allows to face the repayment of the current bond issued at its maturity with the funding already made;
- To have a "liquidity reserve", understood as all liquid treasury positions plus the undrawn part of the credit lines, advanced payment, factoring and similar ones currently executed, of 54.8 millions of euros;
- Reduce the Group's recurring funding cost by a drop of 0.7% from the previous financial year.

	2020	**2019**	**2018**	**2017**	**2016**
Debt Cost[4]	(2,505)	(3,041)	(3,402)	(2,978)	(2,550)
Debt	(106,890)	(98,506)	(109,304)	(82,354)	(81,547)
Debt/ Cost	2.3%	3.1%	3.1%	3.6%	3.1%

The success of being able not only to maintain, but even improve, profitability and debt ratios with this fall in sales caused by the pandemic is mainly due to:

- Rapid action over fixed costs, particularly those related to staff, using the measures available in each local market;
- Good dialogue with all workers' representatives on the part of plant management and corporate management teams;

[3] The Gainings refer to parts manufacturing projects in terms of expected annual sales.
[4] The item Debt Cost comprises all financial expenditure and both short- and long-term debt interests

- Incorporation of projects gained in 2019 with better variable costs, providing and promoting a good portfolio of solvent and well diversified customers;
- Leveraging the quick demand recovery of the second semester to improve productivity through efficiency in production processes;
- Efficient management of WC and production levels;
- Comprehensive control over CAPEX investments;
- Raising available financial funds with agility and efficiency, which, in addition to improving the financial situation, has helped to maintain well-diversified financing sources, enabling the group to optimize its costs and secure funds for its capital needs;
- Suspension of the dividend payment requested by the majority shareholders themselves at the time described.

Aware of the trends and developments in the global automotive market, as well as the potential for further improvement that TEKNIA Group still has, a strategic plan has been designed based on focusing all efforts and actions on increasing competitiveness, productivity, quality and profitability mainly organically. Teknia will resume inorganic growth as long as the stated objectives are met and opportunities for acquisition aligned with them are found.

Exchange Differences (Financial)

The chart below shows the annual variation of the most significant currencies in which TEKNIA Group operates in recent years.[5]

	% var.	2020	% var.	2019	% var.	2018
	2020 vs 2019		2019 vs 2018		2018 vs 2017	
Brazilian Real	6.373	41.12%	1.61%	4,516	11.86%	4,444
Polish Zloty	4.559	7.09%	-1.04%	4.257	2.98%	4.3014
Czech Crown	26.242	3.28%	-1.23%	25.408	0.74%	25.724
American Dollar	1.227	9.26%	-1.89%	1.123	-4.53%	1.145
Moroccan Dirham	10.935	1.75%	-1.89%	10.747	-2.41%	10.953
Mexican Peso	24.416	15.06%	-5.65%	21.220	-4.94%	22.492
Serbian Dinar	117.580	-0.01%	-0.51%	117.593	-0.23%	118.195
Turkish Lira	9.113	36.34%	10.32%	6.684	33.27%	6.0588
Romanian RON	4.868	1.78%	2.56%	4.783	--	4.6635

Source: www.ecb.europa.eu, data as of the 31st of December of each year.

We highlight in this area, the great devaluation of the Brazilian Real, the Mexican Peso and Turkish Lira, the main actors of the impact on the income statement at the accounting level, but that has not supposed cash out.

2. THE GROUP'S FINANCIAL SITUATION, POLICY AND RATIOS

[5] In the chart, variation (-) means appreciation and variation (+) depreciation

The management of the Group's financial risks is centralized on the Financial Management Team of the Group, which has established the necessary mechanisms to control exposure to changes in interest and exchange rates, as well as credit and liquidity risks.

The Group's current Strategic Plan firmly incorporates the objective of diversifying funding sources. This diversification plan closes the year 2020 with a composition of the Group's debt distributed to 46% in alternative financing and 54% in bank financing.

In 2021, the Group faces the renewal of the maturity of the 20 million bond listed in the MARF. The finance team already has several options to deal with this renewal successfully and to continue its diversification strategy.

