

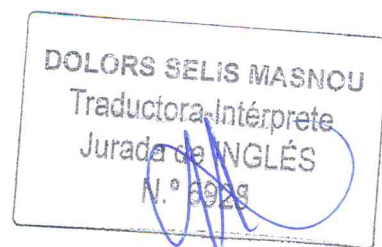
MOORE STEPHENS

Protocol No.: 051/1718

AUDIT REPORT ON THE CONSOLIDATED ANNUAL  
ACCOUNTS ISSUED BY AN INDEPENDENT AUDITOR  
WITH REGARD TO

TEKNIA MANUFACTURING GROUP, S.L., SOCIEDAD  
UNIPERSONAL AND  
AND ITS SUBSIDIARIES

AS AT 31 DECEMBER 2017



**AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS ISSUED BY AN INDEPENDENT AUDITOR**

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

**Opinion**

We have audited the consolidated annual accounts of the company TEK Nia MANUFACTURING GROUP, S.L., Single-member Company and its SUBSIDIARIES (the Group), which include the consolidated balance sheet as at 31 December 2017, the consolidated profit and loss account, the statement of changes in the consolidated net equity, the statement of consolidated cash flow and the annual report corresponding to the financial year ended on the said date.

In our opinion, the attached consolidated annual accounts express, in all significant aspects, the true image of the consolidated equity and of the consolidated financial situation of the Group on 31 December 2017, as well as of the consolidated results and consolidated cash flows corresponding to the annual period ended on said date, in accordance with the relevant regulatory framework of financial information (as specified in note 2.1 of the consolidated report) and, in particular, with the accounting principles and criteria contained therein.

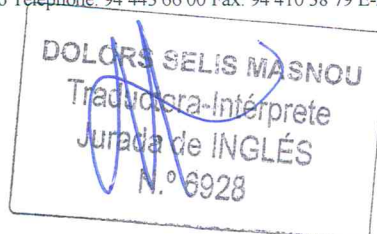
**Basis of the opinion**

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

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

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

Company registered with no. 71 in the Companies Registry of the Spanish Institute of Chartered Accountants, and with no 50-516 in the Official Registry of the Chartered Accountants, MOORE STEPHENS AMS, S.L., registered in the Companies Registry of Vizcaya, Volume BI-598 of the General Section of Companies, Folio 146, Page no. BI-8272-b, 1st Registration, No. B48146948



**Most important aspects of the audit**

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

*Recoverability of the assets by deferred taxes*

The group had posted tax assets in the amount of 12,118 thousand Euro on 31 December, 2017. The recovery of these tax assets is contingent upon the obtaining by certain Group companies of sufficient positive tax bases in the future, whose estimation is based on the said companies' business plan, and is therefore subject to significant judgements and estimations of the executive directors. Due to the matters stated above, we have considered this as a relevant aspect to be covered in our report.

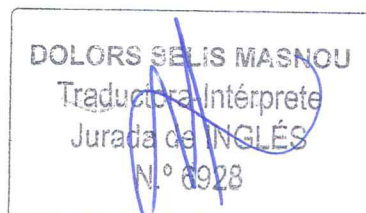
To address this relevant aspect of the audit, we have analysed the projections of the future results of the companies that contribute these assets to the consolidated annual accounts, based on changes to the law, and commenting on the projections with the group's financial management. We have analysed the recovery period of these assets, based on the projections, and determined that they are compliant with the accounting regulatory framework.

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

*Goodwill*

In accordance with note 4 of the consolidated annual accounts, the Group has posted goodwill amounting to 8,101 thousand Euros as of December 31, 2017, in relation to certain owned companies. The impairment of these assets is subject to the achievement of sufficient future cash flows of the group companies that contribute this goodwill. The estimation of these cash flows is based on the business plans of these companies, so it is subject to judgements and significant subjective estimates of the executive directors. Due to the matters stated above, we have considered this as a relevant aspect to be covered in our report.

Company registered with no. 71 in the Companies Registry of the Spanish Institute of Chartered Accountants, and with no SO.516 in the Official Registry of the Chartered Accountants. MOORE STEPHENS AMS, S.L., registered in the Companies Registry of Vizcaya, Volume BI-598 of the General Section of Companies, Folio 146, Page no. BI-8272-b, 1st Registration. No. B48146948



To tackle this important aspect of the audit, we have analysed the evaluation process that the Company follows, with respect to these companies that contribute goodwill, to understand the criteria used by the company and their compliance with the current regulations. In addition, for the companies that generate this goodwill, we have discussed the significant hypotheses with the Senior Management which give rise to the estimation of the EBITDA projected for the coming years, starting from the projections of the expected results for them, analysing them together with the Group's financial management, and we have carried out a sensitivity analysis on possible variations of the estimates used to verify their reasonableness.

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

**Other information: Consolidated management report**

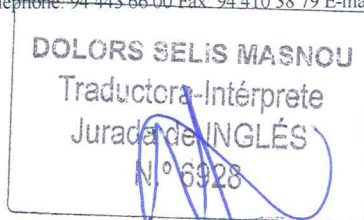
The other information comprises exclusively the consolidated management report for the year 2017, whose preparation is the responsibility of the directors of the Parent Company and is not an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility for the consolidated management report, in accordance with what is required by the regulations governing audit activities, consists of evaluating and reporting on the consistency of the consolidated management report with the consolidated annual accounts, based on our knowledge of the Group obtained in the performance of the audit of the aforementioned accounts and without including information other than that obtained as evidence during the audit. In addition, our responsibility is to evaluate and report on whether the content and presentation of the consolidated management report are in accordance with the relevant regulations. If, based on the work we have carried out, we conclude that there are material inaccuracies, we are obliged to report them.

Based on the work carried out, as described in the previous paragraph, the information contained in the consolidated management report is consistent with that of the consolidated annual accounts for 2017 and its content and presentation are in accordance with the relevant regulations.

**Responsibility of the Parent Company's executive directors in relation to the consolidated annual accounts**

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



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

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

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

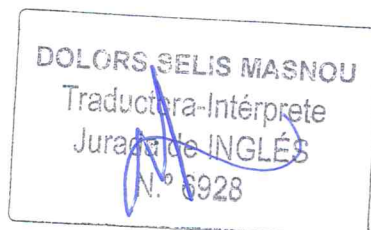
Reasonable security is a high degree of security but does not guarantee that an audit conducted in accordance with the regulations governing audits in force in Spain always detects material misstatement when it exists. The inaccuracies may be due to fraud or error and are considered material if, individually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

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

- We identify and assess the risks of material misstatement in the consolidated annual accounts, due to fraud or error, design and apply audit procedures to respond to such risks and obtain sufficient and adequate audit evidence to provide a basis for our opinion.

The risk of not detecting a material misstatement due to fraud is higher than in the case of a material misstatement due to error, since the fraud may involve collusion, falsification, deliberate omissions, intentionally erroneous statements, or evasion of internal control.

- We obtain information on the relevant internal control for the audit in order to design the audit procedures that are adequate depending on the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate whether the accounting policies applied are adequate and the reasonableness of the accounting estimates and the relevant information disclosed by the directors of the Parent Company.



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

Our conclusions are based on the audit evidence obtained to date from our audit report. However, future events or conditions may cause the Group to cease to be a going concern.

- We evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosed information, and whether the consolidated annual accounts represent the underlying transactions and events in a way that succeeds in expressing the true image.
- We obtain sufficient and adequate evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the management, supervision and performance of the Group's auditing. We are solely responsible for our audit opinion.

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

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

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

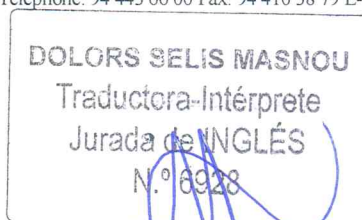
MOORE STEPHENS AMS, S.L.  
ROAC No.: S0516

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Signed: Ignacio Barturen Fernández  
ROAC No.: 18420  
Partner

<b>AUDITORS</b>	
SPANISH INSTITUTE OF CHARTERED ACCOUNTANTS	
MOORE STEPHENS AMS, S.L.	
2018	No. 03/18/00935
	96,00 euro
COMPANY SEAL:	
..... Report subject to the regulations on accounts auditing in Spain .....	

Bilbao, 26 April 2018



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

**CONSOLIDATED BALANCE SHEET FOR THE FINANCIAL YEAR ENDING 31 December 2017**

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

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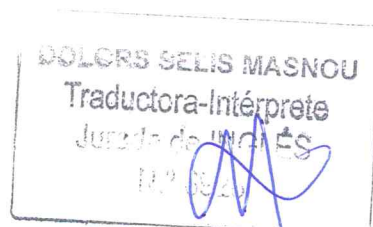
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**TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET FOR THE FINANCIAL YEAR ENDING 31 December 2017**

ASSETS	NOTES TO THE REPORT	Thousands of Euros	
		2017	2016
<b>A) NON-CURRENT ASSETS</b>		<b>103,299</b>	<b>98,442</b>
<b>I. Intangible fixed assets</b>			
1. Consolidated goodwill	4	8,101	6,661
2. Research	9	-	-
3. Other intangible assets	9	3,357	2,910
		<b>11,458</b>	<b>9,571</b>
<b>II. Tangible fixed assets</b>			
1. Land and buildings	8	25,011	24,945
2. Technical installations and other fixed material assets	8	49,181	47,933
3. Fixed assets under construction and advances	8	4,791	1,276
		<b>78,983</b>	<b>74,154</b>
<b>V. Long-term financial investments</b>	11.1.1	<b>600</b>	<b>2,542</b>
<b>VI. Deferred tax assets</b>	14.3	<b>12,118</b>	<b>12,036</b>
<b>VIII. Non-current trade receivables</b>	11.1.1	<b>140</b>	<b>139</b>
<b>B) CURRENT ASSETS</b>		<b>116,490</b>	<b>115,014</b>
<b>I. Non-current assets held for sale</b>		<b>368</b>	<b>220</b>
<b>II. Inventories</b>	12	<b>48,667</b>	<b>41,555</b>
<b>III. Trade debtors and other accounts receivable</b>			
1. Clients for sales and services rendered	11.1.1	53,848	53,925
2. Trade receivables from group companies and associates	11.1.1 and 18.1	-	-
3. Current tax assets	14.1	1,597	663
4. Other receivables	11.1.1 and 14.1	3,502	3,247
		<b>58,947</b>	<b>57,835</b>
<b>IV. Short-term investments in the Group and associated companies</b>			
1. Loans to related parties	11.1.1 and 18.1	170	-
		<b>170</b>	<b>-</b>
<b>V. Current investments</b>	11.1.1	<b>19</b>	<b>46</b>
<b>VI. Current accruals</b>		<b>1,140</b>	<b>1,082</b>
<b>VII. Cash and other equivalent liquid assets</b>		<b>7,179</b>	<b>14,276</b>
<b>TOTAL ASSETS (A+B)</b>		<b>219,789</b>	<b>213,456</b>

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, 28 March 2018





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

## CONSOLIDATED BALANCE SHEET FOR THE FINANCIAL YEAR ENDING 31 December 2017

TOTAL EQUITY AND LIABILITIES	NOTES TO THE REPORT	Thousands of Euros	
		2017	2016
<b>A) EQUITY</b>		<b>73,536</b>	<b>68,225</b>
<b>A-1) Capital and reserves without valuation adjustments</b>			
<b>I. Capital</b>	13.1	20,000	20,000
<b>III. Reserves</b>	13.2	46,198	39,553
<b>VI. Net income attributed to the parent company</b>		11,912	10,987
		<b>78,110</b>	<b>70,540</b>
<b>A-2) Valuation adjustments</b>			
II. Translation differences from consolidated companies	13.3	(5,162)	(3,141)
		<b>(5,162)</b>	<b>(3,141)</b>
<b>A-3) Grants, donations and bequests received</b>			
I. In consolidated companies	15	523	662
		<b>523</b>	<b>662</b>
<b>A-4) External shareholders</b>	5	<b>65</b>	<b>164</b>
<b>B) NON-CURRENT LIABILITIES</b>		<b>55,103</b>	<b>61,503</b>
<b>I. Non-current provisions</b>	16	<b>726</b>	<b>642</b>
<b>II. Non-current payables</b>			
1. Bonds and other marketable securities	11.1.2	19,708	19,635
2. Debts with financial institutions	11.1.2	27,061	32,005
3. Finance lease payables	10.2 and 11.1.2	1,010	1,021
4. Other financial liabilities	11.1.2	4,535	6,671
		<b>52,314</b>	<b>59,332</b>
<b>IV. Deferred tax liabilities</b>	14.3	<b>2,063</b>	<b>1,528</b>
<b>V. Non-current accruals</b>		-	<b>1</b>
<b>C) CURRENT LIABILITIES</b>		<b>91,150</b>	<b>83,728</b>
<b>II. Current provisions</b>	16	<b>243</b>	<b>919</b>
<b>III. Current payables</b>			
1. Bonds and other marketable securities	11.1.2	542	542
2. Debts with financial institutions	11.1.2	14,651	20,026
3. Finance lease payables	10.2 and 11.1.2	916	1,120
4. Other financial liabilities	11.1.2	13,931	1,504
		<b>30,040</b>	<b>23,192</b>
<b>IV. Current debts with group companies and associates</b>			
2. Other payables	11.1.2 and 18.1	-	-
<b>V. Trade and other payables</b>			
1. Suppliers	11.1.2	40,290	41,906
2. Suppliers, group companies and associates	11.2.1 and 18.1	8	-
3. Current tax liabilities	14.1	37	315
4. Other payables	11.1.2 and 14.1	20,080	17,136
		<b>60,415</b>	<b>59,357</b>
<b>VI. Current accruals</b>		<b>452</b>	<b>260</b>
<b>TOTAL EQUITY AND LIABILITIES (A + B + C)</b>		<b>219,789</b>	<b>213,456</b>

