TEKNIA MANUFACTURING GROUP, S.L.U.

(established and incorporated in Spain pursuant to the Capital Companies Act)

Maximum outstanding balance of €30,000,000
Commercial Paper Programme Teknia 2022

BASE INFORMATION MEMORANDUM (*DOCUMENTO BASE INFORMATIVO*) ON THE ADMISSION TO TRADING OF COMMERCIAL PAPER (*PAGARÉS*) ON THE ALTERNATIVE FIXED-INCOME MARKET ("MARF")

TEKNIA MANUFACTURING GROUP, S.L.U. ("**Teknia**" or the "**Issuer**"), a private limited company (*sociedad limitada*) incorporated under the laws of Spain with registered office at Barrio San Agustín, s/n, 48230 Elorrio (Vizcaya), registered in the Commercial Registry of Vizcaya, Volume 3,702, Page 22, Sheet BI-23069, and with Tax Identification Number B-48984090 and LEI code 9598001382GF2BG2PP33, will request the admission (*incorporación*) to trading of commercial paper notes (the "**Commercial Paper**") which will be issued under the "*Commercial Paper Programme Teknia 2022*" (the "**Commercial Paper Program**" or the "**Program**") in accordance with the provisions set out in this Base Information Memorandum (the "**Information Memorandum**") on the Alternative Fixed-Income Market (*Mercado Alternativo de Renta Fija*) ("**MARF**").

This Base Information Memorandum for the admission to trading of the Commercial Paper is the one required in Circular 2/2018, of 4 December, of MARF, on admission (*incorporación*) and removal of securities on the Alternative Fixed-Income Market.

The securities will be represented by book entries at Sociedad de Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. ("**Iberclear**") which, together with its Participating Entities, will be responsible for its accounting record.

An Investment in the Commercial Paper involves certain risks.
Read section 1 of the Information Memorandum on Risk Factors.

MARF has not carried out any kind of verification or testing with regard to this Information Memorandum or with regard to the content of the documentation and information provided by the Issuer in compliance with the abovementioned Circular 2/2018.

The underwriting of the Commercial Paper is solely addressed to qualified investors or professional clients pursuant to article 2.e) of the Prospectus Regulation (2017/1129), article 205 of Royal Legislative Decree 4/2015, of 23 October, by virtue of which the restated text of the Securities Market Act is approved (*Texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*) ("Securities Market Act") and article 39 of Royal Decree 1310/2005, of 4 November, which partially develops Act 24/1988, of 28 July, on the Securities Market, with regard to the admission of securities to trading on official secondary markets, public offerings or subscription and the prospectus required for this purpose (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1998, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*) ("Royal Decree 1310/2005"). No action has been taken in any jurisdiction to permit a public offering of the Commercial Paper or the possession or distribution of the Information Memorandum or any other offering material in any country or jurisdiction where such action is required for said purpose. This Information Memorandum (*Documento Base Informativo de Incorporación*) does not represent a prospectus (*folleto informativo*) approved and registered with the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) ("CNMV"). The subscription of the Commercial Paper does not represent a public offering pursuant to the provisions set out in article 34 of the Securities Market Act, which removes the obligation to approve, register and publish a prospectus at the CNMV.

LEAD ARRANGER
BANKINTER, S.A.

DEALERS
BANKINTER, S.A., BANCA MARCH, S.A. and PKF ATTEST CAPITAL MARKETS A.V., S.A.

PAYING AGENT
BANKINTER, S.A.

REGISTERED ADVISOR
BANCA MARCH, S.A.

The date of this document is 11 February, 2022

IMPORTANT INFORMATION

The potential investor should not base his investment decision on information other than the information contained in this Information Memorandum. The Managers do not take responsibility for the content of this Information Memorandum. The Managers have entered into a collaboration agreement with the Issuer to place the Commercial Paper but neither the Managers nor any other entity has accepted any undertaking to underwrite the Commercial Paper. This is without prejudice to the Managers being able to acquire part of the Commercial Paper in their own name.

NO ACTION HAS BEEN TAKEN IN ANY JURISDICTION TO PERMIT A PUBLIC OFFERING OF THE COMMERCIAL PAPER OR THE POSESSION OR DISTRIBUTION OF THE INFORMATION MEMORANDUM OR ANY OTHER OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE SUCH ACTION IS REQUIRED FOR SAID PURPOSE. THIS DOCUMENT IS NOT TO BE DISTRIBUTED, DIRECT OR INDIRECTLY, IN ANY JURISDICTION WHERE SUCH DISTRIBUTION MAY REPRESENT AN OFFERING. THIS DOCUMENT IS NOT AN OFFER FOR THE SALE OF SECURITIES NOR A REQUEST TO PURCHASE SECURITIES AND THERE IS NO OFFER OF SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER OR SALE IS CONSIDERED CONTRARY TO APPLICABLE LEGISLATION.

PRODUCT GOVERNANCE RULES UNDER MiFID II

THE TARGET MARKET WILL ONLY BE ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS

Exclusively for the purposes of the product approval process to be carried out by each producer, following the assessment of the target market for the Commercial Paper, it has been concluded that: (i) the market to which the Commercial Paper are intended to be issued is solely for "eligible counterparties" and "professional clients" as defined for each of these terms in the Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments and amending Directives 2002/92/EC and 2011/61/EC ("**MiFID II**") and their implementing legislation and (ii) all channels of distribution of the Commercial Paper to eligible counterparties and professional clients are appropriate.

Any person who, after the initial placement of the Commercial Paper, offers, sells, places, recommends or otherwise makes available the Commercial Paper (the "**Distributor**") shall take into account the assessment of the producer's target market. However, any Distributor subject to MiFID II shall be responsible for carrying out its own assessment of the target market with respect to the Commercial Paper, either by applying the evaluation of the target market of the producer or/and to identify appropriate distribution channel.

BAN ON SALES TO RETAIL INVESTORS IN THE EUROPEAN ECONOMIC AREA- PRIIPS REGULATION

The Commercial Paper are not intended for offer, sale or any other form of making available, nor should they be offered, sold to or made available to retail investors in the European Economic Area ("**EEA**"). For these purposes, "retail investor" means a person who meets either or both of the following definitions: (i) a retail customer in the sense of paragraph (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97, where that client would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. As a result, no key information document required by Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of November 26, 2014 (as amended, the “**PRIIPs Regulation**”), for offering or selling the Commercial Paper or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Commercial Paper or otherwise making them available to any retail investor in the EEA, otherwise such activities may be unlawful under the PRIIPs Regulation.

FORWARD-LOOKING STATEMENTS

This Information Memorandum may include statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements include, but are not limited to, statements other than statements of historical facts contained in this Information Memorandum, including, but without limitation, those regarding our future financial condition, results of operations and business, our products, acquisitions, dispositions and finance strategies, our capital expenditure priorities, regulatory or technological developments in the market, subscriber growth and retention rates, potential synergies and cost savings, competitive and economic factors, the maturity of our markets, anticipated cost increases, liquidity and credit risk. These forward-looking statements can be identified by the use of terms such as "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "plan," "potential," "predict," "project," "should," and "will" and similar words used in this Information Memorandum.

By their nature, forward-looking statements are subject to numerous assumptions, risks and uncertainties. Many of these assumptions, risks and uncertainties are beyond our control. Accordingly, actual results may differ materially from those expressed or implied by the forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we operate. We caution readers not to place undue reliance on the statements, which speak only as of the date of this Information Memorandum.

Except as required by law, we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Information Memorandum, to reflect any change in our expectations or any other change in events, conditions or circumstances on which any such statement is based.

Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. Risks and uncertainties that could cause actual results to vary materially from those anticipated in the forward-looking statements included in this Information Memorandum include those described under section 1"Risk Factors" below.

ROUNDING OF FIGURES

Certain figures in this Information Memorandum, including financial, market and certain operating information, have been rounded to make them easier to understand. Accordingly, the sum of the figures shown in a column or row of a table may not add up exactly to the total figure shown for that column or row, and the sum of some figures expressed as a percentage may not add up exactly to the total percentage shown.

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1. RISK FACTORS

An investment in the Commercial Paper is subject to a number of risks. Potential investors should carefully assess the risks described below, together with the remaining information contained in this Information Memorandum, before investing in the Commercial Paper. If any of the risks described below actually materializes, the business, financial condition and operating results of the Issuer, as well as the ability of the Issuer to reimburse the Commercial Paper upon maturity, could be adversely affected and, accordingly, the market price of the Commercial Paper may decrease, resulting in a loss of all or part of any investment made in the Commercial Paper.

The Issuer believes that the following factors represent the main or material risks inherent to the investment in the Commercial Paper, however default in payment of the Commercial Paper at maturity may be due to other unknown or unforeseen factors. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any of such contingencies occurring, and the order given does not necessarily reflect a degree of importance or likelihood of occurrence of the same. The Issuer does not state that the factors described below are exhaustive and it is possible that the risks and uncertainties described may not be the only ones the Issuer faces. Additional risks and uncertainties currently unknown or considered immaterial alone or jointly with others (either identified in the present Information Memorandum or not) may have a material adverse effect on the business, financial condition and operating results of the Issuer, as well as on the ability of the Issuer to reimburse the Commercial Paper upon maturity, resulting in a loss of all or part of any investment made in the Commercial Paper.

1.1 Essential information on the main specific risks regarding the Issuer or its sector of activity

The main specific risks of the Issuer or its sector of activity are the following:

A) Risks related to the Issuer’s industry and business

1. ***The automotive industry is cyclical, and cyclical downturns in our business segments negatively impact our business, financial position, results of operations, and cash flows***

The volume of automotive production and the level of new vehicle purchases are cyclical and fluctuate, sometimes significantly year-on-year. These fluctuations are caused by several factors, such as general economic conditions, interest rates, consumer confidence, patterns of consumer spending, fuel costs, and the automobile replacement cycle. Such fluctuations give rise to changes in demand for our products and may have a significant adverse impact on our results of operations. Additionally, TIER 2 customers commit to purchasing minimum quantities from their suppliers, but since the economic crisis, their budget gaps have increased. As our business has certain fixed costs that must be met regardless of product demand, cyclical downturns can further affect the results of our operations.

The highly cyclical and fluctuating nature of the automotive industry presents a risk that is beyond our control and that cannot be accurately predicted. Moreover, several number of factors that we cannot anticipate could, and have had, cyclical effects in the past. Decreases in demand for automobiles generally, or in the demand for automobiles that use our products specifically, could materially and adversely affect our business, financial position, the results of operations, and cash flows.

In addition, the automotive industry is involved in an uncertainty stage due to Diesel regulations and the Electric Vehicle (EV) future. These factors could carry potential lower order volumes demand from customers.

2. ***Our business is primarily contingent upon the automotive industry, which is affected by global economic conditions and geopolitical considerations***

A significant economic downturn could have a material adverse effect on our business. Continued concerns about the systemic impact of a potential long-term wide-spread recession, energy costs (including the recent volatility in oil prices), the availability and cost of credit, diminished business and consumer confidence, and increased persistent unemployment in Europe have contributed to a rise in market volatility and lower expectations for Western and emerging economies.

In this regard, the global shortage of semiconductors has directly affected the entire supply chain of to the automotive sector and its effects have largely conditioned the results of 2021 financial results.

In addition, the current COVID-19 pandemic has continued negatively impacting the economic environment of the main automotive markets, with a significant contraction in demand in the short term, deteriorating the growth estimated for the players in the sector for 2021.

Any increased financial instability may lead to longer-term disruptions in the credit markets, which could impact our customers' ability to obtain financing for their businesses at reasonable prices and could impact their customers when seeking financing for automobile purchases. Our TIER 1 and OEMs customers typically require significant financing for their respective businesses. Our suppliers, as well as the other players that supply our customers, may face similar difficulties in obtaining financing for their businesses.

If capital is not available to our customers and suppliers, or if its cost is prohibitively high, their businesses would be negatively impacted. Any such negative impact, in turn, could have an adverse material impact on our Company, either through the loss of revenues to any of our customers so affected, or due to our inability to meet our commitments without excess expense resulting from disruptions in supply caused by the suppliers so affected. Financial difficulties experienced by any major customer could have a material adverse impact on us if such customer i) were unable to pay for the products we provide, ii) materially reduced its capital expenditure, and resulting demand for, new product lines, or iii) we otherwise experienced a loss of, or material reduction in, business from such customer.

Additionally, protectionist pressures have been rising worldwide, as signaled by policy statements and opinion polls, as well as by recent developments in multilateral, regional and bilateral trade negotiations.

The risk of a resurgence of protectionism in the aftermath of the financial crisis should not be neglected. A resurgence of trade protectionism would not only significantly impair the global recovery process by further hampering trade flows and global demand, but it would also reduce the global growth potential in the long run.

As a result of such difficulties, we could experience lost revenues, significant write-offs of accounts receivable, significant impairment charges, or additional restructurings beyond the steps taken to date.

3. We operate in a very competitive business environment

Despite the industry's entry barriers, there are a variety of competing actors who are reduced to local players in the presence of global suppliers. Each has its competitive advantages, and the goal is to continue to grow, pro-market in the case of emerging countries, or at the expense of competitors in more mature markets. This implies that we must maintain very high standards of quality, engineering, research and development, logistics, costs and financial solvency.

4. Limited international positioning

The segment of second-tier suppliers has the characteristic of operating as a link between two large sectors: commodities suppliers (as suppliers) and 'Tier 1' suppliers and OEMs as customers. These segments are also more mature and with higher level of concentration. In this competitive environment there are large multinational companies of large size and influence in the economy which have a high bargaining power over Tier 2 companies. The Company is gradually increasing its international footprint and getting strategic position in certain markets and products. Nevertheless, sometimes the Company could be in a weak negotiation position that could negatively impact in results of operations and cash flows.

5. A significant decline in business with our key customers could adversely affect our business, financial position, and the results of operations

Although we supply our products to several leading automobile manufacturers, as is common in our industry we depend on certain large-value customers for a significant proportion of our revenues. For example, 2020's total annual sales - BOSCH 22%, CONTINENTAL 7%, VALEO 7%, GM 5%, AUTOLIV 5%, ZF 4%, VW GROUP 4% and BROSE 4% - would represent 58% of the revenue. The loss of all or a substantial portion of our sales to any of our large-volume customers could have a material adverse effect on our business, financial position, or the results of operations, by reducing cash flows and limiting our ability to spread our fixed costs over a larger revenue base. We may make fewer sales to these customers for a variety of reasons, including, but not limited to:

- Loss of awarded business;
- Reduced or delayed customer requirements;
- TIER 2s sourcing business traditionally outsourced to us;

- Strikes or other work stoppages affecting our customers' production;
- Bankruptcy or insolvency of a customer; or
- Reduced demand for our final customers' products.

6. ***We are dependent on the ability to obtain and maintain sufficient capital financing, including working capital lines and credit insurance, which impacts the liquidity and financial position of all players***

Our working capital requirements can vary significantly, depending in part on the level, variability and timing of our customers' worldwide vehicle production and the payment terms with our customers and suppliers.

Moreover, if our suppliers were to suspend normal trade credit terms and require payment in advance or payment on delivery. If our available cash flows from operations are not sufficient to fund our ongoing cash needs, we would be required to look to our cash balances and availability for borrowings under our credit facilities to satisfy those needs, as well as potential sources of additional capital, which may not be available on satisfactory terms and in adequate amounts, if at all.

There can be no assurance that we, our customers, and our suppliers will continue to have such ability. This may increase the risk that we will be unable to produce our products or will have to pay higher prices for our inputs. These higher prices may not be recovered in our sales prices.

