

MOORE STEPHENS

Protocol No.: 056/1617

**INDEPENDENT AUDIT REPORT
OF THE CONSOLIDATED ANNUAL
ACCOUNTS OF**

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

AS AT 31 DECEMBER 2016

DOLORS SELIS MASNOU
Traductora-Intérprete
Jurada de INGLÉS
N.º 6928

REPORT OF INDEPENDENT AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

For the Sole Member of TEK Nia MANUFACTURING GROUP, S.L. SINGLE-MEMBER COMPANY AND ITS SUBSIDIARIES

Report on consolidated balance sheet

We have audited the attached consolidated financial statements of the company TEK Nia MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND ITS SUBSIDIARIES, which include the consolidated balance sheet as at 31 December 2016, the consolidated profit and loss account, the statement of changes in the consolidated net equity, the status of consolidated cash flow and the consolidated notes corresponding to the period ended on the said date.

Administrator's responsibility in relation to the consolidated financial statements

The Single Administrator of the controlling company is responsible for the preparation of the attached consolidated financial statements, in a way that reflects a true and faithful view of the consolidated equity, of the consolidation financial situation and of the consolidated results of TEK Nia MANUFACTURING GROUP, S.L. SINGLE MEMBER AND SUBSIDIARY COMPANIES, in accordance with the regulatory framework of financial reporting applicable to the Group in Spain, which is identified in note 2.1 of the accompanying Notes, and subject to the internal control deemed necessary to prepare the consolidated financial statements free from material inaccuracies due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the attached consolidated balance sheet based on our audit. We have performed our audit in conformance with the regulatory framework for account auditing which is valid in Spain. Said regulations oblige compliance with ethical requirements, and that we plan and perform the audit with the purpose of obtaining reasonable security that the consolidated balance sheet is free from material misstatements.

An audit requires the application of procedures in order to obtain audit evidence related to the amounts and the information revealed in the consolidated balance sheet. The procedures selected depend on the auditor's opinion, including the evaluation of the risk of material misstatement in the consolidated balance sheets due to fraud or error. When making said risk evaluations, the auditor takes into account the relevant internal control for formulation applied by the entity of the consolidated balance sheet, in order to design the audit procedures that are adequate depending on the circumstances, and not with the purpose of expressing an opinion on the effectiveness of the internal control of the entity. An audit also includes an evaluation of the adequacy of the accounting policies applied and the reasonableness of the accounting estimates made by management, as well as an evaluation of the presentation of the consolidated balance sheets all together.

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

Opinion

In our opinion, the attached consolidated balance sheet expresses, in all significant aspects, the true image of the consolidated equity and of the consolidated financial situation of the company TEK Nia MANUFACTURING GROUP, S.L. SINGLE-MEMBER COMPANY AND SUBSIDIARY COMPANIES on 31 December 2016, as well as of the consolidated results and consolidated cash flows corresponding to the annual period ended on said date, in conformance with the regulatory framework of financial information applicable and, in particular, with the accounting principles and criteria contained in the same.

Report on other legal and regulatory requirements

The attached consolidated management report for the year 2016 contains the explanations that the Sole Administrator of the dominant company considers opportune in relation to the company TEK Nia MANUFACTURING GROUP, S.L. SINGLE-MEMBER COMPANY AND SUBSIDIARY COMPANIES, the evolution of its businesses and other issues and does not form an integral part of the consolidated balance sheet. We have verified that the accounting information contained in the mentioned management reports matches the consolidated balance sheet for the period of 2016. Our work as auditors is limited to the verification of the management report with the scope mentioned in this paragraph and does not include the revision of information other than that obtained from the accounting records of the company TEK Nia MANUFACTURING GROUP, S.L. SINGLE-MEMBER COMPANY AND SUBSIDIARY COMPANIES.

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

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Signed: Ignacio Barturen Fernández

Auditors
SPANISH INSTITUTE OF CHARTERED ACCOUNTANTS
MOORE STEPHENS AMS, S.L.
Year 2016 No. 03/16/01635
COMPANY SEAL: 96,00 euro
.....
Report subject to the regulations on accounts auditing in Spain
.....

Bilbao, 24 April 2017

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

Independent firm Member of
MOORE STEPHENS
INTERNATIONAL LIMITED -
Member firms in the main cities of
the world.

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

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 December 2016

DOLORS SELIS MASNOU
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TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEET FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2016

ASSETS	NOTES TO THE REPORT	Thousands of Euros	
		2016	2015
A) NON-CURRENT ASSETS		98,442	73,629
I. Intangible fixed assets			
1. Consolidated goodwill	4	6,661	2,495
2. Research	9	-	-
3. Other intangible assets	9	2,910	2,833
		9,571	5,328
II. Tangible fixed assets			
1. Land and buildings	8	24,945	21,664
2. Technical installations and other fixed material assets	8	47,933	31,517
3. Fixed assets under construction and advances	8	1,276	3,284
		74,154	56,465
V. Long-term financial investments	11.1.1	2,542	501
VI. Deferred tax assets	14.3	12,036	11,203
VIII. Non-current trade receivables	11.1.1	139	132
B) CURRENT ASSETS		115,014	90,597
I. Non-current assets held for sale		220	-
II. Inventories	12	41,555	33,641
III. Trade and other receivables			
1. Trade receivables for sales and services	11.1.1	53,925	44,299
2. Trade receivables from group companies and associates	11.1.1 and 18.1	-	16
3. Current tax assets	14.1	663	1,109
4. Other receivables	11.1.1 and 14.1	3,247	2,225
		57,835	47,649
IV. Current investments group companies and associates			
1. Loans to related parties	11.1.1 and 18.1	-	18
2. Other financial assets of group companies and associates		-	3,345
		-	3,363
V. Current investments	11.1.1	46	1
VI. Current accruals		1,082	1,082
VII. Cash and other cash equivalents		14,276	4,861
TOTAL ASSETS (A+B)		213,456	164,226

Elorrio, 31 March 2017

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**TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2016**

TOTAL EQUITY AND LIABILITIES	NOTES TO THE REPORT	Thousands of Euros	
		2016	2015
A) EQUITY		68,225	59,057
A-1) Capital and reserves without valuation adjustments			
I. Capital	13.1	20,000	20,000
III. Reserves	13.2	39,553	33,680
VI. Net income attributed to the parent company		10,987	9,659
		70,540	63,339
A-2) Valuation adjustments			
II. Translation differences from consolidated companies	13.3	(3,141)	(5,405)
		(3,141)	(5,405)
A-3) Grants, donations and bequests received			
I. In consolidated companies	15	662	858
		662	858
A-4) External shareholders	5	164	265
B) NON-CURRENT LIABILITIES		61,503	36,989
I. Non-current provisions	16	642	491
II. Non-current payables			
1. Bonds and other marketable securities	11.1.2	19,635	-
2. Debt with credit entities	11.1.2	32,005	22,984
3. Finance lease payables	10.2 and 11.1.2	1,021	296
4. Other financial liabilities	11.1.2		
4.1 Fixed assets suppliers		163	179
4.2 Other financial liabilities		6,508	11,694
		59,332	35,153
IV. Deferred tax liabilities	14.3	1,528	1,313
V. Non-current accruals		1	32
C) CURRENT LIABILITIES		83,728	68,180
II. Current provisions	16	919	1,592
III. Current payables			
1. Bonds and other marketable securities	11.1.2	542	-
2. Debt with credit entities	11.1.2	20,026	16,664
3. Finance lease payables	10.2 and 11.1.2	1,120	537
4. Other financial liabilities	11.1.2		
4.1 Fixed assets suppliers		814	1,065
4.2 Other financial liabilities		690	651
		23,192	18,917
IV. Current debt with group companies and associates			
2. Other payables	11.1.2 and 18.1		
V. Trade and other payables			
1. Suppliers	11.1.2	41,906	34,614
2. Suppliers, group companies and associates	11.2.1 and 18.1	-	7
3. Current tax liabilities	14.1	315	351
4. Other payables	11.1.2 and 14.1	17,136	12,418
		59,357	47,390
VI. Current accruals		260	281
TOTAL EQUITY AND LIABILITIES (A + B + C)		213,456	164,226

The notes 1 to 24 and the annex I to the accompanying Notes to the Financial Statements are an integral part of these consolidated financial statements

Elorrio, 31 March 2017

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TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2016

	NOTES TO THE REPORT	Thousand euros	
		2016	2015
A) CONTINUING OPERATIONS			
1. Revenue	17.1	297,662	246,279
a) Sales		294,979	245,031
b) Services rendered		2,683	1,248
2. Changes in inventories of finished goods and work in progress		2,389	1,048
3. Work carried out by the company for own assets		1,100	572
4. Supplies		(166,666)	(138,749)
a) Merchandise used	17.2	(8,847)	(5,389)
b) Raw materials and other consumables used	17.2	(130,560)	(109,850)
c) Subcontracted work		(27,217)	(23,286)
d) Impairment of merchandise, raw materials and other supplies		(42)	(224)
5. Other operating income		1,340	1,141
a) Non-trading and other operating income		1,264	980
b) Operating grants taken to income	15	76	161
6. Personnel expenses		(65,646)	(52,949)
a) Salaries and wages		(51,047)	(40,877)
b) Employee benefits expense		(14,476)	(12,024)
c) Provisions		(123)	(48)
7. Other operating expenses		(42,643)	(36,925)
a) Losses, impairment and charges in trade provisions		(47)	(326)
b) Other operating expenses		(42,596)	(36,599)
8. Amortisation and depreciation	4, 8 and 9	(9,787)	(7,705)
9. Non-financial and other capital grants	15	5	5
11. Impairment and gain/(losses) on disposal of fixed assets		(19)	1,965
a) Impairments and losses		-	(317)
b) Results due to divestment and others	8	(19)	2,282
14. Other results		135	141
A.1) RESULTS FROM OPERATING ACTIVITIES (1+2+3+4+5+6+7+8+9+10+11+12+13+14)		17,870	14,823
15. Finance income		250	320
a) Dividends		3	3
b) Marketable securities and other financial instruments		10	99
c) Allocation of grants, donations and bequests of a financial nature	15	237	218
16. Finance expenses		(2,550)	(1,688)
18. Exchange gains/(losses)		(1,079)	(1,989)
19. Impairment and profit/loss on divestment of financial instruments		-	(228)
a) Impairments and losses		-	(228)
A.2) NET FINANCE INCOME/(EXPENSE) (14+15+16+17+18)		(3,379)	(3,585)
A.3) PROFIT/(LOSS) BEFORE INCOME TAX (A.1 + A.2 +19+20+21)		14,491	11,238
24. Income tax	14.2	(3,521)	(1,629)
A.4) PROFIT/(LOSS) FROM CONTINUING OPERATIONS (A.3 + 22)		10,970	9,609
B) DISCONTINUED OPERATIONS		-	-
A.5) CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD (A.4 + 23)		10,970	9,609
Balance attributed to the parent company		10,987	9,659
Balance attributed to external shareholders		(17)	(50)

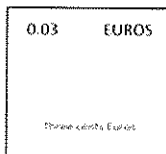
The notes 1 to 24 and the annex I to the accompanying Notes to the Financial Statements are an integral part of these consolidated financial statements

Elorrio, 31 March 2017

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

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY FOR
TO THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

A) CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES CORRESPONDING
TO THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	NOTES TO THE REPORT	Thousands of Euros	
		2016	2015
A) Consolidated profit/(loss) for the period		10,970	9,609
Income and expenses recognised directly in equity			
III. Grants, donations and bequests received	15	(23)	40
VI. Exchange differences		(2,279)	(2,732)
VII. Tax effect	15	7	(2)
B) Total income and expense recognised directly in consolidated equity (I+II+III+IV+V+VI+VII)		(2,295)	(2,694)
Transfers to the consolidated profit and loss account			
X. Subsidies, donations and legacies received	15	(242)	(223)
XIII. Tax effect	15	62	61
C) Total amounts transferred to the consolidated income statement (VIII+IX+X+XI+XII+XIII)		(180)	(162)
TOTAL ACKNOWLEDGED CONSOLIDATED INCOME AND EXPENDITURE (A+B+C)		8,495	6,753
Total income and expense attributed to the parent company		8,527	6,814
Total income and expenses attributed to external shareholders		(32)	(61)

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Elorrio, 31 March 2017

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TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES
B) STATEMENT OF TOTAL CHANGES IN THE CONSOLIDATED EQUITY FOR
TO THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Thousands of Euros