On the other hand, Teknia has renewed its 25 million promissory note program at the MARF in February 2021. The outstanding balance at the year-end of 2020 is 17.2 million and the cost of which, although it has become higher during the crucial months of the pandemic, is now competing again with bank financing.

This promissory notes program continues to provide TEKNIA Group with new investors such as insurance, mutual insurance, equity and fund managers, investment banking and agencies.

Both MARF programs, promissory notes and bonds, constitute a structural and stable part of the future financing of TEKNIA Group.

RATIOS[6]

	2020	2019	2018	2017	2016
DEBT AND LIQUIDITY					
CURRENT ASSETS / CURRENT LIABILITIES	1.14	1.19	1.24	1.28	1.37
CURRENT LIABILITIES + NON-CURRENT / EQUITY	2.65	2.30	2.57	1.99	2.13
NET F. DEBT / EQUITY	0.91	1.13	1.29	1.02	1.00
NET F. DEBT / EBITDA	2.48x	2.76x	2.87x	2.44x	2.47x
LEVERAGE RATIO*					
PROFITABILITY					
SALES RETURN (ROS)	0.67%	1.62%	1.71%	3.66%	3.69%
ECONOMIC RETURN (ROA)	3.59%	5.26%	5.99%	8.60%	8.37%
FINANCIAL RETURN (ROE)	2.65%	7.80%	8.50%	16.16%	16.08%
RETURN ON INVESTMENT (ROCE)	7.27%	9.50%	10.60%	14.68%	13.77%

(*) Leverage ratio: net financial debt divided by the total share capital employed in the business (net equity + net financial debt).

In reading the ratios for the financial year 2018, it should be noted that due to the incorporation in the first quarter of the year of the Spanish business group Bravo, the data are not comparable with those of the previous financial years as it was preferred to keep the data published in previous reports for greater transparency.

3. DEVELOPMENTS AFTER THE YEAR-END OF THE FINANCIAL YEAR

[6] In the financial year 2017, the concepts of the definition of net financial debt and EBITDA have changed, so the ratios for previous years have varied slightly from those in the management report for the previous year.

In February 2021, the promissory notes program at MARF (Fixed Income Alternative Market) has been renewed, maintaining the volume of previous programs of up to 25 million euros.

In July 2021, the 20 million bond issued on the MARF market expires. The company has been working with its advisors for several months and already has proposals on the table to refinance the Bond.

4. RESEARCH AND DEVELOPMENT ACTIVITIES

During the financial year 2020, due to the need for cost savings that has had to be carried out due to the economic situation, the Group has decided to merge the company Teknia R&D, S.L.U. with Teknia Entidad de Gestión, S.L.U., relocating the extinct company's workforce to strengthen the commercial team to help design specific projects for our customers.

The R&D activity is intended to recover in the medium term, once the Group has created internal demand and sufficient return for this activity to be successful again.

5. HOLDINGS IN TREASURY STOCK

During the financial year 2020, there has been no acquisition of treasury stock (or shares) by any of the companies that make up TEKNIA Group.

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

The management of the Group's financial risks is centralized on the Financial Management Team of Group, which has established the necessary mechanisms to control exposure to changes in interest and exchange rates, as well as credit and liquidity risks. These are the main financial risks that impact the Group:

- Credit risk:

  Generally the Group maintains its cash and cash equivalents in high-level of solvency financial institutions.

  Credit risk is determined by the group companies' sales to their customers. At this time, given the current economic situation and one of the economic sectors in which the Group operates, each client has been reviewed individually in order to minimize the impact of this type of risk.

- Liquidity Risk:

  In order to be able to meet all payment commitments resulting from its activity, the Group has sufficient cash and assets of high liquidity, as shown in the Consolidated Balance Sheet. The dividend policy followed is prudent and takes into account the investments necessary to maintain the Group's competitiveness. The credit limits indicated in Note 11.1.2 of the Consolidated Annual Report are maintained.

- Market risk (Interest rate, exchange rates, etc.):

The Group is not too exposed to this risk as significant interest-rate liabilities are Euribor-referenced and no large increases are expected in the short term or were signed at a fixed rate to minimize the impact of any change in interest rates.

