A WORD FROM THE CHAIRMAN

I would like to take the opportunity of this presentation of 2018 financial year results to wholeheartedly thank TECNALIA team for their hard work during this financial year. These results would not have been possible without their dedication and expertise. Having expressed this gratitude to the Board of Trustees and its Executive Committee, what can we say about 2018?

For the second year running our results have been positive and we should be pleased with our efforts. TECNALIA, as a private non-profit Foundation, has the obligation to be highly efficient to ensure its sustainability which is only possible when technological assets are valued with excellence and management rigour; not to mention the correct organisation of our knowledge and our capacity to innovate.

We have succeeded in making progress in the improvement of our efficiency and extending our client portfolio, as well as in new projects to promote our development. We know we are capable and have the necessary vocation to play a major role in this new century of technology.

The path we set off on with TECNALIA+ and the work carried out by the Supervisory Committee are now paying off. Throughout this year we will have the opportunity to share, assess and contribute together in a joint effort which will result in making TECNALIA stronger, with greater knowledge, becoming more cohesive and above all, more transparent, more participative and above all, more capable and have the necessary vocation to play a major role in this new century of technology.

In addition, we need to be aware of the fact our foundation is based on people who they are doing their best. We are all TECNALIA, but in particular all the technologists and professionals who in their day-to-day make everything possible - from the most advanced technological innovation to the materialisation of projects, besides offering technological services.

In 2018, our aim was very clear: to maintain the positive trend started in 2017 in global terms and set the foundations for a new TECNALIA pursuing its sustainability and adaptation to the re-arrangement of European technological environment, which will require stronger technological muscle and better adaptation to the techno-industrial revolution we are witnessing. Technological Excellence, with rigorous management of technological skills, transversality and hybridisation of those capacities, to address the increasingly more multidisciplinary projects demanded by the market, and closer approach to the Market maximising the value of our strengths, are TECNALIA’s key factors for the future.

Innovating is an attitude. Innovating is not doing always the same, but transforming, evolving and changing. Innovating is not shutting out, but opening up to co-operation and knowledge fusion. In sum, innovating is not resignation, but being always open to the future. This is the challenge and TECNALIA will be there with a team capable of risking to the challenge.

— EMILIANO LÓPEZ ATXURRA

CHAIRMAN OF TECNALIA

A WORD FROM THE CEO

We can state without a shadow of a doubt that 2018 was the best year in the history of TECNALIA both from a quantitative and qualitative viewpoint.

Starting with the figures, we had the best contract figure worth €177 million and an income of €110 million representing a 6% increase in relation to 2017, thereby consolidating the positive evolution of the Centre in recent years. These positive figures make a solid foundation on which TECNALIA can build the future.

It is also worth highlighting the activity we have undertaken with companies amounts has experienced a 12% increase in our client portfolio, to over 7,000 companies, and three thirds of which are SMEs. We collaborate with two out of three Basque companies involved in R&D and Innovation activities and with 25 out of the 35 IBEX companies.

Furthermore and even more importantly, our R&D and Innovation activity had a positive impact on the income statement of the companies we work with. According to our calculations, for every Euro invested by a company in R&D with TECNALIA, the company obtained an average turnover increase of €5.2.

All the foregoing was possible thanks to our ongoing effort to reinforce our activity around two priority cores: company orientation and technological excellence. Our passion for technology, excellence and our people’s expertise were crucial factors; not to mention our capacity to empathise with each client, offering them the best technological solution needed for their business.

It is the value of people what makes TECNALIA, a talented team with a shared vision, Creative, brave, proactive people. People committed to obtaining results from their work and meeting the needs of each client. We can only accompany companies through their transformation by being their technological partner.

In 2018, we had many projects and initiatives with an impact on the fields of: Digital Transformation, Advanced Manufacturing, Energy Transition, Mobility, Urban Ecosystem and Health. These are: the commissioning of the first floating lab in Europe to carry out real offshore testing; development of a new type of robot to handle radioactive materials; the first Basque Industry 4.0 lab for the pharmaceutical industry; and participation in four nodes of the Basque Digital Innovation Hub and in EIT Manufacturing.

I would also like to highlight our commitment continuing to work in the creation of knowledge ecosystems in: education, research and innovation, aimed at promoting the economic, social and cultural development of our environment with international projection.

In this context, we reinforced our strategic collaboration agreement with the University of the Basque Country (UPV/EHU) in 2018. We also have forged an alliance with the University of Bordeaux through Euskampus to increase the competitiveness of businesses in the New Aquitaine-Basque Country-Navarre Euroregion.

Finally, I would like to mention our incorporation to the Basque Research & Technology Alliance (BRTA) comprising over 16 centres and 3,500 professionals which we have joined to promote technology and research work in the Basque Country in addition to providing a joint response to the technological and industrial challenges faced by our country.