	Capital	Reserves and results previous financial years (*)	Result of the financial year attributed to parent company	Adjustments due to changes in value	Grants donations and legacies received	External shareholders	Total
A. Balance at the end of 2014	20,000	26,768	10,418	(2,684)	982	266	55,750
I. Adjustments for changes in criteria 2014 and previous years	-	-	-	-	-	-	-
II. Adjustments due to errors 2014 and previous years	-	-	-	-	-	-	-
B. Adjusted balance, at the beginning of 2015	20,000	26,768	10,418	(2,684)	982	266	55,750
I. Total recognised income and expense			9,659	(2,721)	(124)	(61)	6,753
II. Transactions with shareholders or owners	-	(3,525)	-	-	-	74	(3,451)
1. Share capital increases						74	74
4. (-) Distribution of dividends		(3,525)					(3,525)
6. Increase (reduction) of net equity resulting from a business combination	-	-	-	-	-	-	-
III. Other changes in equity	-	10,437	(10,418)	-	-	(14)	5
1. Transfer to reserves	-	10,418	(10,418)	-	-	-	-
2. Other transactions	-	4	-	-	-	1	5
3. Increase of equity holdings in subsidiaries	-	15	-	-	-	(15)	-
C. Balance at the end of 2015	20,000	33,680	9,659	(5,405)	858	265	59,057
I. Adjustments due to criteria changes 2015	-	-	-	-	-	-	-
II. Adjustments due to errors 2015	-	-	-	-	-	-	-
D. Adjusted balance, at the beginning of 2016	20,000	33,680	9,659	(5,405)	858	265	59,057
I. Total recognised income and expense			10,987	2,264	(196)	(32)	13,023
II. Transactions with shareholders or owners	-	(3,630)	-	-	-	-	(3,630)
1. Share capital increases							-
4. (-) Distribution of dividends	-	(3,630)					(3,630)
III. Other changes in equity	-	9,503	(9,659)	-	-	(69)	(225)
1. Transfer to reserves		9,659	(9,659)				-
2. Other transactions							-
3. Increase of equity holdings in subsidiaries		(156)				(69)	(225)
E. Balance at the end of 2016	20,000	39,553	10,987	(3,141)	662	164	68,225

The notes 1 to 24 and the annex I to the accompanying Notes to the Financial Statements are an integral part of these consolidated financial statements

Elorrio, 31 March 2017

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	NOTES TO THE FINANCIAL STATEMENTS	Thousands of Euros	
		2016	2015
A) CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit/(loss) for the period before tax		14,491	11,238
2. Adjustments for		13,082	7,610
a) Amortisation and depreciation (+)	4, 8 and 9	9,787	7,705
b) Valuation allowances for impairment losses (+/-)		973	233
c) Changes in provisions (+/-)	16.1	270	430
d) Grants recognised in the income statement (-)	15	(242)	(5)
e) Proceeds from disposals of fixed assets (+/-)		19	(2,282)
g) Finance income (-)		(250)	(320)
h) Finance expenses (+)		2,550	1,688
k) Other income and expenses (-/+)		(25)	161
3. Changes in operating assets and liabilities		(8,782)	(3,940)
a) Inventories (+/-)	12	(6,624)	(1,493)
b) Trade and other receivables (+/-)		(6,899)	(3,345)
c) Other current assets (+/-)		(45)	(266)
d) Trade and other payables (+/-)		5,567	1,638
e) Other current liabilities (+/-)		(770)	(413)
f) Other non-current assets and liabilities (+/-)		(11)	(61)
4. Other cash flows from operating activities		(4,050)	(4,346)
a) Interest paid (-)		(1,964)	(1,319)
c) Interest received (+)		250	102
d) Income tax received (paid)		(2,336)	(3,129)
5. Cash flows from/used in operating activities (+/--1+/-2+/-3+/-4)		14,741	10,562
B) CASH FLOWS FROM INVESTING ACTIVITIES			
6. Payments for investments (-)		(21,409)	(19,921)
a) Group companies, net cash flows in consolidated companies	6	(422)	(3,473)
d) Intangible assets	9	(618)	(876)
e) Property, plant and equipment	8	(19,551)	(15,572)
g) Other financial assets		(818)	-
7. Proceeds from sale of investment (+)		2,490	8,670
e) Property, plant and equipment		2,425	8,670
g) Other financial assets		65	-
8. Cash flows from/used in investing activities (6+7)		(18,919)	(11,251)
C) CASH FLOWS FROM FINANCING ACTIVITIES			
9. Proceeds from and payments for equity instruments		(215)	82
a) Issue of equity instruments (+)		-	74
e) Acquisition of equity instrument from external shareholders (-)		(215)	-
g) Grants, donations and bequests received (+)		-	8
10. Proceeds from and payments for financial liability instruments		17,438	(626)
a) Issue			
1. Bonds and other marketable securities (+)	11.1.2	19,600	-
2. Debt with credit entities (+)	11.1.2	13,675	19,392
5. Other debts (+)		1,142	528
b) Redemption and repayment of			
2. Debts with financial institutions (-)	11.1.2	(10,751)	(18,616)
5. Other payables (-)		(6,228)	(1,930)
11. Dividends and interest on other equity instruments paid		(3,630)	(3,525)
a) Dividends (-)		(3,630)	(3,525)
12. Cash flows from/used in financing activities (+/-9+/-10-11)		13,593	(4,069)
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS			
E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)			
		9,415	(4,758)
Cash and cash equivalents at the beginning of the period		4,861	9,619
Cash and cash equivalents at the end of the period		14,276	4,861

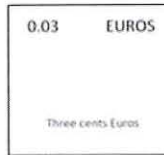
The notes 1 to 24 and the annex 1 to the accompanying Notes to the Financial Statements are an integral part of these consolidated financial statements

Elorrio, 31 March 2017

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

**CONSOLIDATED NOTES CORRESPONDING TO
FINANCIAL YEAR ENDING 31 DECEMBER 2016**

1. GROUP COMPANIES

1.1 Parent company

The Parent Company TEKNIA MANUFACTURING GROUP, S.L., A SINGLE-MEMBER COMPANY, was consolidated in Bilbao on 30 July 1998, by the Notary Public Andrés M^a Urrutia Badiola, who is registered at Barrio San Agustín sin número, Elorrio (Vizcaya).

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

The activities of the different companies that make up the Group have been indicated in Appendix I to this Report.

The consolidated Financial Statements of Teknia Manufacturing Group, S.L., Single-member company, and its subsidiaries for the financial year 2015 were drafted by the Administrators of Teknia Manufacturing Group, S.L., Single-member company, at the meeting of its Board of Directors held on 31 March 2016 and are deposited before the Government Register of Companies of Vizcaya (31 March 2015, corresponding to the financial year 2014).

The parent company of the Group does not prepare consolidated Financial Statements.

1.2 Consolidated subsidiaries

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

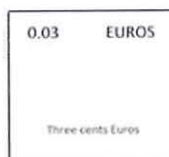
Subsidiaries are deemed to be all the companies in which the total direct and indirect equity interest of Teknia Manufacturing Group, S.L. exceeds 50%.

The closing date of the Financial Statements of all the companies used in the consolidation is 31.12.2016.



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

1.3. Variation in the composition of the Group

The most significant operations in the period 2016 have been the following:

- Increase of capital in Teknia USA, INC, in the amount of USD12,865,000; €11,428,601.36.
- Increase of capital in Teknia R&D, S.L.U., in the amount of €200,000.
- Increase of capital in Teknia Brasil, LTDA, for the amount of €500,000.
- Increase of the holdings in Teknia Automotive Mexico, S.A. de C.V., in the amount of €2,148,639.18, and shares have been purchased in the amount of €214,208.87, which has increased the holding of the company to 97.09%.
- Increase of capital in Teknia Kg, Doo, Kragujevac, in the amount of €384,940, which has increased the holding of the company to 92.84% of the share capital.
- Increase of capital in SAMCO, S.A. De C.V.; in the amount of €154,892.62.
- Teknia USA, INC has acquired 100% of the Company ORCHID MT JULIET, L.L.C., currently known as Teknia Nashville, L.L.C.

The most significant operations in the period 2015 were the following:

Increase of the holdings in the company Teknia Kg. Doo, Kragujevac, formerly known as DRUSTVU ZA PROIZVODNJU I PROMET PROMOTOR-IRVA DOO KRAGUJEVAC (Promotor IRVA); from 70% to 89.73%.

The summary of the most significant changes in the Group due to the internal reorganisation in 2016 and 2015 is as follows:

	2016	2015
Teknia Automotive Mexico, S.A.de C.V.	Increased participation	-
Teknia Kg, Doo, Kragujevac	Increased participation	Increased participation
Teknia Nashville, L.L.C	Company's acquisition	

2. BASIS OF PRESENTATION OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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

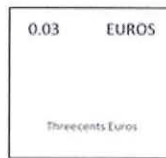
Both the Parent Company and all subsidiary companies have been consolidated with their Financial Statements on 31 December 2016 (On 31 December 2015 the previous year).

The Financial Statements of the companies that make up the consolidated group have been obtained from the accounting records of the companies and are presented according to R.D. 1514/2007 which approves the General Chart of Accounts, and its subsequent amendments, which is the legal framework for financial reporting applicable to the entity. The framework of the financial information is also indicated in Note 2.7.

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

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

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

The attached Consolidated Financial Statements for the financial year 2016 have been formulated by the Administrator of the parent company and are those that shall be submitted for approval at the Shareholders' Meeting. It is expected that these will be approved with no amendments.

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

2.2. Non-mandatory accounting principles applied

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

2.3. Critical aspects of the evaluation and estimation of uncertainty

When preparing the attached consolidated Financial Statements, estimates were used made by the Administrator of the parent company to evaluate some of the assets, liabilities, income, expenses and commitments recorded therein. They basically refer to:

- Valuation of the tangible and intangible fixed assets and their useful life.
- Application of interest rates to update balances payable or receivable in the long-term, where applicable.
- Valuation of financial instruments.
- Evaluation of the impairment of assets, including goodwill.
- Calculation of provisions
- Recoverability of tax credits
- The continuity of operations for the companies under losses.

Despite the fact that these estimates have been made on the basis of the best information available at the end of the financial year 2016, it is possible that events that may occur in the future could oblige modification (upward or downward) in future financial years, which would be formed in a prospective manner where applicable.

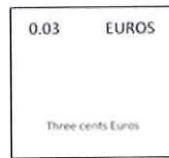
2.4. Comparison of information

The information related to 2015 contained in this report of the year 2016 is presented, for comparison purposes.

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2.5. Grouping of items

Certain items in the consolidated balance sheet, the income statement, the status of changes in equity and the status of cash flow may be presented together in order to facilitate comprehension, although, in the case that the item is significant, the separated information has been presented in the corresponding report notes. In particular, the receipts and payments from financial assets, as well as those payments and receipts relating to high-turnover financial liabilities, are reflected as net figures in our consolidated statement of cash flows.

2.6. Correction of errors

No significant errors have been found in the preparation of the Financial Statements that have implied the restatement of the amounts included in the consolidated Financial Statements for financial year 2015.

2.7. Principles of consolidation

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

- The Commercial Code.
- The General Chart of Accounts, considering the Group as the accounting entity to which the accounts refer.
- R.D. 1159/2010 dated 17 September, which approves the Standards for the Formulation of Consolidated Financial Statements and modifies the General Chart of Accounts
 - The Subsidiaries indicated in Appendix I have been consolidated using the full consolidation method, and the respective amount for each section of the Subsidiaries has been added to each section of the balance sheet and income statement of the parent company.
 - The Financial Statements of the Foreign Companies have been converted to Euros applying the closing exchange rate.

Global integration

- All Financial Statements from the Companies comprise a whole financial year ending on 31 December 2016, except for Teknia Nashville, L.L.C., which includes the profit and loss account as of the date on which it was acquired, in May 2016.
- All of the balances, transactions made, profits and losses due to operations between Group Companies that were not carried out outside of it have been removed.
- The item external shareholders is included in the equity of the consolidated balance sheet, except for the amount to be classified as a liability (if agreements have been reached to deliver cash or other assets, which shall be presented in the balance sheet as financial liabilities).
- Whenever applicable, the part of the “reserves”, “valuation adjustments” and “grants, donations and bequests received” that correspond to them shall be attributed to the external shareholders according to their equity holdings. Whenever applicable, the pending disbursements not required on the shares of external shareholders have been deducted.

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0.03 EUROS
Three cents Euros

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

3. VALUATION RULES

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

3.1. Standardisation of items

Temporary standardisation:

All of the Group companies have been consolidated with their Financial Statements on 31 December 2016.

When a company becomes a Group company or is no longer a Group company, the individual income statement included in the consolidation only refers to the part of the period when said company formed part of the Group.

This specific case refers to the company Tecknia Nashville, L.L.C. During the financial year 2015, none of the companies was in the situation described.