With regard to the exchange rate risk, the group does not consider it necessary to have coverage in place for this, since historically it has been proven that the automotive sector is a long-term business in which rate fluctuations will affect both positively and negatively but its long-term effect will be practically neutral.

The Group's activity is focused on the automotive sector, so the risk of market drop is the same as that of the sector in which it operates. The Group is present in several countries to minimize the possible impact of different developments in manufacturing costs and car consumption in each country.

- Insurance Policies

i. Property damage

The usual practice of the Group is to take out insurance policies to cover all its companies against the possible risks to which the various elements of their tangible fixed assets are exposed.

The calculation criterion for insured capital is the reinstatement to new to market values, so we believe that with current Teknia policies and future upgrades, the company's assets are 100% insured in the event of possible and unforeseen incidents.

In turn, in collaboration with the insurer, accident studies are being carried out at the plants in order to obtain a detailed report of the possible needs in order to avoid them.

ii. Civil Liability

The company secures the risks of its activity through a General Liability Policy whose objective is to ensure to the maximum the claims that may be derived from the Group's activity.

In relation to operating and product coverage, the claim limits are as follows:

Operating Civil Liability	€8,000,000	Per claim
Product/Post work Civil Liability	€8,000,000	Per claim and year
Export Extension USA/Canada	€8,000,000	Per claim and year

7. PAYMENT TO SUPPLIERS AVERAGE PERIOD

The average period of payment to suppliers amounts to 64.15 (63.50 in 2019). The Group is working to gradually reduce this average.

8. NON-FINANCIAL INFORMATION STATEMENT

In accordance with the provisions of Law 11/2018 of the 28th of December, amending the Commercial Code, the consolidated text of the Spanish Capital Companies Act and Law 22/2015 of the 20th of July on audit of accounts, in the area of non-financial information and diversity, the group has prepared the non-financial information statement, which is a part of this management report and is submitted as a separate report.

Elorrio, on the 31st of March 2021.

ANNEX I (Thousands of Euros)

	Teknia Elorrio, S.L.U		Teknia Bilbao XXI, S.L.U.		Teknia Martos, S.L.U.		Teknia Brasil, Ltda.		Teknia Epila, S.L.U.	
Registered Office	Barrio San Agustín nº11 Elorrio – (Bizkaia)		Abanto and Ciervana (Bizkaia)		Martos (Jaén)		Jacareí (São Paulo) BRAZIL		Epila (Zaragoza)	
Activity	Manufacture of tube assemblies		Bar cutting		Plastic injection		Manufacture of plastic tube assemblies, printing and injection		Metal parts printing	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Percentage of shareholding - Direct - Indirect	100% -	100% -	100% -	100% -	100% -	100% -	100% -	100% -	100% -	100% -
Holder of the indirect participation	-	-	-	-	-	-	-	-	-	-
Dividends received in the financial year by the Controlling Company	199	456	-	174	1.527	1.908	-	-	-	-
Net worth:										
- Share Capital	60	60	174	174	139	139	21.653	30.562	1.200	1.200
- Share premium, reserves and results from previous financial years.	4.591	4.591	2.175	3.463	4.296	4.296	(15.640)	(16.808)	88	(4)
- Other items of treasury stock	1	3	22	29	71	-	-	-	-	-
- Results of the financial year	497	199	(481)	(1.288)	590	1.527	(4.206)	(5.245)	18	92
- Operating results	704	311	(478)	(1.215)	777	1.988	(2.599)	(4.277)	41	136
- Results of interrupted operations	-	-	-	-	-	-	-	-	-	-
Shareholding accounted value	9.443	9.443	9.924	2.377	6.841	6.841	2.245	8.509	1.306	1.288
Auditor of the Company	Moore AMS Auditores, S.L.	Moore AMS Auditores, S.L.	Moore AMS Auditores, S.L.	Moore AMS Auditores, S.L.	Moore AMS Auditores, S.L.	Moore AMS Auditores, S.L.	Moore Stephens Lima Lucchesi	Moore Stephens Lima Lucchesi	Moore AMS Auditores, S.L.	Moore AMS Auditores, S.L.