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, 28 March 2018

DOLORS SELIS MASNOU  
Traductora-Intérprete  
Jurada de INGLÉS  
Nº 6928

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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 2017**

	NOTES TO THE REPORT	Miles de euros	
		2017	2016
<b>A) CONTINUING OPERATIONS</b>			
<b>1. Net turnover</b>	17.1	<b>325,054</b>	<b>297,662</b>
a) Sales		323,957	294,979
b) Services rendered		1,097	2,683
<b>2. Changes in inventories of finished goods and work in progress</b>		<b>2,347</b>	<b>2,389</b>
<b>3. Work carried out by the company for its own assets</b>		<b>720</b>	<b>1,100</b>
<b>4. Supplies</b>		<b>(182,437)</b>	<b>(166,666)</b>
a) Merchandise used	17.2	(8,543)	(8,847)
b) Raw materials and other consumables used	17.2	(146,262)	(130,560)
c) Subcontracted work		(27,497)	(27,217)
d) Impairment of merchandise, raw materials and other supplies		(135)	(42)
<b>5. Other operating income</b>		<b>809</b>	<b>1,340</b>
a) Non-trading and other operating income		749	1,264
b) Operating grants taken to income	15	60	76
<b>6. Staff expenses</b>		<b>(72,617)</b>	<b>(65,646)</b>
a) Salaries and wages		(56,146)	(51,047)
b) Employee benefits expense		(16,282)	(14,476)
c) Provisions		(189)	(123)
<b>7. Other operating expenses</b>		<b>(43,595)</b>	<b>(42,643)</b>
a) Losses, impairment and charges in trade provisions		(319)	(47)
b) Other operating expenses		(43,276)	(42,596)
<b>8. Amortisation of fixed assets</b>	4, 8 and 9	<b>(11,906)</b>	<b>(9,787)</b>
<b>9. Non-financial and other capital grants</b>	15	<b>7</b>	<b>5</b>
<b>11. Impairment and gain/(losses) on disposal of fixed assets</b>		<b>411</b>	<b>(19)</b>
a) Impairments and losses		(109)	-
b) Results due to divestment and others	8	520	(19)
<b>14. Other results</b>		<b>126</b>	<b>135</b>
<b>A.1) RESULTS FROM OPERATING ACTIVITIES (1+2+3+4+5+6+7+8+9+10+11+12+13+14)</b>		<b>18,919</b>	<b>17,870</b>
<b>15. Finance income</b>		<b>213</b>	<b>250</b>
a) Dividends		-	3
b) Marketable securities and other financial instruments		32	10
c) Allocation of grants, donations and bequests of a financial nature	15	181	237
<b>16. Finance expenses</b>		<b>(2,978)</b>	<b>(2,550)</b>
<b>18. Exchange rate fluctuations</b>		<b>(1,232)</b>	<b>(1,079)</b>
<b>19. Impairment and profit/loss on divestment of financial instruments</b>		<b>-</b>	<b>-</b>
a) Impairments and losses		-	-
<b>A.2) NET FINANCE INCOME/(EXPENSE) (14+15+16+17+18)</b>		<b>(3,997)</b>	<b>(3,379)</b>
<b>A.3) PROFIT/(LOSS) BEFORE INCOME TAX (A.1 + A.2 +19+20+21)</b>		<b>14,922</b>	<b>14,491</b>
<b>24. Income tax</b>	14.2	<b>(3,040)</b>	<b>(3,521)</b>
<b>A.4) PROFIT/(LOSS) FROM CONTINUING OPERATIONS (A.3 + 22)</b>		<b>11,882</b>	<b>10,970</b>
<b>B) DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
<b>A.5) CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD (A.4 + 23)</b>		<b>11,882</b>	<b>10,970</b>

Balance attributed to the parent company

11,912 10,987

Balance attributed to external shareholders

(30) (17)

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

Jurada de INGLÉS  
N.º 6928

Elorrio, 28 March 2018

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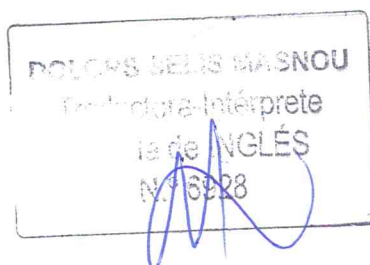
## TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY FOR  
TO THE FINANCIAL YEAR ENDED 31 December 2017A) CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES  
CORRESPONDING  
TO THE FINANCIAL YEAR ENDED 31 December 2017

	NOTES TO THE REPORT	Thousands of Euros	
		2017	2016
<b>A) Consolidated profit/(loss) for the period</b>		<b>11,882</b>	<b>10,970</b>
Income and expenses recognised directly in equity			
III. Grants, donations and bequests received	15	-	(23)
VI. Currency translation differences		(2,021)	2,249
VII. Tax effect	15	-	7
<b>B) Total income and expense recognised directly in net consolidated equity (I+II+III+IV+V+VI+VII)</b>		<b>(2,021)</b>	<b>2,233</b>
Transfers to the consolidated profit and loss account			
X. Subsidies, donations and legacies received	15	(188)	(242)
XIII. Tax effect	15	49	62
<b>C) Total amounts transferred to the consolidated income statement (VIII+IX+X+XI+XII+XIII)</b>		<b>(139)</b>	<b>(180)</b>
<b>TOTAL ACKNOWLEDGED CONSOLIDATED INCOME AND EXPENDITURE (A+B+C)</b>		<b>9,722</b>	<b>13,023</b>
Total income and expense attributed to the parent company		9,752	13,055
Total income and expenses attributed to external shareholders		(30)	(32)

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, 28 March 2018



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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 2017

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
<b>A. Balance at the end of 2015</b>	<b>20,000</b>	<b>33,680</b>	<b>9,659</b>	<b>(5,405)</b>	<b>858</b>	<b>265</b>	<b>59,057</b>
I. Adjustments for changes in criteria 2015 and previous years	-	-	-	-	-	-	-
II. Adjustments due to errors 2015 and previous years	-	-	-	-	-	-	-
<b>B. Adjusted balance, at the beginning of 2016</b>	<b>20,000</b>	<b>33,680</b>	<b>9,659</b>	<b>(5,405)</b>	<b>858</b>	<b>265</b>	<b>59,057</b>
I. Total recognised income and expense	-	(3,630)	10,987	2,264	(196)	(32)	13,023
II. Transactions with shareholders or owners	-	(3,630)	-	-	-	-	(3,630)
4. (-) Distribution of dividends	-	9,503	(9,659)	-	-	(69)	(3,630)
III. Other changes in equity	-	9,659	(9,659)	-	-	-	(225)
1. Transfer to reserves	-	(156)	-	-	-	(69)	-
3. Increase of equity holdings in subsidiaries	-	-	-	-	-	-	(225)
<b>C. Balance at the end of 2016</b>	<b>20,000</b>	<b>39,553</b>	<b>10,987</b>	<b>(3,141)</b>	<b>662</b>	<b>164</b>	<b>68,225</b>
I. Adjustments due to criteria changes 2016	-	-	-	-	-	-	-
II. Adjustments due to errors 2016	-	-	-	-	-	-	-
<b>D. Adjusted balance, at the beginning of 2017</b>	<b>20,000</b>	<b>39,553</b>	<b>10,987</b>	<b>(3,141)</b>	<b>662</b>	<b>164</b>	<b>68,225</b>
I. Total recognised income and expense	-	(4,330)	11,912	(2,021)	(139)	(30)	9,722
II. Transactions with shareholders or owners	-	(4,330)	-	-	-	-	(4,330)
1. Share capital increases	-	(4,330)	-	-	-	-	-
4. (-) Distribution of dividends	-	10,975	(10,987)	-	-	-	(4,330)
III. Other changes in equity	-	10,987	(10,987)	-	-	(69)	(81)
1. Transfer to reserves	-	(12)	-	-	-	-	-
2. Other transactions	-	-	(10,987)	-	-	(69)	-
3. Increase of equity holdings in subsidiaries	-	-	-	-	-	-	(81)
<b>E. Balance at the end of 2017</b>	<b>20,000</b>	<b>46,198</b>	<b>11,912</b>	<b>(5,162)</b>	<b>523</b>	<b>65</b>	<b>73,536</b>

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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

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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 2017**

	NOTES TO THE FINANCIAL STATEMENTS	Thousands of Euros	
		2017	2016
<b>A) CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. Profit/(loss) for the period before tax		14,922	14,491
2. Adjustments for		13,832	13,082
a) Amortisation and depreciation (+)	4, 8 and 9	11,906	9,787
b) Valuation allowances for impairment losses (+/-)		(320)	973
c) Changes in provisions (+/-)	16.1	189	270
d) Grants recognised in the income statement (-)	15	(188)	(242)
e) Proceeds from disposals of fixed assets (+/-)		(520)	19
g) Finance income (-)		(213)	(250)
h) Finance expenses (+)		2,978	2,550
k) Other income and expenses (-/+)		-	(25)
3. Changes in operating assets and liabilities		(11,099)	(8,782)
a) Inventories (+/-)	12	(6,422)	(6,624)
b) Trade and other receivables (+/-)		(4,716)	(6,899)
c) Other current assets (+/-)		(3)	(45)
d) Trade and other payables (+/-)		(26)	5,567
e) Other current liabilities (+/-)		68	(770)
f) Other non-current assets and liabilities (+/-)		-	(11)
4. Other cash flows from operating activities		(6,569)	(4,050)
a) Interest paid (-)		(2,707)	(1,964)
c) Interest received (+)		213	250
d) Income tax received (paid)		(4,075)	(2,336)
5. Cash flows from/used in operating activities (+/-1+/-2+/-3+/-4)		11,086	14,741
<b>B) CASH FLOWS FROM INVESTING ACTIVITIES</b>			
6. Payments for investments (-)		(20,668)	(21,409)
a) Group companies, net cash flows in consolidated companies	6	(3,067)	(422)
d) Intangible assets	9	(1,195)	(618)
e) Property, plant and equipment	8	(16,236)	(19,551)
g) Other financial assets		(170)	(818)
7. Proceeds from sale of investment (+)		4,020	2,490
e) Property, plant and equipment		2,078	2,425
g) Other financial assets		1,942	65
8. Cash flows from/used in investing activities (6+7)		(16,648)	(18,919)
<b>C) CASH FLOWS FROM FINANCING ACTIVITIES</b>			
9. Proceeds from and payments for equity instruments		(75)	(215)
a) Issue of equity instruments (+)		-	-
e) Acquisition of equity instruments from external shareholders (-)		(75)	(215)
g) Grants, donations and bequests received (+)		-	-
10. Proceeds from and payments for financial liability instruments		2,870	17,438
a) Issue			
1. Bonds and other marketable securities (+)	11.1.2	-	19,600
2. Debt with financial institutions (+)	11.1.2	6,938	13,675
5. Other debts (+)		10,889	1,142
b) Redemption and repayment of			
2. Debts with financial institutions (-)	11.1.2	(12,979)	(10,751)
5. Other debts (-)		(1,978)	(6,228)
11. Dividends and interest on other equity instruments paid		(4,330)	(3,630)
a) Dividends (-)		(4,330)	(3,630)
12. Cash flows from/used in financing activities (+/-9+/-10-11)		(1,535)	13,593
<b>D) EFFECT OF EXCHANGE RATE FLUCTUATIONS</b>			
<b>E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)</b>			
		(7,097)	9,415
Cash and cash equivalents at the beginning of the period		14,276	4,861
Cash and cash equivalents at the end of the period		7,179	14,276

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, 28 March 2018

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

**CONSOLIDATED NOTES CORRESPONDING TO  
FINANCIAL YEAR ENDING 31 December 2017**

**1. GROUP COMPANIES**

**1.1 Parent company**

The Parent Company TEKNI A MANUFACTURING GROUP, S.L., A SINGLE-MEMBER COMPANY, was incorporated in Bilbao on 30 July 1998, before the Notary Public Andrés M<sup>a</sup> Urrutia Badiola, who is registered at Barrio San Agustín, unnumbered, Elorrio (Vizcaya).

The activities of the parent company are described in Article 5 of the 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 2016 were drafted by the executive director of Teknia Manufacturing Group, S.L., Single-member company on 31 March 2017 and are filed with the Register of Companies of Vizcaya (31 March 2016 for financial year 2015).

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

**1.2 Consolidated subsidiaries**

The companies that have been consolidated through the 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 31.12.2017.

