ARTECHE LANTEGI ELKARTEA, S.A.

Yearly Financial Statements and Management Report for the year ended 12/31/2023

**(Free translation from the original in Spanish.
In the event of discrepancy, the Spanish-language version prevails)**

ARTECHE LANTEGI ELKARTEA, S.A.
Derio Bidea 28, 48100 :: Mungia :: Bizkaia :: Spain
T. (+34) 94 60 11 200 :: F. (+34) 94 67 40 018 www.arteche.com

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ARTECHE LANTEGI ELKARTEA, S.A.
Balance sheet as of December 31, 2023
(Thousand euro)

ASSET	Notes	2023	2022
NON-CURRENT ASSETS		**129795**	**131325**
Intangible assets	**5**	**2141**	**968**
Software		2141	968
Property, plant and equipment		**259**	**268**
Technical facilities and other property, plant and equipment		259	268
Long-term investments in group and associated companies		**124707**	**125861**
Equity instruments	6	93604	100317
Loans to companies	7 and 15.1	31103	25544
Long-term financial investments	**7**	**331**	**1432**
Equity instruments		76	76
Derivatives		246	1347
Other financial assets	7	9	9
Deferred tax assets	**12**	**2357**	**2796**
CURRENT ASSET		**58333**	**51934**
Trade and other receivables		**11230**	**9421**
Accounts receivable, group and associated companies	7 and 15.1	10858	8981
Sundry receivables	7	140	132
Personnel	7	33	52
Other receivables from public administrations	12	199	256
Short-term investments in group and associated companies	**7 and 15.1**	**42780**	**35810**
Loans to companies		42780	35810
Short-term financial investments	**7**	**1755**	**2058**
Derivatives		787	486
Other financial assets		968	1572
Short-term accruals		**211**	**318**
Cash and cash equivalents	**7**	**2357**	**4327**
TOTAL ASSETS		**188128**	**183259**

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ARTECHE LANTEGI ELKARTEA, S.A.
Balance sheet as of December 31, 2023
(Thousand euro)

EQUITY AND LIABILITIES	Notes	2023	2022
EQUITY		**73478**	**69514**
SHAREHOLDERS' FUNDS		**72679**	**68143**
Issued capital	**8.1**	**5709**	**5709**
Authorized capital		5709	5709
Share premium	**8.2**	**50180**	**50180**
Reserves	**8.3**	**10409**	**8314**
Legal and by-law reserves		1142	1142
Other reserves		9267	7172
Treasury stock and equity interests	**8.4**	**(505)**	**(503)**
Profit/(loss) for the year	**9**	**6886**	**4443**
MEASUREMENT ADJUSTMENTS		**785**	**1349**
Hedging transactions	**10**	785	1349
GRANTS, DONATIONS AND BEQUESTS		**14**	**22**
NON-CURRENT LIABILITIES		**67573**	**66137**
Non-current provisions	**3.12**	**13**	**13**
Long-term obligations for employee benefits		13	13
Non-current creditors	**11**	**61925**	**57910**
Bank borrowings		35825	24510
Other financial liabilities		26100	33400
Long-term debts with group companies and associated entities	**11 and 15.1**	**5382**	**7782**
Deferred tax liabilities	**12**	**253**	**432**
CURRENT LIABILITIES		**47077**	**47608**
Current creditors	**11**	**36033**	**42902**
Liabilities and other negotiable securities		13800	26000
Bank borrowings		14366	10018
Other financial liabilities		7867	6884
Short-term debts with group companies and associated entities	**11 and 15.1**	**5964**	**366**
Trade and other payables		**5080**	**4340**
Suppliers		11	-
Creditors, group, and associated companies	11 and 15.	2301	2356
Sundry payables	11	1700	1126
Personnel (accrued wages and salaries)	11	774	569
Other payables to Public Administrations	12	294	289
TOTAL EQUITY AND LIABILITIES		**188128**	**183259**

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ARTECHE LANTEGI ELKARTEA, S.A.
Income statement for the year ended December 31, 2023
(Expressed in thousands of euros)

	Notes	2023	2022
CONTINUING OPERATIONS			
Revenues	**13.1**	**25751**	**19683**
Rendering services		10471	9204
Dividend income		11989	8985
Interest on loans granted to group and associated companies	13.1	3291	1494
Work performed by the company for its assets		**215**	**-**
Other operating income		**43**	**-**
Operating grants released to income during the year		43	-
Personnel costs	**13.2**	**(5,805)**	**(5,386)**
Wages, salaries, and similar remuneration		(4,989)	(4,769)
Social security		(816)	(617)
Other operating expenses		**(8,150)**	**(7,045)**
External services	13.3	(8,142)	(7,034)
Taxes		(4)	(5)
Other operating income expenses		(4)	(6)
Depreciation and amortization		**(279)**	**(197)**
Grants related to non-financial assets and others		**3**	**-**
OPERATING PROFIT/(LOSS)		**11778**	**7055**
Financial costs	**13.4**	**(5,572)**	**(3,062)**
Payable to group and associated companies	15.1	(430)	(279)
Payable from third parties		(5,142)	(2,783)
Exchange differences	**14.2**	**(261)**	**(318)**
FINANCIAL INCOME/(EXPENSE)		**(5,833)**	**(3,380)**
PROFIT/(LOSS) BEFORE INCOME TAXES		**5945**	**3675**
Profit tax	**12.1**	**941**	**768**
PROFIT/(LOSS) FOR YEAR FROM CONTINUING OPERATIONS		**6886**	**4443**
PROFIT/(LOSS) FOR THE YEAR	**9**	**6886**	**4443**