Our suppliers often seek to obtain credit insurance based on the strength of the financial position of our subsidiary with the payment obligation, which may be less robust than our consolidated financial position.

Access to funding could also be adversely impacted as Central Banks around the world begin to withdraw liquidity from global markets because of the improving growth and higher inflation expectations.

If we were to experience liquidity issues, our suppliers may not be able to obtain credit insurance and, in turn, would likely not be able to offer us the payment terms we have received historically. Our failure to receive such terms from our suppliers could have a material adverse effect on our liquidity.

7. ***Risk of loss of key personnel***

We have a management team with a substantial amount of expertise in the automotive industry. The departure of key members of management could result in the loss of valuable know-how and/or less or unsuccessful implementation of strategies.

8. ***Risk linked with post-merger integration and synergies of the companies acquired***

We have made strategic acquisitions and divestitures and may consider or undertake further acquisitions in the future. We may also consider or undertake strategic divestitures when they are aligned with our strategy.

However, we may not be able to identify suitable acquisition candidates in the future or may not be able to close acquisitions on favorable terms. We may lack sufficient management, financial and other resources to successfully integrate future acquisitions or to ensure that such future acquisitions will perform as planned or prove to be beneficial to our operations. We may not be offered suitable terms, including price, for the divestitures we wish to make. Acquisitions and divestitures involve numerous other risks, business concerns, undisclosed risks impacting the target, and potential adverse effects on existing business relationships with current customers and suppliers. In addition, any acquisitions or divestitures could affect our financial position, cash flow or create dilution for our stockholders. In certain transactions, our acquisition analysis includes assumptions regarding the consolidation of operations and improved operating cost structures for combined operations. Such synergies or benefits may not be achieved according to the anticipated schedule or in the anticipated amount, if at all. Any future acquisitions may result in significant transaction expenses, unexpected liabilities, and risks associated with entering new markets, in addition to integration and consolidation risks.

As a result of our acquisitions or divestments, we may assume continuing obligations, deferred payments, and liabilities. Any past or future acquisitions may result in exposure to third parties for liabilities, such as liability for faulty work done by the acquired business, and liability of the acquired business or assets that may or may not be adequately covered by insurance or by indemnification, if any, from the former owners of the acquired business or assets. In connection with divestitures, we may remain exposed to the buyer for tax or environmental purposes, or other liabilities of the divested business.

The occurrence of any of these liabilities could have a material adverse effect on our business and the results of operations.

9. *We base our strategy on investing substantial resources in markets where we expect growth and take the time to alter this strategy in case expectations are not realized*

Our future growth is dependent on us making the right investments at the right time to support product development and manufacturing capacity in areas where we can support our customer base, or we can gain market share in some of our strategic products. We have identified certain markets, including NAFTA, ASIA, Turkey, Japan and PACIFIC AREA, as key markets where we are likely to experience substantial growth, and accordingly have made, and expect to continue making, substantial investments, both directly and through participation in various partnerships and joint ventures to support anticipated growth in those regions. If we are unable to expand customer demand in these regions, we may not only fail to achieve the expected rates of return on our existing investments, but we may incur losses on such investments and be unable to redeploy the invested capital in a timely manner to take advantage of other markets, potentially resulting in lost market share. Our results will also suffer if these regions do not grow as quickly as we anticipate.

10. *Other risks of doing business in foreign countries*

International operations are subject to various risks that could have a material adverse effect on those operations and our business as a whole, including but not limited to:

- Exposure to local economic and social conditions, including logistical and communication challenges;
- Exposure to local political conditions;
- Exposure to local public health issues and the resulting impact on economic and political conditions;
- Exposure to potentially undeveloped legal systems, which make it difficult to enforce contractual rights; and exposure to potentially adverse changes in laws and regulatory practices;
- Exposure to local tax requirements and obligations;
- Foreign currency exchange rate fluctuations and currency controls;
- Greater risk of uncontrollable accounts and longer collection cycles;
- The necessity of foreign representatives and/or consultants;

- The risk of government sponsored competition;
- The difficulty of managing and operating an enterprise spread over various countries;
- Controls on the repatriation of cash, including the imposition or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries; and
- Export and import restrictions.

11. ***Our success depends in part on our ability to leverage our engineering capabilities, as well as research and development initiatives to pursue new business opportunities***

Typically, the terms and conditions of the agreements with our customers include a commitment regarding minimum purchase volumes from us. However, such contracts routinely state that customers have the contractual right to unilaterally terminate our contracts with them with no notice or limited notice. If such contracts are terminated by our customers, our ability to obtain compensation from our customers for such termination is generally limited to the direct out-of-pocket costs that we incur for materials, works-in-progress, and in certain instances, underappreciated capital expenditures and tooling. Further, there is no guarantee that our customers will renew their purchase orders with us. We cannot assure you that the results of our operations will not be materially and adversely impacted in the future if we are unable to realize revenues from our awarded business, if our customers cancel the awarded business or if our customers fail to renew their contracts with us.

12. ***Infringement of intellectual property license rights and the failure to protect the Group's intellectual property may adversely affect our business***

We believe that we either own or may validly use all of the intellectual and industrial property rights required for our business operations, and that we have taken all reasonable measures to protect our rights or obtain warranties from the owners of third party rights. However, we cannot rule out the risk that our intellectual and industrial property rights may be disputed by a third party on the grounds of pre-existing rights or for any other reason. Furthermore, for countries outside of Europe and North America, we cannot be sure of holding or obtaining intellectual and industrial property rights that offer the same level of protection as those in Europe and North America.

13. ***We may not realize all of the sales expected from our entire order backlog***

Although not a common occurrence, occasionally some projects in the backlog do not end in production and sales. This may be due to different reasons: i) projected drop in vehicle sales, ii) changes in strategic production decisions, iii) faulty planning and design tools, and iv) other unforeseen circumstances. At the same time, investment in productive capacity can be made before any changes in the production schedule, resulting in poorly sized assets.

Moreover, during the industrialization process of an order (usually 6-18 months), we may realise the infeasibility of the project. In the majority of cases, this is discussed and resolved with the customer and with the appropriate joint actions. In other cases, however, we have to decide cease production on the project.

All these circumstances may cause a decline in sales compared with the provisions and the profitability of the Company.

14. ***Increases in labour costs, potential labour disputes and work stoppages at our facilities and the facilities of our suppliers or customers could materially adversely affect our financial performance***

We have specific exposure to labour strikes at our companies, mainly in international operations. If major work disruptions involving our employees were to occur, our business could be adversely affected by a variety of factors, including a loss of revenues, increased costs and reduced profitability. We cannot assure that we will not experience a material labour disruption at one or more of our facilities in the future. We cannot guarantee that we will be able to successfully extend or renegotiate our collective bargaining agreements as they expire from time to time. If we fail to extend or renegotiate any of our collective bargaining agreements or are only able to renegotiate them on terms that are less favourable to us, we may need to incur additional costs, which could have a material adverse effect on our business, financial position, and the results of operations.

Furthermore, many of the manufacturing facilities of our customers and suppliers are unionized and are also subject to the risk of labour disruptions. A significant labour disruption could lead to a lengthy shutdown of our customers’ or our suppliers’ production lines, which could have a material adverse effect on our operations and profitability.

15. ***Our business is subject to environmental, health and safety laws and regulations, and our ongoing operations may expose us to related liabilities***

The nature of our operations subjects us to various statutory compliance and litigation risks under health, safety and employment laws. Although we make continuous efforts to comply with regulations, we cannot guarantee that there will be no accidents or incidents suffered by our employees, our contractors, or other third parties on our sites. If any of these incidents occur, we could be subject to prosecution and litigation, which may lead to the imposition of fines, penalties, and other damages, and may harm our reputation. Such events could have a material adverse effect on our business, financial position, and operational results.

16. ***Delivery interruptions of raw materials or components, or an increase in prices could impact our manufacturing process***

We depend on regular deliveries from particular suppliers of components and raw materials. The foregoing means that interruptions or stoppages in such deliveries could materially and adversely affect our operations until an alternative is found. In addition, we may not be able to find acceptable alternatives, and any such alternatives could result in increased costs and potential losses on certain contracts. Even if acceptable alternatives are found, the process of locating and securing such alternatives might be disruptive to our business and might lead to the termination of supply agreements with our customers.

If any of our suppliers fail or refuse to deliver materials to us for an extended period of time, or if we are unable to negotiate acceptable terms for the supply of materials with these or alternative suppliers, our business could suffer. We may not be able to find acceptable alternatives, and any such alternatives could result in increased costs and potential losses on certain contracts. Even if acceptable alternatives are found, the process of locating and securing such alternatives might be disruptive to our business and might lead to the termination of supply agreements with our customers.

We depend on the ability of our suppliers to provide materials and components that meet our customers' technical specifications, quality standards, and delivery schedules.

17. ***Our operations depend on our ability to maintain continual, uninterrupted production at our manufacturing facilities, as well as the continual, uninterrupted performance of our information technology ("IT") system***

Like any industrial society, the maintenance of production equipment is essential for the proper functioning of the business. This investment requires dedication and funding. However, we cannot guarantee that our efforts can prevent any event that could result in production problems.

On the other hand, the increasingly intense need for better management/production information systems is a key business element. Moreover, many customers require us to share information systems (Case EDI) with commercial, technical, and logistics areas. Teknia is investing in IT systems and implementing an adequate Enterprise Resource Planning ("**ERP**") throughout the Group to ensure the quality and easy management of the information.

If any of these key elements suffers a loss, it could cause problems in the production and shipping of parts and therefore affect profitability.

18. ***Product liability claims and recall costs could harm profitability and damage our reputation***

We face an inherent business risk of exposure to product liability claims in the event of the failure of our products to perform to specifications, or if our products are alleged to result in property damage, bodily injury or death. We are generally required under our customer contracts to indemnify our customers for product liability claims concerning our products. Accordingly, we may be materially and adversely impacted by product liability claims.

If any of our products are, or are alleged to be, defective, we may be required to participate in a recall involving those products. In addition, our customers demand that we bear the cost of the repair and replacement of defective products, which are either covered under warranty or are the subject of a recall.

Warranty provisions are established based on our best estimate of the amounts necessary to settle existing or probable claims on product defect issues. Recall costs are costs incurred when government regulators or our customers decide to recall a product due to a known or suspected performance issue and we are required to participate either voluntarily or involuntarily. Currently, under most customer agreements, we only account for existing or probable warranty claims. We have no warranty and recall data that allows us to establish accurate estimates of, or provisions for, future warranty or recall costs relating to new products, assembly programs, or technologies being brought into production. In addition, our insurance covering product recalls is limited in amount and coverage. The obligation to repair or replace such products could have a material adverse effect on our profitability and financial position.

A decrease in the actual and perceived quality of our products could damage our image and reputation, as well as the image and reputation of one or more of our brands. Defective products could result in loss of sales, loss of customers and loss of market acceptance. In turn, any major defect in one of our products could also have a material adverse effect on our reputation and market perception, which in turn could have an adverse effect on our sales and the results of our operations.

19. Increased capital expenditure requirements for our ongoing operations will consume cash from our operations and borrowings

Our ability to undertake such operational and maintenance measures largely depends on the cash flow from our operations and our access to capital. We intend to continue to fund our cash needs through cash flows from operations. However, there may be unforeseen capital expenditure needs for which we may not have adequate capital. The timing of capital expenditures may also cause fluctuations in our operational results.

20. Our inability to offset price concessions or additional costs from our customers could negatively impact our profitability

We face continual pricing pressure, in addition to pressures to absorb costs related to product design and engineering, as well as other items previously paid for directly by TIER 1, such as tooling. Typically, in line with our industry practice, our customers benefit from price reductions during the lifecycle of a contract. We expect to offset these price concessions by achieving production efficiencies; however, we cannot guarantee that we will do so. If we fail to achieve production efficiencies that fully offset price concessions or do not otherwise offset such price concessions, our profitability and the results of our operations could be adversely affected.

21. Shareholding concentration situation

The Company has an ownership structure concentrated on one partner (and founder) almost since its inception. This situation limits the ability, if necessary, to obtain funds from shareholders in a hypothetical distress situation. The Company also faces the usual risks associated with a possible succession process. Although it is not close in time, it could rush in case of an event or incident. It could distract the management, the shareholders, and impact negatively in strategic targets of the Company, and therefore, in the growth, results and cash flows generation.

22. The value of our deferred tax assets could become impaired, which may materially and adversely affect our operating results

The deferred tax assets included as of December 2020 are related with net operating loss carry forwards and non-used tax deductions that can be used to offset taxable income in future periods and reduce the income taxes payable in those future periods. Our ability to utilize our net operating loss carry forwards may be limited or delayed. We periodically determine the probability of the realization of deferred tax assets, using significant judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings, and tax planning strategies. If we determine in the future that there is not sufficient evidence to support the valuation of these assets, due to the factors described above or other factors, we may be required to adjust the valuation allowance to reduce our deferred tax assets. Such a reduction could result in material non-cash expenses in the period during which the valuation allowance is adjusted and could have a material adverse effect on the results of our operations. In addition, adverse changes in the underlying profitability and financial outlook of our operations in several foreign jurisdictions could lead to changes in our valuation allowances against deferred tax assets and other tax accruals that could adversely affect our financial results.

Finally, the Company and some of its Spanish subsidiaries and holding companies form a tax group subject to the special tax consolidation regime for corporate income tax purposes. If, for whatever reason, the consolidated tax regime were forfeited or the tax group extinguished, the right to offset the tax loss carry forwards and use the tax credits of the tax group would be assigned to the companies that generated them. This could limit the ability of the companies to effectively make use of these deferred tax assets and that could adversely affect our financial results.

23. *Our profitability may be adversely affected by our inability to utilize tax losses in certain jurisdictions*

We have incurred losses in some countries in which we may not be able to partially offset against income we have earned therein. In some cases, we may not be able to utilize these losses at all if we cannot generate profits in those countries or if we have ceased conducting business in those countries altogether. Our inability to utilize material tax losses could materially and adversely affect our profitability. At any given time, we may face other tax exposures arising from changes in tax laws, tax reassessments or otherwise. To the extent that we cannot implement measures to offset these exposures, they may have a material adverse effect on our profitability.

This could limit the ability of the companies to effectively make use of these deferred tax assets and that could adversely affect our financial results.

24. *We are subject to a complex local and international tax environment that often requires us to make subjective determinations (i.e. Transfer pricing, international and local laws, regulations and criteria)*

We are subject to many different forms of taxation including but not limited to income tax, value added tax, and other payroll-related taxes. Tax law and administration is complex and often requires us to make subjective determinations. The tax authorities may not agree with the determinations that we make with respect to the application of tax law. Such disagreements could result in lengthy legal disputes and, ultimately, in the payment of substantial amounts of tax, interest, and penalties, which could have a material effect on the results of our operations.

25. *At certain times, we may not be adequately insured*

We currently have insurance arrangements in place for products and public liability, property damage, business interruption (including for sudden and unexpected environmental damage). However, these insurance policies may not cover losses or damages resulting from the materialization of any of the risks we are subject to. Furthermore, significant increases in insurance premiums could reduce our cash flow. It is also possible that, in the future, insurance providers may no longer wish to insure businesses in our industry against certain environmental occurrences.

26. Significant changes in laws and governmental regulations could have an adverse impact in our profitability

The legal, regulatory, and industry standard environment in our principal markets is complex and dynamic, and future changes to the laws, regulations and market practices concerning, for example, CO_2 emissions and safety tests and protocols, could have an adverse effect on the products we produce and our profitability. Additionally, we could be adversely affected by changes in taxation or other laws and jurisprudence which impose additional costs on automobile manufacturers or consumers, or more stringent fuel economy and emissions requirements on manufacturers from which we derive some of our sales.