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

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**1.3. Variation in the composition of the Group**

The most significant operations in the period 2017 have been the following:

- There has been an increase of capital in Teknia KG, in the amount of 57.320.386 RSD, equivalent to €480,000 and acquiring shares with a value of €75,000, which has increased the holding of the company to 100% of the share capital.
- There has been an increase of capital in Teknia San Luis de Potosi (formerly Teknia Automotive Mexico), in the amount of 1,200,000 USD, equivalent to €1,128,668.17, which has increased the holding of the company to 97.59% of the share capital.
- 100% of the shares of the Turkish company USTUN MAKINE A.S., (subsequently called Teknia Gebze Makine Sanayi VE Ticaret Anonim Sirketin) were acquired for the total amount of 3,944 thousand Euros.
- The company Teknia Entidad de Gestión was incorporated by means of the split-off of the branch of the activity of Teknia Manufacturing Group, S.L. (spun-off company) in favour of Teknia Entidad de Gestión, S.L. See Note 7.
- At the end of the financial year the company Teknia Japan was in the process of incorporation, to which on that date the amount of 83.15 Euros had been contributed.

The most significant operations in the period 2016 were the following:

- There has been an increase of capital in the company Teknia USA, INC, in the amount of USD12,865,000; equivalent to €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.

**2. BASIS OF PRESENTATION OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

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

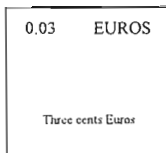
The Parent Company and all subsidiary companies have been consolidated with their Financial Statements on 31 December 2017 (On 31 December 2016 the previous year).

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 Annual Accounts are submitted in accordance with Royal Decree 1159/2010 of 17 September, which approves the Standards for the Formulation of Consolidated Financial Statements and modifies the General Chart of Accounts approved by Royal Decree 1514/2007, dated 16 November and the General Chart of Accounts for Small and Medium-sized Enterprises, approved by Royal Decree 1515/2007 dated 16 November, and show a true and fair view of the equity, financial position and 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 Annual Accounts for the financial year 2017 have been formulated by the Directors of the Parent Company and are those that shall be submitted for approval at the Shareholders' Meeting. It is expected that these will be approved with no amendments.

All the figures in these annual accounts 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 executive directors of the parent company to evaluate some of the assets, liabilities, income, expenses and commitments recorded therein. They basically refer to:

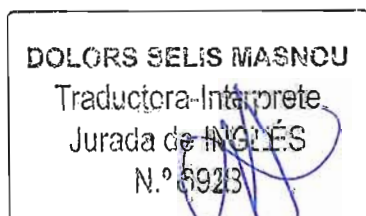
- Valuation of the tangible and intangible fixed assets and their useful life.
- Application of interest rates to update balances payable or receivable in the long-term, where applicable.
- Valuation of financial instruments.
- Evaluation of the impairment of assets, including goodwill.
- Calculation 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 2017, it is possible that events that may occur in the future could oblige adjustment (upward or downward) in future financial years, which would be conducted in a prospective manner where applicable.

## **2.4. Comparison of information**

The information related to 2016 contained in this report of the year 2017 is presented, for comparison purposes.

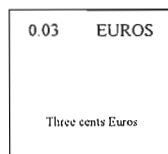
The change in the composition of the Group is covered in Note 1.3 of this Report. These annual accounts must be read taking this circumstance into account.





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

**2.5. Grouping of items**

Certain items in the consolidated balance sheet, the income statement, the statement of changes in equity and the cash flow statement may be presented together in order to facilitate comprehension, although, if the item is significant, the separated information has been presented in the relevant report notes. In particular, the receipts and payments from financial assets, as well as those payments and receipts relating to 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 consolidated annual accounts that would have entailed the restatement of the amounts included in the consolidated annual accounts for financial year 2016.

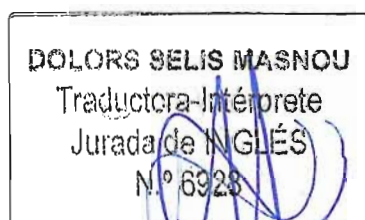
**2.7. Principles of consolidation**

The Executive Directors of the Parent Company have formulated these consolidated annual accounts in compliance with all of the mandatory accounting principles. To do so, the following have been applied:

- The Commercial Code.
- The General Chart of Accounts, considering the Group as the accounting entity to which the accounts refer.
- The Royal Decree 1159/2010 of September 17, which approves the Regulations for the Formulation of Consolidated Annual Accounts and modifies the General Chart of Accounts
- The Subsidiaries stated in Appendix I have been consolidated using the full consolidation method, and the respective amount for each heading of the Subsidiaries has been added to each heading 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 of the Companies' Annual Accounts refer to a financial year that ends on 31 December 2017, (in the previous year, all of the Companies' Annual Accounts 31 referred to a one-year period, ending on 31 December 2016, except for Teknia Nashville, L.L.C., which included the Profit and Loss Account from the date of acquisition, in May 2016 until 31 December, 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.



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

- 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.

### **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 as of 31 December 2017.

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

This was the case with the company Tecknia Nashville, L.L.C. in financial year 2016. In financial year 2017, the acquisition of the company USTUN MAKINE A.S (currently named Teknia Gebze Makine Sanayi VE Ticaret A.S.) was completed on 11 January 2017, hence the entire profit and loss account has been consolidated as the transactions carried out by this company during the period when it was not part of the Group were not significant.

##### Valuation standardisation

The elements of the consolidated financial statements have been 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 transactions do not coincide, or there is any transaction that has not been recorded, the Group made the relevant adjustments and then carried out the eliminations required.

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

Standardisation for aggregation:

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

**3.2. Intangible fixed assets, except for goodwill**

The intangible 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 records in this account the costs incurred in the acquisition and development of computer software. This amount is depreciated, 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 recording 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.

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

### 3.3. Tangible fixed assets

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

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

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

	<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

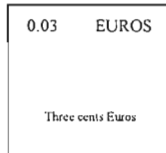
#### Operating leases

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

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

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 lower of the fair value of the goods leased and their current value upon starting the lease of the minimum quantities agreed, including the option to buy, when there is no reasonable doubt that the option will be exercised. This calculation does not include any contingent lease payments, costs for services and taxes to be paid by and reimbursed to the lessor. The total financial burden of the contract is 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 depreciated 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:

- Loans and items to collect

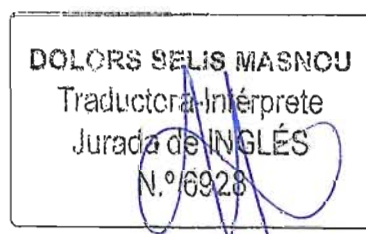
Financial assets originating from the sale of goods or services rendered in the course of the company's business, or those that are not of commercial origin, are neither equity instruments nor derivatives and whose collection is a fixed or determined amount and are not negotiated in an active market.

- Available-for-sale financial assets

The representative debt values and equity instruments of other companies that have not been classified in any of the previous categories are included, 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*

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



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

*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.

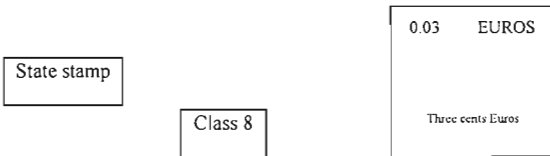
In particular, with respect to the value adjustments related to the commercial debtors and other accounts receivable, the criteria used by the Group to calculate the corresponding corrected evaluations is estimated based on a personalised analysis of the age of the debt and the financial position of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

*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.

Conversely, the Group does not write off financial assets, and recognises a financial liability in an equal amount to the amount of the consideration received, where the Group substantially retains all the risks and rewards of ownership of the 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 that substantially cover all of the projected losses.

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

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*

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

*Derecognition of financial liabilities*

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

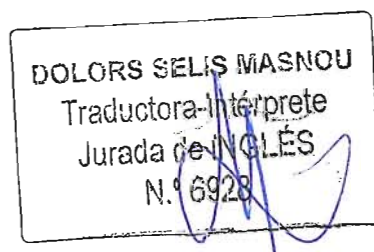
**3.6. Transactions in foreign currency**

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

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.

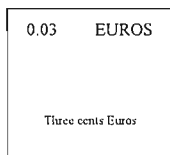
**3.7. Tax on profits**

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.



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

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 offset from previous financial years and effectively applied during this year, lead to a lower amount for current taxes.

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

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

Deferred tax liabilities are recognised for all taxable temporary differences, except those resulting from an initial recognition of 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 expenditure**

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.

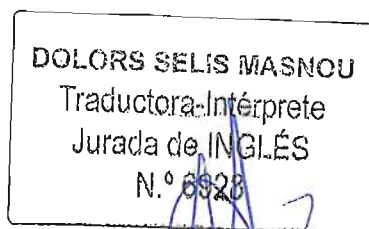
Revenue associated with the rendering of services is recognised by reference to the stage of completion of the transaction on the date of the balance sheet, provided that the outcome of the transaction can be estimated reliably.

### **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. Severance payments**

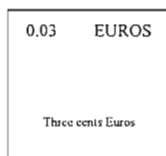
In accordance with the current legislation, the Group is compelled to pay compensation to its employees with whom, under certain conditions, its labour relations are to be terminated. Therefore, severance payments subject to reasonable quantification are recorded as an expense in the financial year in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





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

### 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

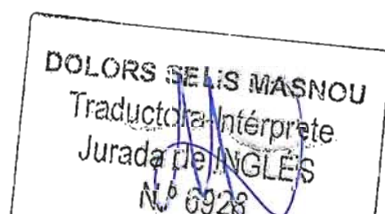
Group companies are understood to be companies that are linked by a direct or indirect controlling relationship according to the provisions of article 42 of the Commercial Code for groups of companies, or when the companies are controlled in any way by one or more natural or juridical persons that act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

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

### 3.13. Provisions and contingencies

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

The 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.



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

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**

Plans that are not defined contribution schemes are treated as defined benefit plans. Generally, these defined benefit plans establish the amount employees shall receive when they retire, 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.

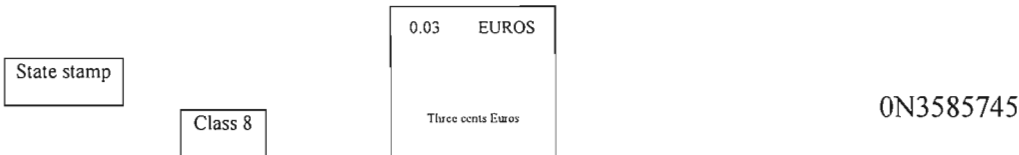
If an asset arises from the above difference, its value cannot exceed the current value of the benefits that may be returned to the Group in the form of direct reimbursement or smaller future contributions, plus, whenever applicable, the part still to be attributed to the results of costs due to past 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.

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.

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

**3.15. Goodwill and negative consolidation difference**

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

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

In accordance with the Royal Decree 602/2016, of 2 December, whereby the General Chart of Accounts, 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.

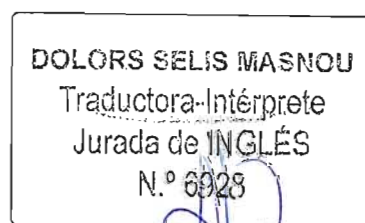
**3.16. Information by sectors**

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. For this purpose, the Sole Director of the parent company is considered to be the maximum authority.

The sectors designated as such are:

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

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



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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. Inventory**

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

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

**4. CONSOLIDATED GOODWILL**

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

Teknia Nashville. L.L.C.	4,730	(573)	.	4,157
Teknia Polska Sp zo.o. and subsidiaries	365	-	-	365
Mexico City S.A. de C.V.	961	-	-	961
Teknia Gebze Makine Sanayi VE			2,933	2,933
	<u>7,225</u>	<u>(573)</u>	<u>2,933</u>	<u>9,585</u>
<b>AMORTISATION</b>				
Teknia Bilbao XXI. S.L.U.	(117)		(117)	(234)
Teknia Nashville. L.L.C.	(315)	39	(415)	(691)
Teknia Polska Sp zo.o. and subsidiaries	(36)		(37)	(73)
SAMCO. S.A. de C.V.	(96)	-	(97)	(193)
Teknia Gebze Makine Sanayi VE			(293)	(293)
	<u>(664)</u>	<u>39</u>	<u>(959)</u>	<u>(1,484)</u>
<b>NET</b>	<b>6,661</b>	<b>(534)</b>	<b>1,974</b>	<b>8,101</b>

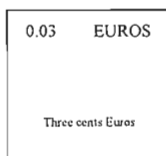
The breakdown of this section in the financial year 2016 was the following, in Euros:

	<u>01.01.16</u>	<u>Additions</u>	<u>(Derecognitions)</u>	<u>31.12.16</u>
<b>COST</b>				
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
SANCO, S.A. de C.V.	961	.	.	961
	<u>2.495</u>	<u>4.730</u>	<u>-</u>	<u>7.225</u>
<b>AMORTISATION</b>				
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)
SANCO, S.A. de C.V.	.	(96)	.	(96)
		<u>(564)</u>	<u>-</u>	<u>(564)</u>
<b>NET</b>	<b>2.495</b>	<b>4.166</b>	<b>-</b>	<b>6.661</b>

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

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The parent company performs an impairment test on the goodwill account, through the evaluation of the company that generated it, based on the company's annual EBITDA, applying multiples that go from 4.5x to 9x 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.