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ARTECHE LANTEGI ELKARTEA, S.A.
Statement of changes in equity for the year ended December 31, 2023

A) Statement of recognized income and expense for the year ended December 31, 2023 (Expressed in thousands of euros)

	Notes	2023	2022
INCOME STATEMENT	**9**	**6886**	**4443**
INCOME AND EXPENSES ATTRIBUTED DIRECTLY TO EQUITY			
On cash flow hedges	10	(742)	1775
Grants, donations, and bequests		(7)	29
Tax effect		180	(433)
TOTAL INCOME AND EXPENSES ATTRIBUTED DIRECTLY TO EQUITY	**12**	**(569)**	**1371**
TRANSFERS TO THE INCOME STATEMENT			
Grants, donations, and bequests received		(4)	-
Tax effect		1	-
TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT		**(3)**	-
TOTAL RECOGNIZED INCOME AND EXPENSES		**6314**	**5814**

B) Statement of changes in equity for the year ended December 31, 2023 (Expressed in thousands of euros)

	Stated capital (Note 8.1)	Share premium (Note 8.2)	Reserves (Note 8.3)	Treasury stock and equity investments (Note 8.4)	Income for the year (Note 9)	Measurement adjustments (Note 10)	Grants, donations, and bequests	TOTAL
CLOSING BALANCE 2021	**5709**	**50180**	**5375**	**(375)**	**5378**	**-**	**-**	**66267**
Total recognized income and expenses	-	-	-	-	4443	1349	22	5814
Transactions with partners or owners								
Dividends (Note 8.5)	-	-	(2,563)	-	-	-	-	(2,563)
Transactions with treasury stock (Note 8.4)	-	-	-	(128)	-	-	-	(128)
Other changes in equity (Note 8.3)	-	-	5502	-	(5,378)	-	-	124
CLOSING BALANCE 2022	**5709**	**50180**	**8314**	**(503)**	**4443**	**1349**	**22**	**69514**
Total recognized income and expenses	-	-	-	-	6886	(564)	(8)	6314
Transactions with partners or owners								
Dividends (Note 8.5)	-	-	(2,306)	-	-	-	-	(2,306)
Transactions with treasury stock (Note 8.4)	-	-	(42)	(2)	-	-	-	(44)
Other changes in equity (Note 8.3)	-	-	4443	-	(4,443)	-	-	-
CLOSING BALANCE 2023	**5709**	**50180**	**10409**	**(505)**	**6886**	**785**	**14**	**73478**

ARTECHE LANTEGI ELKARTEA, S.A.
Cash flows statement for the year ended December 31, 2023
(Thousand euro)

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income for the year before taxes		**5945**	**3675**
Adjustments to results		**6109**	**3577**
Depreciation and amortization		279	197
Financial costs	13.4	5572	3062
Exchange differences	14.2	261	318
Grants related to non-financial assets and others		(3)	-
Changes in working capital		**925**	**(354)**
Debtors and other receivables		(1,862)	(1,825)
Creditors and other payables		740	1406
Other non-current assets and liabilities		549	65
Other current assets and liabilities		1498	-
Other cash flows from operating activities		**(5,927)**	**(3,258)**
Interest paid	13.4	(5,438)	(3,062)
Income tax receipts (payments)		(489)	(196)
CASH FLOWS FROM OPERATING ACTIVITIES		**7052**	**3640**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		**(16,221)**	**(6,440)**
Group companies and associates		(14,778)	(5,822)
Intangible assets	5	(1,394)	(294)
Property, plant, and equipment		(49)	(89)
Other financial assets		-	(235)
Divestment proceeds		**9566**	**1072**
Group companies and associates		8962	1072
Other financial assets		604	-
CASH FLOWS FROM INVESTING ACTIVITIES		**(6,655)**	**(5,368)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments on equity instruments		**(2,316)**	**(2,669)**
Acquisition of own equity instruments		(2)	(128)
Dividends	8.5	(2,306)	(2,563)
Grants, donations, and bequests received		(8)	22
Proceeds from and payments on financial liability instruments		**210**	**2406**
Issuance			
Liabilities and other negotiable securities	11	63000	83300
Bank borrowings		26000	10018
Payable to group and associated companies		5964	366
Other payables		567	16084
Repayment and redemption of			
Liabilities and other negotiable securities		(75,200)	(84,800)
Bank borrowings		(10,471)	(18,601)
Payable to group and associated companies		(2,766)	(2,151)
Other payables		(6,884)	(1,810)
CASH FLOWS FROM FINANCING ACTIVITIES		**(2,106)**	**(263)**
Effect of changes in exchange rates		**(261)**	**(318)**
NET INCREASE / (DECREASE) IN CASH OR CASH EQUIVALENTS		**(1,970)**	**(2,309)**
Cash and cash equivalents at beginning of the year		**4327**	**6636**
Cash and cash equivalents at year end		**2357**	**4327**

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1. GENERAL INFORMATION

Arteche Lantegi Elkartea, S.A. (hereinafter, the Company) was incorporated on July 2, 1997 by spin-off from Ziskua 92, S.L., effective January 1, 1997. Its corporate purpose consists of the acquisition, holding, and enjoyment of all types of listed and unlisted securities and the rendering of technical, economic, and financial advisory services.