***27.* The Issuer´s activity is subject to uncertainty in the global economic context.**

The global economy and financial system are experiencing a period of uncertainty and turbulence. The persistent pressure on the sustainability of government finances in advanced economies has led to strong tensions in credit markets. A new or further escalation of the crises in the Eurozone could impair the Issuer’s ability to refinance its maturing debt.

28. Uncertainty caused by the crisis resulting from COVID-19

On 30 January 2020, the World Health Organization (WHO) declared that the officially named coronavirus Covid-19 outbreak constituted a public health emergency of international concern. This novel coronavirus (SARS-CoV-2) and related respiratory disease (coronavirus disease Covid-19) has spread throughout the world, including the Kingdom of Spain. The WHO categorized this situation as a global pandemic on March 11, 2020 due to its quick expansion and its devastating effects on human health. This outbreak has led to disruptions in the economies of nations, resulting in restrictions on travel, imposition of quarantines and prolonged closures of workplaces. The majority of these measures have been gradually lifted or partially relaxed, especially in Europe, from June 2020. However, a second lockdown was imposed from early November 2020 onwards in order to address the negative effects of the second wave of the COVID-19 pandemic. Governments, monetary authorities and regulators have also taken actions to support the economy and financial system, including taking fiscal and monetary measures to increase liquidity and support incomes, and regulatory actions in respect of financial institutions.

These circumstances have led to volatility in the capital markets and may lead to volatility in or disruption of the credit markets at any time. The full impact of the outbreak and the resulting temporary precautionary measures on business operations, particularly for the travel, financial services and professional services industries, manufacturing facilities and supply chains remains to be seen, what could influence on the business model and results of the Issuer. We cannot predict the time that it will take to recover from the disruptions derived from Covid-19 or any similar future outbreak.

Any quarantines or spread of viruses may affect in particular: (i) the Issuer potential clients' economical capacity which may consequently adversely affect the Issuer's capacity to carry out its business as usual; (ii) the mobility restrictions may cause a decrease in demand for automobiles; (iii) the delays by suppliers in the supply of materials, especially commodities, may adversely affect the Issuer's production capacity; and (iv) the market value of the Commercial Paper Notes. In addition, if the current lockdowns continue over time or if further lockdowns take place in the future, the demand for vehicles could be significantly affected, as well as cause stress in Teknia's supply chain.

If the Covid-19 pandemic is prolonged, worsens or there are further outbreaks of the pandemic, or other diseases emerge that give rise to similar effects, this could have a further adverse impact on the global economy and/or financial markets and, in turn, adversely impact the Group.

As regards current 2022 financial year, it is extremely difficult to predict the impact of the pandemic at both national and regional level, as it will depend to a large extent on the success of the various vaccination campaigns already being implemented and the speed with which a high percentage of the population is vaccinated, and on whether these vaccines provide immunity against the various strains of Covid-19, both those already known and others yet to emerge where appropriate. But it is important to note that the European Commission forecasts for Spain updated as of November 2021 already point to a potential GDP growth of 5.5% for 2022[1] and a potential GDP growth of 4.3% for EU[2].

29. Terrorism, other acts of violence, wars or political changes in geographic areas where we operate may affect our business and results

Terrorism, other acts of violence, or war may negatively affect our business and the results of our operations. There can be no assurance that there will not be terrorist attacks or violent acts that may directly affect us, our customers, or partners. In addition, political changes in certain geographical areas where we operate may affect our business and the results of operations. Any of these occurrences could cause a significant disruption in our business and could adversely affect our business operations, financial position, and operational results.

- <u>Risk arising from United States' commercial restrictions</u>

The economic growth of several countries may slow due to weakened exports as well as recent developments in connection with trade-war the United States.

Since April 2018, the United States has imposed tariffs on steel and aluminum imports from China. On June 2, 2018, President Donald Trump extended these tariffs to the European Union, Mexico and Canada. These countries responded with similarly sized tariffs on United States' products.

For many months, US and China have been embroiled in countless back-and-forth negotiations, introducing foreign technology restrictions to each other and fighting several WTO cases. This situation has led to US-China trade tensions to the brink of a full-blown trade war.

Finally, on January 15, 2020, the Phase One Deal was signed, which officially agreed to the rollback of tariffs, expansion of trade purchases and renewed commitments on intellectual property, technology transfer and currency practices.

While certain of these tariffs have been eased as a result of the Phase One Deal between the U.S. and China in 2020 and bilateral agreements between the U.S. and other countries, overall tariffs covering U.S. trade remain materially higher than before 2018. While the currently implemented tariffs largely do not cover

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[1] Source: https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-performance-country/spain/economic-forecast-spain_es

[2] Source: https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-performance-country/eu_es

items transported by air, an escalation of trade disputes may impact other products that are transported by air. An increase in trade tensions, retaliatory measures and other trade barriers, including as a result of the COVID-19 pandemic, could reduce and disrupt the flow of international trade and adversely affect global markets more generally. We cannot predict the effect of such trade escalations, and it is unclear how supply chains may change as a result of trade barriers and a reduction in trade volumes.

Despite the above, the impact that the trade war may have had on the economy and the steel industry are uncertain. In these circumstances, many of the risks faced by the automotive industry and our business could intensify, which could have a material adverse effect on our business, financial condition, results of operations and cash flows as well as negatively impact our access to, and cost of, capital.

- <u>Continuing uncertainties and challenging political conditions in the European economy and the euro could intensify the risks faced by the automotive industry and our business, which could have a material adverse effect on our operations, financial condition and profitability</u>.

In 2014, the euro zone turned the corner from recession to recovery, although the legacy of the crisis could continue to impact on economic growth. In 2015 the economic recovery was resilient and widespread across Member States, but growth, however, remained slow. The impact of the positive factors faced, while new challenges appeared, such as the slowdown in emerging market economies and global trade and persisting geopolitical tensions. Furthermore, certain forces emerged in 2016 and subsequently in 2017, 2018 and 2019 which negatively affected the global economic outlook, such as the following: the 23 June 2016 UK referendum in favour of leaving the European Union (Brexit), which resulted in the notice under Article 50 of the Treaty on European Union being filed on 29 March 2017; the ongoing trade war between China and the US; the adjustment of commodity exporters to a decline in world trade; demographic trends and slower growth in productivity; as well as other political and geopolitical risks.

The global economy enters 2022 in a weaker position than previously expected. As the new Omicron COVID-19 variant spreads, countries have reimposed mobility restrictions. Rising energy prices and supply disruptions have resulted in higher and more broad-based inflation than anticipated, notably in the United States and many emerging market and developing economies. The ongoing retrenchment of China's real estate sector and slower-than-expected recovery of private consumption also have limited growth prospects. Global growth is expected to moderate from 5.9 in 2021 to 4.4 percent in 2022 (Source: International Monetary Fund, World Economic Outlook, January 2022). The EU economy is rebounding from the pandemic recession faster than expected. Households responded to the improving epidemiological situation and the gradual relaxation of containment measures with a spending spree that propelled EU private consumption growth to 3.3% q-o-q (3.5% in the euro area) in the second quarter of 2021. The Autumn 2021 Economic Forecast projects that, despite mounting headwinds, the EU economy is projected to keep expanding over the forecast horizon. Most Member States are expected to reach the pre-pandemic volume of output by the end of 2021, while a few others will fully recover in 2022. (Source: European Commission, Autumn 2021 European Economic Forecast).

Future developments may continue to be dependent upon a number of political and economic factors, including the effectiveness of measures by the European Central Bank and the European Commission to address debt burdens of certain countries in Europe and the continued stability of the Eurozone. Despite our global presence, the Eurozone is a significant market for our business, and adverse economic effects within the Eurozone could have a material adverse impact on our cash flows, financial condition and results of operations.

Concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual member states of the Eurozone. These concerns could lead to the exit of one or more countries from the Eurozone and the reintroduction of national currencies in the affected countries.

These and other potential developments, or market perceptions concerning these and related issues, could have adverse consequences for us with respect to our outstanding debt obligations that are euro-denominated and, as we have a substantial amount of debt denominated in euro, our financial condition may be materially affected.

The financial market disruption that would likely accompany any such redenomination event could have a material adverse impact on our operations. Furthermore, any redenomination event would likely be accompanied by significant economic dislocation, particularly within the Eurozone countries, which in turn could have an adverse impact on demand for our services and, accordingly, on our revenue and cash flows. Moreover, any changes from euro to non-euro currencies within the countries in which we operate may impact our billing and other financial systems. In light of the significant exposure that we have to the euro through our euro-denominated cash balances and cash flows, a redenomination event could have a material adverse impact on our cash flows, financial condition and results of operations.

In these circumstances, many of the risks faced by the automotive industry and our business could intensify, which could have a material adverse effect on our business, financial condition, results of operations and cash flows as well as negatively impact our access to, and cost of, capital.

- <u>Risk arising from voluntary exit by the United Kingdom from the European Union - Brexit</u>

The agreement of the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (2019/C 384 I/01) entered into force on 31 January 2020 and the United Kingdom is no longer an EU member state. On that date started a transition period which ended on 31 December 2020.

On the 24 December 2020 the UK government and the EU entered into a trade and co-operation agreement (TCA) setting out the principles governing the future EU/UK relationship. Under the TCA the UK is a “third country”. The TCA has been ratified by the UK, but remains only provisionally applied in the EU, subject to ratification by the European Parliament. It is not currently possible to determine the impact of the TCA on the Issuer and/or any other member of the Group.

While it is difficult to predict the effect of Brexit on the European and global economy, uncertainty regarding new or modified arrangements between the United Kingdom and the European Union could have a material adverse effect on the buying behavior of commercial and individual customers. There could be further calls for other governments of other European Union Member States to consider withdrawal from the European Union. Such developments, or the perception that any such developments could occur, could have a material adverse effect on global economic conditions and the stability of the global economy.

- <u>Risk arising from economic downturn and political instability in Spain</u>

Despite our global presence, Spain is still a significant market for our business, representing 50% of the aggregated turnover (in origin), although more than 70% are exports as final destination in 2020. While Spain’s economy has been gradually improving since 2013, Spain experienced a significant economic downturn between 2008 and 2012.

Spain has been among the economies most affected since the onset of the pandemic. In the final stretch of 2021, the buoyancy of economic activity is expected to ease owing to the squeeze on household and business income induced by higher costs and prices and by the persistence of bottlenecks in some productive processes. It is estimated that the influence of these factors will moderate over the course of the coming year. In 2021, output is, on the latest estimates, expected to grow by 4.5%. In 2022, GDP will accelerate to

5.4%, enabling the pre-crisis level to be resumed towards the start of 2023 (Source: Bank of Spain, quarterly report on the Spanish economy overview, 4/2021). In addition, the abovementioned projections, Spain's macroeconomic outlook could be affected downwards by the ongoing political situation. There is also a risk associated to certain emerging economies, which might not be able to rebalance their economies and, therefore, negatively impact the Issuer's activities in these countries.

The political instability in Catalonia could negatively affect the activity, business, financial situation and results of the Issuer or its Group, and its customers and suppliers. Catalonia currently represents around 14.5% of the Group's turnover as of December 2020.

30. *Natural catastrophe affecting any of our plants*

The Company's plants are exposed to natural disasters. Should a natural disaster occur, the effect could damage part or all of the machinery. Consequently, the occurrence of a natural disaster could have a negative impact on the production of the affected plants for a certain period of time. In this case, the Company may have to assume the costs of repairing or substituting the affected equipment in order to restore production. Such events could have a material adverse effect on our business operations, financial position, and operational results.

The technologies used by the Company are not highly polluted. However, the Company is exposed to any new environmental requirement which could affect to its profitability.

31. *We may be subject to current or future restrictions on the transfer of funds*

Under the current foreign exchange regulations in certain countries in which we operate, there are restrictions on the transfer of funds to and from such countries, which may include restrictions on the disposition of funds deposited with banks and restrictions on transferring funds abroad and may require official approval to buy foreign currency. Additionally, we have trapped cash in certain jurisdictions in which we operate in relation to our joint ventures and local law. These restrictions could impact the payment of dividends to us by certain of our subsidiaries. If we were unable to repatriate funds from any such countries, we would not be able to use the cash flow from our businesses to finance our operating requirements elsewhere and satisfy our debt obligations, including the Commercial Paper.

B) Financial risk factors

Our activities are exposed to a number of financial risks: market risk (fair value risk and price risk), exchange risk, and interest rate risk on cash flows. Our Company seeks to minimize potential adverse effects on our financial performance. Risk management is controlled by our financial department in accordance with policies approved by the President of the Company and the Steering Committee.

Our Financial Department identifies, evaluates, and implements measures to reduce or match risks in close cooperation with our operating units. Our Steering Committee and the President of Teknia determine policies for the global management of risk, and for specific risk areas such as currency risk, interest rate risk, liquidity risk, non-derivative financial instruments, and the investment of cash surpluses.

1. Market risk (fair value and price risk)

We are not exposed to the risk of changes in market value of the investments held as "available for sale," which are classified under "non-current financial assets" in the consolidated statement of financial position.

The risk deriving from a possible increase in the prices of materials, including the purchase of components used in the production processes, is mitigated by the fact that we operate with our main suppliers under long-term agreements, which provide price-stability. On the other hand, we negotiate with our customers to pass on the price increases of certain materials.

The terms of the agreements with some customers have resulted in lower prices, which could reduce our margins. We nevertheless develop improvement programs and tools to offset these decreases with increases in productivity. We also negotiate with our suppliers to help them absorb these price reductions.

2. Credit risk

Our customer portfolio is diversified across the major TIER 1 and OEM groups. As a result, there is no particular concentration of credit risk (major concentration is 19%). In the past, automobile manufacturers were deemed not to have a major credit risk, all of our Top 10 customers maintain an Investment Grade from the rating agencies. We therefore consider that, in spite of the difficulties facing the automobile sector, the credit ratings of its debtors are sound and its receivables will be collectable as normal.

In the automotive components industry, the costs to transfer, duplicate or develop a new supplier are so high that TIER 2 companies like Teknia usually works with a unique mould/tooling for stamping, plastic injection, and tube manipulating technologies. It lets TIER 2 companies ensure collection of credit if necessary. We have set a policy of hedging credit risk from our customers with insurance companies to ensure that those sales are collected.

The credit risk on cash and cash equivalents, financial investments and deposits with banks and financial institutions is deemed to be immaterial, as these operations are only entered into with financial institutions with high credit ratings.

3. *Liquidity risk*

We manage liquidity risk prudently, based on maintaining sufficient cash and equivalents and the availability of funding by means of sufficient committed credit.

Furthermore, the centralized cash pooling system we have set up allows us to manage financial resources with greater efficiency. Our Financial Department aims to keep financing flexible through its use of the Corporate Facilities.

4. *Exchange risk*

Significant long-term fluctuations in relative currency values, in particular a significant change in the relative values of the non-euro currencies in which we operate could have an adverse effect on our profitability and financial position, and any sustained change in such relative currency values could adversely affect our competitiveness in certain geographic regions.

Economic instability in the countries in which we operate where the euro is not the local currency, and the related decline in the value of the relevant local currency in these countries, could have a material adverse effect on our business, financial position, results of operations and cash flows.