Valuation standardisation:

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

Standardisation due to internal operations:

When the amounts of the items derived from internal operations do not coincide, or there is any operation pending registration, the Group has proceeded to perform the relevant adjustments and then has carried out the eliminations required.

Standardisation for aggregation:

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

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3.2. Intangible fixed assets, except for goodwill

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

IT applications:

The Group includes in this account the costs incurred in the acquisition and development of software. This amount is amortised, on a straight-line basis, considering a maximum deadline of five years. The maintenance costs of computer applications are registered in the profit and loss account of the financial period in which they are incurred.

Research and development expenses:

The Company follows the criteria of registering research expenses incurred during the period in the profit and loss account. Regarding development expenses, these are recognised in assets when the following conditions are met:

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

The assets generated in that way are amortised on a straight-line basis throughout their useful life (in a maximum of 5 years).

If there are any doubts about technical success or economic profitability of the project, then the amounts recorded in the asset are directly attributed to the profit and loss account for the period.

Industrial property:

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

3.3. Tangible fixed assets and investment property

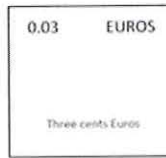
The fixed material assets and investment properties are initially valued at the acquisition price or production cost, and are later reduced by the corresponding accumulated depreciation and loss due to impairment, if applicable.

All maintenance and conservation expenses for the different elements that comprise the tangible fixed assets and investment property are recognised in the income statement of the financial year in which they are incurred. In contrast, the amounts invested in improvements that contribute to increase the capacity or efficiency or to extend the useful life of these goods are recorded as an increase of their cost.

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

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	<u>Factors</u>
Construction	2.5% - 25%
Machinery	6% - 30%
Tools	6% - 35%
Other facilities and furniture	8% - 33%
Equipment for Information processing	5% - 35%
Elements of transport	5% - 25%

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

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

3.4. Leases

Operating leases

The expenses derived from the operative lease agreements will be attributed to the profit and loss account in the period in which they are accrued.

Financial Leases

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

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

3.5. Financial instruments

Financial assets

Classification

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



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- Loans and items to collect
Financial assets originating from the sale of goods or services rendered in the course of the company's business, or those that are not of commercial origin, are neither equity instruments nor derivatives and whose collection is a fixed or determined amount and are not negotiated in an active market.
- Available-for-sale financial assets
Includes the representative debt values and equity instruments of other companies that have not been classified in any of the previous categories, and are not investments held until expiration or investments held for negotiation, nor other financial assets at a fair value with changes in profit and loss.

Initial valuation

The financial assets are initially registered at the fair value of the cost paid plus the transaction costs that are directly attributable.

Subsequent valuation

- Loans and items to collect
They are subsequently valued for their amortised cost if the term exceeds one year and the relevant adjustment is material.
- Available-for-sale financial assets
The available-for-sale financial assets are valued at their fair value, with the result of the variations to said fair value being recorded in the Net Equity, until the asset is sold or has suffered an impairment in value (of a stable or permanent nature), and then the said accumulated results, previously recognised in the Net Equity, are recorded in the profit and loss account.

The equity instruments whose fair value cannot be determined reliably are valued at their cost minus any adjustments due to impairment.

Calculation of the impairment

At the end of the period, the Group performs an impairment test for the financial assets that are not valued at their fair value. It is deemed that there is objective evidence of impairment if the recoverable value of the financial asset is lower than its book value. When this occurs, this impairment is recorded in the profit and loss account.

In particular, with respect to the value adjustments related to the commercial debtors and other accounts receivable, the criteria used by the Group to calculate the corresponding corrected evaluations is estimated based on a personalised analysis of the age of the debt and the financial position of the debtor.

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

Disposal of financial assets

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

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

Financial liabilities

Classification

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

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

Initial valuation

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

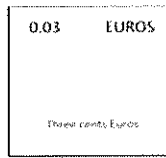
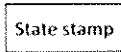
Subsequent valuation

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when the obligations generated are terminated.





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3.6. Transactions in foreign currency

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

Upon the closing of the financial year, the monetary assets and liabilities in foreign currency are converted by application of the exchange rate in force as at the date of the balance sheet. The profits or losses demonstrated are directly attributed to the profit and loss account of the financial year in which they occur.

3.7. Income tax

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

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

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

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

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

Deferred tax assets are only recognised if it is considered likely that each Group company shall have sufficient taxable profits in the future against which the deferred tax assets can be utilised.

3.8. Income and expense

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

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



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3.9. Assets and liabilities of an environmental nature

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

3.10. Termination benefits

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

3.11. Grants

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

Non-refundable capital grants, donations and bequests:

These are valued according to the fair value of the amount or goods granted, depending on whether they are monetary in nature, and they are attributed to the results in proportion to the allocation for amortisation made in the period for the subsidised elements or, whenever applicable, at the time of their divestment or correction in value due to impairment, except for those received from shareholders or owners that are recorded directly in the shareholder's equity and do not constitute income.

Refundable grants:

As long as they are refundable they are recorded as liabilities.

Operating grants:

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

3.12. Transactions with related parties

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

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

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3.13. Provisions and contingencies

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

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

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

3.14. Pension liabilities

Defined benefit plans

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

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

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

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

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

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

3.15. Goodwill and negative consolidation difference

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

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

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

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

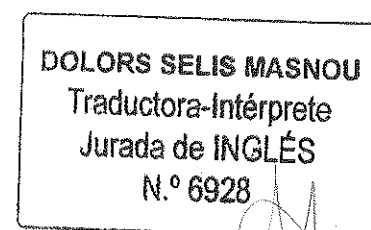
3.16. Information by sectors

Operating sectors are the sectors of the entity that perform activities from which income is obtained and where costs are incurred, whose result is the subject of regular revision, discussion and evaluation, by the maximum authority in the process of decision-making in the entity. To this purpose, the Sole Administrator of the parent company is considered to be the maximum authority.

The sectors designated as such are:

- The automotive sector in general (industrial area), TEKNIA AUTOMOTIVE
- Research and development, activities begun in the financial year 2010, TEKNIA R&D.

These sectors are the two sectors used by the Administrators of the parent company for studies, analyses and decision-making performed for the Group.



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0.03 EUROS

Three cents Euros

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TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES**3.17. Discontinued operations**

Discontinued operations are all sectors of the Group that have been divested or disposed of, or have been classified as held for sale, and, among other conditions, represent a business line or significant area that can be considered separate from the rest.

For this type of operation, in the profit and loss account and in a single item called "Profit/(loss) from discontinued operations, net of income tax", the Group includes both the results after taxes of the discontinued operations and the results after taxes recognised due to the valuation at their fair value minus the sale costs or to the divestment or other disposal of the elements that constitute the discontinued activity.

In addition, when any operations are classified as discontinued in the aforementioned entry, the Group presents the amount of the preceding financial year corresponding to the activities that were discontinued at the closure of the financial year to which the Financial Statements correspond.

3.18. Inventories

Stocks are valued at their price of acquisition or production costs, which include materials, labour, subcontracting costs and other direct and indirect manufacturing costs

4. CONSOLIDATED GOODWILL

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

	<u>01.01.16</u>	<u>Additions</u>	<u>(Derecognitions)</u>	<u>31.12.16</u>
COST				
Teknia Bilbao XXI, S.L.U.	1.169	-	-	1.169
Teknia Nashville, L.L.C.	-	4.730	-	4.730
Teknia Polska Sp. z o.o. and subsidiaries	365	-	-	365
SAMCO, S.A. de C.V.	961	-	-	961
	<u>2.495</u>	<u>4.730</u>	<u>-</u>	<u>7.225</u>
AMORTISATION				
Teknia Bilbao XXI, S.L.U.	-	(117)	-	(117)
Teknia Nashville, L.L.C.	-	(315)	-	(315)
Teknia Polska Sp. z o.o. and subsidiaries	-	(36)	-	(36)
SAMCO, S.A. de C.V.	-	(96)	-	(96)
	<u>-</u>	<u>(564)</u>	<u>-</u>	<u>(564)</u>
NET	<u>2.495</u>	<u>4.166</u>	<u>-</u>	<u>6.661</u>

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

The breakdown of this section in the financial year 2015 was the following, in Euros:

	<u>01.01.15</u>	<u>Additions</u>	<u>(Derecognitions)</u>	<u>31.12.15</u>
Teknia Bilbao XXI, S.L.U.	1.169	-	-	1.169
Teknia Brasil Ltda.	143	-	(143)	-
Teknia Polska Sp. z o.o. and subsidiaries	365	-	-	365
SAMCO, S.A. de C.V.	1.508	-	(547)	961
	<u>3.185</u>	<u>-</u>	<u>(690)</u>	<u>2.495</u>

The parent company performs an impairment test on the goodwill account, through the evaluation of the company that generated in, based on the annual EBITDA of the same, applying multiples that go from 4.5x to 7x depending on the country. This amount is compared to the net equity of the company and if the difference is greater, it is considered that the goodwill account is not depreciated.

In financial year 2015, the group as totally recorded as impairment the Good Will corresponding to Teknia Brasil Ltda.

Throughout financial years 2016, the purchase price of Tecknia Nashville, L.L.C has been set by external appraisers, and the values allocated to the recognised assets and liabilities and to the good will amounted to 4,079 thousand USD and 4,986 USD respectively. No intangible fixed assets other than the good will have been recognised.

Further, according to the provisions set forth in paragraph 2.6 of the Accounting and Measurement Rule 19, Combinations of Business, of the General Chart of Accounting, in 2015 the provisional values pursuant to which the subsidiary Samco, S.A. de C.V. was registered in 2014 have been adjusted, which meant a decrease of the Good Will corresponding to the said company in the amount of 547 thousand Euro that have been included in fixed assets in the amount of 760 thousand Euros, and the corresponding deferred tax has been registered in the amount of 213 thousand Euros (Notes 8 and 14.3, respectively).

5. EXTERNAL SHAREHOLDERS

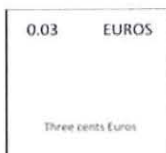
The transactions in this section in the financial year are as follows:

	<u>2016</u>	<u>2015</u>
Opening balance	<u>265</u>	<u>266</u>
Due to changes in the percentage of capital and exchange differences	(84)	48
Profit/loss of the financial year attributed to external shareholders	(17)	(49)
End balance	<u>164</u>	<u>265</u>

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The breakdown according to each company is as follows, expressed in thousands of Euros:

Financial year 2016

	Capital, Reserves and Valuation Adjustments	Outcome	Total
Teknia Automotive Mexico, S.A. de C.V.	113	(19)	94
Promotor IRVA	68	2	70
	181	(17)	164

Financial year 2015

	Capital, Reserves and Valuation Adjustments	Outcome	Total
Teknia Automotive Mexico, S.A. de C.V.	213	(7)	206
Promotor IRVA	101	(42)	59
	314	(49)	265

6. BUSINESS COMBINATIONS

During the financial year 2016, the following operations have been made regarding the acquisition of holdings in other companies:

- Increase of the holdings in Teknia Automotive Mexico, S.A. de C.V., in the amount of €2,148,639.18, and shares have been purchased in the amount of €214,208.87, which has increased the holding of the company to 97.09%.
- Teknia USA, INC has acquired 100% of the Company ORCHID MT JULIET, L.L.C., currently known as Teknia Nashville, L.L.C.

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The most relevant data regarding this acquisition is the following:

Date of acquisition: 9 May 2016

Amount paid to the seller: 422 thousand Euros (500 thousand USD, minus the liquid assets existing as at the acquisition date)

Amount of liabilities undertaken: 7,540 thousand Euros (8,565 thousand USD)

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

ASSETS	Amount in USD (thousands)
Cash and bank balances	31
Accounts receivable	3,030
Inventories	2,384
Prepayments and accruals	128
Deferred tax assets	1,273
Net fixed assets	7,918
Other assets	92
LIABILITIES	
Accounts payable	(5,439)
Leasing	(1,292)
Debt with credit entities	(4,046)
Net total of identified assets	4,079
Price paid	(9,065)
Goodwill	4,986

The main reason for this acquisition has been the access to the automotive market in the United States.

Throughout financial year 2015, the following transaction has been made:

- Acquisition of 19.73% of the share capital in the company Teknia Kg, doo, Kragujevac (Promotor IRVA).

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Although this does not imply a change within the Group related to the previous financial year, it must be pointed out that as of 20 July 2015, the merger of the companies Teknia Barcelona, S.L.U. and Segove Cataluña, S.L.U, being the later taken over by the former. The operation implied the extinction, by dissolution without winding-up, of the company that was taken over and the transmission of all the assets and liabilities included in the equity, as a whole, to Teknia Barcelona, S.L.U. The merger was registered in the Register of Companies in Barcelona, on 14 October 2015.