Its registered address for corporate and tax purposes is located at Derio Bidea 28, in Mungia (Bizkaia).

Arteche Lantegi Elkartea, S.A. is the parent company of a group of companies (hereinafter the "Arteche Group" or the "Group") detailed in Note 6.2. In addition to these financial statements, the Directors have prepared the consolidated financial statements of the Arteche Group, dated March 18, 2024, which, together with the management report and the corresponding auditors' report, have been filed with the Mercantile Registry of Vizcaya.

The Company's financial statements for the year 2022 were approved by the General Shareholders' Meeting held on May 5, 2023, and filed with the Vizcaya Mercantile Registry.

Since June 11, 2021, the Company's shares have been admitted for trading on the BME Growth trading segment of BME MTF Equity (multilateral trading system).

1.1 Armed conflict

The Ukraine-Russia conflict that began in February 2022 poses a risk of global market uncertainty due to the possible embargoes or sanctions that companies may endure in those markets, or due to counter-sanctions imposed by Russia. This circumstance has triggered a significant reduction in trade operations with Russia, generating an increase in the prices of certain raw materials, exacerbated inflationary pressures, bottlenecks in the supply chain and volatility in the financial and raw materials markets.

As of December 31, 2023 and 2022, the Arteche Group has no assets in either Russia or Ukraine, and the direct effect on the Group's revenue is immaterial, since the volume of sales and orders to customers located in those countries which are directly affected is not significant.

The indirect impacts derived from this conflict and endured by the Arteche Group were evident in 2022, affecting the supply chain as well as in prices of energy and raw materials, such as copper. These circumstances have ameliorated significantly in 2023 and 2024, when raw material prices have been substantially lower than in 2022. Although the Group's production processes are not electricity-intensive, in 2022, we renegotiated the contracts with electrical companies for the Europe plants. In the case of commodities such as copper, in addition to the supplier and market diversification measures monitored by the purchasing area, the Group contracted financial derivatives (commodity swaps) to hedge its volatility from February through December 2023.

The current escalation of the war in the Gaza Strip has not had a significant direct impact on results, as the Group has no productive assets or relevant business volume in Israel or Palestine.

However, instability in the Red Sea area has generated worldwide increases of up to 400% in shipping costs from Asia to Europe and of 100% from Asia to the United States, stoking concerns about inflation in the aftermath of the pandemic.

The Arteche Group is suffering the negative effect on the cost of freight, delivery times of goods, and insurance for the maritime routes to or through this area, where some of the Group's markets are located. The impacts of these conflicts on transportation costs and mobility of goods are managed by the purchasing area as part of the risks inherent to export activity, and it is done so by joining purchasing centers, changing routes, or bringing supply sources closer together, with no significant direct impacts expected.

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Additionally, the increase in inflation and interest rates during the years 2022 and 2023, which has been maintained during the year, derived from these geopolitical risks, has been considered in the recoverability of financial investments.

1.2 Climate change

Through its Sustainability Policy and in accordance with the provisions of the 2030 United Nations Global Compact for Sustainable Development, the Arteche Group is committed to developing actions in relation to climate change mitigation and adaptation, promoting measures that contribute to environmental sustainability.

The Arteche Group's commitment to the environment continues to grow in 2023, with the following basic principles in relation to the environment:

- Taking action to prevent climate change
- Carbon footprint neutrality
- Energy efficiency and use of renewable energy
- Circular economy, reusing and recycling generated waste
- Minimizing waste and pollution
- Eco-design of our products and packaging
- Preventing any type of environmental incident
- Preserving natural resources
- Conducting research and development projects that promote environmental protection.

Through its 2030 Sustainability Strategic Plan, the Arteche Group has defined short and long-term emission reduction goals, with the 2021 carbon footprint calculations as a reference:

Climate change goals	**2026**	**2030**
Reduction of Scope 1 and 2 emissions	40%	50%
Reduction of Scope 3 emissions	26%	50%
Renewable energy consumption	60%	100%

In 2022, Arteche formalized the commitment to adopt targets aligned with SBTI (Science Based Targets Initiative) for 2030 and 2050, an international initiative for alignment in the fight against climate change and the Paris Agreement, so that its activity contributes to limiting global warming to 1.5 degrees and achieving climate neutrality. In addition, a project has been initiated to develop a Scope 3 emissions decarbonization plan.

Since 2022, and with the goal of responding to the development of risk-mitigating actions and seizing climate change opportunities, we have been working on specifying our Risk Management System to the emerging climate change risks. To this end, Arteche has based his work on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), as well as on the European Taxonomy of Sustainable Activity. The project began in 2022 by assessing the physical risks (acute and chronic) at each location. With regard to transition risks, in 2023 progress was made by including the most relevant risks in the periodic risk management model assessment, particularly with regard to regulatory and market risks, as well as by assessing the impacts, risks and opportunities in the context of the double materiality analysis. In 2024, the project continues to develop the quantification of these risks' financial impact in accordance with the European Corporate Sustainability Reporting Directive (CSRD) that will be applicable to the Arteche Group as of January 1, 2025.