Our Company operates in nine different currencies: EUR (the Group's reference and consolidation currency), USD, BRA, PLN, MXN, CZK, TRY, RSD and RON. It is Group policy not to make any currency hedge. However, the subsidiaries and the parent plants have the necessary tools to implement a "natural hedge." Thus, when operating with local currency markets, approximately 80% of the transactions related to the activity are covered by them. We cannot ensure the success of this 100% natural hedge since, despite having tools to minimize the risk of the approximately 20% remaining, it is not always possible to avoid an exchange cost, which would negatively affect profitability. Mostly, these exchange rate cost or incomes are accounting, it means that the impact in cash is very low.

In this case, we are subject to risk if the foreign currency in which our costs are paid appreciates against the currency in which we generate revenues, because the appreciation effectively increases our cost in that country. The financial position, results of operations, and cash flows of some of our operating entities are reported in foreign currencies and then translated into Euros at the applicable foreign exchange rate for inclusion in our consolidated financial statements. As a result, appreciation of the euro against these foreign currencies generally will have a negative impact on our reported sales and profits, while depreciation of the euro against these foreign currencies will generally have a positive effect on reported revenues and profits.

5. ***Interest risk***

Given the nature of our business (intensive in production capital) and that we do not carry major amounts of interest-earning assets, our operating revenues and cash flows are fairly independent of the variations in market interest rates. Our interest rate risk stems from our current and non-current floating rate borrowings and credit lines. Our variable rate borrowings expose us to interest rate risks for cash flows. As of the December 2020 reporting period, approximately 56% of borrowings were at fixed interest rates.

1.2 Essential information regarding the specific risks of the Commercial Paper

The main risks of the Commercial Paper are the following:

1. ***Market risk***

The Commercial Paper are fixed-income securities assets and their market price is subject to potential fluctuations, mainly due to the evolution of interest rates.

Therefore, the Issuer cannot ensure that the Commercial Paper will be traded at a market price that is equal to or higher than the subscription price.

2. *Credit risk*

The Commercial Paper is secured by the Issuer's total net worth. The credit risk arises from the potential inability of the counterparty to comply with the obligations set out in the agreement and involves the possible loss that a full or a partial breach of these obligations could cause.

3. *Risk relating to changes in the credit rating of the Issuer*

The Issuer's credit rating may be downgraded due to an increase of its indebtedness or due to the deterioration of its financial ratios, which would imply a worsening of the Issuer's capacity to meet its payment obligations.

On November 15, 2021, Axesor Rating (**"Axesor Rating")** issued a rating letter regarding the Issuer based on its own methodology.

Axesor Rating's report assigns the Issuer a credit rating of BB, with a positive outlook. This rating focuses on an assessment of solvency and the associated credit risk in the medium and long term.

4. *Liquidity risk*

This is the risk by virtue of which investors may not be able to find a counterparty for the securities when they want to sell the Commercial Paper prior to their maturity date. Even though the admission (*incorporación*) of the Commercial Paper will be requested to MARF in order to mitigate this risk, an active trading on the market cannot be guaranteed.

Moreover, the Issuer has not entered into any liquidity agreement, and, consequently, no entity has undertaken to ensure put and call prices of the Commercial Paper. Therefore, investors may not find a counterparty for the Commercial Paper.

5. *Enforcement risk*

Enforcement of the Commercial Paper against the Issuer, and particularly court enforcement, may not secure prompt and full redemption of the Commercial

Paper, in view of the statutory procedural mechanics to be followed in accordance with Spanish regulation and the potential excessive work load of the Spanish relevant court; this risk may be substantially increased in case of insolvency of the Issuer.

6. Order of priority and subordination risk

In accordance with the classification and order of priority set forth in Royal Legislative Decree 1/2020, of 5 May, by virtue of which the restated text of the Insolvency Act is approved (*Texto refundido de la Ley Concursal por el Real Decreto Legislativo 1/2020, de 5 de mayo*), in its current wording ("**Insolvency Law**"), in case of insolvency of the Issuer (*concurso*), credits held by investors as a result of the Commercial Paper shall rank behind privileged credits, but ahead of subordinated credits (except if they could be classified as subordinated in accordance with Article 281.1 of the Insolvency Law). See section 11 of this Base Information Document.

In accordance with Article 281.1 of the Insolvency Law, the following are deemed to be subordinated credits, among others:

- Credits that, having been lodged late, are included by the insolvency administrators in the creditors list, as well as those which, not having been lodged, or having been lodged late, are included in such list subsequent communications or by the judge when deciding in relation to the contestation thereof.
- Credits for charges and interest of any kind, including interest in arrears, except for credits secured by collateral up to the extent of the security interest.
- Credits held by any of the persons especially related to the debtor, as referred to in Article 282, 283 and 284 of the Insolvency Law.

7. Risk of the Commercial Paper

– <u>The Commercial Paper is not rated</u>

The Commercial Paper is not rated. To the extent that any credit rating agencies assign credit ratings to the Commercial Paper, such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Commercial

Paper. A rating or an absence of a rating is not a recommendation to buy, sell or hold securities.

– Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Commercial Paper are legal investments for it, (2) the Commercial Paper can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Commercial Paper. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Commercial Paper under any applicable risk-based capital or similar rules.

2. INFORMATION OF THE ISSUER

2.1 Full name of the Issuer, including its address and identification data

The full name of the Issuer is **TEKNIA MANUFACTURING GROUP, S.L.U.** ("**Teknia**" or the "**Issuer**"). Its registered office is at Barrio San Agustín, s/n, 48230 Elorrio (Vizcaya).

The Issuer is a private limited company (*sociedad limitada*) incorporated on 30 July, 1998 by means of a public deed granted before the notary public of Bilbao, Mr. Andrés Mª Urrutia Badiola, and duly registered in the Commercial Registry of Vizcaya, Volume 3,702, Page 22, Sheet BI-23069.

The Tax Identification Number of the Issuer is B-48984090.

The Legal Entity Identifier (LEI) of the Issuer is 9598001382GF2BG2PP33.

Website: http://www.tekniagroup.com/

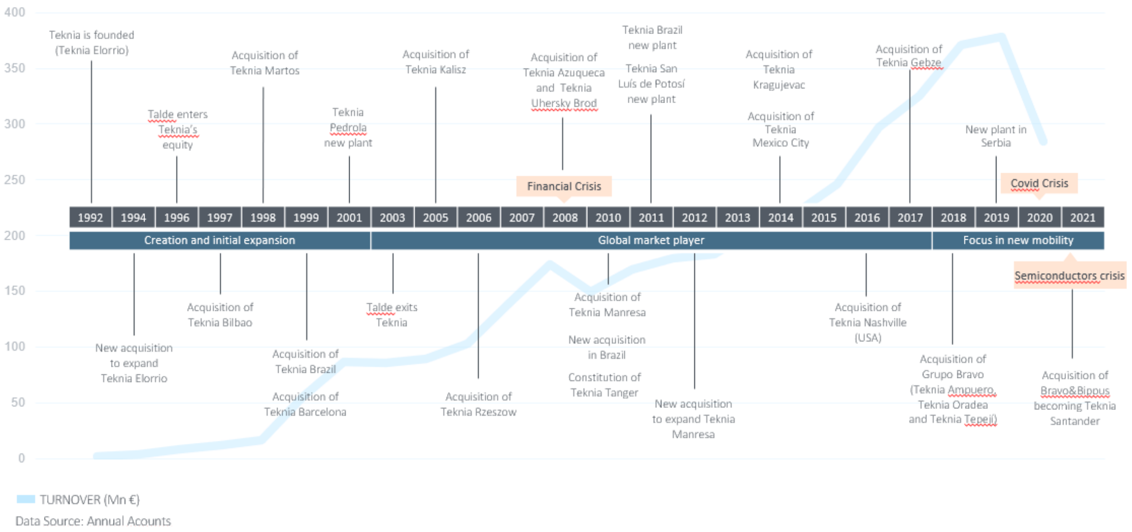
2.2. Description of the Issuer

2.2.1. Milestones of the Issuer

Teknia is engaged in the manufacture of automotive parts. Since its inception, the Company has grown significantly in terms of revenues, earnings, and global presence, becoming an international automotive parts manufacturer operating in 10 countries.

Teknia began and remains, as a family-owned company. It launched its activity through the acquisition of Industrias Elix, which became Teknia Elorrio, but it was not until 1998, after several other acquisitions on Spanish soil, that the Teknia Manufacturing Group was founded.

The main milestones achieved along the history of the Issuer are the following:



During its 30-year history, the Company's performance drivers have been:

- Geographical diversification: worldwide presence in the most important automotive markets, enabling the Company to cover its clients' needs in terms of quality, time and costs. Currently, Teknia has 21 production plants (in ten countries), three commercial offices, and development centers that provide services to the whole Group. The production plants are located in Spain (9), Brazil (1), Poland (2), USA (1), Czech Republic (1), Morocco (1), Mexico (3), Romania (1), Serbia (1) and Turkey (1).

- Technological diversification: the Company specializes in the development and manufacture of automotive components, assembly, and the design of specific manufacturing processes. These services are carried out in four divisions: plastic, metallic (including tubing and stamping), machining and aluminum.

- Close relationship with its major clients, which has led to the joint design of international expansion strategies, in which Teknia has accompanied its clients as a key supplier in new markets.

- Continuous growth: the Company has made major strides in the commercial field, with the opening of international commercial offices, in USA, Germany, and Japan, with the goal of increasing sales and enhancing its visibility with regard to international expansion.

2.2.2. Main Shareholders

The sole shareholder of Teknia, the Issuer of the transactions, is Mr. Javier Quesada Suescún, with 100% share participation in Teknia Manufacturing Group, S.L.U. through the investment vehicle Siuled, S.L.

2.2.3. Organizational Structure

As of 31 December 2021, the Group is comprised of 29 companies (parent company included):

2.2.4. Corporate purpose

In accordance with article 5 of the Teknia Manufacturing Group, S.L.U. bylaws, the corporate purpose of the Company is:

"...

1. *The company's primary purpose is the promotion and development of companies through temporary participation in their capital.*

   The following activities also constitute the corporate purpose of the Company:
   a) *The identification, investigation, negotiation, execution and monitoring of investments in the capital of companies engaged in business activities.*
   b) *The subscription, acquisition, holding, use and disposal, under any title, of shares or other securities issued by those companies.*
   c) *Offering loans, secured or unsecured, including participatory loans to these companies;*
   d) *Participation in the management of the subsidiaries and the provision of services of:*
   e) *Technical, economic and financial advice to them.*
   f) *The purchase and sale, transfer, use, donation, lease and exploitation of real estate.*
   g) *The transfer, lease and by any other means, transmission of all types of patents and trademarks.*
   h) *The design, manufacturing, trading and marketing of related to the automotive auxiliary, appliance and electrical, electronic and telecommunications products industry.*
   i) *Industrial research and exploitation of industrial property resulting from that or the acquired.*
   j) *By any other means, as rent or transfer.*

2. *The above activities may be carried out by the Company, in whole or in part, either directly or indirectly through participation in other companies with similar or identical object.*
3. *Expressly excluded are all activities for which the law mandates specific requirements that cannot be met by this Company. In any case, the achievement of social order shall be made in compliance with the existing legal regime.*

4. *If the laws demand any professional or administrative authorization or registration in public records in order to exercise of any of the activities included in the corporate purpose, such activities should be performed by persons having the appropriate professional qualifications and, where appropriate, they may not start before having completed the administrative requirements.*

   ..."

2.2.5. Administrative and management bodies

Board of Directors

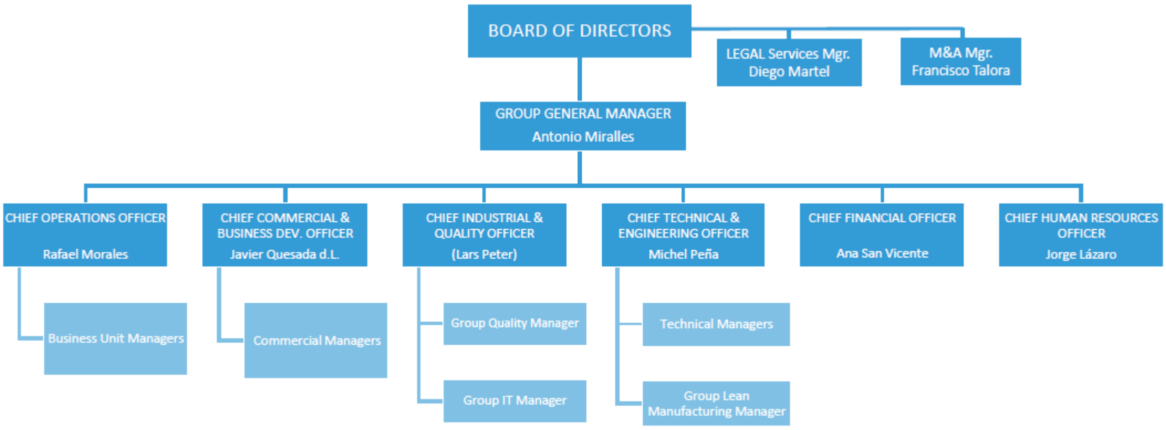
The management of Teknia is entrusted to a Board of Directors, who is, as end of 2021, composed of:

- President: Javier Lazpita Sarriugarte (CEO)
- Iñigo Marco-Gardoqui Alcalá-Galiano (Independent)
- Jose Manuel Corrales Ruiz (Independent)
- Javier Quesada de Luis

Secretary (non-Counsellor): Mr. Diego Martel Muñoz-Cobos

Senior Management

The Senior Management structure of Teknia, as of February 2022, was as follows:



CVs of Senior Managers of the Teknia Manufacturing Group, S.L.U. are as follow:

- **Mr. Javier Lazpita, President of Teknia's Group Board of Directors and Chief Executive Officer of Teknia's Group Board of Directors**
  - Javier has a degree in Business Administration from Universidad del País Vasco and completed a General Direction Program at IESE Business School.
  - Javier has more than 30 years of professional experience (the last 11 at Teknia) in the automotive component sector having held several positions of responsibility.
  - Javier speaks Spanish, French and English.

- **Mr. Antonio Miralles, Group General Manager**
    - Antonio has a degree in Business Administration from Universidad de Jaen, an executive master in finance from Instituto de Empresa and a master in Commercial Management and Marketing from ESIC.
    - Antonio has more than 22 years of professional experience. The last 15 years, he has been part of Teknia’s team, occupying different financial positions.
    - His main responsibility is reporting to Teknia's Group Board of Directors about the Company performance. That's include identifying and approving industrial targets, evaluating the implementation of strategic plans, and ensuring their success, etc.
    - Antonio speaks Spanish and English.

- **Mr. Diego Martel, Board of Directors Non- Counsellor Secretary. Legal Manager**
    - Diego has a degree in Law from Universidad Autónoma de Madrid.
    - Diego has more than 29 years (the last 12 at Teknia) of professional experience in positions of responsibility in the Legal and Human Resources departments of major Spanish companies.
    - Diego prepares and reviews the Group contracts and agreements, advises on commercial and labor law, provides tax advice, and coordinates with external legal firms.
    - Diego speaks Spanish and English.

- **Mr. Javier Quesada de Luis, Chief Commercial Business Development Officer**
    - Javier has a degree in Business Administration from Universidad Complutense de Madrid and an Ex-MBA at IESE Business School.
    - Javier has more than 14 years of experience working in Teknia in several positions, including managerial, focused his whole career on Business Development activities.
    - His main responsibility is leading the area of Business Development and Sales, managing all sale departments of the Group, including Sales Offices. Also is responsible of Comercial and Marketing areas.
    - Javier speaks Spanish, English and German.