Throughout the last financial years, the Group has carried out several corporate operations aimed to the re-organisation of the Group. Since the financial year 2010, the following corporate operations have been made:

- Merger by take-over of the company Industrial J. Gispert S.A.U. by Teknia Manresa, S.L.
- Merger by takeover of the company Construcciones Mecánicas Crolí, S.A. by Teknia Barcelona, S.L.U.
- Merger by takeover of the company Teknia Dej, S.L.U. by Teknia Elorrio, S.L.U.
- Merger by takeover of the company Sociedad Acabados Plásticos, S.L. by Teknia Elorrio, S.L.U.
- Merger by takeover of the company Sociedad Fegomi, S.L. by Teknia Martos, S.L.U

The most important information regarding these operations can be found in the consolidated Financial Statements of the financial years in which these operations took place.

7. CHANGES IN THE PERCENTAGE OF EQUITY HOLDINGS IN GROUP COMPANIES

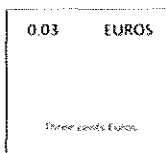
Throughout financial year 2016, the following transactions have taken place:

- Capital increase for Teknia Automotive Mexico, S.A. de C.V., in the amount of €2,148,639.18, and shares have been purchased in the amount of €214,208.87, which has increased the holding of the company to 97.09%.
- Increase of capital in Teknia KG, , in the amount of €384,940, which has increased the holding of the company to 92.84% of the share capital, since nothing has been required from minority shareholders.

Throughout financial year 2015, a 19.73% of the holdings in the company Drustvuza Proizvodnju i Promet Promotor-Irva Doo Kragujevac (Promotor IRVA) has been acquired, which means increasing the holding up to an 89.73% of the share capital (Note 1.3).

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8. FIXED MATERIAL ASSETS AND INVESTMENT PROPERTY

The transactions in this section in the financial year 2016 are the following, in thousands of Euros:

	Real estate	Installations, machinery and other fixed assets	Fixed assets in process and advances made	TOTAL
GROSS OPENING BALANCE, FINANCIAL YEAR 2016	27.193	153.652	3.284	184.129
(+) Acquisitions	4.707	13.355	1.221	19.283
(+) Inputs into the consolidation scope	-	7.512	-	7.512
(-) Disposals, Derecognitions or Reductions	(250)	(8.257)	-	(8.507)
(-/+) Exchange differences	(529)	1.409	(60)	820
(- /+) Transfers to/from other items	(172)	3.165	(3.169)	(176)
(+) Other transactions	-	-	-	-
GROSS END BALANCE, FINANCIAL YEAR 2016	30.949	170.836	1.276	203.061
ACCUMULATED AMORTISATION, OPENING BALANCE FINANCIAL YEAR 2016	5.529	122.135	-	127.664
(+) Allocation to amortisation in the financial year	719	7.883	-	8.602
(+) Disposals, Derecognitions or Reductions	(250)	(7.982)	-	(8.232)
(-/+) Exchange differences	6	867	-	873
(- /+) Transfers to/from other items	-	-	-	-
(+) Other transactions	-	-	-	-
ACCUMULATED AMORTISATION, CLOSING BALANCE FINANCIAL YEAR 2016	6.004	122.903	-	128.907
NET 2016	24.945	47.933	1.276	74.154

In May 2016, the company Teknia USA, INC has acquired 100% of the Company ORCHID MT JULIET, L.L.C., currently known as Teknia Nashville, L.L.C. In the chapter on entries in the scope of consolidation, the inclusion as at the said date of this company is included. The additions carried out after that date by the said company are included in the chapter on acquisitions carried out throughout the year.

In 2016, the company Teknia Elorrio, S.L. (Single Member) has written-off from fixed assets the plant of Eibar, because its production has been transferred to the plant in Elorrio. The book value of the written-off plant amounted to 17,502.61 euros. Thus, a loss has been recognised for this amount. Further, the Company sold, in 2016, part of its fixed assets from the said plant to several group companies, for an overall book value of 27 thousand Euros, for a sale amount of 962 thousand Euros, which lead to a positive result of 935 thousand Euros that has been cancelled in the consolidation adjustments.

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

The transactions in this section in the financial year 2015 were the following, in thousands of Euros:

	Real estate	Installations, machinery and other fixed assets	Fixed assets in process and advances made	TOTAL
GROSS OPENING BALANCE, FINANCIAL YEAR 2015	25.924	144.424	10.250	180.598
(+) Acquisitions	565	9.493	5.748	15.806
(-) Disposals, Derecognitions or Reductions	(8.658)	(1.483)	(306)	(10.447)
(-/+ Exchange differences	(850)	(2.400)	35	(3.215)
(- /+) Transfers to/from other items	10.212	2.225	(12.443)	(6)
(+) Other transactions	-	1.393	-	1.393
GROSS END BALANCE, FINANCIAL YEAR 2015	27.193	153.652	3.284	184.129
ACCUMULATED AMORTISATION, OPENING BALANCE FINANCIAL YEAR 2015	5.217	117.272	-	122.489
(+) Allocation to amortisation in the financial year	807	6.383	-	7.190
(+) Disposals, Derecognitions or Reductions	(494)	(1.209)	-	(1.703)
(-/+ Exchange differences	(16)	(948)	-	(964)
(- /+) Transfers to/from other items	15	4	-	19
(+) Other transactions	-	633	-	633
ACCUMULATED AMORTISATION, CLOSING BALANCE FINANCIAL YEAR 2015	5.529	122.135	-	127.664
NET 2015	21.664	31.517	3.284	56.465

Throughout financial year 2015, the section other changes in the cost of fixed assets includes the amount of 760 thousand Euros corresponding to the adjustments of the provisional values recorded relating the acquisition of the subsidiary company Samco, S.A. de C.V. in 2014 (Note 4). Further, it includes an amount of 633 thousand Euros recorded by the same company as an adjustment from previous years to reflect the effect of inflation, the same amount as the amount recorded in the section of other changes in accumulated amortisation for the same reason.

The company Teknia Brasil, Ltda sold its land and buildings to a group-related company, with the benefits from the sale amounting to 1,336 thousand Euro. This amount is recorded in the section gain/(losses) on disposal of fixed assets.

The company Teknia Bilbao XXL S.L. sold in 2015 the industrial facilities where it carries out its business activity. During the same financial year it entered a lease agreement with the purchaser company. The benefits from the sale amounted to 935 thousand Euro.

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Properties

All of the Spanish companies that make up the Group, except Teknia Epila, S.L.U. perform their activities in rented properties. The Polish company Teknia Polska Spolka, Z.o.o. also carried out its business activity in leased premises (as in the previous year).

The production companies located in Poland and the company Teknia Uhersky Brod, AS, perform their activities in their own property.

The company Teknia Brasil Ltda carries out its business activities in leased premises, since it has sold the ones it had as property during this financial year.

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

Guarantees made

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

Other information regarding tangible fixed assets

	Thousand euros	
	2016	2015
<i>Elements Amortised in Use (Cost)</i>	101.576	97.933
<i>Real estate, separation of values</i>		
- Land	2.794	2.962
- Buildings cost	28.158	24.163
- Buildings / Amortisation	(6.007)	(5.461)
Net totals	24.945	21.664
<i>Fixed assets outside of Spanish territory (net amount)</i>	57.704	41.980
<i>Results from divestment fixed assets</i>	(19)	2.282

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0.03 EUROS

Three cents Euros

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TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES**9. RESEARCH EXPENDITURES AND OTHER FIXED INTANGIBLE ASSETS**

The transactions in this section in the financial year 2016 are the following, expressed in thousands of Euros:

	R&D costs	Patents, licenses, brands and similar	IT applications	Other intangible assets	Advances and fixed intangible assets underway	TOTAL
GROSS OPENING BALANCE, FINANCIAL YEAR 2016	4.123	418	4.268	805	247	9.861
(+) Additions	-	-	292	326	-	618
(-) Transfers	-	-	10	(10)	-	-
(-) Disposals, Derecognitions and Reductions	-	-	(109)	-	-	(109)
(-) Exchange differences	-	(8)	96	(15)	(8)	65
GROSS END BALANCE, FINANCIAL YEAR 2016	4.123	410	4.557	1.106	239	10.435
ACCUMULATED AMORTISATION, OPENING BALANCE FINANCIAL YEAR 2016	4.123	413	1.986	506	-	7.028
(+) Allocation to amortisation in the financial year	-	-	422	199	-	621
(+) Disposals, Derecognitions or Reductions	-	-	(107)	-	-	(107)
(-) Exchange differences	-	(8)	-	(9)	-	(17)
ACCUMULATED AMORTISATION, CLOSING BALANCE FINANCIAL YEAR 2016	4.123	405	2.301	696	-	7.525
NET 2016	-	5	2.256	410	239	2.910

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The transactions in this section in the financial year 2015 were the following, in thousands of Euros:

	R&D costs	Patents, licenses, brands and similar	IT applications	Other intangible assets	Advances and fixed intangible assets underway	TOTAL
GROSS OPENING BALANCE, FINANCIAL YEAR 2015	4.123	418	3.643	655	247	9.086
(+) Acquisitions	-	-	717	159	-	876
(-) Disposals, Derecognitions and Reductions	-	-	(20)	(10)	-	(30)
(-) Exchange differences	-	-	(72)	1	-	(71)
GROSS END BALANCE, FINANCIAL YEAR 2015	4.123	418	4.268	805	247	9.861
ACCUMULATED AMORTISATION, OPENING BALANCE FINANCIAL YEAR 2015	4.123	412	1.603	366	-	6.504
(+) Allocation to amortisation in the financial year	-	-	374	141	-	515
(+) Disposals, Derecognitions or Reductions	-	-	(1)	(1)	-	(2)
(-) Exchange differences	-	1	10	-	-	11
ACCUMULATED AMORTISATION, CLOSING BALANCE FINANCIAL YEAR 2015	4.123	413	1.986	506	-	7.028
NET 2015	-	5	2.282	299	247	2.833

The corporate ERP, Microsoft Dynamics AX, as at the end of the financial year, is implemented in Teknia Manufacturing Group, Teknia Barcelona, Teknia Elorrio, Teknia Azuqueca, Teknia Kalisz and Teknia Epila; and is under the Deploying Phase in Teknia Rzeszow, Teknia Mexico, Teknia Bilbao, Teknia Pedrola, Teknia R&D, Teknia Manresa, and Teknia Nashville. The implementation in these companies is expected to be completed by the end of 2017. For the remaining companies, the implementation is expected to be completed by 2018. The overall amount of the project for the entire group will be approximately 3,000 thousand euros.

Fully amortised elements

The Group has fixed intangible assets that were fully amortised, including R+D expenditure, as at 31 December 2016, in the amount of 6,685 thousand Euros (5,905 thousand Euros in 2015).

Investments abroad

The intangible fixed assets that at the closure of the financial year 2016 belong to foreign companies amount to 1,501 thousand Euros (1,005 thousand Euros in 2015).

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TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES
10. LEASES
10.1. Operating leases

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

Company	Lessor	Annual amount		Term	
		2016	2015	2016	2015
Teknia Manufacturing Group, S.L.U.	Third Parties	60	60	2019	2019
Teknia Elorrio, S.L.U.	Clomi, S.L.	346	358	2022 (A)	2022 (A)
Teknia Pedrola, S.L.U.	Clomi, S.L.	170	143	2020	2020
Teknia Barcelona, S.L.U.	Third Parties	272	274	2026	2026
Teknia Martos, S.L.U.	Third Parties	273	240	Yearly, renewable	Yearly, renewable
Teknia Azuqueca, S.L.U.	Clomi, S.L.	334	334	2020	2018
Teknia Brasil Ltda.	Veradale, S.L.U and third parties	659	329	2018 y 2020	2016
Teknia R&D, S.L.	Third Parties	26	-	2021	-
Componentes de Automoción, S.A.R.L.	Third Parties	78	78	2019	2019
Teknia Manresa, S.L.U.	Third Parties	259	223		2026
Teknia Automotive Mexico, S.A.	Third Parties	139	164	2019	2019
Teknia Bilbao XXI, S.L.	Veradale, S.L.U	470	113	2025	2025

(A): The contract on the property on lease in Eibar (Gipuzkoa) was cancelled on 31-12-2016, and the activity moved to Elorrio (Bizkaia).

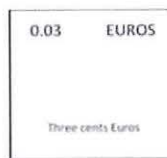
Movements with companies related to the group administrator, ascend to

	2016	2015
	Operating expenses	Operating expenses
Clomi, S.L.	850	825
Veradale, S.L.	829	113

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The balances pending are:

	2016		2015	
	Creditors and Providers	Long term deposits	Creditors and Providers	Long term deposits
Veradale, S.L.	(3)	124	-	75
Clomi, S.L.	-	198	(35)	198

It has been estimated that the future payments in 2016 and beyond, shall be similar to those of this financial year, with amendments based on the annual IPC and considering the whole financial year in the companies acquired in each financial year.