This new methodology is part of the Arteche Group's Risk Management System, which is based on the General Risk Control and Management Policy as approved by the Board of Directors, and it is consolidated in the internal risk management procedures.

The new Compliance and Sustainability functional area along with the corporate EHS (Environment, Health and Security) area are responsible for establishing guidelines and coordinating actions for the

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production plants, gradually integrating environmental criteria into the management of all processes, in an attempt to reduce the impact that the Group's operations may have on the environment.

In addition, the following activities were carried out during 2023:

- Environmental performance measurement by CDP (Carbon Disclosure Project). The performance rating has been maintained, which is in line with company averages in our sector and with the global average (C)

- Independent verification of Scope 1 and 2 emissions

- Project to develop a Scope 3 emissions decarbonization plan.

At December 31, 2023 and 2022, the Group's manufacturing facilities were not located in geographical zones or areas where an imminent climate risk was foreseen, which should be considered in the recoverability estimations for non-financial assets, including goodwill. In this regard, in the hypotheses used in the asset impairment analysis described in Notes 6 and 7, the Group has considered macroeconomic variables that implicitly take into account the impacts that climate change may have in each of the geographical locations where it operates.

Further references to climate change are included within the section on TCFD and EU Taxonomy of the Statement of Non-Financial Information - 2023 Sustainability Report, an integral part of the consolidated Management Report.

2. BASIS OF PRESENTATION OF THE ANNUAL ACCOUNTS

2.1 Fair presentation

The annual accounts have been prepared from the Company's accounting records and are presented in accordance with current mercantile legislation and with the rules established in the General Accounting Plan approved by Royal Decree 1514/2007, which since its publication has undergone several amendments, the last one by Royal Decree 1/2021 of January 12, in order to show a true and fair view of the Company's net worth, financial position and results, as well as the veracity of the cash flows included in the statement of cash flows.

2.2 Key aspects of the measurement and estimation of uncertainty.

In preparing the Company's annual accounts, the directors have made estimates to determine the carrying amounts of certain assets, liabilities, income and expenses and the breakdowns of contingent liabilities. These estimates have been made on the basis of the best information available at year-end. However, given the inherent uncertainty, future events could arise that make it necessary to modify them in future years, which would be done prospectively, if necessary.

The key assumptions about the future, as well as other relevant data on the estimation of uncertainty at the reporting date, that have a significant risk of causing significant changes in the value of assets or liabilities in the next year are as follows:

Impairment of equity investments in group companies

As indicated in Note 3.5, the Company makes the appropriate valuation adjustments when there is objective evidence that the carrying amount is not recoverable. This analysis is based on comparing the book value of each shareholding with the recoverable value associated with each of its direct shareholdings, which, in most cases, correspond to holding companies whose main activity consists of holding shares in the legal companies of the plants comprising the Group.

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This analysis is performed considering the cost of the shares to be recovered from the shares at the lowest level at which they are located. In cases where the equity value of the investment is less than the interest held by its direct participating company, the Company verifies that the value in use of each of the companies exceeds the cost of such interest.

The estimate of expected cash flows is subject to uncertainties associated with the current economic situation and the different scenarios in which the subsidiaries operate.

Useful lives of property, plant and equipment and intangible assets

The Company's management determines the estimated useful lives and the related depreciation charges for its property, plant and equipment and intangible assets. This estimate is based on the depreciation they suffer from their operation, use and enjoyment, without prejudice to considering also the technical or commercial obsolescence that may affect them. Management will write off or dispose of technically obsolete or non-strategic assets when no economic benefits or returns are expected to be obtained from them.

Provisions and contingent liabilities

The Company takes provisions for contingencies into consideration, in accordance with the accounting policy indicated in Note 3.11 of the report. The Group has prepared judgments and estimates relating to the likelihood those risks will materialize, as well as to their amount, and it has recognized a provision when the risk is considered to be likely by estimating the cost of the liability.

Fair value of derivatives and financial instruments

The fair value of financial instruments that are not traded on an active market is calculated using valuation techniques. The Company uses judgments to select a variety of methods and to develop assumptions that are primarily based on the market conditions existing at each balance sheet date. The Company has used discounted cash flow analyses for several financial assets at fair value through equity changes and hedging derivatives that are not traded in active markets.

Deferred tax assets

Deferred tax assets are recorded for all deductible temporary differences, tax loss carryforwards yet to be offset and deductions pending application, for which it is likely that the tax group to which the Company belongs (Note 3.13) will have future taxable profits allowing for the utilization of these assets. The Directors must make significant estimates to determine the amount of deferred tax assets that may be recognized, taking into account the amounts and the dates at which the future taxable profits will be obtained and the period over which the attributable temporary tax differences will reverse.

Income tax

The legal status of the tax regulations applicable to the Company means that there are estimates and an uncertain ultimate quantification of the tax. The tax is calculated based on Management's best estimates and always in accordance with current tax regulations and taking into account the foreseeable evolution thereof (Note 12).