- **Mr. Rafael Morales, Chief Operating Officer**
  - Rafael has a degree in Mechanical Industrial Engineering from Escuela Tecnica Superior de Ingenieros Industriales de Sevilla.
  - Rafael has more than 23 years of professional experience in the automotive sector, 22 of them at Teknia in several positions of responsibility such as product engineering manager, commercial manager, plant manager and purchase manager.
  - He is in charge of all related with group operations. Whole Business Units depends on himself.
  - Rafael speaks Spanish and English.

- **Mr. Michel Peña, Chief Technical & Engineering Officer**
  - Michel has a degree in Technical Industrial Electronic Engineering from Escuela Universitaria de Ingeniería Técnica Industrial de Bilbao and completed a General Direction Program at IESE Business School.
  - Michel has more than 33 years of experience as an engineer, 28 in Teknia where he has held several positions of responsibility such as commercial and purchase director, engineering director and plant and divisional manager.
  - His main responsibility is the technical direction of the Teknia group.
  - Michel speaks Spanish and English.

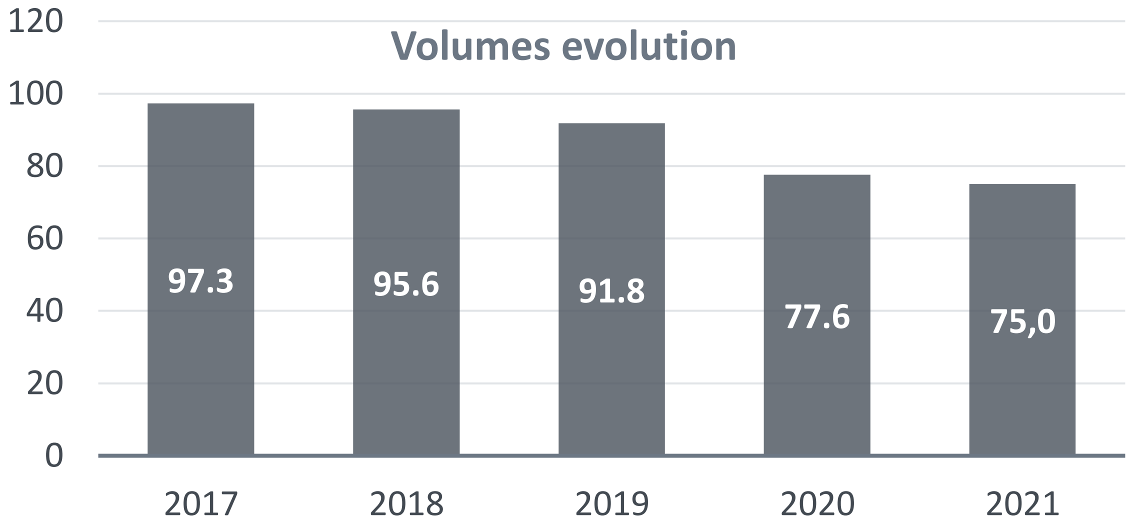
- **Mrs. Ana San Vicente, Corporate Chief Financial Officer**
  - Ana has a degree in Business Administration from Universidad del País Vasco and qualified as Chartered Accountant (Spanish CPA-ROAC) No. 23366.
  - Ana has more than 15 years of professional experience. Before joining Teknia, she worked in a company included in the so-called Big 4 dealing with comprehensive services for a wide range of business entities. The last 3 years, she has been part of Teknia's team, developing different financial positions.
  - Ana is in charge of the Group's economic and financial management, defined as: the preparation and presentation of financial statements, management control, financial and insurance management, investors relationship, optimization of tax policy, among others.
  - Ana speaks Spanish, French and English.

2.2.6. Industry and activity

Industry introduction

The automotive manufacturing industry, which comprises the production of passenger vehicles, commercial vehicles, buses and trucks grown yearly since the financial crisis till 2017 (97,3M units) according with OICA.

Year 2018 (95,6M units) production volumes decrease as well as 2019 (91,8M units). Afterwards, 2020 was 77,6M due the huge impact of Covid-19 and in 2021 the preliminary data for produced vehicles according to Marklines amounts 75,0M units. Forecasts expect to recover progressively production volumes boosted by trends as the electrification.



Source: Marklines

Most automotive OEMs' (Original Equipment Manufacturer) comes from North America, Western Europe and Japan and South Korea. Top ten OEMs mean roughly 70% of the total worldwide production as of 2021 according to Marklines data.

This growing presence in emerging countries of the OEMs is forcing the rest of the automotive industry players to become also global players, especially suppliers, which should be very close to OEM's (Tier I and Tier II) production plants. In this sense, many companies in the industry are making efforts during the last years to increase their international presence, although not too many competitors will reach it because of the strong money infusion needs and risks that it involves.

The main characteristics of TIER 2 (Parts Manufacturers) industry are summarized in these four points:

- **Mature, atomized and highly competitive**: due to the automotive sector's long trajectory, companies in this industry have a high degree of maturity. Moreover, the requirement for specialized products and the proximity to the client favors the existence of a high number of competitors. Due to these factors, there is a limited number of companies that have been able to gain significant size with a diversified portfolio of products and markets.

- **High bargaining power agents:** TIER 2 suppliers act as a link between commodity suppliers and TIER 1 suppliers, both of which are sectors with a high level of maturity and concentration. In this competitive atmosphere, some small players have to negotiate with multinational companies, which have a much higher bargaining power.

- **High entry barriers:** High investment requirements for manufacturing and R&D related to processes and products, along with the difficulty associated with integrating the production process to clients, are the barriers that make entering this industry complex.

- **Low threat of substitute products:** The products offered by the automotive industry are very well established in the market, almost considered a need in the current society and thus the threat of substitution is estimated to be low.

Strategy

Based on the uncertainty and unpredictable demand within the current automotive industry, Teknia´s top Management has decided that the main Strategic Plan 2021-2024 goal is to reach better Group profitability with no high expectation to increase organic sales due to market behavior. To get this target, the Group is adjusting its structure, fitting labour cost towards a productivity improvement.

On the other hand, Management will be highly involved in improving those companies which need some overstrain to reach suitable size (Morocco, Kragujevac, Gebze, Oradea) and profitability (Brazil, Kalisz, Pedrola and Azuqueca).

M&A activities will be mostly focused in two vectors:

- Supporting low volume plants to be easier to growth size getting proper profitability.
- Opportunistic proposals to increase market share in strategic products, get new know-how oriented to next generations cars.

The organic growth of the Company is based mainly on the following assumptions:

- Strong product, technology, and process specialization, with the long-term goal of providing state-of-the-art manufacturing capacities.
- Continuous incorporation of value-added processes in all products/technologies.
- Efforts in facility competitiveness.
- Global coordination of production facilities.
- Consolidation of operations in Brazil.
- Development of Mexican and NAFTA markets.

In order to provide proper support to its global customers, Teknia is developing an intensive commercial plan, with the opening of technical & commercial offices:

- Stuttgart (Germany) – Opened in 2007, its main objective is to centralize and coordinate commercial activity within the Company.
- Michigan (USA) – Opened in 2013, it is responsible for commercial activity in the NAFTA area.
- Tokyo (Japan) – Opened in 2018, its main objective is to coordinate commercial activity with Japanese customers.

The **Head Office** provides services such as: management, finance, human resources, IT, sales, and commercial activities, among others.

Trends in the industry

The automotive components industry has been experiencing a key transition period since before the outbreak of the Covid-19 pandemic, already facing different challenges, which increased with the subsequent economic crisis, and which will significantly affect industry trends.

The industry is facing the consolidation of a more sustainable mobility, which is expected to take place over the next 10 years, solidifying both the production and sales volume and ultimately the use of electric vehicles to gradually replace vehicles with internal combustion engines. This new concept is already causing major changes along the automotive value chain and is leading to different challenges for the current market players and their profit margins.

In this new, changing, and challenging environment, the automotive components industry is expected to quickly adapt given its broad range of customers, which allows them to diversify their product supply and to better cope with production downtimes. Since they have a range of products, services and technologies on offer, they are used to adapting to the different needs of their customers and the market. Multi-technology suppliers, with extensive experience and solid and proven relationships with customers, will be able to play a relevant role in this new business context. The automotive industry is in an energy transition with the firm commitment by the world's leading vehicle manufacturers to increase the production of electric vehicles.

Moreover, in the new electric and sustainable market environment, it is estimated that the industry's suppliers will gain negotiating power over OEMs, which in many cases are also their direct customers. This is due to the reduction in the number of components needed to manufacture an electric vehicle compared to internal motor vehicles, resulting in a faster and more agile manufacturing process in which there will be increasingly less suppliers involved, with a greater and more decisive role for the final vehicle.

Additionally, the supply chain crisis and raw material shortages are forcing the industry to adapt quickly both to maintain manufacturing prospects and meet tight deadlines. This is a new situation to which the sector was not used to due to the excellent functioning of the supply chain in the past. In short, the global automotive industry, with its various players involved in the manufacturing and development process, is facing two major challenges simultaneously during a transformation process, which is testing the companies' strength, resilience, and ability to adapt quickly to all these changes.

Thus, the supply chain, being less atomized, will enable suppliers to provide greater added value to their products and increase their bargaining power.

Another trend in the components industry, derived from the above and which will increasingly increase in this new landscape, is the increase in innovation and the greater added value that suppliers will be able to bring to the supply chain and to manufacturers. From being just one supplier among many, they will become a key manufacturing partner in the process.

While the industry transformation continues, the global automotive industry is also suffering from the lack of semiconductors, which forces manufacturers to delay delivery dates due to forced stoppages in their production plants. This delocalized supply chain is also being hit by previously unknown problems, creating a bottleneck that is difficult to overcome. Therefore, as the supply of microchips recovers and the shortages disappear from the sector, it is expected that pre- pandemic manufacturing volumes in the industry will gradually recover.

Current market consolidation

According to the Strategic Plan, Teknia will be focused on reinforce and consolidate current production plants and markets. At this moment, the Group considers more important to dedicate commercial, technical and management efforts to strengthen current structure and Group profitability instead of breaking new markets.

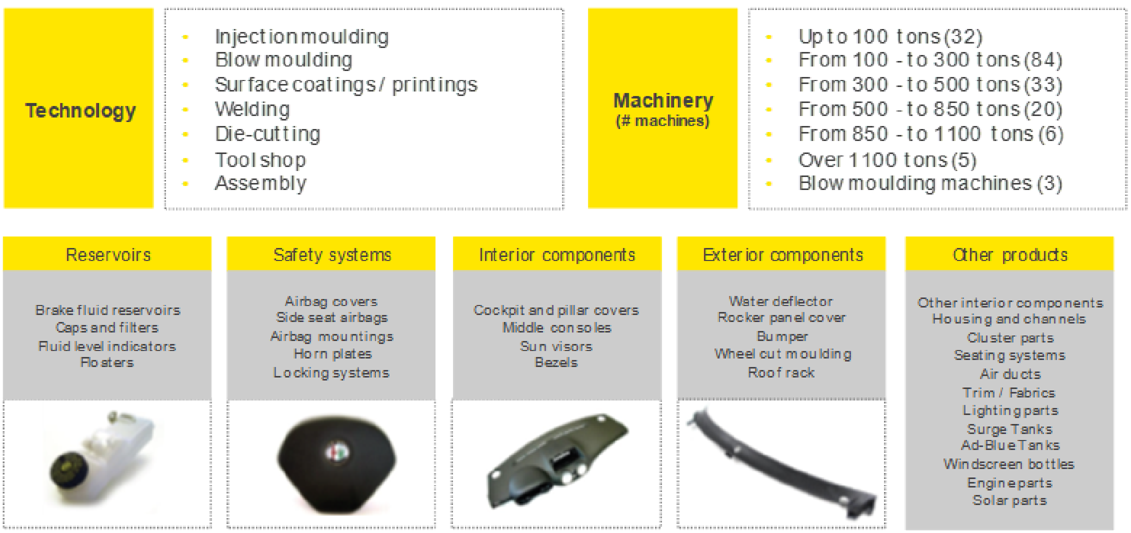
Group Consolidated Figures

Teknia Group closed 2020 with an audited consolidated sales EUR 284.5M and EUR 26M EBITDA margin. In 2019 sales were EUR 378M and EBITDA margin EUR 32M.

In terms of staff the Group comprises 3,280 people in 2020 and 3,455 people in 2019.

Group Technologies / Machinery / Products

- Plastic injection molding



- Metallic: Stamping & Tube bending

Technology	Machinery (# machines)
Stamping Transfert tube vending Bending & end-forming Welding & brazing Assemblies Platings and coatings Leak-testing	Press 631 - 800 TN (1) Press 451 - 630 TN (2) Press 300 - 450 TN (11) Press up to 299 TN (61) Benders 24 – 64 mm diam. (40) Transferts benders (5)

Fuel filler pipes	Complete Headrest assemblies & components	Pedalsets	Other products	
			Wiper Mechanism Engine-cooling climatization & turbo Dipsticks, decantation plates, filter covers Oil tubes & strainers Truck & Civil Engineering tubes Seat-belt pre-tensioners & airbag deployment components	Brakes Tubes Wiper Motor Brackets Structural components Electrical Motor housings Seat-pans Pivot & motor cranks Seat-podium for industrial vehicles Hand-brake system components

- Bar turning

Technology	Machinery (# machines)
Bar-turning Second operations in transfer machines Grinding and deburring Small-scale sub-assemblies Stamping and folding	Schutte mec 16-42 (20) As14/sas16 mec 14-16 (31) Wickman mec 16-42 (28) Schutte cnc 36 (2) Index cnc 32-42 (8) Deco I cnc 13-32 (8) Deco II cnc 20 (6) Bs20 cnc 20 (6) Monohusillo cnc (6) Others (5)

Fuel injection	Gear Shifts	Braking Systems	Air conditioning & Electrical sector	Transmission & Engine
				

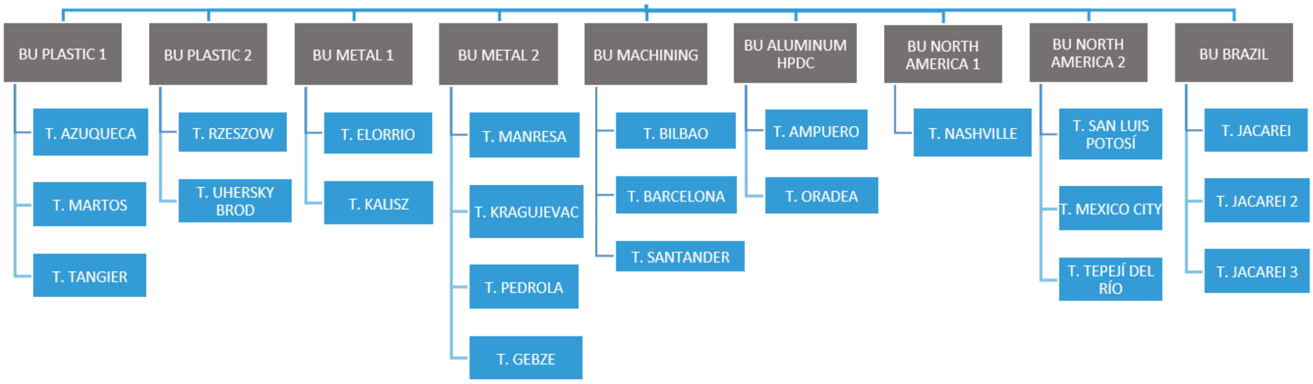
- Aluminum Die Casting

Technology	Machinery (# machines)
Die casting Aluminum Injection Bar-turning Second operations in transfer Vertical CNC Lathe	DC 1100T (3) DC 700-900 (12) DC 500-550 (8) DC <500 (4) MC Transfer (6) MC Vertical CNC (35) MC Lathe (7)

Steering Systems	Pumps and Valves	Starters &Generators	Powertrain
			

Business Units

See below the 9 BUs structure:



The Group has selected the most proper 9 BU Managers. Each BU Manager leads two or three plants. The purpose of this new framework is the following:

- More control and follow up because of the proximity of the plants managed.
- Similar products and technologies getting synergies and “best practice”.
- Similar and proper plants size under control comparing with volumes assumed by formers Divisional Managers.