10.2. Financial Leases

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

Concept	Cost value of the goods (net)	
	2016	2015
Installations, machinery and other fixed assets	3,455	1,298

The schedule for the future payments of these contracts at the closure of the financial year 2016 was the following:

Years	Thousands of Euros
Short-term:	
2017	1,120
Long-term:	
2018	596
2019	303
2020	103
2021	19
	1,021

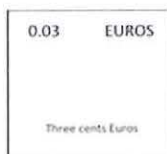
The schedule for the future payments of these contracts at the closure of the financial year 2015 is the following:

Years	Thousands of Euros
2016	537
2017 to	296
2019	

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11. FINANCIAL INSTRUMENTS

11.1. **Offsetting of financial assets and liabilities**

11.1.1. **Financial assets**

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

	Long-term		Short-term	
	Credits, derivatives, and others		Credits, derivatives, and others	
	2016	2015	2016	2015
Loans and items to collect	2.681	633	54.136	47.824
	2.681	633	54.136	47.824

Long-term financial assets

- Loans and items to collect

The main items recorded in this section, for the amount of 2,681 thousand Euros (633 thousand Euros in the previous financial year) are:

- Bonds amounting to 498 thousand euros (501 thousand Euros in the previous year), 198 of which correspond to the company Clomi, S.L (198 thousand Euros in 2015) and 124 thousand Euros correspond to Veradale, S.L. (Note 10.1).
- Credit to Veradale, S.L. in the amount of 1,178 thousand euros, as the proceeds from the sale of the premises of Teknia Brasil, Ltda. in 2015.
- The advance payment for the purchase of the shares in USTUN MAKINE A.S, in the amount of 735 thousand Euros. (Note 23)

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- Maturity of the most significant long-term financial assets.

The maturities by year are the following:

Financial year 2016

	2018	2019	2020 and beyond	No fixed term	Total
Loans and items to collect	1.178	-	-	139	1.317
Guarantees	-	209	289	-	498
Deposits and others	-	-	-	130	130
					<u>1.945</u>

Financial year 2015

	2017	2018	2019 and beyond	No fixed term	Total
Loans and items to collect	-	-	-	132	132
Guarantees	75	-	341	-	416
Deposits and others	-	-	-	85	85
					<u>633</u>

Non-current financial assets

The breakdown of the non-current credits, derivatives and others is as follows:

	Thousand euros	
	2016	2015
Clients	53.925	44.299
Clients that are group companies (Note 18.1)	-	16
Staff	125	37
Debtor shareholders (Note 18.1)	-	18
Debtors, Group companies and related companies	-	3.345
Other financial assets	46	1
Sundry debtors	40	108
	<u>54.136</u>	<u>47.824</u>

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

	Thousand euros
Impairment losses at the beginning of the financial year 2016	564
(+) Correction in value due to impairment	138
(-) Reversal due to impairment	(91)
(-) Exits and reductions	(174)
(+) Exchange differences	36
Impairment losses at the end of the financial year 2016	473

The transactions for the corrections due to value impairments caused by credit risks during the financial year have been the following:

	Thousand euros
Impairment losses at the beginning of the financial year 2015	570
(+) Correction in value due to impairment	292
(-) Reversal due to impairment	(19)
(-) Exits and reductions	(280)
(+) Exchange differences	1
Impairment losses at the end of the financial year 2015	564

11.1.2. Financial liabilities

The breakdown of the financial liabilities by class and category is as follows in 2016:

Class	Long-term financial liabilities			Short-term financial liabilities		
	Bonds and other marketable securities	Debt with credit entities	Derivatives and others	Bonds and other marketable securities	Debt with credit entities	Derivatives and others
	2016	2016	2016	2016	2016	2016
Debts and payables	19,635	32,005	7,692	542	20,026	58,484
TOTAL	19,635	32,005	7,692	542	20,026	58,484

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The breakdown of the financial liabilities by class and category is as follows in 2015:

Class	Long-term financial liabilities		Short-term financial liabilities	
	Debt with credit entities	Derivatives and others	Debt with credit entities	Derivatives and others
	2015	2015	2015	2015
Debts and payables	22,984	12,169	16,664	46,618
TOTAL	22,984	12,169	16,664	46,618

Bonds issuance

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

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

ISIN CODE	AIAF CODE	NUMBER OF SECURITIES	AMOUNT (Euros)	DISBURSEMENT DATE	MATURITY DATE
ES0305105001	514869	200	20,000,000	05-07-2016	05-07-2021

Should you need any further information, please refer to the website of BME (www.bmerf.es) or the Company's website (www.tekniagroup.com/investor).

The net amount after the deduction of the issuance cost amounts to €19,600,000. Short term interest accrued amounts to €542,465.76 euros; long term interest accrued amounts to €35,011.10.

As to the interest rate, this is a yearly fixed rate of 5.50%. Interest must be paid every year.

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Pursuant to the content in the DBII, the securities issued must always be backed, through an abstract guarantee and at first request, by affiliated companies representing at least 95% of the Groups total EBITDA. The group of affiliated companies endorsing guaranteeing the securities shall be collectively known as "scope of grantors" of the bond. The companies included in the scope of grantors, as at the end of financial year 2016, are the following: Teknia

Elorrio, S.L.U., Teknia Bilbao XXI, S.L.U, Teknia Montmeló, S.L. Teknia Pedrola, S.L.U. Teknia Martos, S.L.U. Teknia Azuqueca, S.L.U., Teknia Barcelona, S.L.U., Teknia Epila S.L.U, Teknia Manresa, S.L.U. , Teknia R&D, S.L. , Teknia Kalisz Sp. z.o.o. ,Teknia Rzeszow, S.A., Teknia Uhersky Brod a.s, Teknia Brasil Ltd. and Teknia Nashville, LLC.

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

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

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

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Debt with credit entities

The term of the debt with credit entities at the close of the financial years 2016 and 2015 are broken down as follows, in thousands of Euros:

Term	2016
Short-term:	
2017	20.026
Long-term:	
2018	6.411
2019	7.266
2020	8.454
2021 and subsequent years	9.874
	<u>32.005</u>

Term	2015
Short-term:	
2016	16.664
Long-term:	
2017	3.514
2018	3.565
2019	3.576
2020 and subsequent years	12.329
	<u>22.984</u>

Within the section of short-term credit institutions there are discounted bills that have not matured yet, for an amount equal to 7,227 thousand Euros (6,809 thousand Euros in the previous financial year). The limit of the credit accounts of the parent company in concurrence with the consolidated subsidiaries using the global consolidation method, amounts to 16,305 thousand Euro and the draft discounting limit, advances for invoices and factoring entries amount to 15,300 thousand Euro (16,242 thousand Euro and 15,300 thousand Euro, respectively, in the previous financial year).

The subgroup Teknia Polska Sp. Z.o.o. has pledges on machinery and installations that are recorded in Note 19.1 of this Report.

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TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES**Derivatives and others**

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

Derivatives and others:	2016		2015	
	Long-term	Short-term	Long-term	Short-term
Creditors due to financial leases (Note 10.2)	1.021	1.120	296	537
Advances and loans repayable	6.508	690	11.694	645
Suppliers of fixed assets	163	814	179	1.065
Other debts	-	-	-	6
Trade and other payables:				
Suppliers	-	41.906	-	34.614
Suppliers, group and associated companies	-	-	-	7
Other payables:				
Staff	-	4.193	-	3.171
Customer advances	-	4.861	-	2.978
Other	-	4.900	-	3.595
Total	7.692	58.484	12.169	46.618

- Finance lease payables

These correspond to the debt due to financial lease operations indicated in note 10.2.

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- Suppliers of fixed assets

The terms of these debts at the closure of the financial year 2016 are the following:

Year	Thousand euros
Short-term:	
2017	814
Total	814
Long-term:	
2018	10
2019	10
2020	10
2021	10
Rest	123
	163

The terms of these debts at the closure of the financial year 2015 were the following:

Year	Thousand euros
Short-term:	
2016	1065
Total	1065
Long-term:	
2017	11
2018	11
2019	11
2020	11
Rest	135
	179

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

The loans nominal at 0% amounts to 5,898 thousand Euros (9,751 thousand Euros in the previous financial year), the remaining loans are at interest rates of 3.04% and 3.95% (the same as in financial year 2015).

The terms at the financial year 2016 end were the following:

Year	Total
Short-term:	
2017	690
	<u>690</u>
Long-term:	
2018	977
2019	955
2020	883
2021	862
Rest	2.831
	<u>6.508</u>
Total	<u><u>7.198</u></u>

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The terms at the financial year 2015 end were the following:

<u>Year</u>	<u>Total</u>
Short-term:	
2016	645
	<u>645</u>
Long-term:	
2017	874
2018	1631
2019	1.609
2020	1.537
Rest	6.043
	<u>11.694</u>
Total	<u><u>12.339</u></u>

The balances of the "Competitiveness Plan" include the current value of the amounts received by Group companies as an aid for the Competitiveness Plan of the Automotive sector in the financial years 2009 to 2014 for a total amount of 13,225 thousand Euros. The current value of this aid has been calculated based on a rate ranging from 3.6% to 4% (the same as in the previous year).

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

11.2.1. Qualitative

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

a) Credit risks:

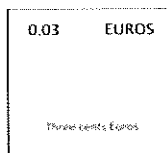
Overall, the Group maintains its cash and cash equivalents in financial entities with high levels of solvency.

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

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b) Liquidity risks:

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

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

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

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

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

11.2.2. Quantitative information

As previously indicated, the main risks correspond to exchange rate variations of the companies whose functional currency is not the Euro. The sales in currencies other than the Euro do not reach 32% of the Group's total sales (24% in the previous financial year). A natural coverage policy is applied for the companies that operate in more than one currency.

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12. STOCK

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

	<u>31.12.2016</u>	<u>31.12.2015</u>
Auxiliary raw materials and others	13.695	11.103
Partially completed product	9.992	7.904
Finished product	16.310	13.425
By-products and waste	79	103
Advances to suppliers	3.158	1.858
Impairment	(1.679)	(752)
	<u>41.555</u>	<u>33.641</u>

13. CAPITAL AND RESERVES

13.1. Share capital

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

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

	<u>Thousand euros</u>
Contribution in kind of company shares	23.547
Monetary Contribution in constitution	1.030
Monetary Contribution in capital increase	5.053
Conversion into euros	(1)
Capital reduction in 2013	(9.629)
	<u>20.000</u>

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13.2. Reserves

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

	Thousand euros	
	2016	2015
Legal reserve of the parent company	4.000	4.000
Voluntary reserves and negative results of previous financial years of the parent company	6.302	8.153
Consolidation reserves	29.251	21.527
	39.553	33.680

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

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

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

13.3 Exchange differences

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

	2016	2015
Teknia Brasil, Ltda.	(2.268)	(4.483)
Teknia Polska Spolka z o.o and subsidiaries	(937)	(629)
Teknia Uhersky Ubrod, AS	(113)	(114)
Teknia USA	821	37
Componentes de Automoción Marroquies SARL	(19)	(23)
Teknia Automotive Mexico, S.A. de C.V.	(423)	(131)
Samco, S.A.	(185)	(54)
“Teknia KG” doo, Kragujeva	(17)	(8)
Total	(3.141)	(5.405)

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The foreign exchange rates with respect to the Euro, applied in the conversion of the financial statements of the foreign companies were the following on 31 December 2016 and 2015:

	2016	2015	% var. 2016/2015	% var. 2015/2014
Brazilian Real	3.4305	4.3117	(20,44)%	33.87%
Polish Zloty	4.4103	4.2639	3.43%	(0,22)%
Czech Koruna	27.0210	27.0230	(0,01)%	(2,57)%
US Dollar	1.0541	1.0887	(3,18)%	(10,33)%
Mexican Peso	21.7719	18.9145	15.11%	5.86%
Moroccan Dirham	10.6586	10.7845	(1,17)%	(2,18)%
Serbian Dinar	123.4723	121.6261	1.52%	0.55%

14. TAX SITUATION
14.1. Public administrations

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

	2016		2015	
	Debtor	Creditor	Debtor	Creditor
Current tax	663	315	1.109	351
Tax on personal income	-	897	-	780
Value Added Tax, V.A.T..	2.324	423	1.914	421
Other	667	95	56	2
Social security	91	1.767	110	1.471
	<u>3.082</u>	<u>3.182</u>	<u>2.080</u>	<u>2.674</u>

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14.2. Conciliation of the net income and expenses with the taxable base for corporate income tax purposes