The Company recognizes liabilities for potential tax claims based on an estimate of whether additional tax will have to be paid. When the final tax result differs from the amounts which were initially recognized, such differences will have an effect on profit tax and the provisions for deferred taxes in the year in which they are deemed to arise.

2.3 Grouping of items

For the purposes of facilitating the understanding of the consolidated balance sheet, income statement, statement of changes in equity and cash flow statement, these financial statements are presented in a group format and all necessary analysis is set out in the notes to the report.

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2.4 Comparative information

For the purposes of the obligation established in Article 35.6 of the Commercial Code, and for the purposes of the comparability requirement, these financial statements express both the figures for the current year and those corresponding to the year ended December 31, 2022.

3. ACCOUNTING POLICIES

3.1 Intangible assets

a) <u>Research and development expenses</u>

Research expenditure is recognized as an expense when incurred. Development costs incurred in projects are recognized as intangible assets when the project is likely to be a success due to it being technologically and commercially feasible, there being sufficient technical and financial resources to complete it and as long as the costs incurred can be reliably measured and profit is likely to be generated.

Development expenses relate to the purchase of materials and external consultants, as well as internal costs calculated based on the hourly cost of the personnel engaging in project development. These items are recognized by crediting the account “Work performed on the Company's own assets” in the consolidated income statement. These expenses are capitalized when the following conditions are met:

- There is a specific and individual project that allows the payments attributable to the performance of the project to be reliably measured.
- The assignment, attribution, and temporary distribution of the cost for each project are clearly established.
- There are clear indications of the technical success of the project, regardless of whether the Company intends to directly exploit the development or to sell the results of the project to a third-party once it has ended, if there is a market.
- The financial-commercial yield obtained from the project is reasonably assured.
- The financing of the project to completion is reasonably assured. Adequate technical or other types of resources must also be available to complete development and to use the intangible asset.
- The intention exists to complete the intangible asset.

Other development expenses are recognized as an expense when they are incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs that have a finite useful life are amortized on a straight-line basis over the estimated useful life of each project, up to a maximum of 5 years.

If an asset’s carrying amount is greater than its estimated recoverable amount, its carrying amount is written down immediately to its recoverable amount (Note 3.3).

If the circumstances which permitted the capitalization of the development expenses change, the unamortized portion is expensed in the year the circumstances change.

Whenever there are reasonable doubts as to the technical success or economic and commercial profitability of capitalized projects, the amounts recorded as assets are taken directly to losses for the year.

b) <u>Software</u>

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring in to use the specific software. These costs are amortized over the assets’ estimated useful lives (10 years).

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(Expressed in thousands of euros)

Costs associated with maintaining computer software programs are recognized as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate financial benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

3.2 Property, plant and equipment

Tangible fixed assets are recognized at acquisition or production cost less accumulated depreciation and the cumulative amount of recognized impairments.

The amount of work carried out by the company for its own property, plant and equipment is calculated by adding to the purchase price of consumables, the direct or indirect costs attributable to such goods.

The costs of expansion, modernization or improvement of property, plant and equipment are capitalized as an increase in the value of the asset only when they represent an increase in its capacity, productivity or useful life, and provided that it is possible to know or estimate the book value of the items that are removed from the inventory because they have been replaced.

Depreciation of property, plant and equipment, except for land, which is not depreciated, is calculated systematically on a straight-line basis over its estimated useful life, taking into account the depreciation actually incurred in its operation, use and enjoyment. The estimated useful lives are as follows:

	Years of useful life life
Technical installations	7 years
Furniture	7 years
Data-processing equipment	4 - 8 years
Transport elements	5 years

The residual values and useful lives of assets are reviewed, and adjusted if necessary, at each balance sheet date.

If an asset's carrying amount is greater than its estimated recoverable amount, its carrying amount is written down immediately to its recoverable amount (Note 3.3).

Gains and losses on the sale of property, plant and equipment are calculated by comparing the proceeds from the sale with the book value and are recorded in the income statement.

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3.3 Impairment of non-financial assets

Assets are subjected to impairment tests provided that some event or a change in circumstances indicates that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount, understood as the asset's fair value minus either the costs to sell or the value-in-use, whichever is higher. For the purposes of assessing impairment losses, assets are grouped together at the lowest level for which there are separately identifiable cash flows (Cash Generating Units). Non-financial assets that present an impairment loss are reviewed at each balance sheet date to determine whether or not the loss has reversed.

3.4 Leases

Leases are classified as finance leases when the applicable financial conditions determine that substantially all risks and rewards inherent to the ownership of the asset covered by the contract are transferred to the lessee. Otherwise, the contracts are classified as operating leases.

As of December 31, 2023 and 2022 all leases held by the Company were operating leases. Payments for operating leases are recognized as an expense in the income statement when they accrue.

3.5 Financial assets

3.5.1 Classification and measurement

During their initial recognition, the Company classifies all financial assets into one of the categories listed below, which determines the initial and subsequent applicable measurement method:

- Financial assets at fair value with changes in profit or loss
- Financial assets at amortized cost
- Financial assets at fair value with changes in equity
- Financial assets at cost

Financial assets at fair value with changes in profit or loss

The Company classifies a financial asset into this category, unless it is to be classified into any of the other categories.