In this section information by technology is explained. The economic data reflected corresponds to audited individual annual accounts aggregated figures.

PLASTIC

Plastic Tech comprises (7 plants): Martos (Spain), Azuqueca (Spain) Tangier (Morocco) plants in BU Plastic 1; Rzeszow (Poland) and Uhersky Broad (Czech Republic) in BU Plastic 2; San Luis Potosí (Mexico) within the BU NAFTA 2 and only plastic business from BU Brazil.

Plastic represents 36% of the total aggregated Group sales. Total sales 2020 were EUR 108M and EBITDA margin about EUR 7.9M. Total sales 2019 were EUR 145.5M and EBITDA margin about EUR 10.8M.

Products are interior, lighting & electronic, airbag covers, brake fluid reservoirs and head up display among others.

METALLIC

Metallic Tech comprises (8 plants): Elorrio, Pedrola (Spain) and Kalisz (Poland) plants within the BU Metal 1; Manresa (Spain), Kragujevac (Serbia) and Gebze (Turkey) plants in BU Metal 2; Nashville (USA) in BU NAFTA 1 and only metallic business from BU Brazil.

Metallic represents 35% of the total aggregated Group sales. Total sales 2020 were EUR 104M and EBITDA margin about EUR 5.7M. In 2019 sales were EUR 143M and EBITDA margin EUR 5.5M.

Main products are pretensioner tubes for seatbelts (safety), cooling tubes, suspension sock-absorbers, seating structure components, wipers systems components, electronic components, and safety (airbag inflators and brackets) among others.

BAR TURNING

Bar Turning Tech comprises (3 plants): Bilbao and Barcelona (Spain) plants within BU Al Die Casting & Machining 1; Mexico City (Mexico) within the BU NAFTA 2.

It represents 16% of the total aggregated Group sales. Total sales 2020 were EUR 46.6M and EBITDA margin about EUR 3.9M. In 2019 sales were EUR 55.5M and EBITDA margin EUR 4.4M.

Main products are brake pistons and chassis components (bushing closing rings) among others.

Since July 2021, Teknia adds to BU Al Die Casting & Machining 1 a new plant (named Teknia Santander, formerly Mecanizados Bravo & Bippus), located in the north of Spain. This new Teknia plant is specialized in machining and assembling of steel and steel components for all kind of applications, including engines axis both for EVs and combustion engines. The new factory manufactures a wide array of turned and grinded parts.

ALUMINUM

Aluminum Tech comprises (3 plants): Ampuero (Spain) and Oradea (Romania) plants within the BU AL Die Casting & Machining 2, and Tepejí del Río within the BU NAFTA 2.

Aluminum represents 11% of the total aggregated Group sales. Total sales 2020 were EUR 34M, and EBITDA margin about EUR 6.7M. In 2019 sales were EUR 43.3M and EBITDA margin EUR 7.6M.

Main products are steering transmission parts, brake pumps & valves and engine starters and battery systems.

2.2.7. Declaration on the absence of significant changes in the prospects of the Issuer

Since the publication of the latest audited consolidated financial information as of 31 December 2020 and until the date of this Information Memorandum, there has been no material adverse change in the outlook for the Teknia Manufacturing Group, S.L.U.

2.2.8. Information on significant changes in the prospects of the Issuer

As of the date of this Information Memorandum, Teknia Manufacturing Group, S.L.U. is not aware of any trend, uncertainty, demand, commitment or adverse event which could reasonably have a material effect on the prospects for the financial year 2021.

Consolidated financial statements of the Issuer for the financial years ended on 31 December 2019 and 31 December, 2020

The Issuer's consolidated financial statements for the financial years ended on 31 December, 2019 and 31 December, 2020, audited and without reservations, are attached as **Annex** to this Information Memorandum.

3. Full name of the securities issue

Commercial Paper Programme Teknia 2022.

4. Persons responsible

Mrs. Ana San Vicente Landaida, as representative, in the name and on behalf of TEKNIA MANUFACTURING GROUP, S.L.U. ("**Teknia**" or the "**Issuer**", and jointly with the entities of the Issuer´s group, the "**Group**"), is responsible for the entire content of this Base Information Memorandum (*Documento Base Informativo de Incorporación*) (the "**Information Memorandum**").

Mrs. Ana San Vicente Landaida hereby declares that the information contained in this Information Memorandum is, to the best of his knowledge and after executing the reasonable diligence to ensure that it is as stated, compliant with the facts and does not suffer from any omission that could affect the content.

5. Duties of the Registered Advisor of the MARF

BANCA MARCH, S.A. is a company incorporated on 24 June 1946, before the notary public of Madrid, Mr. Rodrigo Molina Pérez, that adapted its corporate bylaws to the current Capital Companies Act on 19 July 1990 before the notary public of Madrid, Mr. Luis Coronel de Palma, with number 3,703 of his official records, duly registered in the Commercial Registry of Baleares, Volume 20, Book 104, Page 230, Sheet 195, and in the Registry of Registered Advisors pursuant to instruction (Instrucción Operativa) 8/2014 and having tax identification number A-07004021 ("**Banca March**" or the "**Registered Advisor**").

Banca March has been designated as Registered Advisor of the Issuer. Accordingly, the Registered Advisor shall enable the Issuer to comply with the obligations and responsibilities to be assumed on incorporating its issues into the multilateral trading system, the Alternative Fixed-Income Market ("**MARF**" or the "**Market**"), acting as specialist liaison between both, MARF and Teknia, and as a means to facilitate the insertion and development of the same under the new securities trading regime.

Therefore, Banca March must provide MARF with any periodically information it may require and, on the other hand, MARF may require as much information as it may deem necessary regarding the actions to be carried out and its corresponding obligations, being authorized to perform as many actions as necessary, where appropriate, in order to verify the information provided.

The Issuer must have, at any time, a designated Registered Advisor registered in the "Market Registered Advisor Registry" (*Registro de Asesores Registrados del Mercado*). Banca March has been designated as Registered Advisor of the Issuer in order to provide advisory services to Teknia (i) on the admission to trading (*incorporación*) of the securities issued, (ii) on compliance with any obligations and responsibilities applicable to the Issuer for taking part on MARF, (iii) on compiling and presenting the financial and business information required, and (iv) in order to ensure that the information complies with these regulatory requirements.

As Registered Advisor, Banca March with respect to the request for the admission (*incorporación*) to trading of the Commercial Paper on MARF:

(i) has verified that the Issuer complies with the requirements of MARF's regulations for the admission (*incorporación*) of the securities to trading;

(ii) has assisted the Issuer in the preparation of the Information Memorandum, has reviewed all the information provided by the Issuer to the Market in connection with the request for the admission (*incorporación*) to trading of the securities on MARF and has checked that the information provided complies with the requirements of applicable regulations and does not leave out any relevant information that could lead to confusion among potential investors.

Once the securities are admitted to trading, the Registered Advisor will:

(i) review the information that the Issuer prepares for MARF periodically or on a one-off basis, and verify that this information meets the requirements concerning content and deadlines set out in the regulations;

(ii) advise the Issuer on the events that might affect compliance with the obligations assumed when including its securities to trading on MARF, and on the best way of treating such events in order to avoid breach of said obligations;

(iii) report to MARF any events that could represent a breach by the Issuer of its obligations in case it notices any potential and relevant breach that had not been rectified following notification; and

(iv) manage, answer and deal with queries and requests for information from MARF regarding the situation of the Issuer, progress of its activity, the level of compliance with its obligations and any other data the Market may deem relevant.

Regarding the previous, the Registered Advisor shall perform the following actions:

(i) maintain regular and necessary contact with the Issuer and analyze any exceptional situations that may arise concerning the evolution of the price, trading volumes and other relevant circumstances regarding trading of the Issuer's securities;

(ii) sign any declarations which, in general, have been set out in the regulations as a consequence of the admission (*incorporación*) to trading of the securities on MARF, as well as with regard to the information required from companies with securities on the Market;

(iii) forward to MARF, without delay, the communications received in response to queries and requests for information the latter may send.

6. Maximum outstanding balance

The maximum amount of the Commercial Paper Programme will be a nominal of thirty million EUROS (€30,000,000).

Such balance refers to the total maximum limit that the aggregate value of the outstanding securities issued under the Commercial Paper Programme can reach at any time.

7. Description of the type and class of the securities. Nominal value

The Commercial Paper are securities issued at discount, which represent a debt for the Issuer, accrue interest and can be reimbursed at their nominal value on maturity. An ISIN code will be assigned to each Commercial Paper with the same maturity issued under the Programme.

Each Commercial Paper will have a nominal value of ONE HUNDRED THOUSAND EUROS (€100,000), meaning that the maximum number of Commercial Paper in circulation at any given time shall not exceed three hundred (300).

8. Governing Law of the securities

The securities are issued in accordance with the Spanish legislation applicable to the Issuer or to the Commercial Paper. In particular, the Commercial Paper is issued pursuant to Royal Legislative Decree 4/2015, of 23 October, by virtue of which the restated text of the Securities Market Act is approved (*Texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*) ("**Securities Market Act**"), in accordance with its current wording and with any other related regulations.

This Information Memorandum is the one required in Circular 2/2018, of 4 December, of MARF, on admission (*incorporación*) and removal of securities on the Alternative Fixed-Income Market.

9. Representation of the securities through book entries

The Commercial Paper to be issued under the Programme will be represented by book entries, as set out in the mechanisms for trading on the MARF for which admission (*incorporación*) of the securities is requested. The party in charge of accounting records is Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. ("**Iberclear**"), with registered office in Madrid, Plaza de la Lealtad, 1, together with its Participating Entities.

10. Currency of the issue

The Commercial Paper issued under this Programme will be denominated in Euros.

11. Order of priority

The present issue of Commercial Paper by Teknia will not be secured by any *in rem* guarantees (*garantías reales*) or guaranteed by any personal guarantees (*garantías personales*). The capital and the interest of the Commercial Paper will be secured by the Issuer's total net worth.

For the purposes of priority, should the Issuer file for insolvency, the investors are behind any privileged creditors that the Issuer has on that date, pursuant to the classification and order of priority of credits set out in the Insolvency Law.

12. Description of the rights inherent to the securities and the procedure to exercise such rights. Method and term for payment and delivery of the securities

In accordance with the applicable legislation, the Commercial Paper issued under the Programme will not represent, for the investor that acquires them, any present and/or future political rights over the Issuer.

The economic and financial rights of the investor associated to the acquisition and holding of the Commercial Paper will be those arising from the conditions of the interest rate, yields and redemption prices with which they are issued, specified in sections 13, 14 and 16 bellow.

The date of disbursement of the Commercial Paper will coincide with its date of issuance, and the effective value of the Commercial Paper will be paid to the Issuer by Bankinter, S.A. (as paying agent), into the account specified by the Issuer on the corresponding date of issuance.

In all cases the Managers will issue a nominative and non-negotiable certificate of acquisition. The referred document will provisionally credit the subscription of the Commercial Paper until the appropriate book entry is practiced, which will grant its holder the right to request the relevant legitimacy certificate (*certificado de legitimación*). Furthermore, the Issuer will report the disbursement to MARF and Iberclear through the corresponding certificate.

13. Date of issue. Term of the Programme

The term of the Programme is of one (1) year from the date of incorporation of this Information Memorandum with MARF.

As the Programme is a continuous type, the securities may be issued and subscribed on any day during its term. Notwithstanding the previous, the Issuer reserves the right not to issue new securities when it deems such action appropriate, pursuant to the cash needs of the Issuer or because it has found more advantageous conditions of funding.

14. Nominal interest rate. Indication of the yield and calculation method

The annual nominal interest will be set in each adjudication. The Commercial Paper will be issued at the interest rate agreed by and between Bankinter, S.A., Banca March, S.A. and PKF Attest Capital Markets A.V., S.A. (the "**Managers**") and the Issuer. The yield will be implicit in the nominal value of the Commercial Paper, to be reimbursed on the maturity date.

The interest at which the Managers transfer the Commercial Paper to third parties will be the rate freely agreed between the interested parties.

As these are discounted securities with an implicit rate of return, the cash amount to be paid out by the investor varies in accordance with the issue interest rate and period agreed.

Therefore, the cash amount of the Commercial Paper may be calculated by applying the following formulas:

- When the Commercial Paper is issued for a term of 365 days or less:

$$E = \frac{N}{1 + i\frac{d}{365}}$$

- When the Commercial Paper is issued for a term greater than 365 days:

$$E = \frac{N}{(1+i)^{\frac{d}{365}}}$$

Whereby:

N = nominal amount of the Commercial Paper.
E = cash amount of the Commercial Paper.
d = number of days of the period to maturity.
i = nominal interest rate, expressed as a decimal.

A table is included to help the investor, specifying the cash value tables for different rates of interest and redemption periods, and there is also a column showing the variation of the cash value of the Commercial Paper by increasing the period of this by 10 days.