	Profit and loss account			Income and Expenses Directly Recognised as Equity		
	Amount for financial year 2016			Amount for financial year 2016		
	Increase	Reduction	Net effect	Increase	Reduction	Net effect
Balance of income and expenses of the financial year			10.970			(2.295)
Corporate income tax	3.521	-	3.521	-	(7)	(7)
Permanent differences:						
-of consolidation adjustments	7.319	-	7.319	2.279	-	2.279
-of individual companies	2.206	(10.663)	(8.457)	23	-	23
Temporary differences of consolidation adjustments:	1.026	(675)	351			-
Temporary differences of individual companies:	2623	(2.348)	275			-
Compensation of negative taxable bases of previous financial years			(3.340)			
Tax base (taxable income)			10.639			-

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The information corresponding to the financial year 2015 was the following:

	Profit and loss account			Income and Expenses Directly Recognised as Equity		
	Amount for financial year 2015			Amount for financial year 2015		
Balance of income and expenses of the financial year			9.609			(2.694)
	Increase	Reduction	Net effect	Increase	Reduction	Net effect
Corporate income tax	1.629	-	1.629	2	-	2
Permanent differences:						
-of consolidation adjustments	5.117	(7.510)	(2.393)	2.732	-	2.732
-of individual companies	1.358	(7.620)	(6.262)		(40)	(40)
Temporary differences of consolidation adjustments:						
Temporary differences of individual companies:						
Compensation of negative taxable bases of previous financial years	337	(50)	287			
	132	(180)	(48)			
			(1.723)			
Tax base (taxable income)			1.099			-

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TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES
14.3. Conciliation of assets and liabilities deferred taxes

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

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Opening balance	11.203	1.313	10.540	1.091
Increases				
* Negative taxable bases and deductions pending compensation	379	-	1.610	-
* Subsidies allocated directly to equity (Note 15)	-	(7)	-	2
* Consolidation adjustments	276	-	84	180
* Good will on the acquisition of a foreign company	1.333	-	-	-
* Other	243	373	31	240
Reductions				
* Negative taxable bases and deductions pending compensation	(1.274)	-	(493)	-
* Subsidies transferred to the profit and loss account (Note 15)	-	(62)	-	(61)
* Adjustments in consolidation	(56)	(33)	(45)	-
* Other	(229)	(56)	(288)	(134)
* Exchange differences	161	-	(236)	(5)
End balance	12.036	1.528	11.203	1.313

The negative taxable bases applied in the financial year reached 3,303 thousand Euros (1,723 thousand Euros in the previous financial year).

Similarly, there are deductions from previous and current financial years due to investment, research expenses and others that are pending application for an amount of 10,267 thousand Euros (10,235 thousand Euros in the previous financial year) and the negative taxable bases from previous financial years that are pending compensation corresponding to the Spanish companies, reach a total amount of 5,196 thousand Euros (8,422 thousand Euros in the previous financial year) and those corresponding to the foreign companies amount to 17,448 thousand Euros. (11,923 thousand Euros in the previous financial year).

Regarding the Group companies with registered addresses in Vizcaya, the applicable legislation for the assessment of corporation taxes for the financial year 2016, as in the previous financial year, is Provincial Law of Bizkaia, (the same as for the settlement of taxes for the financial year 2015).

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14.4. Years open to inspection

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

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

The administrators of the consolidated companies and the sole administrator of the parent company consider that these taxes were calculated correctly and, accordingly, that even if discrepancies arise in the interpretation of the current regulations applicable to the tax treatment of the transactions, the resulting liabilities, if any, would not significantly affect the attached consolidated Financial Statements.

14.5 Consolidated tax group

The last Parent Company of the Group, Teknia Manufacturing Group, S.L, in concurrence with other Group Companies, has been granted by the Tax Authorities of Bizcaya the possibility of making corporate income tax returns as a tax group, and therefore the companies that form this Group do not pay their taxes directly to the Tax Authorities. Instead, they pay them to the parent company, which then pays these taxes to the Tax Authorities of Bizkaia.

The companies that form the tax group are the following: Teknia Manufacturing Group, S.L.U., Teknia Elorrio, S.L.U. and Teknia Bilbao XXI, S.L.U. (As in financial year 2015).

The tax consolidation scheme was granted in the financial year 2010.

14.6 Current tax assets and liabilities

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

	Debtor		Creditor	
	2016	2015	2016	2015
Basque Country Tax Authority	45,00	-	-	-
State Tax Authority	585,00	981,00	127,00	85,00
Foreign Tax Authorities	33,00	128,00	188,00	266,00
	663,00	1.109,00	315,00	351,00

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15. SUBSIDIES

Details are provided below regarding the transactions of the financial year in the section of subsidies:

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

	Thousand euros	
	2016	2015
Balance at the beginning of the financial year	858	982
Increases	-	8
Adjustments for change in tax rate	-	32
Tax effect (Note 14.3)	-	(2)
Allocation to results	(242)	(223)
Tax effect (Note 14.3)	62	61
Cancellation	(16)	-
Balance at the close of the financial year	662	858

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

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

Subsidies allocated to the profit and loss account

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

	2016	2015
Operation subsidies incorporated in the annual balance	76	161
Non-financial and other capital grants	5	5
	237	218
Financial fixed assets attributable to subsidies	318	384

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16. PROVISIONS

The breakdown in this section is as follows:

	2016		2015	
	Short-term	Long-term	Short-term	Long-term
Staff remuneration	755	596	727	491
Other provisions	164	46	865	-
	919	642	1.592	491

The chapter on other short term provisions in financial year 2015 included an amount of 656 thousand Euros relating to a record of an inspection carried out by the Tax Authorities in a Spanish group company. The said amount was paid in financial year 2016.

16.1. Employee benefits

This corresponds, mostly, to the companies of the Polish subgroup, whose parent company is Teknia Polska sp. z o.o., in accordance with their legislation. The movement during the financial years 2016 and 2015 has been as follows:

	2016	2015
Opening balance of the financial year	1.218	921
Provisions	714	680
Payments	(94)	(133)
Reversal of provisions	(444)	(250)
Transfers of other provisions	10	
Exchange rate fluctuations	(53)	
End balance	1.351	1.218

The current value of commitments has been determined. To quantify it the updating interest rates and life tables, according to the legal regulations applicable to each country.

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17. INCOME AND EXPENSES

17.1. Net turnover

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

	%	
	<u>2016</u>	<u>2015</u>
National	35	39
Rest of the European Union	38	42
Rest of the world	27	19
	<u>100</u>	<u>100</u>

Practically the entire turnover is addressed to the automotive market.

17.2. Purchases

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

	<u>2016</u>	<u>2015</u>
Nacional	40	42
Rest of the European Union	38	48
Rest of the world	22	10
	<u>100</u>	<u>100</u>

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TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES**17.3. Personnel**

The breakdown of the average workforce in the Group by category, and the Group's Personnel at the closure of the financial year according to category and gender is as follows.

	Average workforce 2016	Staff at 31 December 2016		
		Total	Men	Women
Administrators	1	1	1	-
Structure and indirect labour	983,07	1014	795	219
Direct labour	1.675,40	1741	1093	648
Total	2.658,47	2.755	1.888	867

In the current period there are 38.50 people employed with disability of 33% or over (in the previous year there were 30 people with disability of 33% or over). 26.50 people correspond to the category of directly employed personnel; 12 correspond to the category of directly employed personnel.

Breakdown of the average workforce in the Group by category, and the Group's personnel at the closure of the financial year according to category and gender, corresponding to the previous year:

	Average workforce 2015	Staff at 31 December 2015		
		Total	Men	Women
Administrators	1	1	1	
Structure and indirect labour	840,2	830	658	172
Direct labour	1.368,59	1455	917	538
Total	2.208,79	2.285	1.575	710

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18. OPERATIONS AND BALANCES WITH RELATED PARTIES

18.1. Balance and transactions with related entities

Apart from those indicated in note 10, the Group has maintained the following operations with related companies, in thousands of Euros:

Financial year 2016

	Operating expenses	Financial income	Sales and services rendered	Sale of fixed assets	Purchase of fixed assets
Siuled, S.L.	144				

Financial year 2015

	Operating expenses	Financial income	Sales and services rendered	Sale of fixed assets	Purchase of fixed assets
Siuled, S.L.	120	(14)	-	-	-

As at 31 December 2016 the Group does not have any balances with Siuled, S.L.

As at 31 December 2015 the Group had the following balances in the consolidated balance sheet:

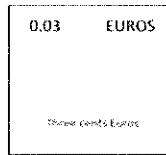
Financial year 2015

	Customers	Short-term credits
Siuled, S.L.	16	18

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18.2 Remuneration for directors and key personnel

The total amount of the remuneration paid to the members of the Board of Directors in the financial year 2016 corresponds to the transactions with Siuled, S.L., included in note 18.1 of this Report, as the aforementioned company is the Sole Administrator of the Parent Company of the Group. The natural person representing the latter did not receive any remuneration (this information is the same as in the financial year 2015).

The salaries received in the financial year 2016 by the personnel considered to be of key importance by the Group amount to 963 thousand Euros (679 thousand Euros in 2015)

19. FINANCIAL STRUCTURE

The Financial Management of the Group is responsible for arbitrating the global financial policy, but grants the individual companies autonomy of management. All companies generate their own cash and cash equivalents and manage their schedules for collection and payments and their own budgets for cash and cash equivalents. They have their own funding means employing line discounts, credit lines and repayable loans or advances granted by banks or public agencies. During this financial year, the Company has centralized the financial management of the affiliated companies of the Group, obtaining funding, by means of bank credits and bond issuance. Such funding is subsequently passed on the affiliated companies and the Company has a current account with each of the affiliated companies.


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

19.1. Sureties and other guarantees

In this financial year, the parent company has not granted bank or other guarantees to other group companies, except for what is mentioned hereinafter for Teknia Brasil, Ltd and three generic Letters of Comfort granted before customers of Teknia Pedrola, S.L., and Teknia Brasil, Ltd.

Furthermore, the company Teknia Montmeló, S.L.U., has pledged deposits of 74 thousand Euros for debt guarantee before the Ministry of Industry, Energy and Tourism.

The subgroup Teknia Polska Sp. z.o.o. and its subsidiaries on 31 December 2016 had mortgages on property guaranteeing loans granted (note 11.1.2) for amounts pending payment at the closure of the financial 2015 of 21.53 million PLN (23.24 million PLN in 2014). This same subgroup has provided different guarantees for Machinery, clients and other accounts, for the loans and credits received for the amount of 17.52 million PLN (18.9 million PLN in 2015). This Polish group has signed guarantee contracts with financial entities to guarantee the payment of the loans, credits, lines of discount and other funding obtained, which amount to 3 million PLN. (2.9 million PLN on 31 December 2015)

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The Czech company, Teknia Uhersky Brod, a.s., was granted a mortgage guarantee for an amount totalling 61.32 million Czech Koruna (72.2 million Czech Koruna (CZK) in 2015). Likewise, the balance of the customer account guarantees credit accounts for a total amount of 14.22 million Czech Koruna (CZK) (9.4 million Czech Koruna (CZK) in 2015).

The company Teknia Brasil Ltda. secures with machinery and facilities a loan of 2,550,000 BRL. This loan is guaranteed by the Parent Company.

Moreover, financial entities have provided guarantees in behalf of Group Companies for an approximate total amount equal to 397 thousand Euros. (636 thousand Euros in 2015).

20. OTHER INFORMATION

20.1. Information on the acquisition price of the shares provided

The values at which the shares provided to the Company at the time of its constitution were recorded are included in the consolidated Financial Statements of the financial year 2007 and previous years.

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

20.2. Auditors' fees

The fees accrued by the auditors of the parent company for the performance of the Audit of the Consolidated Financial Statements and the Financial Statements of the Group Companies amounted to 95 thousand Euros (95 thousand Euros in the previous year). The amount for other works amounts to 37.3 thousand Euros, (40 thousand Euros in the previous year).

Similarly, the fees for the audits of the foreign and Spanish companies, executed by other auditors reached an amount of 95 thousand Euros (60 thousand Euros in 2015) and 12.6 thousand Euros for other works performed for the group (9 thousand Euros in 2015).

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TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES**20.3. Business sector contributions from Teknia Elorrio, S.L.U. to Teknia Pedrola, S.L.U.**

All of the information regarding this contribution can be found in the consolidated Financial Statements of 2004.