In any event, financial assets held for trading are included in this category. The Group considers that a financial asset is held for trading when at least one of the following three circumstances is met:

a) It is produced or acquired in order to sell it in the short term.

b) At the time of initial recognition, the asset is part of a portfolio of identified and jointly managed financial instruments for which there is evidence of recent actions aimed at short-term profit.

c) It is considered a derivative financial instrument, provided that it is not a financial guarantee contract and has not been designated as a hedging instrument.

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In addition to the above, upon initial recognition the Company can irrevocably designate a financial asset which would otherwise have been included in another category as an asset measured at fair value with changes in profit or loss (generally referred to as a "fair value option"). This option may be selected provided that it eliminates or significantly reduces a measurement inconsistency or accounting asymmetry that would otherwise arise from asset or liability being measured on different bases.

Financial assets in this category are initially measured at fair value which, unless there is evidence to the contrary, is assumed to be the transaction price, i.e., the fair value of the consideration provided. Directly attributable transaction costs are recognized in the annual income statement (i.e. they are not capitalized).

After initial recognition, the Company measures the financial assets in this category at fair value through profit or loss (financial income/expense).

Financial assets at amortized cost

The Company places a financial asset into this category, even when it is admitted to trading in organized markets, if the following conditions are met:

- The Company holds the investment under a management model whose objective is to receive the cash flows derived from contract execution.

  The management of a portfolio of financial assets to obtain their contractual flows does not mean that all instruments must necessarily be held to maturity; financial assets may be considered to be managed with this aim even if sales have occurred or are expected to occur in the future. To this end, the Company takes into consideration the frequency, amount, and timing of sales in prior years, the motivation behind said sales and the expectations regarding future sales activity.
- On specific occasions, the contractual characteristics of the financial asset give rise to cash flows that are solely principal amount collections and interests on the pending amount. That is to say that said cash flows are inherent to an agreement of an ordinary or common loan nature, notwithstanding the fact that the transaction is finalized at a below market or zero interest rate.

In general, this category includes receivables from non-trade operations ("Loans to companies", "Other financial assets", "Loans to group companies", "Sundry accounts receivable", "Personnel" and "Accounts receivable from group and associated companies").

Financial assets in this category are initially measured at fair value which, unless there is evidence to the contrary, is assumed to be the transaction price, i.e., the fair value of the consideration provided plus any directly attributable transaction costs. In other words, inherent transaction costs are capitalized.

However, trade receivables that are reaching maturity in under one year and which do not have an explicit contractual interest rate, as well as receivables from personnel, dividends receivable and payments due on equity instruments—the amount of which is expected for collection in the short term—are valued at their nominal value, in the event that not discounting cash flows has an insignificant effect.

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The amortized cost method is used for subsequent measurement. Accrued interest is recognized in the income statement (financial revenue) using the effective interest method.

Loans that are reaching maturity in under one year and which are initially valued at their nominal value, as per the aforementioned, will retain said value amount, unless impaired.

In general, when the contractual cash flows of a financial asset at amortized cost change due to the issuer's financial difficulties, the Group analyzes whether an impairment loss should be recognized.

Financial assets at cost

In any event, the Group includes the following items in this category:

a) Investments in the equity of group, multigroup and associated companies.

b) Investments in equity instruments whose fair value cannot be determined by reference to a price quoted in an identical instrument active market or which cannot be reliably estimated, and any derivatives whose underlying assets are said investments.

c) Hybrid financial assets whose fair value cannot be reliably estimated, unless requirements for accounting at amortized cost are met.

d) Contributions made as a result of a joint account contract and the like.

e) Participation loans of contingent interest, either because a fixed or variable interest rate is agreed upon subject to a milestone achievement on the part of the financed company (for example, securing profits), or because they are calculated exclusively by reference to the progress of said company's activity.

f) Any other financial asset that should be initially classified in the fair value portfolio with changes in the income statement when obtaining a reliable fair value estimate is not possible.

Investments included in this category are initially measured at cost, i.e., the fair value of the consideration provided plus any directly attributable transaction costs. In other words, inherent transaction costs are capitalized.

Any subsequent measurement is also performed at cost minus any accumulated impairment losses.

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3.5.2 Impairment of the value of financial assets

Debt instruments at amortized cost or fair value with changes in equity

Upon year-end closing, the Company is to analyze whether there is objective evidence that the value of a financial asset or of a group of collectively-valued financial assets sharing risk characteristics has been impaired as a result of one or more events that occurred after initial recognition and caused a reduction or delay in the estimated future cash flows, which may in turn have been caused by the financed party's insolvency.

If evidence of this is found, the impairment loss is calculated as the difference between the carrying amount and the present value of future cash flows, including, if applicable, those estimated to result from the enforcement of collateral and personal guarantees, discounted at the effective interest rate calculated at the time of initial recognition. For financial assets at variable interest rates, the effective interest rate applicable at the closing date of the financial statements is used pursuant to contractual conditions. The Company uses models based on formulas or statistical methods when calculating impairment losses on a group of financial assets.

Impairment losses, as well as their reversal in the event the amount of such loss decreases due to a subsequent event, are recognized as an expense or income, respectively, in the income statement. An impairment reversal is limited to the asset's carrying amount as it would have been recognized at the date of reversal if no impairment had been recorded.