EFFECTIVE VALUE OF €100,000 NOTIONAL NOTE

(Less tan one year term)

	7 DAYS			14 DAYS			30 DAYS			60 DAYS		
Nominal rate (%)	**Suscription Price (euros)**	**IRR/AER (%)**	**+10 days (euros)**	**Suscription Price (euros)**	**IRR/AER (%)**	**+10 days (euros)**	**Suscription Price (euros)**	**IRR/AER (%)**	**+10 days (euros)**	**Suscription Price (euros)**	**IRR/AER (%)**	**+10 days (euros)**
0.25%	99,995.21	0.25%	-6.85	99,990.41	0.25%	-6.85	99,979.46	0.25%	-6.85	99,958.92	0.25%	-6.84
0.50%	99,990.41	0.50%	-13.69	99,980.83	0.50%	-13.69	99,958.92	0.50%	-13.69	99,917.88	0.50%	-13.67
0.75%	99,985.62	0.75%	-20.54	99,971.24	0.75%	-20.53	99,938.39	0.75%	-20.52	99,876.86	0.75%	-20.49
1.00%	99,980.83	1.00%	-27.38	99,961.66	1.00%	-27.37	99,917.88	1.00%	-27.34	99,835.89	1.00%	-27.30
1.25%	99,976.03	1.26%	-34.22	99,952.08	1.26%	-34.20	99,897.37	1.26%	-34.16	99,794.94	1.26%	-34.09
1.50%	99,971.24	1.51%	-41.06	99,942.50	1.51%	-41.03	99,876.86	1.51%	-40.98	99,754.03	1.51%	-40.88
1.75%	99,966.45	1.77%	-47.89	99,932.92	1.76%	-47.86	99,856.37	1.76%	-47.78	99,713.15	1.76%	-47.65
2.00%	99,961.66	2.02%	-54.72	99,923.35	2.02%	-54.68	99,835.89	2.02%	-54.58	99,672.31	2.02%	-54.41
2.25%	99,956.87	2.28%	-61.55	99,913.77	2.27%	-61.50	99,815.41	2.27%	-61.38	99,631.50	2.27%	-61.15
2.50%	99,952.08	2.53%	-68.38	99,904.20	2.53%	-68.32	99,794.94	2.53%	-68.17	99,590.72	2.53%	-67.89
2.75%	99,947.29	2.79%	-75.21	99,894.63	2.79%	-75.13	99,774.48	2.78%	-74.95	99,549.98	2.78%	-74.61
3.00%	99,942.50	3.04%	-82.03	99,885.06	3.04%	-81.94	99,754.03	3.04%	-81.72	99,509.27	3.04%	-81.32
3.25%	99,937.71	3.30%	-88.85	99,875.50	3.30%	-88.74	99,733.59	3.30%	-88.49	99,468.59	3.29%	-88.02
3.50%	99,932.92	3.56%	-95.67	99,865.93	3.56%	-95.54	99,713.15	3.56%	-95.25	99,427.95	3.55%	-94.71
3.75%	99,928.13	3.82%	-102.49	99,856.37	3.82%	-102.34	99,692.73	3.82%	-102.00	99,387.34	3.81%	-101.38
4.00%	99,923,35	4.08%	-109.30	99,846.81	4.08%	-109.13	99,672.31	4.07%	-108.75	99,346.76	4.07%	-108.04
4.25%	99,918,56	4.34%	-116.11	99,837.25	4.34%	-115.92	99,651.90	4.33%	-115.50	99,306.22	4.33%	-114.70
4.50%	99,913,77	4.60%	-122.92	99,827.69	4.60%	-122.71	99,631.50	4.59%	-122.23	99,265.71	4.59%	-121.34

EFFECTIVE VALUE OF €100,000 NOTIONAL NOTE

	(Less than one year term)						(Equal to one year term)			(More than one year term)		
	90 DAYS			180 DAYS			365 DAYS			730 DAYS		
Nominal rate (%)	Suscription Price (euros)	IRR/AER (%)	+10 days (euros)	Suscription Price (euros)	IRR/AER (%)	+10 days (euros)	Suscription Price (euros)	IRR/AER (%)	+10 days (euros)	Suscription Price (euros)	IRR/AER (%)	+10 days (euros)
0.25%	99,938.39	0.25%	-6.84	99,876.86	0.25%	-6.83	99,750.62	0.25%	-6.81	99,501.87	0.25%	-6.81
0.50%	99,876.86	0.50%	-13.66	99,754.03	0.50%	-13.63	99,502.49	0.50%	-13.56	99,007.45	0.50%	-13.53
0.75%	99,815.41	0.75%	-20.47	99,631.50	0.75%	-20.39	99,255.58	0.75%	-20.24	98,516.71	0.75%	-20.17
1.00%	99,754.03	1.00%	-27.26	99,509.27	1.00%	-27.12	99,009.90	1.00%	-26.85	98,029.60	1.00%	-26.72
1.25%	99,692.73	1.26%	-34.02	99,387.34	1.25%	-33.82	98,765.43	1.25%	-33.39	97,546.11	1.25%	-33.19
1.50%	99,631.50	1.51%	-40.78	99,265.71	1.51%	-40.48	98,522.17	1.50%	-39.87	97,066.17	1.50%	-39.59
1.75%	99,570.35	1.76%	-47.51	99,144.37	1.76%	-47.11	98,280.10	1.75%	-46.29	96,589.78	1.75%	-45.90
2.00%	99,509.27	2.02%	-54.23	99,023.33	2.01%	-53.70	98,039.22	2.00%	-52.64	96,116.88	2.00%	-52.13
2.25%	99,448.27	2.27%	-60.93	98,902.59	2.26%	-60.26	97,799.51	2.25%	-58.93	95,647.44	2.25%	-58.29
2.50%	99,387.34	2.52%	-67.61	98,782.14	2.52%	-66.79	97,560.98	2.50%	-65.15	95,181.44	2.50%	-64.37
2.75%	99,326.48	2.78%	-74.28	98,661.98	2.77%	-73.29	97,323.60	2.75%	-71.31	94,718.83	2.75%	-70.37
3.00%	99,265.71	3.03%	-80.92	98,542.12	3.02%	-79.75	97,087.38	3.00%	-77.41	94,259.59	3.00%	-76.30
3.25%	99,205.00	3.29%	-87.55	98,422.54	3.28%	-86.18	96,852.30	3.25%	-83.45	93,803.68	3.25%	-82.16
3.50%	99,144.37	3.55%	-94.17	98,303.26	3.53%	-92.58	96,618.36	3.50%	-89.43	93,351.07	3.50%	-87.94
3.75%	99,083.81	3.80%	-100.76	98,184.26	3.79%	-98.94	96,385.54	3.75%	-95.35	92,901.73	3.75%	-93.65
4.00%	99,023.33	4.06%	-107.34	98,065.56	4.04%	-105.28	96,153.85	4.00%	-101.21	92,455.62	4.00%	-99.29
4.25%	98,962.92	4.32%	-113.90	97,947.14	4.30%	-111.58	95,923.26	4.25%	-107.02	92,012.72	4.25%	-104.86
4.50%	98,902.59	4.58%	-120.45	97,829.00	4.55%	-117.85	95,693.78	4.50%	-112.77	91,573.00	4.50%	-110.37

Given the different types of issues that will be applied throughout the Commercial Paper Programme, we cannot predetermine the internal rate of return (IRR) for the investor. In any case, it will be determined in accordance with the formula detailed below:

$$IRR = \left[\left(\frac{N}{E} \right)^{\frac{365}{d}} - 1 \right]$$

Whereby:

IRR = effective annual interest rate, expressed as a decimal
N = nominal amount of the Commercial Paper.
E = cash amount at the time of subscription or acquisition.
d = number of calendar days between the date of issue (inclusive) and the date of maturity (exclusive).

15. Paying agent and depository entities

The entities which will be collaborating in this Programme (the "**Managers**") are:

BANKINTER, S.A.
Tax Identification Number: A-28157360.
Registered office: Paseo de la Castellana 29, 28046 Madrid.

BANCA MARCH, S.A.
Tax Identification Number: A-07004021.
Registered office: Avenida Alejandro Rosello 8, 07002 Palma de Mallorca (Baleares).

PKF ATTEST CAPITAL MARKETS A.V., S.A.
Tax Identification Number: A-86953965.
Registered office: Calle Orense nº 81, 28020 Madrid.

A placement agreement has been entered into by the Issuer and the Managers for this Programme, including the possibility to sell to third parties.

Notwithstanding the above, new collaborating entities may be added by the Issuer in the future to this Program by communicating so to MARF by means of a relevant information notice.

Bankinter will also act as paying agent (the “**Paying Agent**”).

The Issuer has not designated any securities’ depository entity. Each subscriber will designate, from among the participants in Iberclear, the entity in which to deposit its securities.

16. Redemption price and provisions regarding maturity of the securities. Date and methods of redemption

The Commercial Paper issued under this Programme will be redeemed at their nominal value on the date indicated in the document proving acquisition, applying, when appropriate, the corresponding withholding tax.

The Commercial Paper issued under this Programme may have a redemption period of between three (3) business days and seven hundred and thirty (730) calendar days (twenty-four (24) months).

The Commercial Paper will not include an early redemption option for the Issuer (*call*) or for the securities’ holder (*put*). Regardless of the previous, the Commercial Paper may be early redeemed given that, for any reason, they are in legitimate possession of the Issuer.

Given that the Commercial Paper will be traded in MARF, their redemption will take place pursuant to the operating rules of the clearance system of the Market, being paid, on maturity date, the nominal amount of the securities to their legitimate holder. Bankinter, S.A. as delegated paying agent does not take any liability whatsoever regarding reimbursement by the Issuer of the Commercial Paper on the maturity date.

Should the reimbursement coincide with a non-business day according to the TARGET 2 calendar (*Transeuropean Automated Real-Time Gross Settlement Express Transfer System*), reimbursement will be deferred to the first subsequent business day, without this having any effect on the amount to be reimbursed.

17. Valid term to claim the reimbursement of the principal

In accordance with article 1,964 of the Spanish Civil Code, reimbursement of the nominal value of the securities will no longer be callable after five (5) years from maturity.

18. Minimum and maximum issue period

As previously stated, during the validity of this Information Memorandum the Commercial Paper issued may have a redemption period of between three (3) business days and seven hundred and thirty (730) calendar days (twenty-four (24) months).

19. Early redemption

The Commercial Paper will not include an early redemption option for the Issuer (*call*) or for the securities' holder (*put*). Regardless of the previous, the Commercial Paper may be early redeemed given that, for any reason, they are in legitimate possession of the Issuer.

20. Restrictions on the free transferability of the securities

In accordance with the applicable legislation, there are no specific or generic restrictions on the free transferability of the Commercial Paper to be issued.

21. Taxation of the securities

In accordance to the provisions set out in current legislation, the Commercial Paper is rated as financial assets with implicit returns. Following is described the tax regime applicable to the acquisition, ownership and, if only, later transfer of the offered Commercial Paper.

This summary is not intended to be, nor should it be construed to be legal or tax advice. This summary is not a complete analysis or description of all the possible Spanish tax implications of such transactions and does not address all tax considerations that may be relevant to all categories of potential investors, some of whom may be subject to special rules (for instance, EU pension funds and EU harmonized collective investment institutions). In particular, this tax section does not address the Spanish tax consequences applicable to partnerships or other entities that are taxed as "look through" entities (such as trusts or estates).

Similarly, this information does not take into account specific regulations established in Navarra or in the historic territories of the Basque Country or the specialties in place in other Autonomous Communities of Spain (including the Autonomous Cities of Ceuta and Melilla).

Accordingly, prospective investors in the Commercial Paper should consult their own tax advisors as to the applicable tax consequences of their purchase, ownership and disposition of our Commercial Paper, including the effect of tax laws of any other jurisdiction, based on their particular circumstances.

The description of Spanish tax laws set forth below is based on law currently in effect in Spain as at the date of this Programme, and on administrative interpretations of Spanish law. As a result, this description is subject to any changes in such laws or interpretations occurring after the date of this Programme, including changes having retrospective effect.

For illustrative purposes only, the applicable regulations will be:

- Additional Provision One of Law 10/2014, of 26 June, of management, supervision and solvency of credit institutions ("**Law 10/2014**") (in terms of the regulation applicable in Vizcaya, the tax regulation equivalent to that contained in Additional Provision One of Law 10/2014 is the one contained in Additional Provision One of Foral Act 1/2012, of 29 February. Given the nature of the Issuer and for the purposes of this Programme, it is understood that the normative reference to Additional Provision One of Law 10/2014 comprises both two);

- Royal Decree 1065/2007, of 27 July, approving the General Regulations for tax management and inspection actions and procedures ("**RD 1065/2007**") (in terms of the regulation applicable in Vizcaya, the information regime with regard to certain operations with State Public Debt, preference shares and other debt instruments is regulated in article 55 of the Foral Decree of the Foral Deputation of Bizkaia 205/2008, of 22 December. Thus, given the nature of the Issuer and for the purposes of this Programme, it is understood that the normative reference to article 44 of Royal Decree 1065/2007 includes both);

- Law 35/2006, of 28 November, governing Personal Income Tax and partial amendment of the laws on Corporate Tax, Non-residents Income Tax and Wealth Tax ("**PIT Law**"), as well as Royal Decree 439/2007, of 30 March, which approves the Regulation on Personal Income Tax and modifies the Regulations on Pension Funds and Plans approved through Royal Decree 304/2004, of 20 February ("**PIT Regulation**");

- Law 27/2014, of 27 November, of the Corporate Tax Law ("**CIT Law**") as well as Corporate Tax Regulations approved through Royal Decree 634/2015, of 10 July ("**CIT Regulation**");

- Royal Legislative Decree 5/2004, of 5 March, which approves the consolidated text of the Non-residents Income Tax Law ("**NRIT Law**"), and in Royal Decree 1776/2004, of 30 July, which approves the regulations of Non-residents Income Tax ("**NRIT Regulation**");

- Law 19/1991, of 6 June, of the Wealth Tax ("**WT Law**");

- Law 29/1987, of 18 December, of the Inheritance and Gift Tax ("**IGT Law**");

- Law 37/1992, of 28 December, regulating Value Added Tax ("**VAT Law**"); and

- Royal Decree 1/1993, of 24 September, regulating the consolidated text of Law of the tax on Onerous Property Transfers and Documented Legal Acts ("**OPT and DLA Law**").

As a general rule, in order to dispose of or obtain the reimbursement of financial assets with implicit yield that are subject to withholding tax at the time of the transfer, redemption or reimbursement, the prior acquisition must be proved through a notary public or through the financial institutions obliged to perform withholdings together with the price of the transaction. The financial institutions through which the payment of interest is made, or which intervene in the transfer, redemption or reimbursement of the securities holder must determine and notify the income allocated to the taxpayer to both the holder of the security as well as to the Tax Authorities. The Tax Authorities must also be notified of those persons taking part in the aforementioned transactions. This as it will be explained more in detail below.

<u>Investors that are individuals with tax residence on Spanish territory</u>

Personal Income Tax

Income obtained by the assets holders that are taxpayers of the Personal Income Tax ("**PIT**") because of the transfer, redemption or reimbursement thereof will be considered as an implicit yield (movable income) derived from the transfer of own capital to third parties, in the terms provided in article 25.2 of PIT Law.

The difference between the value of subscription or acquisition of the asset and its transfer, redemption, or reimbursement value will be added to the saving taxable base of the financial year in which the sale, redemption or reimbursement takes place. The tax will be paid at the rate in force, which is currently 19% up to €6,000, 21% from €6,000.01 to €50,000, 23% from €50,000.01 to € 200,000 and 26% from 200,001 upwards.

In order to carry out the transfer or reimbursement of the assets, the prior acquisition must be certified by a public notary or by the financial institutions obliged to carry out the withholding tax, together with the acquisition price at which the transaction was carried out. The issuer shall not be entitled to reimburse the financial assets in case the asset holder does not certify its condition through the corresponding certificate.

In general, the implicit yield derived from the investments in commercial paper by individuals that are resident on Spanish territory are subject to withholding tax at source, as interim payment of PIT at the current rate of 19%. The withholding carried out will be deductible from the PIT amount, giving rise, where appropriate, to the tax rebates provided for in current legislation.

In the case of returns obtained through the transfer of the Commercial Paper, the financial institution acting on behalf of the transferring party will be obliged to make the withholding at source.

In the case of returns obtained through the reimbursement, the entity obliged to make the withholding will be the issuer or the financial institution responsible for the transaction.

Similarly, to the extent that the securities are subject to the tax regime set out in Additional Provision One of Law 10/2014, the reporting regime set out in article 44 of RD 1065/2007, of 27 July, will apply pursuant to the wording given in Royal Decree 1145/2011, of 29 July, for the securities issued with a redemption period of 12 or less months. In terms of the regulation applicable in Vizcaya, the information regime with regard to certain operations with State Public Debt, preference shares and other debt instruments is regulated in article 55 of the Foral Decree of the Foral Deputation of Bizkaia 205/2008, of 22 December. Thus, given the nature of the Issuer and for the purposes of this Programme, it is understood that the normative reference to article 44 of Royal Decree 1065/2007 includes both.

In case the Additional Provision One of Law 10/2014 was not applicable, or applying, the amortization or redemption period of the Commercial Paper was higher than 12 months, the general reporting obligations would be applicable.

Wealth tax

Individuals are subject to Spanish Wealth Tax ("**WT**") on all their assets (such as the Commercial Paper) owned every December 31 net of debt, irrespective of where the assets are located.

