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A WORD FROM THE CHAIRMAN

Passion, commitment, responsibility and creative cooperation are the four areas to address the objective of generating knowledge, transforming it into industrial value and transferring it to companies.

Creating knowledge and achieving excellence is the only passport to compete in this century’s new industrial era. This objective forces us to intensify the focus on building the capacity of people and consolidate an appropriate climate for innovation to occur and transform it into competitive industry.

A technological environment is fed of people with passion for knowledge, innovation and an alignment with the technological and industrial barriers of today’s world. This involves knowledge management and an organisation that must respond to the new world, and in this transit towards the new techno-industrial world, it is necessary to work together in order to achieve the fundamental objectives of TECNALIA. For this reason, the present and the future are in the hands of our researchers. Because TECNALIA is much more than research and technology. At TECNALIA, we are people and knowledge and with passion and commitment, we can accomplish whatever we put our minds to. The TECNALIA+ proposal launched in the second half of the year responds to this, based on a history of consolidation which gave rise to TECNALIA and which, in spite of the difficulties of an environment hit by the 2008 financial crisis, was steered by the previous Chairman, Javier Ormazábal.

Throughout the past year, we have discovered that it is necessary to work hard in order to continue being key players in the technological and industrial revolution in which we are immersed. Our historic commitment to our environment, companies and society is very strong and for this reason, we are forced to advance more quickly in the line undertaken with TECNALIA+. The challenge is to assume intelligent risks and consolidate an environment in which creativity, collaboration and effort are a positive triangle. Since the advent of the new century, the world has changed enormously, and even more so since 2008. Looking towards the future with the methodology and ways of thinking of the 20th-century industrial century is the best way of aborting any life in the future.

We must be aware that we are immersed in a serious techno-industrial revolution and in the domestic European area too. The present forces us to contemplate this new environment as a reference for the competitiveness of our assets and our future forces us to face “tomorrow”, not only “today”.

Therefore, attitudes in TECNALIA, even in its governance and objectives, must be aligned with the new environment because it is the only way not only of being loyal to the fundamental objectives, but also to those businessmen who founded the technology centres that gave rise to TECNALIA. We want to be an active agent in the European technological-industrial renaissance and a spearhead in the techno-industrial ecosystem around us. We want to grow and be a technological environment as a reference for the competitiveness of our assets and our future forces us to face “tomorrow”, not only “today”.

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As we want it, we will achieve it.

Having said all of this, 2016 forced us to put greater emphasis on the market, both public and private. Once more, it shows us that TECNALIA is immersed in a market and a sector that is in the midst of transformation. For this reason, we declare the need to accelerate the process of adapting TECNALIA to the new environment. The technological ecosystem must respond to the challenge of the future and transparency is an essential value to do so. TECNALIA wants this because the future depends essentially on us.

— EMILIANO LÓPEZ ATXURRA
CHAIRMAN OF TECNALIA
PRESENTATION

WE CAN DO SO MUCH TOGETHER

TECNALIA is a benchmark Research and Technological Development Centre for Europe.

A committed organisation with a mission that unites us: to transform technology into GDP. And a vision that makes us different: to be the agents of change in Basque industry.

WE TRANSFORM TECHNOLOGY INTO GDP

WE ARE AGENTS OF THE TRANSFORMATION OF INDUSTRY

We want to accompany companies in the international arena with our R&D and innovation potential and advanced services. While our technological excellence is acknowledged and the value of our alliance forging capacity is recognised.

OUR PEOPLE

TECNALIA’s best asset is our team, made up of 1,405 experts who work to transform technology into GDP. In order to improve people’s quality of life by generating business opportunities for Companies.

Experts from 30 different countries are divided into 21 headquarters; they are responsible for visualising, identifying and developing comprehensive technological solutions with creativity and imagination for over 4,000 clients, and offering comprehensive solutions paying personalised and multi-disciplinary attention to each one of them.

1,405*

PEOPLE ON STAFF

43%* MEN

57%* WOMEN

TECNALIA 1,350 employees (1,240 FTE in 2016)
TECNALIA Ventures: 15 employees
Branches Abroad: 40 employees

Figures on 31 December 2016
Meeting of the Foundation’s Board of Trustees on 22nd June 2016 in Donostia-San Sebastian.