As a substitute for the present value of future cash flows, the Company uses the instrument market value, provided that it is sufficiently reliable to be considered representative of the value that could be recovered by the company.

In the case of assets at fair value with changes in equity, accumulated losses recognized in equity due to a decrease in fair value are recognized in the income statement, provided there is objective evidence of asset value impairment.

Equity instruments at fair value with changes in equity

In the case of equity instruments investments, the lack of recoverability of the asset's carrying amount can be caused, for example, by a prolonged or significant decline in its fair value.

In any case, an instrument will be presumed impaired if its market price falls by one and a half years or forty percent without the recovery of its value, without prejudice to the possibility that it may be necessary to recognize an impairment loss before this period has elapsed or the market price has fallen by the aforementioned percentage.

The impairment adjustment of these financial assets is calculated in the same way as for debt instruments at fair value with changes in equity and is recognized in the income statement. However, in the event of an increase in the fair value of an equity instrument, the value adjustment recognized in prior years will not be reversed with a credit to the income statement and the increase in fair value will be recorded directly against equity.

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Financial assets at cost

In this case, the value adjustment amount is the difference between its carrying amount and the recoverable amount. The recoverable amount is in turn understood as its fair value minus the selling costs or the present value of the future cash flows derived from the investment, whichever is higher of the two. In the case of equity instruments, future cash flows are calculated either by estimating those expected to be received as a result of the distribution of dividends by the investee company and the disposal or derecognition of the investment in said company, or by estimating its share of the cash flows expected to be generated by the investee company, both from its ordinary activities and from its disposal or derecognition. Unless there is better evidence of the recoverable amount of investments in equity instruments, the impairment loss estimate on this type of asset is calculated on the basis of the investee company's equity and the unrealized gains existing at the date of appraisal, net of the tax effect.

The recognition of impairment losses and their reversals, where applicable, are recorded in the income statement as an expense or income, respectively. An impairment reversal is limited to the investment's carrying amount as it would have been recognized at the date of reversal if no impairment had been recorded.

3.6 Financial derivatives and hedge accounting

Financial derivatives are initially and subsequently measured at fair value. Resulting gains and losses are recognized depending on whether the derivative is designated as a hedging instrument or not and, if so, the nature of the item being hedged. The Company designates certain derivatives as:

a) Fair value hedge

Changes in the fair value of derivatives that are designated and classified as hedges of fair value are recorded in the income statement together with any change in the fair value affecting the hedged asset or liability that is attributable to the hedged risk.

The Company does not engage in fair value hedges.

b) Cash flow hedges

The Company carries out cash flow hedges, which hedge the exposure to the risk of changes in cash flows attributable to changes in interest rates on loans received. In order to mitigate the risk of interest rate fluctuations on loans, interest rate swaps (IRS) and maximum interest rate (cap) options are contracted.

The Company also enters into contracts to hedge the risks arising from variation in foreign exchange rates (forward).

At the inception of the hedge, the Company formally designates and documents the hedging relationships, as well as the objective and strategy it assumes with respect to the hedges. Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and in subsequent years in offsetting changes in cash flows attributable to the hedged risk.

In addition, in hedges of forecast transactions, the Company assesses whether such transactions are highly probable and whether they present an exposure to changes in cash flows that could ultimately affect profit or loss for the year.

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The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized temporarily in equity. They are charged to the income statement in the years in which the forecast hedged transaction affects profit or loss, unless the hedge relates to a forecast transaction that results in the recognition of a non-financial asset or liability, in which case the amounts recorded in equity are included in the cost of the asset when acquired or of the liability when assumed.

The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

In those derivatives where hedge accounting is not applied, changes in fair value are taken directly to the income statement.

3.7 Equity

Share capital consists of ordinary shares.

The costs of issuing new shares or options are recognized directly in equity as a reduction in reserves.

In the event that the Company acquires treasury shares, the price paid, including any directly attributable incremental cost, is deducted from equity until the treasury shares are redeemed, reissued or sold. When these shares are sold or subsequently reissued, any amount received, net of any directly attributable incremental cost of the transaction, is included under equity.

3.8 Financial liabilities

Classification and measurement

Upon initial recognition, the Company places all financial liabilities into one of the categories listed below:

- Financial liabilities at amortized cost
- Financial liabilities at fair value with changes in profit or loss

All of the Company's financial liabilities correspond to the "Financial liabilities at amortized cost" category and refer to financial liabilities arising from the issuance of debentures and other securities (promissory notes in the MARF), debts for non-trade operations and debts with group companies.

Upon initial recognition in the balance sheet, they are recorded at fair value, which unless there is evidence to the contrary, is the transaction price, i.e. the fair value of the consideration received any plus directly attributable transaction costs.

After initial recognition, these financial liabilities are measured at amortized cost. Accrued interest is recognized in the income statement using the effective interest method.

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However, trade payables that are reaching maturity in under one year and which do not have a contractual interest rate, as well as payments to third parties on investments—the amount of which is to be paid in the short term—are valued at their nominal value, in the event that not discounting cash flows has an insignificant effect.