The future is packed with challenges we must turn into opportunities. First of all, however it is important to be aware of the fact that past success does not guarantee success in the future. We need to continue working hard to evolve and continue creating something new every day. Become involved. Take risks. Collaborate.

Only in this way can we make the future we imagine come true. Now more than ever, we have a lot to do together.

— IÑAKI SAN SEBASTIÁN

CEO OF TECNALIA
TECNALIA is a benchmark Research and Technological Development Centre in Europe. We are an organisation committed to a mission that unites us: transforming technology into GDP; and a vision that makes us different: being agents of industrial transformation.

OUR PEOPLE

TECNALIA’s best asset is our team, made up of 1,407 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 spread across 22 headquarters. They are responsible for visualising, identifying and developing comprehensive technological solutions with creativity and imagination, offering personalised and multi-disciplinary attention to each one of the companies we work with.

COLLABORATION WITH COMPANIES

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.

We are committed to maintaining a business relationship model which is increasingly strategic and based on trust, collaboration and a shared technological strategy to achieve the highest value-adding proposal to boost their competitiveness.

Over the last seven years, we have collaborated with over 7,000 companies, 75% of which are SMEs.

We collaborate with two out of three Basque companies involved in R&D and innovation activities. Likewise, we collaborate with 25 of the IBEX 35 companies.

We increased our client portfolio by over 700 companies in 2018, with a client satisfaction index (CSI) of 8.15 out of 10.
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FINANCIAL INFORMATION

INCOME PER SOURCE OF FUNDING 2018

Figures on 31 December 2018

Income 2018

<table>
<thead>
<tr>
<th>Item</th>
<th>K€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-competitive Public Funding</td>
<td>20,601</td>
</tr>
<tr>
<td>Competitive Public Funding</td>
<td>35,590</td>
</tr>
<tr>
<td>Private Financing</td>
<td>51,701</td>
</tr>
<tr>
<td>Others</td>
<td>2,411</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>110,302</strong></td>
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</tbody>
</table>

Balance Sheet

<table>
<thead>
<tr>
<th>Assets</th>
<th>K€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current Assets</td>
<td>102,511</td>
</tr>
<tr>
<td>Current Assets</td>
<td>114,594</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>217,106</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equity &amp; Liabilities</th>
<th>K€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>97,948</td>
</tr>
<tr>
<td>Non-current Liabilities</td>
<td>72,757</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>46,400</td>
</tr>
<tr>
<td><strong>Total Equity &amp; Liabilities</strong></td>
<td><strong>217,106</strong></td>
</tr>
</tbody>
</table>

K€ = THOUSANDS OF EUROS
THE DATA SHOWN HERE HAVE BEEN EXTRACTED FROM THE ANNUAL FINANCIAL REPORT, AUDITED BY DELOITTE.
At TECNALIA we are convinced there is a clear link between competitiveness, growth, employment and social welfare, with a growing systematic commitment to R&D and innovation. Therefore, we are committed to maximising the impact of our R&D and Innovation activity, which is reflected in our mission to transform technology into GDP.

Thanks to our own methodology and tool, we measure the positive impact of our activity on different scopes, such as economic, scientific-technological, social or environmental impact.

This enables us to assess the degree of compliance of our mission and vision, and contributes to the setting-up and achievement of strategic goals.

Some of the results obtained regarding the measurement of the impact of our activity in 2018 are as follows:

**IMPACT OF THE ACTIVITY**

For every Euro invested by a company in R&D with TECNALIA, an income of €6.2 is added to their Income Statement.

For every job in TECNALIA, 3.5 additional jobs are maintained in the Basque Country.

For every Euro invested by Basque Public Institutions in TECNALIA, a GDP of €14.5 is generated.

For every Euro invested by Basque Public Institutions in TECNALIA, a tax return of €1.7 is generated.

Furthermore, at TECNALIA we have developed an entrepreneurship ecosystem which helps us assess the value and launch new technological assets on the market through TECNALIA Ventures with the ultimate aim of generating value for the companies and for society. Our efforts are focused on connecting the three main pillars of any innovation ecosystem: “Minds” (technological / scientific), “Management” (entrepreneurs) and “Money” (investors).

As a result of this, in 2018 TECNALIA obtained €18 million income from the Sale of Industrial Property.

Moreover, according to the 2018 Report issued by the European Patent Office (EPO), TECNALIA is the second private Spanish organisation in European patent applications.

Every year TECNALIA applies for 3.1 patent from each of its 100 researchers, which is the highest ratio in comparison to other organisations with similar profiles.

**NTBCs IN FIGURES**

31 December 2018

- Employment in active NTBCs: 261
- Turnover of active NTBCs (€M): 33.5
- Active sponsored NTBCs: 20
- Partially-owned NTBCs: 12
- Capital attracted (€M): 3.9

The survival rate of TECNALIA’s NTBCs 5 years after their establishment is of 90%, compared to the 50% of European NTBCs.