ANNEX I (Thousands of Euros)

	Teknia Barcelona, S.L.U.		Teknia Pedrola S.L.U.		Teknia Polska Sp. z o.o.		Teknia Kalisz Sp. z o.o.		Teknia Rzeszów, Sp. z o.o.	
Registered Office	Cl Comte de Montemolin 39, Pol. Ind. Leixample (Parets del Valles)		Pol. Ind. El Pradillo Pedrola - Zaragoza		Nowogrodza, 12 (Warsaw)		Przemysłowa, 3-5, Popówek		Przemyslowa, 4 (Rzeszow)	
Activity	Bar cutting		Manufacture of tube assemblies		Holding		Printing and tube		Plastic injection	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Percentage of shareholding										
- Direct	100%	100%	100%	100%	100%	100%	-	-	-	-
- Indirect	-	-	-	-	-	-	100%	100%	100%	100%
Holder of the indirect participation	-	-	-	-	-	-	Teknia Polska Sp. z o.o.		Teknia Polska Sp. z o.o.	
Dividends received in the financial year by the Controlling Company	1.758	1.207	-	-	422	-	-	-	-	-
Net worth:										
- Share Capital	240	240	500	500	2.171	2.326	296	317	128	137
- Share premium, reserves and results from previous financial years.	2.382	2.382	1.072	886	4.458	4.775	6.432	6.920	10.202	9.681
- Other items of treasury stock	28	38	63	74	-	-	-	-		-
- Results of the financial year	876	1.758	(843)	186	1.245	439	(683)	(31)	2.494	2.618
- Operating results	1.235	2.366	(818)	270	(16)	(37)	(602)	271	2.639	3.394
- Results of interrupted operations	-	-	-	-	-	-	-	-	-	-
Shareholding accounted value	11.289	11.289	26	26	2.395	2.395	-	-	-	-
Auditor of the Company	Moore Stephens Addveris Auditores and Consultores S.L.P.	Moore Stephens Addveris Auditores and Consultores S.L.P.	Moore AMS Auditores, S.L.	Moore AMS Auditores, S.L.	Not audited	Not audited	TPA Sp. Z.o.o Spk.	TPA Sp. Z.o.o Spk.	TPA Sp. Z.o.o Spk.	TPA Sp. Z.o.o Spk.

ANNEX I (Thousands of Euros)

	Teknia Azuqueca, S.L.U.		**Teknia Uhersky Brod a.s.**		**Teknia San Luis de Potosi, S.A. de C.V.**		**Teknia Germany GmbH**		**Teknia R&D, S.L.U.**	
Registered Office	Pol. Ind. Miralcampo de Arriba – Azuqueca de Henares (Guadalajara)		Rybarská 2330 Uherský Brod, PSC 688 01 (Czech Republic)		Parque Industrial San Luis Potosí (Mexico)		Stuttgart (Germany)		Barrio San Agustin S/N, Elorrio	
Activity	Manufacture of plastic parts and other materials		Manufacture of plastic parts and other materials		Manufacture of plastic parts and other materials		Automotive parts design and engineering		Research, creation and development of R&D projects	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Percentage of shareholding - Direct - Indirect	 100% -	 100% -	 100% -	 100% -	 100,0% -	 100,0% -	 100% -	 100% -	 (A) -	 100% -
Holder of the indirect participation	-	-	-	-	-	-	-	-	-	-
Dividends received in the financial year by the Controlling Company	181	-	300	717	-	-	-	-	-	-
Net worth:									(A)	
- Share Capital	3.500	3.500	4.641	4.793	5.436	6.255	25	25	-	300
- Share premium, reserves and results from previous financial years.	700	695	6.774	6.498	(1.760)	(3.252)	779	762	-	6
- Other items of treasury stock	129	157	-	-	-	-		-	-	360
- Results of the financial year	(963)	187	476	819	(85)	1.227	17	17	-	(351)
- Operating results	(923)	275	716	1.054	917	612	24	25	-	(349)
- Results of interrupted operations	-	-	-	-	-	-	-	-	-	-
Shareholding accounted value	-	-	3.636	3.636	3.591	3.569	620	620	-	315
Auditor of the Company	Moore AMS Auditores, S.L.	Moore Stephens AMS, S.L.	BDO Czech Republic s.r.o.	BDO Czech Republic s.r.o.	Moore Orozco Medina, S.C.	Moore Orozco Medina, S.C.	Not audited	Not audited	Acquired by Teknia Entidad de Gestión, S.L. In the financial year 2020	Moore Stephens AMS, S.L.