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- Hipólito Suárez / Javier Fernández de Retana
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- CEMENTOS LEMONÁ, S.A.
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- VELATRA, S.L.
- Javier Ormaizabal
- VCNB ADESA, S.A.
- Jesús Navas
- ZIV APLICACIONES Y TECNOLOGÍA, S.L.
- Norberto Santiago

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Juan María Palencia
GAMESA INNOVATION AND TECHNOLOGY, S.L.
José Antonio Malumbres
FINANCIAL INFORMATION

Figures on 31 December 2016

<table>
<thead>
<tr>
<th>UNDER CONTRACT</th>
<th>EUROPE</th>
<th>BASQUE GOVERNMENT</th>
<th>OTHER ADMINISTRATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>48.7%</td>
<td>24.4%</td>
<td>23.6%</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

Income 2016

Concept K€
- Non-competitive Public Funding 17,863
- Competitive Public Funding 34,526
- Private Financing 46,797
- Others 2,946
- Total Income 102,132

Balance Sheet

Assets K€
- Non-current Assets 100,379
- Current Assets 131,319
- Total Assets 231,698

Equity & Liabilities K€
- Equity 96,242
- Non-current Liabilities 69,462
- Current Liabilities 65,994
- Total Equity & Liabilities 231,698

THE DATA SHOWN HERE HAVE BEEN EXTRACTED FROM THE ANNUAL FINANCIAL REPORT, AUDITED BY DELOITTE.

AUDITORS’ LETTER

Deloitte

2016 Annual Report
Partly Owned Companies (* NTBCs)

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>ESTABLISHMENT</th>
<th>OWNERSHIP %</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>TECNALIA Certificación, S.L.</td>
<td>2008</td>
<td>100%</td>
<td>Certification of products and systems</td>
</tr>
<tr>
<td>Sugar Factory</td>
<td>2006</td>
<td>100%</td>
<td>Design and produce virtual games and provide broadcasting services and edit radio and TV programmes</td>
</tr>
<tr>
<td>Laboratorium Sanitatis, S.L.</td>
<td>2004</td>
<td>100%</td>
<td>Manufacture of pharmaceutical products</td>
</tr>
<tr>
<td>G4HT - Revolute Software Solutions, S.L. *</td>
<td>2015</td>
<td>90%</td>
<td>Software Systems that simplify and speed up the updating of legacy IT systems (Cobol, Clipper, etc)</td>
</tr>
<tr>
<td>BIOSYNCaUCHO, S.L.*</td>
<td>2015</td>
<td>86%</td>
<td>Company developing technology for the production of 1,3-Butadiene (compound for the manufacture of rubber) based on organic raw materials</td>
</tr>
<tr>
<td>Castmetal Tekinlayer, S.L.*</td>
<td>2010</td>
<td>84%</td>
<td>Application of rapid prototyping techniques to different sectors specifically developed for the Blow Moulding sector</td>
</tr>
<tr>
<td>DIGIMET 2013, S.L.*</td>
<td>2013</td>
<td>81%</td>
<td>Melting furnace for steel dust treatment</td>
</tr>
<tr>
<td>ESI Process Consulting</td>
<td>2006</td>
<td>80%</td>
<td>Quality certification and consultancy services for software system development and maintenance environments</td>
</tr>
<tr>
<td>WIMS*</td>
<td>2013</td>
<td>64%</td>
<td>Network game platform</td>
</tr>
<tr>
<td>Ocseinetic Energies Marines, S.L.*</td>
<td>2008</td>
<td>51%</td>
<td>Development of ocean energy capturing devices</td>
</tr>
<tr>
<td>TECNALABAGUA, A.I.E</td>
<td>2014</td>
<td>50%</td>
<td>Environmental Quality Control Body</td>
</tr>
<tr>
<td>Aures Pay&amp;Pass Solutions, S.L.*</td>
<td>2016</td>
<td>49%</td>
<td>Smart bracelets management</td>
</tr>
<tr>
<td>NAUTILUS Floating Solutions, S.L.*</td>
<td>2013</td>
<td>45%</td>
<td>Offshore floating platform for wind turbines</td>
</tr>
<tr>
<td>Neso Surgery, S.L.*</td>
<td>2003</td>
<td>32%</td>
<td>Development and manufacture of innovative products for neurosurgery</td>
</tr>
<tr>
<td>TRECAL técnica de Calibraciones, S.L.</td>
<td>2014</td>
<td>30%</td>
<td>Calibration company</td>
</tr>
<tr>
<td>FESIA Technology, S.L.U.*</td>
<td>2016</td>
<td>20%</td>
<td>Functional electrical stimulation devices</td>
</tr>
<tr>
<td>I2T Plasma Technologies, S.L.*</td>
<td>2014</td>
<td>20%</td>
<td>Development and manufacture of plasma heating systems for the foundry sector</td>
</tr>
<tr>
<td>TEXTIA Innovative Solutions, S.L.*</td>
<td>2014</td>
<td>18%</td>
<td>Development, manufacture and operation of applications based on textile technology developed by Tectia</td>
</tr>
<tr>
<td>METAPOSTA, S.A.</td>
<td>2010</td>
<td>8%</td>
<td>Internet mailbox and safe allowing invoice reception and storage payables, back slips, policies, .. with full legal validity and safety</td>
</tr>
<tr>
<td>Centro de Ensayos, Innovación y Servicios, S.L. (CEIS)</td>
<td>1999</td>
<td>5%</td>
<td>Electrical testing laboratory and consultancy services</td>
</tr>
<tr>
<td>Tomo Adour, S.A.*</td>
<td>1993</td>
<td>4%</td>
<td>Tomographic analysis of industrial parts and 3D digitalisation services</td>
</tr>
</tbody>
</table>