**PATENTS**

The success rate for TECNALIA in EPO/PCT applications granted is 95%.
| Industry 4.0, a Reality at Tecnalia |

At the BIMEX BILBAO, we showed the fusion between physical and digital reality at the service of Industry 4.0 through a scale model of a plant and its digital twin. In the last two years, we have worked together with over 100 companies, especially SMEs, on R&D projects based on digital transformation. We also displayed examples of these solutions which are already in use, to achieve zero-defect products, increase process efficiency, optimise resource and energy consumption, or maximise safety in industrial environments.

**Developing a Robot for the U.S.**

We have designed a remotely operated robot system for the Idaho National Laboratory (INL), the leader in radioactive material research in the U.S. A robot, suitable to work in radiological environments, is a secure and agile technological solution for remote handling of parts that increases process productivity. Currently such operations are carried out using mechanical manipulators that are difficult to control, not very intuitive and have limited capacity to guide and move parts between different spaces and tests.

**Recognition for Tecnalia Researchers**

The Basque Government has acknowledged the good work done by Yolanda de Miguel, Joshua Manuel Pérez, Ander Ramos and Eider Robles, not to mention their enthusiasm, dedication and contribution to making their centre more and more excellent. Prior to the public recognition event, the researchers were invited to a private meeting with the Basque premier, along with 17 other researchers from other Tecnalia Technical Centres and Co-operative Research Centres who had also been honoured. Tecnalia is very proud that four of its researchers have been recognised for their research excellence and for their contribution to social and economic development.

**Ecomaterials for Healthier Buildings**

In 2018, VISESA (Public Company owned by the Basque Government), launched the first marine floating laboratory project in Europe in an offshore real environment. HarshLab1.0 opened in the port of Barme in June, started operating in September, and is now working at full capacity. The laboratory was towed to Bilbao marine energy testing area in Ametzia (at a depth of 65 m) and battered by strong waves. With a diameter of five metres and weighing 10 tonnes, this infrastructure, designed and built to assess exposure of materials and components in a real offshore environment, is capable of housing up to 75% samples of materials and components in these exposure areas: atmospheric, splash and immersion.

**2018 Milestones**

**The First Marine Floating Laboratory in Europe in an offshore Real Environment**

**Zinemaldea & Technology**

In 2018, coinciding with San Sebastián Cinema Festival and jointly with PETRONOR, we launched a new event to showcase new technological breakthrough, possible applications and opportunities which are generated both in the field of creation and the audiovisual industry business. We showed technologies such as Blackchip, Virtual and Mixed Reality, Neurotechnology or Language technologies which are being incorporated into the film industry, creating a different narrative and new business opportunities. After this successful experience, in 2019 we will also be supporting Zinemaldea Startup Challenge: i.e. a competition of business projects based on new technologies for the audiovisual sector.

**Smart Mobility**

We are committed to electrification and driving automation to foster the competitiveness of automation and mobility companies, developing new smart systems to achieve safe efficient driving. An example of this is the hybrid electric micro bus developed by REPSOL, LANCOR, INFARION, MASEROMIC and CIE AUTOMOTIVE, with Tecnalia as a technological partner. This vehicle weighs more than 5,500 kilograms combines the electric motor with the use of the fuel motor to charge the batteries whilst driving.

**Ecomaterials for Healthier Buildings**

In 2018, VISESA (Public Company owned by the Basque Government), launched the first building phased with "ecomaterials" to create healthier buildings in the Murtz district of Donostia-San Sebastián. These new materials, with more than 60% of them deriving from natural and renewable raw materials, have a dual purpose: increase the air quality inside the buildings; and foster thermal insulation, which allows for energy savings of up to 20%. The greater durability of "ecomaterials" will avoid repairs and extend the useful life of buildings by 20%.

**Developing a Robot for the U.S.**

The Basque Government has acknowledged the good work done by Yolanda de Miguel, Joshua Manuel Pérez, Ander Ramos and Eider Robles, not to mention their enthusiasm, dedication and contribution to making their centre more and more excellent. Prior to the public recognition event, the researchers were invited to a private meeting with the Basque premier, along with 17 other researchers from other Tecnalia Technical Centres and Co-operative Research Centres who had also been honoured. Tecnalia is very proud that four of its researchers have been recognised for their research excellence and for their contribution to social and economic development.

**Lead Participation with Companies in H2020**

During the five years of the EC HORIZON 2020 programme operation, Tecnalia has consolidated itself as the 1st private organisation in Spain in project contracting, participation and leadership. During this period we have attracted 228 projects in total, leading 47 of them and obtaining contracts worth €302 million. In these projects, Tecnalia collaborated with 89 Basque companies and 145 from the rest of Spain.