(A): in the financial year 2020, the company Teknia Entidad de Gestión, S.L.U. has acquired the company Teknia R&D, S.L.U.

ANNEX I (Thousands of Euros)

	Componentes de Automoción Marroquíes SARL		Teknia Manresa, S.L.U.		Teknia USA Inc.		Teknia Mexico City, S.A. de C.V.		Teknia KG doo, Kragujevac	
Registered Office	TFZ D'Exportation Ilot 30-Lot N02 Mod.1 - Tangier		Pg Ind. Bufalvent, C/ Doctor Esteve Terrades 3 (Manresa)		601 Abbot Road, East Lansing, Michigan 48823 (USA)		Calle Avena nº 218, Colonia Granjas Mexico. Distrito Federal		Kragujevac, 56 Dragoslav Sejovic street.	
Activity	Creation, manufacture and marketing of automotive parts		Metal parts printing		Management of technical and commercial activities		Purchase-sale, distribution and manufacture of dies or turning, among others.		The production of other parts and additional equipment for vehicles	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Percentage of shareholding										
- Direct	99,99%	99,99%	100%	100%	100%	100%	100%	100%	100%	100%
- Indirect	-	-	-	-	-	-	-	-	-	-
Holder of the indirect participation	-	-	-	-	-	-	-	-	-	-
Dividends received in the financial year by the Controlling Company	-	-	2.075	2.027	-	-	-	-	-	-
Net worth:										
- Share Capital	3.136	1.490	60	60	10.688	11.674	684	787	1.823	1.823
- Share premium, reserves and results from previous financial years.	(1.045)	(833)	4.754	4.754	596	425	892	825	296	56
- Other items of treasury stock	-	-	-	-	-	-	-	-	-	-
- Results of the financial year	349	(240)	1.481	2.075	61	228	183	202	15	241
- Operating results	435	(40)	1.872	2.638	102	140	440	449	17	322
- Results of interrupted operations	-	-	-	-	-	-	-	-	-	-
Shareholding accounted value	2.235	417	3.825	3.825	11.347	9.729	2.269	2.506	1.680	1.680
Auditor of the Company	Moore Stephens Bernossi, SARL	Moore Stephens Bernossi, SARL	Moore AMS Auditores, S.L.	Moore AMS Auditores, S.L.	Brown & Maguire CPAs, PLLC is the auditor of the consolidated Teknia USA Inc. and its subsidiary company	Moore Stephens (Elliot Davis Decosimo) is the auditor of the consolidated Teknia USA Inc. and its subsidiary company	Moore Orozco Medina, S.C.	Moore Orozco Medina, S.C.	Moore Stephens Revizija i Racunovodstvo d.o.o. Beograd	Moore Stephens Revizija i Racunovodstvo d.o.o. Beograd

ANNEX I (Thousands of Euros)