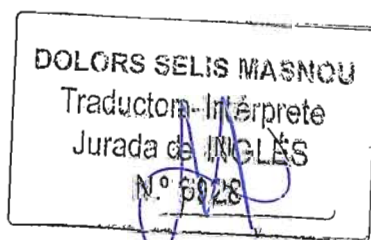
Throughout financial year 2017, the purchase price of Tecknia Gebze Makine Sanayi VE Ticaret, A.S. was set by external appraisers, and the values allocated to the recognised assets and liabilities amounted to 451 thousand Euros (4,380 thousand TRY), the goodwill was 2,933 thousand Euros. No intangible fixed assets other than the good will have been recognised.

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

**5. EXTERNAL SHAREHOLDERS**

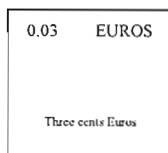
The transactions in this section in the financial year are as follows:

	Thousands of Euros	
	2017	2016
Opening balance	164	265
Due to changes in the percentage of capital and exchange differences	(69)	(84)
Profit/loss of the financial year attributed to external shareholders	(30)	(17)
End balance	65	164



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

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

Financial Year 2017

	<b>Capital, Reserves and Valuation Adjustments</b>	<b>Outcome</b>	<b>Total</b>
Teknia Automotive Mexico, S.A. de C.V.	95	(30)	65
Promotor IRVA	-	-	-
	<b>95</b>	<b>(30)</b>	<b>65</b>

Financial Year 2016

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

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

**6. BUSINESS COMBINATIONS**

During financial years 2017 and 2016, stakes were acquired in companies in which no stake had previously been held. The most significant details of these transactions are set out below:

Financial Year 2017

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

The most relevant data regarding this acquisition are the following:

Date of acquisition: 11 January 2017

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

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

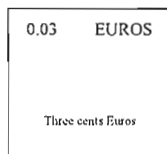
The main reason for this acquisition was the entry in the Turkish automotive market to carry out projects in that country that had already been secured, as well as other strategic products and clients with whom the Group intended to gain market share.

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

Financial Year 2016

During financial year 2016, the company Teknia USA, INC acquired 100% of the Company ORCHID MT JULIET, L.L.C., currently known as Teknia Nashville, L.L.C.

The most relevant data regarding this acquisition are 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
Inventory	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)
Debts with financial institutions	(4,046)
Net total of identified assets	4,079
Price paid	(9,065)
Goodwill	4,986

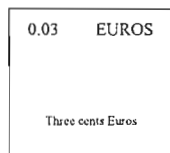
The main reason for this acquisition has been the access to the automotive market in the United States.

Although this does not constitute a change in the Group with respect to the previous year, it should be stressed that on the date in financial year 2017 [sic] the spin-off operation of Teknia Manufacturing Group, S.L. in favour of Teknia Entidad de Gestión, S.L. described in Note 7 of this Report.

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

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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 Croli, S.A. by Teknia Barcelona, S.L.U.
- Merger by takeover of the company Teknia Dej, S.L.U. by Teknia Elorrio, S.L.U.
- Merger by takeover of the company 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.
- Merger by takeover of the company Segove Cataluña, S.L.U by the company Teknia Barcelona, 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. PROCESS OF DE-MERGER WITHIN THE GROUP**

On 3 May, 2017, the Sole Shareholder of Teknia Manufacturing Group, S.L. decided to exercise the powers of the Shareholders' General Meeting and resolved to approve the Spin-Off Project drawn up by the Sole Executive Director of the Spun-off Company on the same date. This operation does not affect the consolidated group. The most significant aspects are described below:

Spin-off Company

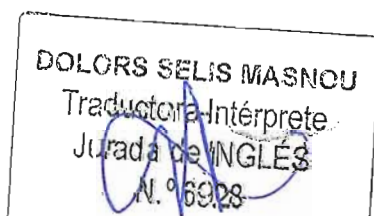
- Name: Teknia Manufacturing Group, S.L. (Sociedad Unipersonal)
- Address: Barrio San Agustín s/n, Elorrio, 48 – Vizcaya

Beneficiary Company:

- Name: Teknia Entidad de Gestión, S.L. (Sociedad Unipersonal)
- Address: Plaza del Marqués de Salamanca, 9 7º izquierda, Madrid.

The spin-off operation described was subject to the rules established in Chapter VII of Title VI of Provincial Law 11/2013 of the Historical Territory of Bizkaia, of December 5, on Corporation Tax relating to the special regime of mergers, divisions, contributions of assets, exchange of securities, global assignments of assets and liabilities and change of registered office of a European Company or a European Cooperative Society from one Member State of the European Union to another, as well as the regime established in Chapter VII of the Title VII of Law 27/2014, of November 27, on Corporation Tax, relating to the special regime for mergers, divisions, asset transfers, exchange of securities and change of corporate domicile of a European company or a European Cooperative Society of a member state of the European Union to another member state.

All of the information required by tax regulations is detailed in the relevant Reports in respect of the annual accounts posted on 31 December, 2017 of the companies Teknia Manufacturing Group, S.L. and Teknia Entidad de Gestión, S.L.



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Three cents Euros

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**TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES****8. FIXED MATERIAL ASSETS AND INVESTMENT PROPERTY**

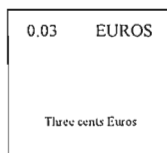
The movement in these tangible fixed assets in the financial year 2017 is the following, in thousands of Euros:

	Real estate	Installations, machinery and other fixed assets	Fixed assets in process and advances made	TOTAL
<b>GROSS OPENING BALANCE, FINANCIAL YEAR 2017</b>	<b>30,949</b>	<b>170,836</b>	<b>1,276</b>	<b>203,061</b>
(+) Acquisitions	756	10,334	5,424	16,514
(+) Inputs into the consolidation scope	-	1,458	27	1,485
(-) Disposals, Derecognitions or Reductions	(566)	(7,659)	(8)	(8,233)
(-/+ Exchange differences	661	(1,313)	(48)	(700)
(-/+ Transfers to/from other items	(285)	1,856	(1,880)	(309)
(+) Other transactions	-	31	-	31
<b>GROSS END BALANCE, FINANCIAL YEAR 2017</b>	<b>31,515</b>	<b>175,543</b>	<b>4,791</b>	<b>211,849</b>
<b>ACCUMULATED AMORTISATION, OPENING BALANCE FINANCIAL YEAR 2017</b>	<b>6,004</b>	<b>122,903</b>	<b>-</b>	<b>128,907</b>
(+) Allocation to amortisation in the financial year	877	9,360	-	10,237
(+) Inputs into the consolidation scope	-	424	-	424
(+) Disposals, Derecognitions or Reductions	(566)	(6,563)	-	(7,129)
(-/+ Exchange differences	189	98	-	287
(-/+ Transfers to/from other items	-	-	-	-
(+) Other transactions	-	31	-	31
<b>ACCUMULATED AMORTISATION, CLOSING BALANCE FINANCIAL YEAR 2017</b>	<b>6,504</b>	<b>126,253</b>	<b>-</b>	<b>132,757</b>
<b>IMPAIRMENT. INITIAL BALANCE FY 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
(+) Provisions for the year	-	109	-	109
(+) Disposals, Derecognitions or Reductions	-	-	-	-
<b>IMPAIRMENT. INITIAL BALANCE FY 2017</b>	<b>-</b>	<b>109</b>	<b>-</b>	<b>109</b>
<b>NET 2017</b>	<b>25,011</b>	<b>49,181</b>	<b>4,791</b>	<b>78,983</b>

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

The movement of tangible fixed assets in the financial year 2016 was the following, in thousands of Euros:

	Real estate	Installations, machinery and other fixed assets	Fixed assets in process and advances made	TOTAL
<b>GROSS OPENING BALANCE, FINANCIAL YEAR 2016</b>	<b>27,193</b>	<b>153,652</b>	<b>3,284</b>	<b>184,129</b>
(+) 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	-	-	-	-
<b>GROSS END BALANCE, FINANCIAL YEAR 2016</b>	<b>30,949</b>	<b>170,836</b>	<b>1,276</b>	<b>203,061</b>
<b>ACCUMULATED AMORTISATION, OPENING BALANCE FINANCIAL YEAR 2016</b>	<b>5,529</b>	<b>122,135</b>		<b>127,664</b>
(+) 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	-	-	-	-
<b>ACCUMULATED AMORTISATION, CLOSING BALANCE FINANCIAL YEAR 2016</b>	<b>6,004</b>	<b>122,903</b>		<b>128,907</b>
<b>NET 2016</b>	<b>24,945</b>	<b>47,933</b>	<b>1,276</b>	<b>74,154</b>

In May 2016, the company Teknia USA, INC 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) wrote off the Eibar plant from its fixed assets, because its production was transferred to the plant in Elorrio. The book value of the written-off plant amounted to €17,502.61. Thus, a loss was 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

### 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 on their own premises.

The company Teknia Brasil Ltda carries out its business activities in leased premises, since it has sold the ones it had as property during the previous financial year. In addition, the companies Teknia KG doo, Kragujevac and Teknia Gebze Makine Sanayi VE Ticaret A.S. also carry on their activities in leased premises.

The company Componentes de Automoción Marroquies SARL carried on its operations during 2017 in leased properties, while in 2018 it is going to relocate to a building that is under construction and that it owns.

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

	<u>2017</u>	<u>2016</u>
<i>Elements Amortised in Use (Cost)</i>	92,417	101,576
<i>Real estate, separation of values</i>		
- Land	3,171	2,794
- Buildings cost	28,344	28,158
- Buildings / Amortisation	(6,504)	(6,007)
Net totals	25,011	24,945
<i>Fixed assets outside of Spanish territory (net amount)</i>	61,305	57,704
<i>Results from divestment fixed assets</i>	520	(19)

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

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

	R&D costs	Patents, licenses, brands and similar	IT applications	Other intangible assets	Advances and fixed intangible assets underway	TOTAL
<b>GROSS OPENING BALANCE, FINANCIAL YEAR 2017</b>	<b>4,123</b>	<b>410</b>	<b>4,557</b>	<b>1,106</b>	<b>239</b>	<b>10,335</b>
(+) Additions	287		833	75		1,195
(+/-) Transfers			15	224	(239)	-
(-) Disposals, Derecognitions and Reductions			(21)	(65)		(86)
(-) Exchange differences		13	(39)	41	14	29
<b>GROSS END BALANCE, FINANCIAL YEAR 2016</b>	<b>4,410</b>	<b>423</b>	<b>5,345</b>	<b>1,381</b>	<b>14</b>	<b>11,573</b>
<b>ACCUMULATED AMORTISATION, OPENING BALANCE FINANCIAL YEAR 2017</b>	<b>4,123</b>	<b>405</b>	<b>2,301</b>	<b>696</b>	<b>-</b>	<b>7,525</b>
(+) Allocation to amortisation in the financial year	-	-	543	167		710
(+) Disposals, Derecognitions or Reductions			(10)	(65)		(75)
(-) Exchange differences		13	23	20		56
<b>ACCUMULATED AMORTISATION, CLOSING BALANCE FINANCIAL YEAR 2017</b>	<b>4,123</b>	<b>418</b>	<b>2,857</b>	<b>818</b>	<b>-</b>	<b>8,216</b>
<b>NET 2017</b>	<b>287</b>	<b>5</b>	<b>2,488</b>	<b>563</b>	<b>14</b>	<b>3,357</b>

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

The transactions in this section in the financial year 2016 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
<b>GROSS OPENING BALANCE, FINANCIAL YEAR 2016</b>	<b>4,123</b>	<b>418</b>	<b>4,268</b>	<b>805</b>	<b>247</b>	<b>9,861</b>
(+) Additions	-	-	292	326	-	618
(+/-) Transfers	-	-	10	(10)	-	-
(-) Disposals, Derecognitions and Reductions	-	-	(109)			(109)
(-) Exchange differences	-	(3)	96	(15)	(8)	65
<b>GROSS END BALANCE, FINANCIAL YEAR 2016</b>	<b>4,123</b>	<b>410</b>	<b>4,557</b>	<b>1,106</b>	<b>239</b>	<b>10,435</b>
<b>ACCUMULATED AMORTISATION, OPENING BALANCE FINANCIAL YEAR 2016</b>	<b>4,123</b>	<b>413</b>	<b>1,986</b>	<b>506</b>	<b>-</b>	<b>7,028</b>
(-) Allocation to amortisation in the financial year	-	-	422	199	-	621
(+) Disposals, Derecognitions or Reductions	-	-	(107)			(107)
(-) Exchange differences	-	(8)		(9)	-	(17)
<b>ACCUMULATED AMORTISATION, CLOSING</b>	<b>4,123</b>	<b>405</b>	<b>2,301</b>	<b>696</b>	<b>-</b>	<b>7,525</b>
<b>NET 2016</b>	<b>-</b>	<b>5</b>	<b>2,256</b>	<b>410</b>	<b>239</b>	<b>2,910</b>

The corporate ERP, Microsoft Dynamics AX, as of the date of closure of the financial year, was fully implemented in most of the group companies, with the estimate that during 2018 and 2019, all of the companies, except for the one acquired during this financial year, will have implemented it. The overall amount of the project for the entire group will be approximately €3,000 thousand.

Fully amortised elements

The Group has fixed intangible assets that were fully depreciated, including R&D expenditure, as at 31 December 2017, in the amount of 6,423 thousand Euros (6,685 thousand Euros in 2016).

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

Investments abroad

The intangible fixed assets that at the closure of the financial year 2017 belonged to foreign companies amount to 1,452 thousand Euros (1,051 thousand Euros in the previous year).