20.4. Foreign currency

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

ASSETS	TOTAL IN THOUSANDS OF EUROS		Thousands of Euros													
			Brazilian Reals		PLN		Dirham		Czech Koruna		Mexican Peso		USD		Serbian Dinar	
			2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Tangible fixed assets	56,482	40,759	5,478	4,376	20,534	20,855	1,328	1,096	11,718	10,405	5,016	3,446	11,920	84	488	497
Inventories	19,526	12,750	3,816	2,067	7,210	6,259	471	303	3,180	2,575	2,557	1,365	1,975	-	317	181
Trade and other accounts receivable	19,052	20,546	4,073	5,125	5,236	7,490	659	537	61	4,308	1,485	2,853	7,479	-	59	233
Cash and other equivalent liquid assets	2,299	1,521	380	96	207	122	4	54	1,010	759	318	313	351	171	29	6

LIABILITIES	TOTAL IN THOUSANDS OF EUROS		Thousands of Euros														
			Brazilian Reals		PLN		Dirham		Czech Koruna		Mexican Peso		USD		Serbian Dinar		GBP
			2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Non-current debt with financial institutions	3,349	3,062	850	793	-	-	-	-	-	2,269	-	-	2,499	-	-	-	
Current debt with financial institutions	7,197	2,893	96	3	1,218	693	10	-	753	-	543	5,873	901	-	-		
Trade and other payables	19,037	16,975	4,030	2,273	3,406	7,514	473	257	2,420	4,932	4,518	1,836	4,021	9	76	154	93

PROFITS AND LOSSES	TOTAL THOUSAND EUR		Thousands of Euros															
			Brazilian Reals		PLN		Dirham		Czech Koruna		Mexican Peso		USD		CHF		Serbian Dinar	
			2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Purchases	(66,375)	(37,685)	(12,358)	(8,274)	(10,922)	(6,827)	(1,359)	(624)	(16,706)	(17,146)	(1,915)	(3,195)	(19,216)	(850)	(3,097)	(165)	(802)	(604)
Net turnover	96,539	59,288	20,565	13,538	11,759	10,727	2,874	1,978	24,915	23,935	4,411	4,089	31,527	4,060	-	-	488	960

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

The Sole Administrator, the physical representative of the Sole Administrator, legal person and the people linked to the same, as defined in Art. 231 of the LSC, do not incur any of the situations of conflicts of interest as listed in Art. 229 of the LSC.

21. INFORMATION REGARDING ENVIRONMENTAL AND GREENHOUSE GAS EMISSION RIGHTS

21.1. Environmental Information

The Group has made no significant investments in tangible fixed assets and has not incurred any expenditure with the purpose of minimising its environmental impact and protecting and improving the environment.

There are no environmental disputes or claims in progress, thus no provision for this concept has been allocated.

The Group considers that it does not have any expected contingencies for this concept.

21.2. Information on greenhouse gas emission rights

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

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

The information on the average period of payment to providers regarding financial year 2015 is as follows:

	Payments made and pending payment at the close of the balance sheet	
	2016	2015
	Days	
The average period of payment to providers	64,5	56,55
Ratio of transactions settled	68,59	58,97
Ratio of transactions not yet settled	44,78	38,57
	Amount (Euros)	
Total payments made (thousand euros)	134.073	121.353
Total payments outstanding (thousand euros)	25.658	20.058

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23. SUBSEQUENT EVENTS

Issuance of notes

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

On 17 March 2017, pursuant to an agreement adopted by the Board of Directors of AIAF Mercado de Renta Fija, the securities issued at first issuance for a total amount of 11,300,000 Euros under the program of bonds above explained, whose details are listed below, were included in the Alternative Fixed Income Securities Market (MARF):

ISIN	Nominal	Value date	Maturity date	DAYS	Yield
ES0505105017	4,000,000	17/03/2017	24/04/2017	38	0.812%
ES0505105025	1,500,000	17/03/2017	29/05/2017	73	0.869%
ES0505105009	5,800,000	17/03/2017	26/06/2017	101	0.900%

Acquisition of 100% of the share capital in the Turkish company USTUN MAKINE A.S., USTUN MAKINE A.S.

As of 11 January 2017, TEKNIA has completed the acquisition process and has bought 100% of the shares in the Turkish company USTUN MAKINE A.S. for a total amount of 4,200 thousand Euros (Note 11.1.1).

24. SECTORED INFORMATION

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

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

- Automotive
- Research and development.

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The data regarding these sectors is as follows:

Concepts	Sectors					
	Automotive		Research and Development		Total	
	2016	2015	2016	2015	2016	2015
Net turnover	297,585	244,988	77	315	297,662	245,303
- External customers	297,585	244,988	77	315	297,662	245,303
- Intersectoral (A)	1	30	748	656	749	686
Supplies						
- External suppliers	(166,456)	(137,396)	(210)	(485)	(166,666)	(137,881)
- Intersectoral (A)	(748)	(656)	(1)	(30)	(749)	(686)
Personnel expenses	(65,383)	(52,337)	(559)	(612)	(65,942)	(52,949)
Amortisation of fixed assets	(9,780)	(7,921)	(7)	(9)	(9,787)	(7,930)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	17,600	15,038	(26)	(215)	17,574	14,823
PROFIT/(LOSS) BEFORE TAX	14,221	11,238	(26)	(221)	14,195	11,238
Sector assets	213,311	163,999	145	227	213,456	164,226
Sector liabilities	145,277	105,013	250	156	145,527	105,169
Net cash flows resulting from the following activities						
- Operations	15,996	10,933	51	(371)	16,047	10,562
- Investment	(18,852)	(11,254)	(67)	3	(18,919)	(11,251)
- Financing	12,283	(4,068)	4	(1)	12,287	(4,069)

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

As can be seen, practically all of the operating, financial and investment flows of the financial years 2016 and 2015 have originated in the automotive sector.

Elorrio, 31 March 2017

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TEKNIA MANUFACTURING GROUP, S.L. SDAD. UNIPERSONAL AND SUBSIDIARIES

OM7868252

ANNEX I

(thousands of euros)

	Teknia Elorrio, S.L.U.		Teknia Bilbao XXI, S.L.U.		Teknia Montmeló, S.L.U.		Teknia Martos, S.L.U.	
Registered address:	Barrio San Agustín nº11 Elorrio – (Bizkaia)		Abanto y Ciervana (Bizkaia)		Pol. Ind. El Pedregal, c/Industria, 3 – Montmeló Barcelona		Martos (Jaén)	
Business activity	Manufacture of pipe assemblies		Bar cutting		Manufacturing of industrial screw products for bar cutting		Injection of plastic	
	2016	2015	2016	2015	2016	2015	2016	2015
Share in percentage								
- Direct from Teknia Manufacturing Group, S.L.U.	100%	100%	100%	100%	100%	100%	100%	100%
- Indirect	-	-	-	-	-	-	-	-
Holder of the indirect share	-	-	-	-	-	-	-	-
Dividends received during the year	1,150	-	639	3,100	-	-	506	417
Net equity:								
- Share Capital	60	60	174	174	103	103	139	139
- Issuance premium, reserves and results from previous years.	2,606	3,174	2,774	1,685	356	393	2,633	1,896
- Other items in own assets	14	22	53	80	-	-	-	-
- Results from the year	1,505	583	254	1,728	409	(37)	2,338	1,243
Recorded value of the equity								
Interest	4,186	3,838	3,256	3,667	434	434	5,110	3,278
Auditor of the company	Moore Stephens AMS, S. L		Moore Stephens AMS, S. L		Not audited		Moore Stephens AMS, S. L	

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ANNEX I
(thousands of euros)

	Teknia Brasil, Ltda.		Teknia Epila, S.L.U.		Teknia Barcelona, S.L.		Teknia Pedrola, S.L.U.	
Registered address:	Itaquera (São Paulo) BRASIL		Epila (Zaragoza)		Parets del Vallés (Barcelona)		Pol. Ind. El Pradillo Pedrola - Zaragoza	
Business activity	Manufacture tubes, stamping, cutting and injection of plastic		Stamping of metal parts		Bar cutting		Manufacture of pipe assemblies	
	2016	2015	2016	2015	2016	2015	2016	2015
Share in percentage								
- Direct from Teknia Manufacturing Group, .S.L.U.	100%	100%	100%	100%	100.00%	100.00%	100%	100%
- Indirect	-	-	-	-	-	-	-	-
Holder of the indirect share								
Dividends received during the year	-	-	-	-	255	-	-	-
Net equity:								
- Share Capital	20,403	9,464	1,200	1,200	240	240	500	500
- Issuance premium, reserves and results from previous years.	(9,360)	2,289	(352)	(495)	1,253	1,014	771	590
- Other items in own assets	-	-	-	-	76	92	150	180
- Results from the year	(2,243)	(3,425)	168	143	877	494	83	181
Recorded value of the equity interest	8,800	8,328	1,016	848	2,446	1,841	26	26
Auditor of the company	Moore Stephens Lima Lucchesi		Moore Stephens AMS, S. L		Moore Stephens Addveris Auditores y Consultores, S.L.P		Moore Stephens AMS, S. L	

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OM7868254 **TEKNIA MANUFACTURING GROUP, S.L. SDAD. UNIPERSONAL AND SUBSIDIARIES**

ANNEX I

(thousands of euros)

	<u>Teknia Polska Sp. z o.o.</u>		<u>Teknia Kalisz Sp. z o.o.</u>		<u>Teknia Rzeszów, Sp. z o.o.</u>		<u>Teknia Azuqueca, S.L.U.</u>	
Registered address:	Nowogrodza, 12 (Warsaw)		Zlota, 20 (Kalisz)		Przemyslowa, 4 (Rzeszow)		Pol. Ind. Miralcampo de Arriba – Azuqueca de Henares (Guadalajara)	
Business activity	Holding company		Stamping and pipes		Injection of plastics		Manufacture of parts in plastics and other materials	
	2016	2015	2016	2015	2016	2015	2016	2015
Share in percentage								
- Direct from Teknia Manufacturing Group, .S.L.U.	100%	100%	-	-	-	-	100%	100%
- Indirect	-	-	100%	100%	100%	100%	-	-
Holder of the indirect share			Teknia Polska Sp. z o.o.		Teknia Polska Sp. z o.o.			
Dividends received during the year	-	-	-	-	-	-	803	-
Net equity:								
- Share Capital	2,244	2,322	306	316	132	137	3,500	3,500
- Issuance premium, reserves and results from previous years.	2,896	3,157	6,115	6,734	5,413	4,546	700	628
- Other items in own assets	-	-	-	-	-	-	367	484
Results from the year	(162)	(162)	(347)	(408)	1,838	1,054	1,580	875
Recorded value of the equity interest	2,396	2,396	-	-	-	-	-	-
Auditor of the company	Moore Stephens Central Audit Sp. z o.o.		Moore Stephens Central Audit Sp. z o.o.		Moore Stephens Central Audit Sp. z o.o.		Moore Stephens AMS, S. L	

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Three cents Euros

OM7868255 **TEKNIA MANUFACTURING GROUP, S.L. SDAD. UNIPERSONAL AND SUBSIDIARIES****ANNEX I**
(thousands of euros)

	<u>Teknia Uhersky Brod a.s.</u>		<u>Teknia Automotive Mexico, SA de C.V.</u>		<u>Teknia Germany GmbH</u>		<u>Teknia R&D, S.L.</u>	
Registered address:	Rybářská 2330 Uherský Brod, PSC 688 01 (Czech Republic)		Ciudad de Santiago, Querétaro (México)		Stuttgart (Germany)		Plaza Marqués de Salamanca, 9, planta 7, puerta iz. 28006 Madrid	
Business activity	Manufacture of parts in plastics and other materials		Manufacture of parts in plastics and other materials		Design and engineering of automotive parts		Research, creation and development of research and development projects	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Share in percentage								
- Direct from Teknia Manufacturing Group, .S.L.U.	100%	100%	97.09%	90%	100.00%	100.00%	100%	100%
- Indirect	-	-	-	-	-	-	-	-
Holder of the indirect share								
Dividends received during the year	169	771	-	-	-	-	-	-
Net equity:								
- Share Capital	4,507	4,507	5,052	3,384	25	25	300	100
- Issuance premium, reserves and results from previous years.	4,461	2,899	(1,160)	(1,252)	673	661	(215)	6
- Other items in own assets	-	-	-	-	-	-	-	-
- Results from the year	2,127	1,731	(653)	(75)	37	12	(26)	(221)
Recorded value of the equity interest	3,636	3,636	3,145	1,850	620	620	59	-
Advisor of the company	Moore Stephens, S.R.O.		Moore Stephens (Marcelo de los Santos y Cía., S.C.)		Not audited		Not audited	

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TEKNIA MANUFACTURING GROUP, S.L. SDAD. UNIPERSONAL AND SUBSIDIARIES

ANNEX I

(thousands of euros)

	Componentes de Automoción Marroquíes, SARL		Teknia Manresa, S.L.U.		Teknia USA Inc.		SAMCO, S.A.	
	2016	2015	2016	2015	2016	2015	2016	2015
Registered address:	TFZ D'Exportation llot 30- Lot n02 Mod.1 - Tangier		P.I. Bufalvent, c/Esteve Terradas, n 939. Manresa (Barcelona)		601 Abbot Road, East Lansing, Michigan 48823 (USA)		Calle Avena nº 218, Colonia Granjas Mexico. Distrito Federal	
Business activity	Creation, manufacturing and marketing of individual automotive parts		Stamping of metal parts		Management of technical and commercial activities.		Purchases-sales, distribution and manufacture of dies or tourneys, among others.	
Share in percentage								
- Direct from Teknia Manufacturing Group, .S.L.U.	99.99%	99.99%	100%	100%	100%	100%	100%	100%
- Indirect	-	-	-	-	-	-	-	-
Holder of the indirect share								
Dividends received during the year	-	-	2,105	-	-	-	-	-
Net equity:								
- Share Capital	1,503	1,485	60	60	12,442	230	767	705
- Issuance premium, reserves and results from previous years.	(1,141)	(890)	4,104	3,709	14	(65)	254	212
- Other items in own assets	-	-	-	-	-	-	-	-
- Results from the year	14	(238)	2,369	2,499	163	78	207	81
Recorded value of the equity								
Interest	375	357	3,825	3,825	11,362	186	2,424	2,421
Auditor of the company	Not audited		Moore Stephens AMS, S. L		Moore Stephens (Elliot Davis Decosimo) is auditor of the consolidation of Teknia USA Inc. and its subsidiary		Moore Stephens (Marcelo de los Santos y Cía., S.C.)	