	Teknia Nashville, LLC		Teknia Gebze Makine Sanayi VE Ticaret A.S.		Teknia Entidad de Gestión S.L.U.		Teknia Japan GK	
Registered Office	94 Belinda Parkway, Mt Juliet, 37122 Tennessee, USA.		Dilovasi/Kocaeli, Turkey		Pol. Ind. Miralcampo – Azuqueca de Henares (Guadalajara)		1-1+-7 Sakuragi-cho Naka-ku, Yokohama-shi, Kanagawa, Japan	
Activity	Printing		Manufacturing and marketing of industrial and automotive machinery parts		Provision of management services and technical, economic and financial advice		Engineering services for automotive, solar, home and electronics industries	
	2020	2019	2020	2019	2020	2019	2020	2019
Percentage of shareholding								
- Direct	-	-	100%	100%	100%	100%	100%	100%
- Indirect	100%	100%			-	-	-	-
Holder of the indirect participation	Teknia USA Inc.		-	-	-	-	-	-
Dividends received in the financial year by the Controlling Company	-	-	-	-	-	-	-	-
Net worth:					(A)			
- Share Capital	8.039	8.781	86	117	153	153	24	25
- Share premium, reserves and results from previous financial years.	2.380	(1.503)	118	336	591	107	36	31
- Other items of treasury stock	-	-	-	-	-	-	-	-
- Results of the financial year	719	(1.096)	(191)	(149)	130	169	9	7
- Operating results	853	(399)	205	(108)	85	239	19	16
- Results of interrupted operations	-	-	-	-	-	-	-	-
Shareholding accounted value	-	-	1.989	2.619	468	153	36	36
Auditor of the Company	Brown & Maguire CPAs, PLLC	Moore Stephens (Elliot Davis Decosimo)	Moore Stephens Turkey MBK Independent Auditing and CPA Co.	Moore Stephens Turkey MBK Independent Auditing and CPA Co.	Moore AMS Auditores, S.L.	Moore AMS Auditores, S.L.	It is not audited	It is not audited

(A): in the financial year 2020, the company Teknia Entidad de Gestión, S.L. has acquired the company Teknia R&D, S.L.

TEKNIA MANUFACTURING GROUP (SOLE PROPRIETORSHIP COMPANY) AND SUBSIDIARY COMPANIES
ANNEX I
(Thousands of Euros)

	Teknia Ampuero, S.L.U.		**TEKNIA TEPEJI, S.A. DE C.V.**		**Teknia Oradea, S.R.L.**	
Registered Office	Polígono Industrial barrio Marrón, Nº 1, Ampuero - Cantabria		Tapejí del Río (Hidalgo - Mexico)		Oradea - Bihor (Romania)	
Activity	Manufacture and sale of metal parts		Sale, import and export, distribution, marketing, manufacturing, die cutting, in-bond of all kinds of parts and machinery for the metal and casting industry		Mechanical operations in general	
	2020	2019	2020	2019	2020	2019
Percentage of shareholding						
- Direct	100%	100%	-	-	-	-
- Indirect	-	-	100%	100%	100%	100%
Holder of the indirect participation	-	-	Teknia Ampuero, S.L.U.		Teknia Ampuero, S.L.U.	
Dividends received in the financial year by the Controlling Company	2.308	-	-	-	-	-
Net worth:						
- Share Capital	2.889	2.889	3.595	4.137	1.107	1.126
- Share premium, reserves and results from previous financial years.	6.833	6.540	1.037	442	380	260
- Other items of treasury stock	17	33	-	-	-	-
- Results of the financial year	2.834	2.601	469	1.033	194	144
- Operating results	2.774	2.684	957	1.777	326	394
- Results of interrupted operations	-	-	-	-	-	-
Shareholding accounted value	14.308	14.456	-	-	-	-
Auditor of the Company	Moore AMS Auditores, S.L.	Moore AMS Auditores, S.L.	Moore Orozco Medina, S.C.	Moore Orozco Medina, S.C.	S.C. Repoexpert, S.R.L.	S.C. Repoexpert, S.R.L.

These Consolidated Yearly Financial Statements (Consolidated Balance Sheet, Consolidated Profit and Loss Account, Consolidated Net Asset Changes Statement, Consolidated Cash Flows Statement and Consolidated Annual Report) and the 2020 Consolidated Management Report of Teknia Manufacturing Group, S.L. (A Sole Proprietorship Company) and its Subsidiary Companies are found on the front of the folios of stamped paper, with numbers 000127730 to 000127794, both inclusive.

The Board of Directors signs this page number 000127795, in recognition of the formulation of the Consolidated Yearly Financial Statements and the Consolidated Management Report of Teknia Manufacturing Group, S.L. (A Sole Proprietorship Company) and its Subsidiary Companies:

	Signature
Executive Director-Chairman: JAVIER LÁZPITA SARRIUGARTE	
Executive Director: JAVIER QUESADA DE LUIS	
Executive Director: IÑIGO MIGUEL MARCO-GARDOQUI ALCALÁ-GALIANO	