**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	
		2017	2016	2017	2016
Teknia Manufacturing Group, S.L.U.	Third parties	-	60	-	2019
TEKNIA Entidad de Gestión, S.L.	Third parties	60		2018	-
Teknia Elorrio, S.L.U.	Clomi, S.L.	177	346	2022	2022 (A)
Teknia Pedrola, S.L.U.	Clomi, S.L.	196	170	2021	2020
Teknia Barcelona, S.L.U.	Third parties	275	272	2026	2026
Teknia Martos, S.L.U.	Third parties	266	273	Yearly, renewable	Yearly, renewable
Teknia Azuqueca, S.L.U.	Clomi, S.L.	353	334	2020	2020
Teknia Brasil Ltda.	Veradale, S.L.U. and third parties	680	659	2018 and 2020	2018 and 2020
Teknia R&D, S.L.	Third parties	32	26	2021	2021
Componentes de Automoción, S.A.R.L.	Third parties	65	75	2019	2019
Teknia Manresa, S.L.U.	Third parties	266	259	2026	2026
Teknia Automotive Mexico, S.A.	Third parties	152	139	2019	2019
Teknia Bilbao XXL SL.	Veradale, S.L.U	471	470	2025	2025

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

Movements with companies related to the group executive director, amount to

	2017 Operating expenses	2016 Operating expenses
Clomi, S.L.	726	850
Veradale, S.L.	759	829

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

The outstanding balances are:

	2017		2016	
	Creditors and Providers	Long term deposits	Creditors and Providers	Long term deposits
Veradale, S.L.	8	114	(3)	124
Clomi, S.L.	-	163	-	198

It has been estimated that the future payments in 2018 and beyond will be similar to those of this financial year, with amendments based on the annual CPI and considering the whole financial year in the companies acquired in each financial year.

**10.2. Financial Leases**

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

Concept	Cost value of the goods (net)	
	2017	2016
Installations, machinery and other fixed assets	3,847	3,455

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

Years	Thousands of Euros
<b>Short-term:</b>	
2018	<b>916</b>
<b>Long-term:</b>	
2019	621
2020	286
2021	103
	<b>1,010</b>

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

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

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

### 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:

	<u>Long-term</u>		<u>Short-term</u>	
	Credits, derivatives, and others		Credits, derivatives, and others	
	2017	2016	2017	2016
Loans and items to collect	740	2,681	55,242	54,136
	<u>740</u>	<u>2,681</u>	<u>55,242</u>	<u>54,136</u>

##### Long-term financial assets

- Loans and items to collect

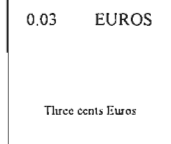
The main items recorded in this section, for the amount of 740 thousand Euros (2,681 thousand Euros in the previous financial year) are:

- Bonds amounting to €447 thousand (€498 thousand in the previous year), €163,000 of which relate to the company Clomi, S.L (€198 thousand in 2016) and €114 thousand relate to Veradale, S.L.(124 thousand the previous year) (Note 10.1).
- In financial year 2016, there is a loan to Veradale, S.L. for the amount of 1,178 thousand Euros, the proceeds of the sale of a building owned by Teknia Brasil, Ltda. in 2015. It also includes the advance paid for the purchase of shares of USTUN MAKINE A.S, in the amount of 735 thousand Euros.

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

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

The maturities by year are the following:

Financial year 2017

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

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
					1,945

Non-current financial assets

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

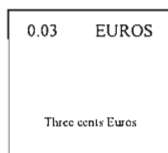
**Thousands of Euros**

	2017	2016
Clients	53,848	53,925
Staff	222	125
Other financial assets	19	46
Sundry debtors	983	40
	55,072	54,136

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

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

	<u>Thousands of Euros</u>
Impairment losses at the beginning of the financial year 2017	
	473
(+) Correction in value due to impairment	319
(-) Reversal due to impairment	-
(-) Exits and reductions	(99)
(+) Exchange differences	(20)
Impairment losses at the end of the financial year 2017	673

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

	<u>Thousands of Euros</u>
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

### 11.1.2. Financial liabilities

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

Class	Long-term financial liabilities			Short-term financial liabilities		
	Bonds and other marketable securities	Debts with financial institutions	Derivatives and others	Bonds and other marketable securities	Debts with financial institutions	Derivatives and others
Categories						
	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>
Debts and payables	19,708	27,061	5,545	542	14,651	71,182
<b>TOTAL</b>	19,708	27,061	5,545	542	14,651	71,182

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

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	Debts with financial institutions	Derivatives and others	Bonds and other marketable securities	Debts with financial institutions	Derivatives and others
Categories						
	2016	2016	2016	2016	2016	2016
Debts and payables	19,635	32,005	7,692	542	20,026	58,484
<b>TOTAL</b>	<b>19,635</b>	<b>32,005</b>	<b>7,692</b>	<b>542</b>	<b>20,026</b>	<b>58,484</b>

**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 alternative fixed income market ["MARF"] pursuant to the resolution adopted by the Board of Directors of the AIAF Fixed Income Market on the same date. It is available to the public in general both on the BME's website ([www.bmerf.es](http://www.bmerf.es)) and on the Company's website ([www.tekniagroup.com/investor](http://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](http://www.bmerf.es)) or the Company's website ([www.tekniagroup.com/investor](http://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; long term interest accrued amounts to €108,097.55 (€35,011.10 in financial year 2016).

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

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.

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

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

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

**Debts with financial institutions**

The maturity of the debts with credit entities at the close of the financial years 2017 and 2016 is broken down as follows, in thousands of Euros:

<b>Term</b>	<b>2017</b>
Short-term:	
2018	14,651
Long-term:	
2019	7,355
2020	7,425
2021	5,585
2022 and subsequent years	6,696
	<u>27,061</u>

<b>Term</b>	<b>2016</b>
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>

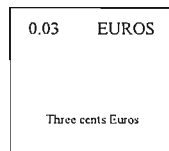
Within the section of short-term credit institutions there are discounted bills that have not yet matured, for an amount of €2,951 thousand (€7,227 thousand in the previous financial year). The limit of the credit accounts of the parent company together with the consolidated subsidiaries using the global consolidation method, amounts to 4,367 thousand Euros and the draft discounting limit, advances for invoices and factoring entries amount to 12,000 thousand Euros and 6,800 US dollars (16,305 thousand Euros and 15,300 thousand Euros, 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:

<b>Derivatives and others:</b>	<b>2017</b>		<b>2016</b>	
	Long-term	Short-term	Long-term	Short-term
Creditors due to financial leases (Note 10.2)	1,010	916	1,021	1,120
Advances and loans repayable	4,312	2,207	6,508	690
Suppliers of fixed assets	150	684	163	814
Other debts	73	150	-	-
Promissory notes	-	10,890	-	-
Trade creditors and other accounts payable:				
Suppliers		40,290	-	41,906
Suppliers, group and associated companies		8	-	-
Other payables:				
Staff		4,206	-	4,193
Customer advances		7,521	-	4,861
Others		4,310	-	4,900
<b>Total</b>	<b>5,545</b>	<b>71,182</b>	<b>7,692</b>	<b>58,484</b>

- **Finance lease payables**

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

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

- Suppliers of fixed assets

The maturity of the suppliers of fixed assets at the closure of the financial year 2017 is as follows:

<u>Year</u>	<u>Thousands of euros</u>
<b>Short-term:</b>	
2018	684
Total	684
<b>Long-term:</b>	
2019	10
2020	10
2021	10
2022	10
Rest	110
	150

The maturities of the suppliers of fixed assets at the closure of the financial year 2016 were the following:

<u>Year</u>	<u>Thousands of euros</u>
<b>Short-term:</b>	
2017	814
Total	814
<b>Long-term:</b>	
2018	10
2019	10
2020	10
2021	10
Rest	123
	163

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

The figure of loans at 0% amounts to 5,192 thousand Euros (5,898 thousand Euros in the previous financial year), the remaining loans are at interest rates of 3.04% and 3.95% (the same rate as in financial year 2016).

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The terms at the financial year 2017 end were the following:

<u>Year</u>	<u>Thousands of euros</u>
<b>Short-term:</b>	
2018	2,207
Total	2,207
<b>Long-term:</b>	
2019	749
2020	677
2021	654
2022	633
Rest	1,599
	<u>4,312</u>
Total	<u>6,519</u>

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

<u>Year</u>	<u>Thousands of euros</u>
<b>Short-term:</b>	
2017	690
Total	690
<b>Long-term:</b>	
2018	977
2019	955
2020	883
2021	862
Rest	2,831
	<u>6,508</u>
Total	<u>7,198</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).

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

- Promissory notes issuance**  
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 short 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](http://www.bmerf.es)) and on the Company’s website ([www.tekniagroup.com/investor](http://www.tekniagroup.com/investor)).

Pursuant to an agreement adopted by the Board of Directors of AIAF Mercado de Renta Fija as at the end of FY 2017, the securities issued for an amount of Euro 10,900,000 under the bonds program 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
ES0505105082	2,500,000.00	30/10/2017	29/01/2018	91	0.709%
ES0505105090	3,000,000.00	27/11/2017	26/02/2018	91	0.709%
ES0505105108	5,400,000.00	18/12/2017	26/03/2018	98	0.717%

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

#### 11.2.1. Qualitative

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

##### a) Credit risk:

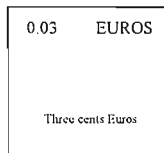
Overall, the Group maintains its cash and cash equivalents in financial entities with high levels of solvency.

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

b) Liquidity risk:

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 investments needed in order to maintain the competitiveness of the Group. Similarly, the credit limits indicated in note 11.1.2 are maintained.

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

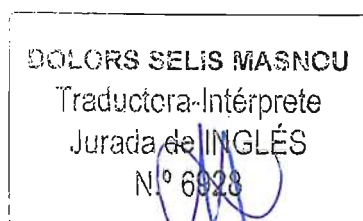
The Group is not significantly exposed to these risks, as the significant liabilities with interest rates are linked to the EURIBOR and large rises are not expected in the short-term or they were signed at a fixed rate in order to minimise the impact of any variations in the interest rate.

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

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

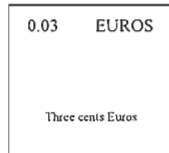
**11.2.2. Quantitative information**

As previously indicated, the main risks relate to exchange rate variations of the companies whose operating currency is not the Euro. The sales in currencies other than the Euro amount to approximately 24% of the Group's total sales (32% 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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**TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES**

**12. INVENTORIES**

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

	<u>31.12.2017</u>	<u>31.12.2016</u>
Auxiliary raw materials and others	16,213	13,695
Partially completed product	12,900	9,992
Finished product	15,985	16,310
By-products and waste	531	79
Advances to suppliers	4,153	3,158
Impairment	(1,115)	(1,679)
	<u>48,667</u>	<u>41,555</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.

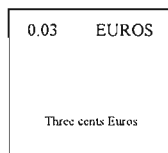
The share capital of the Company has been fully subscribed and disbursed, through the following contributions, in thousands of Euros:

	<u>Thousands of 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:

	<b>Thousands of Euros</b>	
	<b>2017</b>	<b>2016</b>
Legal reserve of the parent company	4,000	4,000
Voluntary reserves and negative results of previous financial years of the parent company	10,062	6,302
Consolidation reserves	32,136	29,251
	<b>46,198</b>	<b>39,553</b>

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.

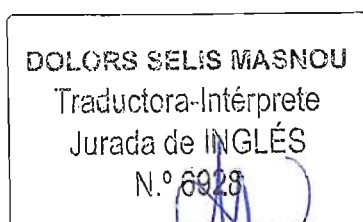
As long as this limit has not been reached, the legal reserve may only be used to compensate losses whenever there are no other reserves available to such purposes.