TEKNIA MANUFACTURING GROUP, S.L. SDAD. UNIPERSONAL AND SUBSIDIARIES

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0.03 EUROS

Three cents Euros

OM7868257

ANNEX I
(thousands of euros)

	"Teknia KG" doo, Kragujevac		Teknia Nashville, LLC (Orchid Mt. Juliet)	
Registered address:	Kragujevac, 56 Dragoslav Srejavic street.		94 Belinda Parkway, Mt Juliet, 37122 Tennessee, USA.	
Business activity	The production of other parts and additional equipment for the vehicles		Stamping	
	2016	2015	2016	
Share in percentage				
- Direct from Teknia				
Manufacturing				
Group, .S.L.U.	92.84%	89.73%	-	-
- Indirect	-	-		100%
Holder of the indirect share			Teknia USA Inc.	
Dividends received during the year	-	-		-
Net equity:				
- Share Capital	1,272	901		9,359
- Issuance premium, reserves and results from previous years.	(326)	88		
- Other items in own assets	-	-		-
- Results from the year	25	(413)		(54)
Recorded value of the equity interest	902	517		-
Auditor of the company	Moore Stephens Revizija i Racunovodstvo d.o.o. Beograd		Moore Stephens (Elliot Davis Decosimo)	

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

MANAGEMENT REPORT 2016

BUSINESS PERFORMANCE, AND POSITION OF THE COMPANY, FORESEEABLE EVOLUTION

Evolution of sales turnover

With an amount of EUR 297 million, the sales growth trend in the Group consolidates. Sales are 20.9% from financial year 2015 figures. Approximately more than one half of the increase in sales has occurred in an organic manner (11.64%), excluding the sales turnover from T. Nashville and the rest, which are inorganic growth due to the addition of this new company of Tennessee (USA).

Since 2010, the consolidated total sales increase of the group has been of 75% (CARG 2010-16 = 9.78%)

The main reasons for this sales growth are:

- Increased production volumes in Europe, mainly in Spain and Eastern Europe.
- Recovery of business in the Brazilian market
- Addition of a new company in Nashville (TN)
- Start of production of the acquisitions made the last three years, which have been notable for their good results at a commercial level.

	2016		2016		2015		2015		2014		2014	
	Euros		vs	Euros	vs		Euros	vs		Euros	vs	
	'000	%	2015	'000	%	2014	'000	%	2013			
Net turnover	297,662	100%	20.9%	246,279	100%	11.6%	220,628	100%	7.0%			
Operating margin	17,870	6.0%	20.6%	14,823	6.0%	21.9%	12,159	5.5%	33.8%			
EBITDA ⁽¹⁾	27,652	9.29%	22.8%	22,523	9.15%	19.5%	18,847	8.54%	24.6%			
Balance attributed to the parent company	10,987	3.69%	13.75%	9,659	3.9%	(7.3)%	10,418	4.7%	69.5%			

(1) The EBITDA is calculated as the operating result deducted in the provision for amortisation, the allocation of subsidies to non-financial fixed assets, surplus of provisions, and the result from the loss of control of consolidated holding and the difference in a business combination. (The definition was amended in 2016)

'000	2016
Acquisitions ⁽²⁾	84,576

⁽²⁾ Acquisitions refer to projects for the manufacturing of parts in terms or annual sales.

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Consolidation of the Ebitda levels

The Group's consolidated EBITDA has reached the figure of Eur27,652k, which means an increase by 22.8% with regards to financial year 2015. However, despite the significant growth mentioned, the Ebitda for the year has been affected by a series of non-recurring factors:

In thousands of Euros

AUDITED EBITDA 2016	27,652
- Compensations for employment termination and provisions for personnel	858
- Consolidation exchange differences	569
RECURRING EBITDA ADJUSTED, 2016	29,079

Without the impact of these factors the Ebitda in 2016 would have been 9.8% of the net amount of turnover.

Further, throughout financial year 2016, and for the fifth consecutive year, the group has been highly impacted by the bad results obtained in the Brazilian market, which have had a negative impact on (2.1) million Euros. Equally, the progressive improvement provoked by the measures put into place with the objective of increasing the operative results is still demonstrated.

Non-operating balance (financial)

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

Maintenance of the financial cost in percentage terms with regards to the total debt balance
Increase by 54% of the total debt of the group

The increase of this debt is due to the issuance of corporate bonds in July. More details on this issue are provided in the section Alternative Financing. Notwithstanding the issuance of bonds at higher rates due to the characteristics and terms of this debt, the financial cost related to the debt remains around 3%.

	2016	2015	2014	2013	2012
Debt Cost	2,550	1,688	1,965	1,859	2,634
Debt	81,547	52,826	55,555	37,648	41,495
Debt Cost/Debt	3.1%	3.2%	3.5%	4.9%	6.3%

(The Debt Cost item includes all financial expenses and Debt calculated as the result of the sum of the long-term and short-term debt subtracting the fixed asset providers).

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Exchange differences (financial)

The following chart shows the annual variations of the most significant currencies with which the Group has been operating for the last years.

	% var. 2016 vs 2015	2016	% var. 2015 vs 2014	2015	% var. 2014 vs 2013	2014	2013
Brazilian Real	-20.44%	3.4305	33.87%	4.3117	-1.13%	3.2207	3.2576
Polish Zloty	3.43%	4.4103	-0.22%	4.2639	2.86%	4.2732	4.1543
Czech Koruna	-0.01%	27.021	-2.57%	27.023	1.12%	27.735	27.427
US Dollar	-3.18%	1.0541	-10.33%	1.0887	-11.96%	1.2141	1.3791
Moroccan Dirham	-1.17%	10.6586	--	10.7845			
Mexican Peso	15.11%	21.7719	5.86%	18.9145	-1.14%	17.8679	18.0731

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

ALTERNATIVE FINANCING

The Group's Strategic Plan clearly sets out the objective of diversifying the financial sourcing. To such purpose, the Company has been working for two years, initially at an internal level and later with finance entities and investors, in order to register a Bonds Program and then introduce Teknia, for the first time, in the financial markets.

This diversification plan establishes a figure of 60% of the Group's debt to be funded by alternative means of funding; 40% bank financing. This objective should be achieved by 2027.

After the first issuance in June 2016, in the amount of 20 Million Euros, alternative financing stands for 24% of the total debt of the Group. Moreover, Teknia has now 10 institutional investors: insurer companies, mutual insurers, fund and estates managers, agencies and investment banks.

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The terms and conditions of this issuance are detailed in the table below:

Issuer	TEKNIA MANUFACTURING GROUP, SLU
Amount	20 MILLION EURO
Documentation	BOND PROGRAM OF TEKNIA OF 40 MILLION EURO
Rating	BB STABILITY OUTLOOK (AXESOR. Updated Jun16)
Term	5 JULY 2021 (cannot be amortized before maturity)
Coupon	5.50%
Coupon liquidation	YEARLY, ON 5 JULY, AFTER 5 JULY 2017
Securities Description	EUR 100,000
Amortization	100%
Format	UNSECURED SENIOR BONDS
Use of funds	Main: Financing of inorganic and organic growth of the group. Other: replacement of debt
Legislation	SPANISH
Listed in	ALTERNATIVE FIXED INCOME MARKET (MARF)
ISIN CODE	ES0305105001

Management of real estate assets

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

During the year 2016 there have been no significant operations of divestment of real estate assets.

RATIOS

	2016	2015	2014	2013	2012
DEBT AND CASH					
CURRENT ASSETS / CURRENT LIABILITIES	1.37	1.33	1.25	1.27	1.45
CURR + NON-CURR LIAB / EQUITY	2.13	1.78	1.87	1.70	1.60
NON-CURR LIABILITY / CURRENT LIABILITY	0.73	0.55	0.54	0.43	0.55
NET FIN. DEBT / EQUITY	1.00	0.83	0.84	0.69	0.73
NET FIN. DEBT / EBITDA	2.47	2.18	2.50	2.25	3.63
RETURN					
RETURN ON SALES (ROS)	3.69%	3.90%	4.71%	2.85%	2.83%
RETURN ON ASSETS (ROA)	8.37%	9.03%	7.53%	6.95%	5.90%
RETURN ON EQUITY (ROE)	16.08%	16.3%	18.47%	12.05%	10.09%

In this exercise the concepts integrating the definition of net financial debt and EBITDA have changed. Thus, the ratios from previous years slightly differ from those included in the management report for the previous year.

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0.03 EUROS
Three cents Euros

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

IMPORTANT EVENTS FOR THE COMPANY OCCURRING AFTER THE CLOSE OF THE FINANCIAL YEAR

No important events exist other than those mentioned in the Notes to the Financial Statements.

INSURANCE

i. Material Losses

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

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

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

ii. Civil Liability

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

One of the most important sections to note refers to cover for operation and production, which has limits per loss that were updated in 2016 as follows:

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

ACQUISITION OF TREASURY SHARES

During the financial year there have been no transactions for the acquisition of treasury shares by the Company.

R&D ACTIVITY

Since the year 2010 the group is committed to the research and development of both products and processes. The result is a company wholly dedicated to this activity. This branch of activity is funded through the billing of R&D projects to group companies (it is the largest share) and to third parties.

The main mission of this company still is to concentrate all efforts in the area of R&D+i, to coordinate all the initiatives and lead the change and technological progress of Teknia. In 2016 TEKNIA RD has opened its facilities in the AIC (Boroa) in order to be located in an environment that supports this activity.

Teknia Group aims to invest between 1% and 1.5% of its budget on R&D activities.

Elorrio, 31 March 2017

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0.03 EUROS
Three cents Euros

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TEKNIA MANUFACTURING GROUP, S.L. SDAD. UNIP. AND SUBSIDIARIES

These Financial Statements (consolidated Balance Sheet, consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, and consolidated Notes to the Financial Statements), and the Management Report for the period 2016 of the Company Sociedad Teknia Manufacturing Group, S.L. Sociedad Unipersonal, are printed on the front side of the stamp-impressed papers of the Spanish State, numbers OM7868186 through to OM7868245, both included, and numbers OM7868252 through to OM7868262, both included.

The Single Administrator signs this page number OM7868263, in recognition of the preparation of the Consolidated Financial Statements and of the Company's Management Report:

	Signature:
<p><u>Single Administrator</u> SIULED, S.L. (represented by MR. JAVIER QUESADA SUESCUN)</p>	<p>[unreadable signature]</p>

Mrs Dolors Selis i Masnou, Certified Translator-Interpreter of English (no. 6928) appointed by the Ministry of Foreign Affairs and Cooperation, does hereby certify that the above is the true and faithful translation into English of a document written in Spanish.
Vilobí d'Onyar, 11 May 2017.

Doña Dolors Selis i Masnou, Traductora-Intérprete Jurada de inglés (n.º 6928) nombrada por el Ministerio de Asuntos Exteriores y de Cooperación, certifica que la que antecede es traducción fiel y completa al inglés de un documento redactado en español.
En Vilobí d'Onyar, a 11 de mayo del 2017.

DOLORS SELIS MASNOU
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