Active Companies (* NTBCs)

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>ESTABLISHMENT</th>
<th>OWNERSHIP %</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roboconcept XXI, S.L.*</td>
<td>2013</td>
<td>0%</td>
<td>Advanced robotic engineering for handling solutions</td>
</tr>
<tr>
<td>Wyzartel, S.L.*</td>
<td>2011</td>
<td>0%</td>
<td>Telecommunications engineering technical services</td>
</tr>
<tr>
<td>Agla 4D*</td>
<td>2010</td>
<td>0%</td>
<td>Improved construction processes using Virtual Reality</td>
</tr>
<tr>
<td>Innovedics*</td>
<td>2010</td>
<td>0%</td>
<td>Design and manufacture of innovative slides and audiovisual media</td>
</tr>
<tr>
<td>Optimetri, S.L.*</td>
<td>2010</td>
<td>0%</td>
<td>Software to increase energy efficiency in industrial processes.</td>
</tr>
<tr>
<td>Leycolan, S.A.*</td>
<td>2009</td>
<td>0%</td>
<td>Innovative energy saving products in public lighting installations</td>
</tr>
<tr>
<td>De Development, S.L.*</td>
<td>2008</td>
<td>0%</td>
<td>Research, development and manufacture of tools related to steel hot forming</td>
</tr>
<tr>
<td>NEM, S.L.Nuevas Estrategias de Mantenimiento*</td>
<td>2007</td>
<td>0%</td>
<td>Smart maintenance of complex systems</td>
</tr>
<tr>
<td>SEMATEC Servicios Medioambientales y Tecnicos, S.A.*</td>
<td>1997</td>
<td>0%</td>
<td>Environmental, energy efficiency and industrial safety services</td>
</tr>
<tr>
<td>Tratamientos Superficiales lortach, S.A.*</td>
<td>1995</td>
<td>0%</td>
<td>Development and use of thermal surface treatments and coatings</td>
</tr>
</tbody>
</table>

TWO NEW TECHNOLOGY-BASED COMPANIES LAUNCHED IN 2016

**AUREA PAY&PASS SOLUTIONS, S.L.**

It offers a platform to manage the use of smart bracelets, through which entry can be controlled and payments and operations can be made in services offered by hotels, cruise ships or theme parks.

**FESIA TECHNOLOGY, S.L.U.**

It develops and sells devices based on a new concept of functional electrical stimulation for people with neurological disorders that require the rehabilitation of upper and lower limbs.
Through TECNALIA Ventures, TECNALIA continues managing the life cycle of its technological assets with sales potential in order to resolve real income statement problems in companies, contributing to revenue of 5.8 million euros in the Sale of Industrial Property (SIP) in 2016.

**SALE OF INDUSTRIAL PROPERTY (SIP) OF 5.8 MILLION EUROS**

- Software patents and registrations requested in 2016:
  - 28 + 12
  - 116 patents
  - 11 patents granted*
  - 391 patents in portfolio

*The success rate for TECNALIA in EPO/PCT applications is 95%.

**NTBCs**

- Jobs in the active NTBCs: 267
- NTBCs created in the year: 2
- Partly-owned NTBCs: 13
- Turnover of active NTBCs (M€): 33.5
- Active promoted NTBCs: 22

TECNALIA Ventures