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

**13.3 Exchange differences**

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

	<b>2017</b>	<b>2016</b>
Teknia Brasil, Ltda.	(3,470)	(2,268)
Teknia Polska Spolka z o.o and subsidiaries	(364)	(937)
Teknia Uhersky Ubrod, AS	475	(113)
Teknia USA Inc, and subsidiaries	(682)	521
Componentes de Automoción Marroquies SARL	(37)	(19)
Teknia San Luis de Potosi, S.A. de C.V.	(725)	(423)
Teknia Mexico City, S.A.: de C.V.	(283)	(185)
Teknia KG doo, Kragujeva	26	(17)
Teknia Gebzre Makine Sanayi VE Ticaret, A.S.	(102)	
Total	<b>(5,162)</b>	<b>(3,141)</b>



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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 2017 and 2016:

	2017	2016	% var. 2017/2016	% var. 2016/2015
Brazilian Real	3.9729	3.4305	15.81%	-20.44%
Polish Zloty	4.1770	4.4103	-5.29%	3.43%
Czech Koruna	25.5350	27.021	-5.50%	-0.01%
US Dollar	1.1993	1.0541	13.77%	-3.18%
Mexican Peso	23.6612	21.7719	8,68%	15.11%
Moroccan Dirham	11.2236	10.6586	5.30%	-1.17%
Serbian Dinar	118.4727	123.4723	-4.05%	1.52%
Turkish lira	4.5464	-	-	-

**14. TAX SITUATION**

**14.1. Public administrations**

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

	2017		2016	
	Debtor	Creditor	Debtor	Creditor
Current tax	1,597	37	663	315
Tax on Personal Income	-	971	-	897
Value Added Tax, V.A.T:	2,207	773	2,324	423
Other	80	339	667	95
Social Security	10	1,960	91	1,767
	2,297	4,043	3,082	3,182

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

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

	Profit and loss account Amount for the FY 2017			Income and Expenses Directly Recognised as Equity Amount for FY 2017		
	Increase	Reduction	Net effect	Increase	Reduction	Net effect
Balance of income and expense of the financial year			11.882			(2.021)
Corporate income tax	3,040		3,040	-		-
Permanent differences						
-of consolidation adjustments	6,509		6,509	2,021	-	2,021
-de individual companies	115	(9,209)	(9,094)		-	-
Temporary differences of consolidation adjustments	688	(352)	336			
Temporary differences of individual companies	764	(1,594)	(830)			
Compensation of negative taxable bases of previous financial year			(1,153)			
Tax base (taxable income)			10,690			

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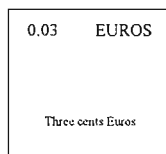
The information corresponding to the financial year 2016 was the following:

	Profit and loss account Amount for the FY 2016			Income and Expenses Directly Recognised as Equity Amount for FY 2016		
	Increase	Reduction	Net effect	Increase	Reduction	Net effect
Balance of income and expense of the financial year			10,970			2333
Corporate income tax	3,521	-	3,521	-	(7)	(7)
Permanent differences						
-of consolidation adjustments	7,319	-	7,319	-	(2,249)	(2,249)
-de individual companies	2,206	(10,663)	(8,457)	23	-	23
Temporary differences of consolidation adjustments	1,026	(675)	351			
Temporary differences of individual companies	2,623	(2,348)	275			
Compensation of negative taxable bases of previous financial year			(3,340)			
Tax base (taxable income)			10,639			

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

**14.3. Conciliation of deferred tax assets and liabilities**

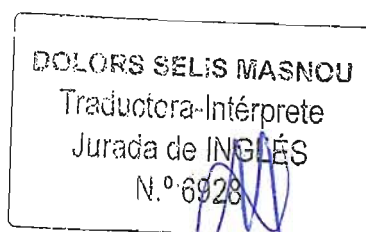
The conciliation of deferred taxes is as follows, in thousands of Euros:

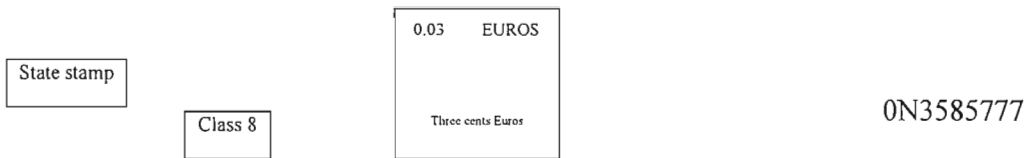
	2017		2016	
	Assets	Liabilities	Assets	Liabilities
<b>Opening Balance</b>	<b>12,036</b>	<b>1,528</b>	<b>11,203</b>	<b>1,313</b>
<b>Increases</b>				
* Negative taxable bases and deductions pending compensation	1,538	2	379	
* Subsidies allocated directly to equity (Note 15)			-	(7)
* Consolidation adjustments	-		276	-
* Good will on the acquisition of a foreign company	116	187	1,333	-
* Other	225	427	243	373
<b>Reductions</b>				
* Negative taxable bases and deductions pending compensation	(1,122)	(32)	(1,274)	-
* Subsidies transferred to the profit and loss account (Note 15)	-	(49)	-	(62)
* Adjustments in consolidation	43	44	(56)	(33)
* Other	(468)	(62)	(229)	(56)
* Exchange differences	(250)	18	161	-
	<b>12,118</b>	<b>2,063</b>	<b>12,036</b>	<b>1,528</b>

The negative taxable bases applied in the financial year totalled 1,153 thousand Euros (3,340 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 10,098 thousand Euros (10,267 thousand Euros in the previous financial year) and the negative taxable bases from previous financial years that are not as yet offset in relation to the Spanish companies, total 6,069 thousand Euros (5,196 thousand Euros in the previous financial year) and those related to the foreign companies amount to 18,086 thousand Euros. (€17,448 thousand in the previous financial year).

Regarding the Group companies with registered addresses in Vizcaya, the applicable law for the assessment of corporation taxes for the financial year 2017, as in the previous financial year, is Provincial Law of Bizkaia/Vizcaya.





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

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**14.4. Years open to inspection**

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

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

The executive directors of the consolidated companies and the sole director of the parent company consider that these taxes were calculated correctly and, accordingly, even if discrepancies arise in the interpretation of the current regulations applicable to the fiscal treatment of the transactions, the resulting liabilities, if any, would not significantly affect the attached consolidated annual accounts.

**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. and Teknia Montmeló, S.L., the latter joined the Group for tax purposes in financial year 2017.

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

**14.6 Current tax assets and liabilities**

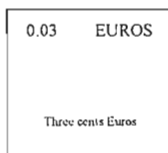
The breakdown for corporate income tax due to the different public administrations is as follows:

	Debtor		Creditor	
	2017	2016	2017	2016
Basque Country Tax Authority	54	45	.	.
State Tax Authority	1,122	585	3	127
Foreign Tax Authorities	421	33	34	188
	1,597	663	37	315

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

**15. SUBSIDIES**

Details are provided below regarding the transactions of the financial year under the heading of grants and subsidies: **Subsidies, donations and legacies included in the balance sheet, granted by third parties other than the shareholders:**

	Thousands of Euros	
	2017	2016
<b>Balance at the beginning of the financial</b>	<b>662</b>	<b>858</b>
Increases		
Adjustments for change in tax rate	-	-
Tax effect (Note 14.3)	(188)	(242)
Allocation to results	49	62
Tax effect (Note 14.3)		(16)
Cancellation	523	662

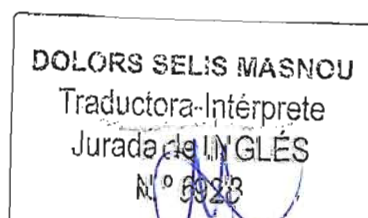
The capital grants basically include those granted by the CDTI for investments made, and an update of the loan for the competitiveness plans granted to the Group companies.

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:**

	2017	2016
Operation subsidies incorporated in the annual balance	60	76
Non-financial and other capital grants	7	5
Financial fixed assets attributable to subsidies	181	237
	<b>248</b>	<b>318</b>



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

**16. PROVISIONS**

The breakdown in this heading is as follows:

	2017		2016	
	Short-term	Long-term	Short-term	Long-term
Staff remuneration	107	687	755	596
Other provisions	136	39	164	46
	243	726	919	642

**16.1. Employee remuneration**

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 2017 and 2016 was as follows:

	2017	2016
Opening balance of the financial year	1351	1,218
Provisions	189	270
Payments	(88)	(94)
Reversal of provisions	(660)	-
Transfers of other provisions	-	10
Exchange rate fluctuations	2	(53)
End balance	794	1,351

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

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

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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:

	%	
	2017	2016
National	31	35
Rest of the European Union	37	38
Rest of the world	32	27
	<b>100</b>	<b>100</b>

Practically the entire turnover is addressed to the automotive market.

**17.2. Purchases**

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

	2017	2016
National	35	40
Rest of the European Union	40	38
Rest of the world	25	22
	<b>100</b>	<b>100</b>

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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.

**Staff as at 31 December 2017**

	<b>Average workforce 2017</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>
Directors	4	4	4	-
Structure and indirect labour	1,077.54	1,105	862	243
Direct Labour	1,741.00	1,822	1,205	617
<b>Total</b>	<b>2,818.54</b>	<b>2,927</b>	<b>2,067</b>	<b>860</b>

2 of the directors are company employees.

In the current period there are 41.87 people employed with a disability of 33% or over (in the previous year there were 38.50 people with disability of 33% or over). 34.87 people are in the category of directly employed personnel; 9 in the category of indirectly employed personnel (26.50 and 12, respectively, in the previous financial year).

Below is the breakdown of the average workforce in the Group by category, and the Group's workforce at the close of the financial year according to category and gender for the previous year:

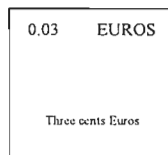
**Staff as at 31 December 2017**

	<b>Average Workforce 2017</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>
Directors	1	1	1	-
Structure and indirect labour	983.07	1,014	795	219
Direct Labour	1,675.40	1,741	1,093	648
<b>Total</b>	<b>2,658.47</b>	<b>2,755</b>	<b>1,888</b>	<b>867</b>

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

**18. OPERATIONS AND BALANCES WITH RELATED PARTIES**

**18.1. Balance and transactions with related entities**

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

	Operating expenses	
	2017	2016
Siuled, S.L.	116	144

As of 31 December, 2017 the Group has a debit balance with this company of 170 thousand Euros and a credit balance of 8 thousand Euros (with no balances at the close of financial year 2016).

**18.2 Remuneration of directors and key personnel**

In financial year 2017, the Company changed its governance from a Sole Executive Director to a Board of Directors. The amount received in financial year 2017 by all of the Company Directors amounted to 543.5 thousand Euros, of which 428 thousand Euros was received as remuneration and 115.5 thousand Euros for services rendered (144 thousand Euros in financial year 2016 for services rendered).

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

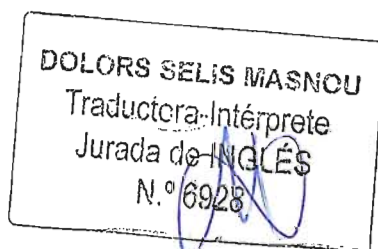
The salaries received in the financial year 2017 by the personnel considered to be of key importance by the Group amount to 1,105 thousand Euros (963 thousand Euros in the previous financial year).

In addition, the Parent Company has a civil liability insurance policy of Directors and Managers whose premium is €4,906.75 (including tax) (in the previous financial year, €4,882.04).

**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.





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

**19.1. Sureties and other guarantees**

In this financial year, as in the previous year, the parent company has not granted bank or other guarantees to other group companies, except for that stated subsequently for Teknia Brasil, Ltd., three generic Letters of Comfort granted before customers of Teknia Pedrola, S.L., and Teknia Brasil, Ltd. and a credit account surety of Teknia Entidad de Gestión, S.L. for 2,000 thousand Euros, which was unused on 31 December, 2017.

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

The subgroup Teknia Polska Sp. z.o.o. and its subsidiaries on 31 December 2017 had mortgages on their real property guaranteeing loans granted and had provided security on machinery, customers and other accounts for the loans and credits received (note 11.1.2) for amounts pending payment at the end of the financial year of 31.52 million PLN (39.05 million PLN in 2016). 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 3.96 million PLN. (3 million PLN on 31 December 2016)

The Czech company, Teknia Uhersky Brod, a.s., was granted a mortgage guarantee for an amount totalling 47.69 million Czech Koruna (61.32 million Czech Koruna (CZK) in 2016). In addition, the balance of the customer account guarantees credit accounts for a total amount of 2.09 million Czech Koruna (CZK) (14.22 million Czech Koruna (CZK) in 2016).

The company Teknia Brasil Ltda. Machinery and facilities secure a loan of 2,220,773 BRL (2,550,000 BRL, in the previous financial year). This loan is guaranteed by the Parent Company.

Moreover, financial entities have provided guarantees on behalf of Group Companies for an approximate total amount equal to 440 thousand Euros. (397 thousand Euros in 2016).

**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 incorporation were posted are included in the Consolidated Annual Accounts of financial year 2007 and previous years.

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

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

**20.2. Auditors' fees**

The fees accrued by the auditors of the parent company for carrying out the Audit of the Consolidated Financial Statements and the Financial Statements of the Group Companies amounted to 100 thousand Euros (95 thousand Euros in the previous year). The amount for other work amounts to 34.1 thousand Euros, (37.3 thousand Euros in the previous year).

Similarly, the fees for the audits of the foreign and Spanish companies conducted by other auditors amounted to 107 thousand Euros (95 thousand Euros in 2016) and 28.1 thousand Euros for other work performed for the group (12.6 thousand Euros in 2016).