WT Law exempts from taxation the first €700,000 of net wealth owned by an individual (some additional exemptions may apply on specific assets); the rest of the net wealth is taxed at rates ranging between 0.2% to 3.5%. However, this taxation may vary depending on the Spanish Autonomous Community of residence of the corresponding Spanish Holder. However, this taxation may vary depending on the Spanish Autonomous Community of residence of the corresponding Spanish Holder.

Spanish individuals subject to WT filing obligations will be obliged to include reference (in the corresponding tax form) to the Commercial Paper yearly owned at December 31. These Commercial Paper should be reported at their average market value during the last quarter of the year. The Spanish Ministry of Finance and Taxation publishes annually such market value for the purposes of the WT.

Finally, the General State Budget Act for year 2021 repealed the second paragraph of the sole article of the Royal Decree-Law 13/2011, of 16 September, by which the Wealth Tax was re-established, with a temporary character, therefore derogating the general rebate of 100% of the total tax liability, with effect from 1st January 2021.

Inheritance and Gift Tax

Moreover, pursuant to IGT Law, individuals resident in Spain that acquire the securities or rights over these securities through inheritance or gift will be subject to the Inheritance and Gift Tax ("**IGT**") without prejudice to the specific legislation applicable in each Autonomous Community. The effective tax rate, after applying all relevant factors, ranges from 7.65% to 81.6%. Some tax benefits may reduce the effective tax rates (bearing in mind the Autonomous regions provisions).

Investors that are entities with tax residence on Spanish territory

Corporate Income Tax

Income derived from the transfer, redemption or repayment of the Commercial Paper is subject to Corporate Income Tax ("**CIT**") at the current general tax rate of 25%, in accordance with the rules for such tax.

The profits obtained by CIT taxpayers when said profits arise from these financial assets are exempt from the obligation of carrying out the withholding tax provided that the commercial paper (i) are represented by book entries and (ii) are traded on a Spanish official secondary market of securities, or on a multilateral trading facility such as the MARF. Otherwise, the withholding at source -performed as an interim payment of the CIT- will be carried out at the current rate of 19%. The interim withholding carried out will be deductible from the CIT amount payable.

The procedure to introduce the exemption described in the previous paragraph will be the one set out in the Order of 22 December 1999, without prejudice to which is explained in sections "*Reporting Regime set out in article 44 of Royal Decree 1065/2007*" and "*General Reporting Regime*".

The financial institutions by means of which the transfer or reimbursement is carried out will be obliged to determine the implicit yield attributable to the securities holder and to notify such income to both the holder and the Tax Authorities.

Notwithstanding the foregoing, to the extent that the securities are subject to the regime set out in Additional Provision One of Law 10/2014, the procedure set out in article 44 of Royal Decree 1065/2007, of 27 July, will be applicable in accordance with the wording given through Royal Decree 1145/2011, of 29 July, for the securities issued with a redemption of 12 or less months.

In case the Additional Provision One of Law 10/2014 was not applicable, or applying, the amortization or redemption period of the Commercial Paper was higher than 12 months, the general reporting obligations would be applicable.

Wealth Tax

Legal entities are not subject to WT.

Inheritance and Gift Tax

Legal entities do not pay IGT and will be subject to the CIT Law.

Investors that are not resident on Spanish territory

Non-residents income-tax for investors not resident in Spain with a permanent establishment

Non-resident investors with a permanent establishment in Spain will be subject to the provisions governed by Chapter III of the referred NRIT Law, without prejudice to which is established by the Treaties entered into by Spain to avoid double taxation.

Income obtained by non-resident investors with a permanent establishment in Spain will not be subject to withholding tax on account of the NRIT upon the same terms indicated above for legal entities resident in Spain. The withholding tax procedure will be also the same as provided for such entities.

Non-residents income-tax for investors not resident in Spain without permanent establishment

To the extent that the provisions set out in Additional Provision One of Law 10/2014 are met, the implicit yield derived from the securities will be exempt from NRIT in the same terms as the public debt (regardless it is obtained through a tax haven). If the aforementioned Additional Provision One is not applicable, the returns resulting from the difference between the value of redemption, transfer, reimbursement or swap of the securities issued under the Commercial Paper Programme and their subscription or acquisition value, will be subject to taxation at a tax rate of 19%, in general. Tax treaties and domestic exemptions should be borne in mind.

In order to apply the exemption referred to in the previous paragraph to the securities issued with a redemption of 12 or less months, it will be necessary to comply with the procedure set out in article 44 of Royal Decree 1065/2007, of 27 July, in the wording given by Royal Decree 1145/2011, of 29 July.

In case the Additional Provision One of Law 10/2014 was not applicable, or applying, the amortization or redemption period of the Commercial Paper was higher than 12 months, the general reporting obligations would be applicable.

Wealth Tax

Without prejudice to the provisions set out in the treaties to avoid double taxation, in general those individuals that do not reside in Spain pursuant to the provisions set out in article 9 of the PIT Law and who, at 31 December each year, own properties that are located in Spain or rights that are executable in Spain, are subject to WT, without prejudice to any applicable exemptions.

Taxpayers will be entitled to apply a minimum exemption amount to 700,000 euros, as well as the general scale of charges whose tax rates ranges from 0.2% to 3.5%, and without prejudice to what had already been established, where appropriate, in each Autonomous Region.

The valuation of these assets will be subject to the same criteria as provided in connection with individuals resident for tax purposes in Spain.

However, it should be taken into account that those securities whose implicit yields are exempt from the NRIT will be also exempt from WT.

Finally, the General State Budget Act for year 2021 derogated the second paragraph of the sole article of the Royal Decree-Law 13/2011, of 16 September, by which the Wealth Tax was re-established with a temporary character, therefore derogating the general rebate of 100% of the total tax liability, with effect from 1st January 2021.

Moreover, since the resolution issued by the Court of Justice of the European Union on September 3, 2014, which involve the amendment to the Fourth Additional Provision of WT Law, Non-Spanish individual holders tax resident in a State of the European Union or of the European Economic Area will be entitled to apply the specific regulation of the Autonomous Community where their most valuable assets are located and which trigger WT due to the fact that they are located or are to be exercised within the Spanish territory. We recommend investors to consult their own advisors in this regard.

Inheritance and Gift Tax

Without prejudice to the provisions set out in the treaties to avoid double taxation, individuals non-resident in Spain that acquire securities located in Spain or executable rights over the same through inheritance or gift will be subject to IGT pursuant to state laws, regardless of the residence of the heir or the beneficiary. The applicable tax rate, after applying all relevant factors, ranges approximately between 7.65% and 81.6% for individuals.

However, according to the resolution issued by the Court of Justice of the European Union on September 3, 2014 if the deceased, heir or the donee are resident in a European Union or European Economic Area Member State, depending on the specific situation, the applicable rules will be those corresponding to the relevant autonomous regions according to the law. Accordingly, prospective holders should consult their tax advisors.

Also, as a consequence of the recent Judgements of February 19, March 21 and March 22, 2018, the Supreme Court has declared that the application of state regulations when the deceased, heir or done is resident outside of a Member State of the European Union or the European Economic Area violates Community law to the free movement of capital, so even in that case it would be appropriate to defend the application of regional regulations in the same cases as if the deceased, heir or done was resident in a Member State.

The interpretation of the Supreme Court has been adopted by the General Directorate for Taxes in the binding rulings V3151-18, dated December 11th 2018 and V3193-18, dated December 14th 2018, where the application of the regulations of the Autonomous Region in which the successor resides is recognized despite the fact that the deceased is not resident in Spain.

In addition, a resolution of the Central Administrative-Economic Court has recently been published with the same criteria of the Supreme Court (nº 2652/2016, dated September 16th 2019).

Reporting regime set out in article 44 of the Royal Decree 1065/2007

In the event that the First Additional Provision of Law 10/2014 applies to the issue of the commercial paper, the reporting regime established in article 44 of the Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, of 29 July will apply thereto. The above as long as the commercial paper issued has a redemption period equal or lower than twelve months.

In case the referred reporting regime applies, (i) the entities maintaining the securities in its third parties accounts, and (ii) entities managing the securities compensation and liquidation systems established in a foreign country which have signed an agreement with such compensation and liquidation entity domiciled within the Spanish territory, shall file before the issuer, or the financial institution acting on its behalf, the statement according to the form annex to the aforesaid Royal Decree 1145/2011, which will include:

- Identification of the securities
- Reimbursement date.
- Total amount of income derived from the reimbursement of the securities
- Amount of income corresponding to taxpayers of Personal Income Tax
- Amount of income that shall be paid on its gross amount

Income corresponding to non-residents without a permanent establishment in Spain, to taxpayers of CIT and to non-residents with permanent establishment in Spain, will be paid on its gross amount.

According to the wording of section 6 of article 44 of the Royal Decree 1065/2007 after the aforesaid legal modification, such statement will be submitted the working day prior to the maturity date of the paper, taking into account the situation at the end of the market of the mentioned day. Such statement could be presented through electronic processes.

The lack of submission of the statement referred to in article 44 of the Royal Decree 1065/2007, by any of the obliged entities, at the date foreseen in first paragraph of article 44.6 of the Royal Decree 1065/2007 would imply, for the issuer or its authorized paying agent, the obligation of paying the income corresponding to such entity on its net amount resulting after deducting withholding taxes at the general tax rate over the total amount of such interest.

Subsequently, if the obliged entity submits the statement established in article 44 of the Royal Decree 1065/2007 prior to the 10th day of the month following to the month when the maturity of the paper takes place, the issuer or its authorized paying agent will refund the exceeded withholding.

General reporting regime

In the event that the First Additional Provision of Law 10/2014 did not apply to the issue of the commercial paper or applying, the redemption period was higher than twelve months, the information obligations set out in article 92 of the PIT Regulation and article 63 of the CIT Regulation would be applicable.

As per such provisions, in order to carry out the transfer or reimbursement of the assets, the prior acquisition of the same must be certified by notaries public or financial institutions obliged to perform the withholding, as well as showing the price at which the transaction was carried out.

Indirect taxation in the acquisition and transfer of the securities issued

The acquisition and, where appropriate, subsequent transfer of the Commercial Paper is exempt from Value Added Tax and Tax on Onerous Property Transfers and Documented Legal Acts ("**OPT and DLA**"), as per **VAT Law** and **OPT and DLA Law**, under the terms provided by the referred legislation.

22. Publication of the Information Memorandum

This Information Memorandum will be published on the website of MARF (http://www.bmerf.es)

23. Description of the placement system and, if applicable, subscription of the issue

Placement by the Managers

The Managers may intermediate in the placement of the Commercial Paper, without prejudice to the Managers being able to subscribe the Commercial Paper in their own name.

For these purposes, the Managers may request the Issuer in any business day, between 10:00 and 14:00, volume quotations and interest rates for potential issues of Commercial Paper in order to carry out the corresponding book building process among qualified investors.

The amount, interest rate, issue and disbursement dates, maturity date, as well as the rest of the terms of each issue shall be agreed between the Issuer and the Manager or Managers involved. Such terms shall be confirmed by means of the delivery of a document which includes the conditions of the issue, to be sent by the Issuer to the relevant Managers and Paying Agent.

If the Commercial Paper are originally subscribed by the Manager or Managers for its subsequent transmission to the final investors, the price will be the one freely agreed by the interested parties, which may not be the same as the issue price (that is, the effective amount).

The interest to which the Managers transmit the Commercial Paper to the final investors will be the same as agreed by the Manager and the Issuer, and there can be no difference between the listing price of the Commercial Paper, that is, the interest rate that the Issuer is willing to satisfy and has notified to the Managers, and the interest rate to which the Managers place such Commercial Paper to the investors.

Issue and subscription of the Commercial Paper directly by investors

Additionally, final investors who are eligible as qualified investors (as such term is defined in Article 39 of Royal Decree 1310/2005 or the regulation that may replace it and in the equivalent legislation in other jurisdictions) may subscribe for the Commercial Paper directly from the Issuer, as long as they fulfil any requirements that could arise from the legislation in force.

In such cases, the amount, interest rate, issue and disbursement dates, maturity date, as well as the rest of the terms of each issue shall be agreed between the Issuer and the relevant final investors in relation to each particular issue.

24. Costs for legal, financial and auditing services, and other services provided to the issuer regarding the admission (*incorporación*)

The costs for all legal, financial and auditing services, and other services provided to the Issuer for the admission to trading of the Commercial Paper sum up a total of fifty two thousand three hundred EUROS (€ 52,300), excluding taxes, and including the fees of MARF and Iberclear.

25. Admission (*incorporación)* to trading of the securities

Deadline for the admission (incorporación) to trading

The admission (*incorporación*) to trading of the securities described in this Information Memorandum will be requested for the Alternative Fixed-Income Market (MARF). The Issuer hereby undertakes to carry out all the necessary actions so that the Commercial Paper is listed on MARF within seven (7) days from the date of issuance of the securities. For these purposes, as stated above, the date of issuance coincides with the date of disbursement. Under no circumstances will the deadline exceed the maturity of the Commercial Paper. In the event of breach of the aforementioned deadline, the reasons for the delay will be notified to MARF and will be published on the MARF´s website (www.bmerf.es). This is without prejudice to any possible contractual liability that may be incurred by the Issuer. The date of incorporation of the Commercial Paper must be, in any event, a date falling within the validity period of the Programme and under no circumstances will the listing period exceed the maturity date of the Commercial Paper.

MARF has the legal structure of a multilateral trading facility (MTF) (*sistema multilateral de negociación (SMN)*), under the terms set out in the Royal Decree-Law 21/2017, of 29 of December, on urgent measures for the adaptation of Spanish law in accordance with European Union regulation in relation to the securities market, constituting an unofficial alternative market for the trading of fixed-income securities.

This Information Memorandum is the one required in Circular 2/2018, of 4 December, of MARF, on admission (*incorporación*) and removal of securities on the Alternative Fixed-Income Market, and the applicable proceedings on admission (*incorporación*) to trading and removal of MARF set out in its own Regulations and other applicable regulations.

Neither MARF, nor the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (CNMV), nor the Managers, the Registered Advisor or the Legal Advisor have approved or carried out any verification or testing regarding the content of the Information Memorandum, the audited financial statements and the credit rating report submitted by the Issuer. The intervention of MARF does not represent a statement or recognition of the full, comprehensible and consistent nature of the information set out in the documentation provided by the Issuer.

It is recommended that the investor fully and carefully reads this Information Memorandum prior to making any investment decision regarding the securities.

The Issuer hereby expressly declares that it is aware of the requirements and conditions necessary for the acceptance, permanence and removal of the securities on MARF, according to current legislation and the requirements of MARF, and expressly agrees to comply with them.

The Issuer hereby expressly declares that it is aware of the requirements for registration and settlement on Iberclear. The settlement of transactions will be performed through Iberclear.

Publication of the admission (incorporación) to trading.

The admission (*incorporación*) to trading will be published on the website of MARF (http://www.bmerf.es).

26. Liquidity agreement

The Issuer has not entered into any liquidity undertaking with any entity regarding the Commercial Paper to be issued under this Programme.

As the person responsible for this Base Information Memorandum:

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Ana San Vicente Landaida
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ANNEX

CONSOLIDATED FINANCIAL STATEMENTS OF THE ISSUER FOR THE FINANCIAL YEARS ENDED ON 31 DECEMBER, 2019 AND 31 DECEMBER, 2020

https://www.tekniagroup.com/images/pdfs/FinancialReports/CCAAa_C_2019_TMG_EN.pdf

https://www.tekniagroup.com/images/pdfs/FinancialReports/CCAAa_C_2020_TMG_EN.pdf