**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 Annual Accounts of 2004.

**20.4. Foreign currency**

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

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

ASSETS	Thousands of Euros																		
	TOTAL IN THOUSANDS OF EUROS		Brazilian Reals		PLN		Dirham		Czech Koruna		Mexican Peso		USD		Serbian Dinar		Turkish Lira		
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
Tangible fixed assets	60,154	56,482	5,272	5,478	21,604	20,534	1,328	2,771	12,812	11,718	4,887	5,016	10,497	11,920	1,403	488	908		
Inventory	22,972	19,526	4,632	3,816	8,206	7,210	477	471	3,705	3,180	2,779	2,557	2,284	1,975	551	317	338		
Trade and other accounts receivable	22,925	19,052	7,038	4,073	9,510	5,236	659	659	382	61	711	1,485	3,522	7,479	566	59	537		
Cash and other equivalent liquid assets	1,880	2,299	46	380	651	207	137	4	148	1,010	142	318	479	351	170	29	107		
<b>LIABILITIES</b>	<b>TOTAL IN THOUSANDS OF EUROS</b>																		
		Thousands of Euros																	
		Brazilian Reals		PLN		Dirham		Czech Koruna		Mexican Peso		USD		Serbian Dinar		GBP		Turkish Lira	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Non-current debt with financial institutions	4,391	3,349	604	850	1,761	-	-	-	-	-	-	2,021	2,499	-	-	-	-	-	5
Current debt with financial institutions	7,315	7,197	82	96	2,292	1,218	-	10	-	-	-	4,936	5,873	-	-	-	-	-	5
Trade creditors and other accounts payable	21,125	19,037	4,597	4,030	8,337	3,406	444	473	2,392	2,420	743	4,518	2,790	4,021	414	76	688	93	720

PROFITS AND LOSSES	Thousands of Euros																			
	TOTAL THOUSAND EUR		Brazilian Reals		PLN		Dirham		Czech Koruna		Mexican Peso		USD		CHF		Serbian Dinar		Turkish Lira	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	
Supplies	(72,747)	(66,375)	(11,318)	(12,358)	(15,630)	(10,922)	(1,402)	(1,359)	(16,706)	(1,564)	(1,915)	(21,032)	(19,216)	(263)	(3,097)	(403)	(802)	(1,426)		
Net turnover	78,860	96,539	23,200	20,565	6,291	11,759	2,765	2,874	24,915	6,900	4,411	33,982	31,527	-	-	1,360	488	3,422		

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

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

The Executive Directors, the physical representative of an Executive Director, legal person and the persons related thereto, as defined in Art. 231 of the Capital Companies Act [LCS, initials in Spanish], are not affected by any of the situations of conflicts of interest as listed in Art. 229 of the Capital Companies Act.

**21. ENVIRONMENTAL INFORMATION INCLUDING GREENHOUSE GAS EMISSION TRADING 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 engage in any activities in facilities that need trading greenhouse gas emission allowances and consequently, no entries of this nature are posted.

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

**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 2017 is as follows:

	Payments made and pending payment at the close of the balance sheet	
	2017	2016
	Days	
The average period of payment to	63.36	64.50
Ratio of transactions settled	68.03	68.59
Ratio of transactions not yet settled	40.68	44.78
	Amount (Euros)	
Total payments made (thousand euros)	152,503	134,073
Total payments outstanding (thousand)	25,573	25,658

**23. SUBSEQUENT EVENTS**

On 22 March 2018, the acquisition took place of 100% of the shares of Mecanizados Norte Bravo, SL (hereinafter, Bravo Enterprises) and subsidiaries. Bravo Enterprises is a technology company that specialises in the casting and machining of non-ferrous metal parts (mainly aluminium) for the automotive sector.

In March 2018, new tax regulations were introduced in the province of Bizkaia (Spain), which resulted in the reduction of the corporation tax rate, which will mean a reduction in future financial years of the assets for deferred taxes that have not been offset on the date when the new rates take effect. The approximate effect of the reduction of assets for deferred taxes is estimated to be 122 thousand Euros.

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

**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 executive director of the Parent Company has identified the sectors of its activities to be the following:

- Automotive
- Research and development.

The data regarding these sectors is as follows:

Items	Sectors					
	Automotive		Research and Development		Total	
	2017	2016	2017	2016	2017	2016
Net turnover	325,047	297,585	7	77	325,054	297,662
- External customers	325,047	297,585	7	77	325,054	297,662
- Inter-sectoral (A)	24	1	110	748	134	749
Supplies						
- External suppliers	(182,261)	(166,456)	(176)	(210)	(182,437)	(166,666)
- Intersectoral	(110)	(748)	(24)	(1)	(134)	(749)
Staff expenses	(71,894)	(65,383)	(723)	(559)	(72,617)	(65,942)
Amortisation of fixed assets	(11,898)	(9,780)	(8)	(7)	(11,906)	(9,787)
<b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b>	19,230	17,600	(311)	(26)	18,919	17,574
<b>PROFIT/(LOSS) BEFORE TAX</b>	15,238	14,221	(316)	(26)	14,922	14,195
Sector assets	219,234	213,311	555	145	219,789	213,456
Sector liabilities	145,322	145,277	931	250	146,253	145,527
Net cash flows resulting from the following activities						
- Operations	11,494	15,996	(408)	51	11,086	16,047
- Investment	(16,361)	(18,852)	(287)	(67)	(16,648)	(18,919)
- Financing	(1,531)	12,283	(4)	4	(1,535)	12,287

(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, 28 March 2018

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

**SUBSIDIARIES**

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Jurada de NGLAS  
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**APPENDIX I**

TEKNIA MANUFACTURING GROUP, S.L. SDAD. UNIPERSONAL

ANNEX I

(Thousands of Euros)

Teknia Martos, S.L.U.

Teknia Montmeló, S.L.U.

Teknia Bilbao XXI, S.L.U.

Teknia Elorrio, S.L.U.

Martos (Jaén)

Pol. Ind. El Pedregal, c/Industria,  
3 - Montmeló Barcelona

Abanto y Ciervana (Bizkaia)

Barrio San Agustín  
nº11 Elorrio -  
(Bizkaia)

Injection of plastic

Manufacturing of industrial screw  
products for bar cutting

Bar cutting

Manufacture of pipe  
assemblies

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Share in percentage

- Direct from Teknia  
Manufacturing Group, S.L.U.

- Indirect

Holder of the indirect share

Dividends received during the year

Net equity:

- Share Capital

- Issuance premium, reserves and  
results from previous years.

- Other items in own assets

- Results from the year

Recorded value of the equity interest

Moore Stephens AMS,  
S. L

Moore Stephens AMS, S. L

Not audited

Moore Stephens AMS, S. L

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Three cents Euros

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DOLORS SELLS MARCONI  
Traductora-Intérprete  
Jurada de INGENIEROS  
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TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES

TEKNIA MANUFACTURING GROUP, S.L. SDAD. UNIPERSONAL

		ANNEX I (Thousands of Euros)			
		Teknia Epila, S.L.U.	Teknia Barcelona, S.L.	Teknia Pedrola, S.L.U.	

Teknia Brasil, Ltda.	Itaquera (São Paulo) BRAZIL	Epila (Zaragoza)	Parets del Vallés (Barcelona)	Pol. Ind. El Pradillo Pedrola - Zaragoza	
	Manufacture tubes, stamping, cutting and plastic injection	Stamping of metal parts	Bar cutting	Manufacture of pipe assemblies	
	2017	2017	2017	2017	2016

Share in percentage	100%	100%	100%	100%	100%
- Direct from Teknia Manufacturing Group, .S.L.U.	-	-	-	-	-
- Indirect	-	-	-	-	-
Holder of the indirect share	-	-	-	-	-
Dividends received during the year	-	-	700	255	-
<b>Net equity:</b>					
- Share Capital	17,618	1,200	240	240	500
- Issuance premium, reserves and results from previous years.	(10,019)	(184)	1,430	1,253	854
- Other items in own assets	(1,744)	-	62	76	122
- Results from the year	5,853	1,023	1,327	877	(303)
Recorded value of the equity interest	8,800	1,016	3,059	2,446	26

Auditor of the company: Moore Stephens Lima Lucchesi | Moore Stephens Addveris Auditores y Consultores, S.L.P. | Moore Stephens AMS, S. L



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

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## TEKNIA MANUFACTURING GROUP, S.L. SDAD. UNIPERSONAL

ANNEX I

(Thousands of Euros)  
Teknia Azuqueca, S.L.U.

Teknia Rzeszów, Sp. z o.o.

Teknia Kalisz Sp. z o.o.

Teknia Polska Sp. z o.o.

	2017	2016	2017	2016	2017	2016	2017	2016
Nowogrodza, 12 (Warsaw)			Zlota, 20 (Kalisz)				Przemysłowa, 4 (Rzeszow)	
Holding company			Stamping and pipes				Injection of plastics	
	2017	2016	2017	2016	2017	2016	2017	2016

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.	Teknia Polska Sp. z o.o.	Teknia Polska Sp. z o.o.	-	-
Dividends received during the year	-	-	-	-	-	-	1,580	803
<b>Net equity:</b>								
- Share Capital	2,370	2,244	323	306	139	132	3,500	3,500
- Issuance premium, reserves and results from previous years.	2,887	2,896	6,062	6,115	7,657	5,413	700	700
- Other items in own assets	-	-	-	-	-	-	288	367
- Results from the year	2	(162)	1,102	(347)	1,708	1,838	2,436	1,580
Recorded value of the equity interest	2,395	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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## TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES

DOLORS S. ILLUS MASQUERO  
 Traductora e intérprete  
 Jurada de INGLÉS  
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ANNEX I  
(Thousands of Euros)

	Teknia Uhersky Brod a.s.		Teknia San Luis de Potosi (formerly Automotive Mexico, SA de C.V.)		Teknia Germany GmbH		Teknia R&D, S.L.	
	2017	2016	2017	2016	2017	2016	2017	2016
	Rybářská 2330 Uherský Brod, PSC 688 01 (Czech Republic)		Ciudad de Santiago, Querétaro (Mexico)		Stuttgart (Germany)		Plaza Marqués de Salamanca, 9, planta 7, puerta iz. 28006 Madrid	
	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	
Share in percentage	100%	100%	97.63%	97.09%	100%	100.00%	100%	100%
- Direct from Teknia Manufacturing Group, S.L.U.	-	-	-	-	-	-	-	-
- Indirect	-	-	-	-	-	-	-	-
Holder of the indirect share	-	-	-	-	-	-	-	-
Dividends received during the year	1,000	169	-	-	-	-	-	-
<b>Net equity:</b>								
- Share Capital	4,769	4,507	5,609	5,052	25	25	300	300
- Issuance premium, reserves and results from previous years.	5,914	4,461	(2,172)	(1,160)	710	673	(241)	(215)
- Other items in own assets	-	-	-	-	-	-	-	-
- Results from the year	1,252	2,127	(624)	(653)	21	37	(382)	(26)
Recorded value of the equity interest	3,636	3,636	2,747	3,145	620	620	-	59
Auditor of the company	Moore Stephens, S.R.O.		Moore Stephens Orozco Medina, S.C.		Not audited		Not audited	

TEKNIA MANUFACTURING GROUP, S.L. SDAD. UNIPERSONAL  
ANNEX I

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

		Teknia Manresa, S.L.U.		Teknia USA Inc.		(Thousands of Euros)	
Componentes de Automoción Marroquies, SARL		Teknia Manresa, S.L.U.		Teknia USA Inc.		Teknia Mexico City (formerly SAMCO, S.A.)	
TFZ D'Exportation Ilot 30- Lot n02 Mod.1 - Tangier		Plaza Marqués de Salamanca, 9, planta 7, puerta iz. 28006 Madrid		601 Abbot Road, East Lansing, Michigan 48823 (USA)		Calle Avena nº 218, Colonia Granjas Mexico. Distrito Federal	
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.	
2017		2016		2017		2016	
99.90%	99.99%	100%	100%	100%	100%	100%	100%
-	-	-	-	-	-	-	-
-	-	1,719	2,105	-	-	-	-
1,427	1,503	60	60	10,935	12,442	706	767
(1,071)	(1,141)	4,754	4,104	22	14	424	254
118	14	2,116	2,369	(86)	11	175	207
475	375	3,825	3,825	10,308	11,362	2,362	2,424
Not audited		Moore Stephens AMS, S. L		Moore Stephens (Elliot Davis Decosimo) is auditor of the consolidation of Teknia USA Inc. and its subsidiary		Moore Stephens Orozco Medina, S.C.	

Registered address:  
Business activity  
Shareholding percentage  
Direct from Teknia Manufacturing Group, S.L.U.  
- Indirect  
Holder of the indirect share  
Dividends received during the year  
Net equity:  
- Share Capital  
- Issuance premium, reserves and results from previous years.  
- Other items in own assets  
- Results from the year  
Recorded value of the equity interest

TEKNIA MANUFACTURING GROUP, S.L. SDAD. UNIPERSONAL  
ANNEX I  
(Thousands of Euros)

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

"Teknia KG" doo, Kragujevac		Teknia Nashville, LLC (Orchid Mt. Juliet)		Teknia Gebze Makine Sanayi VE Ticaret A.S.		Teknia Entidad de Gestión S.L. Unipersonal	
Kragujevac, 56 Dragoslav Srejovic Street.		94 Belinda Parkway, Mt Juliet, 37122 Tennessee, USA.		Dilovasi/Kocaeli, Turkey		Plaza Marqués de Salamanca, 9, planta 7, puerta iz. 28006 Madrid	
The production of other parts and additional equipment for the vehicles		Stamping		Manufacturing of parts for industrial machinery and automobile subsidiary. In addition to the sale and marketing of these products.		Provision of management services and technical, economic and financial advice.	
2017	2016	2017	2016	2017	2016	2017	2016
100%	92.84%	-	-	100%	100%	100%	100%
-	-	100%	Teknia USA Inc.	-	-	-	-
-	-	-	-	-	-	-	-
1,809	1,272	8,226	9,359	172	153	9	153
(313)	(326)	(48)	(54)	376	62	3,944	153
-	-	(516)	-	-	-	-	-
112	25	-	-	-	-	-	-
1,609	902	-	-	-	-	-	-
Moore Stephens Revizija i Racunovodstvo d.o.o. Beograd	Moore Stephens (Elliot Davis Decosimo)	Moore Stephens Turkey MBK Independent Auditing and CPA Co	Moore Stephens AMS, S. L				

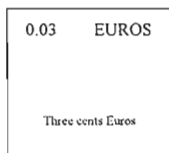
Registered address:  
 DOLORES S. GILIS MARI  
 Traductor e Intérprete  
 Jurada de INGLESES  
 N.º 6928

Share in percentage  
 Direct from Teknia Manufacturing  
 Group, S.L.U.  
 Indirect

Holder of the indirect share  
 Dividends received during the year  
 Net equity:  
 - Share Capital  
 - Issuance premium, reserves and  
 results from previous years.  
 - Other items in own assets  
 - Results from the year  
 Recorded value of the equity interest  
 Auditor of the company

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

MANAGEMENT REPORT 2017

**BUSINESS TREND. AND POSITION OF THE COMPANY. FORESEEABLE EVOLUTION**

Trend of sales turnover

With an amount of EUR 325 million, the sales growth trend in the Group continues. Sales are 9.20% up compared to the figures for financial year 2016. Most of this growth was due to organic sales (8.05%), in which the turnover due to the incorporation of the company T. Gebze from February 2017 is excluded. This growth has been seen in all of the markets in which the company operates: that is, northern Europe, southern Europe, Brazil and the NAFTA area.

The main reasons for this sales growth were:

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

Since 2010, the consolidated total sales increase of the group has been 91.15% (CARG 2010-17 = 9.70%)

	2017		2017		2016		2016		2015	
	Euros		vs		Euros		vs		Euros	
	'000	%	2016		'000	%	2015		'000	%
Net turnover	325,054	100%	9.20%		297,662	100%	20.86%		246,279	100%
Operating margin	18,919	5.82%	5.87%		17,870	6.00%	20.60%		14,823	6.00%
EBITDA <sup>1</sup>	30,825	9.48%	11.45%		27,652	9.29%	22.80%		22,523	9.15%
Balance attributed to the parent company	11,912	3.66%	8.42%		10,987	3.69%	13.75%		9,659	3.90%
										2014
										vs
										2014

In terms of sales, in 2017 the Group succeeded in increasing the volume of business secured by 2.45%, which means that for the second year running total business was secured for an approximate value of 400 million Euros (new business x 5 years on average of a project). This business result will allow the Group to maintain sustainable organic growth over the coming years.

'000	2017	2016
New business <sup>2</sup>	86,644	84,576

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

<sup>2</sup> New business refers to projects for the manufacturing of parts and/or annual sales.

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

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Consolidation of the EBITDA levels

The Group's consolidated EBITDA was EUR 30,825k, which means an increase of 11.45% over financial year 2016, most of which was organic growth (10.46% of the total).

It is important to note that during this financial year 2017, the Group has continued to see an improvement in its EBITDA, even though it has been operating in a global environment of rising raw materials prices.

On the other hand, we expect that this year will be a turning point going forward, fundamentally thanks to the improvement of results in Brazil and the NAFTA area.

The consolidation of positive results in Brazil will be based on:

- Transfer of all technologies to Jacarei, obtaining cost synergies.
- Recovery of the automotive market.
- Optimization of the use of the investments already made.

Non-operating results (financial)

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

- Maintenance of the volume of debt compared with the previous year, which reduces the leverage ratio in terms of DFN/EBITDA to 2.44x.
- Maintenance of the company's recurring cost of financing with a net cost of financing of 3.26% in respect of Debt. The total figure in the annual accounts is bigger due to the cancellation of three Competitiveness Plans, which caused an extraordinary and non-recurring cost of financing of €291 thousand.

	2017	2016	2015	2014	2013
Cost of Debt <sup>3</sup>	2,978	2,550	1,688	1,965	1,859
Debt	82,354	81,547	52,826	55,555	37,648
Debt Cost/Debt	3.6%	3.1%	3.2%	3.5%	4.9%

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<sup>3</sup> The heading Cost of Debt includes all financial expenses and Debt calculated as the result of the sum of the long-term and short-term debt.

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

Exchange differences (financial)

The following chart shows the annual changes of the most significant currencies with which the Group has been operating in recent years.<sup>4</sup>

	% var. 2017 vs 2016	2017	% var. 2016 vs 2015	2016	% var. 2015 vs 2014	2015
Brazilian Real	-15.81%	3.9729	20.44%	3.4305	-33.87%	4.3117
Polish Zloty	5.29%	4.177	-3.43%	4.4103	0.22%	4.2639
Czech Koruna	5.50%	25.535	0.01%	27.021	2.57%	27.023
US Dollar	-13.77%	1.1993	3.18%	1.0541	10.33%	1.0887
Moroccan Dirham	-5.30%	11.2236	1.17%	10.6586	--	10.7845
Mexican Peso	-8.68%	23.6612	-15.11%	21.7719	-5.86%	18.9145
Turkish Lira	--	4.5464				

Source: [www.ecb.europa.eu](http://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. 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 2021.

To achieve this, the company continues to opt for financing in alternative debt markets to the "traditional" banking sector, recording in February a programme of promissory notes in the MARF (initials in Spanish for the fixed income alternative market) of up to EUR25 million, with a live average balance during the year of EUR10 million.

This programme has brought the Group new investors, in addition to those already present in the 2016 bonds issue. It is estimated that Teknia now has 20-26 institutional investors: these are insurance companies, mutual insurers, fund and estate managers, investment brokers and investment banks.

As part of this programme, 9 issues were made in 2017, with the yield trending downwards and demand usually exceeding the supply of the issues, which reflects investors' growing confidence in the project.

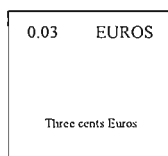
Both programmes were renewed in 2018 (bonds and promissory notes), considering them to be a structural and stable part of the Group's financing going forward.

<sup>4</sup> In the table, variation (+) means appreciation, while variation (-) means depreciation

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

### 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 financial year 2017, no significant real estate asset disinvestment operations were conducted, although we have been working on the sale of 3 properties, of which 2 are expected to be completed in 2018 (Poland) and 1 in 2019 (Czech Republic). With these disinvestments, the proceeds of which will be fully passed on within the Group, we expect that i. it will improve the profitability of the use of the company's assets and ii. it will reduce the Group's leveraging.

### RATIOS<sup>5</sup>

	2017	2016	2015	2014	2013
<b>DEBT AND CASH</b>					
CURRENT ASSETS / CURRENT LIABILITIES	1.28	1.37	1.33	1.25	1.27
CURR + NON-CURR LIAB / EQUITY	1.99	2.13	1.78	1.87	1.70
NET FIN. DEBT / EQUITY	1.02	1.00	0.83	0.84	0.69
NET FIN. DEBT / EBITDA	2.44x	2.47x	2.18x	2.50x	2.25x
<b>RETURN</b>					
RETURN ON SALES (ROS)	3.66%	3.69%	3.90%	4.71%	2.85%
RETURN ON ASSETS (ROA)	8.60%	8.37%	9.03%	7.53%	6.95%
RETURN ON EQUITY (ROE)	16.16%	16.08%	16.3%	18.47%	12.05%
RETURN ON CAPITAL EMPLOYED (ROCE)	14.68%	13.77%	15.43%	13.03	12.39%

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

1. Early repayment of Debt (Competitiveness Plan)

In February 2018, the company T. Manresa proceeded with the early repayment of EUR1.4 million of the 2014 Competitiveness Plan, replacing this with a bank loan with better cost terms and conditions.

<sup>5</sup> In this financial year the headings comprising the definition of net financial debt and EBITDA have changed. Thus, the ratios from previous years differ slightly from those included in the management report for the previous year.

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

### **2. Acquisition of Mecanizados Norte Bravo, SL**

TEKNIA reports that on 22 March 2018, the acquisition took place of 100% of the shares of Mecanizados Norte Bravo, SL (hereinafter, Bravo Enterprises) and subsidiaries.

Bravo Enterprises is a technology company that specialises in the casting and machining of non-ferrous metal parts (mainly aluminium) for the automotive sector. With this acquisition, Teknia strengthens its presence in Europe (Spain and Romania) and NAFTA (Mexico) and incorporates strategic customers and products with this new technology.

Bravo Enterprises contributes €43 million (with 14% of EBITDA) to Teknia's turnover, which in 2017 was €325 million, with €30.8 million of EBITDA. This operation constitutes the largest addition to the multinational in terms of volume of turnover in its 26-year history, and is a further step in the fulfilment of the company's strategic plan.

This information has been disclosed to the MARF as a relevant fact.

### **POLICY REGARDING 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.

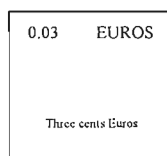
One of the most important sections to note refers to cover for operation and production, which has limits per loss that were updated in 2017 as follows:

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

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

**INFORMATION ON THE NATURE AND THE RISK LEVEL FROM FINANCIAL INSTRUMENTS**

Qualitative

As already reported in the Consolidated Annual Accounts, the Group's Financial Management has implemented the measures and systems required to control exposure to fluctuations of interest rate and exchange rate, as well as to credit and liquidity risk.

With regards to credit risk, derived from the sales from group companies to their customers, given the current financial condition and, in particular, the current financial condition of some of the financial fields where the group operates, each of the Company's and the Group's companies' customers has been individually reviewed in order to minimize the impact from this risk.

With regards to liquidity risk, the group has enough highly liquid cash and cash equivalent asset, as it is shown on the balance sheet. The policy on distribution of dividends is cautious and takes into consideration the investments required so the Group's competitiveness is kept. Further, the credit limits mentioned in the Notes to the Consolidated Annual Accounts for the financial year ended 31 December 2017 remain effective.

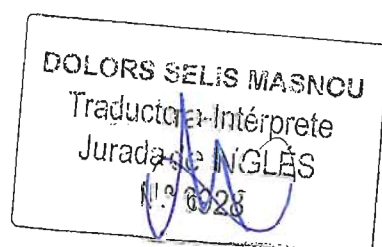
As to market risk (interest rate, exchange rate, etc.), the Group is not significantly exposed to such risk, since the material liabilities subject to interest rates have the euribor as benchmark, and no significant increases are expected in the short term, or fixed rates were agreed so as to minimize the impact of any fluctuation in the rate of interest.

As to the exchange rate, the group does not consider the need for hedging, since, historically, there has been evidence that the automotive industry is a long term business where, the effect of exchange rate fluctuations shall be almost neutral throughout the time.

The company's activity focusses on the automotive industry, since the risk of fall in the market is the same as in any other industry where the company operates. The group is present in different countries so as to minimize the impact that a different evolution in manufacturing costs and consumers activities might have in every country.

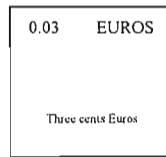
Quantitative:

As already mentioned in the Consolidated Annual Accounts, the main risk might relate to the exchange rate fluctuations in the companies whose operational currency is not the Euro. The sales in a currency other than the Euro stand for around 24% on the whole of the Group's sales. A natural hedging policy is applied by the companies operating in one more than currency.



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**TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY AND SUBSIDIARIES**  
**AVERAGE PERIOD OF PAYMENT TO SUPPLIERS**

The information on the average period of payment to suppliers in 2017 is:

	Payments made and outstanding as at the financial	
	2017	2016
	Days	
Average period of payment to suppliers	63.36	64.50
Ratio of paid operations	68.03	68.59
Ratio of outstanding operations	40.68	44.78
	Amount (Thousands of Euros)	
Total payments made (thousands of euros)	152,503	134,073
Total payments outstanding (thousands of euros)	25,573	25,658

Throughout FY 2017, despite the conditions of the industry, the Spanish Group companies managed to reduce the Average Period of Payment of Suppliers. Throughout FY 2018, efforts will be kept in this sense, with the objective of reaching up to 60 days as a maximum.

**ACQUISITION OF TREASURY SHARES**

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

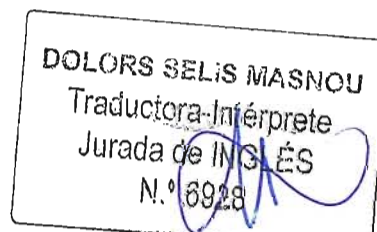
**R&D ACTIVITY**

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. This year, 2017, work has progressed on the consolidation of the R&D team and the projects on which it is working.

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

Elorrio, 28 March 2018



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**TEKNIA MANUFACTURING GROUP, S.L., SINGLE-MEMBER COMPANY 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 2017 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 0N3585726 to 0N3585786, both included, and 0N3585901 and 0N3585788, numbers 0N3585796 to 0N3585801, and 0N3585789, and 0N3585882, and numbers 0N3585791 to 0N3585795, both included.

The Board Directors signs this page number 0N3585884, in recognition of the preparation of the Consolidated Financial Statements and of the Company's Management Report:

	Signature
<u>Chairman</u> SIULED, S.L. (represented by Mr. JAVIER QUESADA SUESCUN)	[Unreadable signature]
<u>Managing Director</u> JAVIER LAZPITA SARRIUGARTE	[Unreadable signature]
<u>Director:</u> SETH OSSORIO HERRERIA	[Unreadable signature]
<u>Director:</u> IGNACIO MARCO-GARDOQUI IBAÑEZ	[Unreadable signature]

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, 16 May 2018.

Doña Dolors Selis i Masnou, Traductora-Intérprete Jurada de inglés (n° 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 16 de mayo del 2018.

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