3.9 Cash and cash equivalents

This heading includes petty cash, bank accounts and temporary deposits and acquisition of assets that meet all of the following requirements:

- They are convertible into cash.
- The maturity date does not exceed three months at the time of acquisition.
- They are not subject to any significant risk of any change in value.
- They are part of the Company's normal cash management policy.

For the purposes of the cash flow statement, occasional overdrafts that form part of the Company's cash management are included as a reduction of cash and cash equivalents.

3.10 Grants

Repayable grants are recognized under liabilities until the conditions are fulfilled for the grants to be treated as non-repayable. Non-repayable grants are recognized directly in equity and are charged to income on a systematic and rational basis, in line with grant costs. Non-repayable grants received from shareholders are recognized directly in equity.

A grant is deemed to be non-repayable when it is awarded under a specific agreement, all stipulated grant conditions have been fulfilled and there are no reasonable doubts that it will be collected.

Monetary grants are carried at the fair value of the amount granted while non-monetary grants are carried at the fair value of the asset received, at the recognition date in both cases.

Non-repayable grants related to the acquisition of intangible assets, property, plant and equipment, and investment properties are recognized as income for the period in proportion to the amortization or depreciation charged on the relevant assets or, if applicable, upon their sale, adjustment due to impairment losses or write-off. On the other hand, non-repayable grants relating to specific expenses are recognized in the income statement of the year in which the relevant expenses accrue, together with those grants allocated to offset operating deficits of the year when they were granted, except when they are used to offset operating deficits in future years in which case they are attributed to those years.

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3.11 Provisions and contingencies

Liabilities that are uncertain as to their amount or the date on which they will be settled are recognized in the balance sheet as provisions when the Company has a present obligation (whether by law, contract or by an implicit or tacit obligation), arising from past events, that it is probable will require an outflow of resources to settle and that is quantifiable.

On the other hand, contingent liabilities are considered to be those possible obligations, arising from past events, whose materialization is conditional upon the occurrence of future events not wholly within the Company's control and those present obligations, arising from past events, for which it is not probable that an outflow of resources will be required for settlement, or which cannot be measured with sufficient reliability. These liabilities are not recorded in the accounts and are disclosed in the notes to the financial statements, except when the outflow of resources is remote.

3.12 Employee benefits

a) Liabilities for long-term compensation

The Company does not have a retirement pension plan for its employees and the obligations in this respect are covered by the State Social Security.

On the other hand, the Company has established for all its personnel, in accordance with the Collective Bargaining Agreement in force, a seniority premium by virtue of which personnel who complete 25 years of service in the Company are entitled to receive a bonus plus one month's paid leave. Those who retire before reaching 25 years will receive a lower amount equivalent to 20% for each year remaining before reaching 25 years. In addition, a special cash award equivalent to 15% of that corresponding to 25 years of service is established for personnel who complete 35 years of service in the Company. For those who reach 40 and 45 years of seniority, the award will consist of a cash compensation equivalent to 5% of that earned at 25 years of service.

As of December 31, 2023 and 2022, the Company has recorded an amount of 13 thousand euro in the "Long-term employee benefit obligations" account, which corresponds to the valuation of the economic compensation of these long-service bonuses at the end of each year.

b) Severance payments

Severance payments are granted to employees as a result of the Company's decision to terminate their employment contract before the normal retirement age or when the employee agrees to voluntarily resign in exchange for these benefits. The Company recognizes these benefits when it has demonstrably undertaken to terminate the employees' employment in accordance with a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer to encourage voluntary resignation. Benefits that will not be paid in the twelve months following the balance sheet date are discounted to their present value.

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3.13 Profit tax

The following group subsidiaries are taxed on a consolidated basis with the parent Arteche Lantegi Elkartea, S.A., new tax consolidation parent company since 2018: Electrotécnica Arteche Hermanos, S.L., Electrotécnica Arteche Smart Grid, S.L., Inversiones Zabalondo, S.L., Arteche Smart Grid, S.L.U., Arteche Instrument Transformers, S.L., Arteche Turnkey Solutions, S.A. and Arteche Ventures, S.L. This tax group has been assigned the number 02918 BSC for administrative purposes. In 2022, Arteche Hitachi Energy Instrument Transformers, S.L. ceased to belong to the tax consolidation group as the minimum shareholding legal requirement was not met.

The expense (income) for income tax is the amount accrued during the year and includes both current and deferred tax expense (income) related to this concept.

Both the current and deferred tax expense (income) is recorded in the income statement. However, the tax effect related to items that are recorded directly in equity is recognized in equity.

Current tax assets and liabilities are measured at the amounts expected to be paid to or recovered from the tax authorities, in accordance with the regulations in force or approved and pending publication at the year-end date.

Deferred taxes are calculated, in accordance with the liability method, on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

However, if deferred taxes arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor the tax base, they are not recognized. Deferred tax is determined by applying tax regulations and tax rates enacted or substantively enacted at the balance sheet date that are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

3.14 Income and expenses

Income is recorded at the fair value of the consideration receivable and represent amounts receivable for goods delivered and services provided in the ordinary course of the Company's business, less returns, rebates, discounts, and value added tax.

As indicated in Note 1, Arteche Lantegi Elkartea, S.A. is the Parent Company of the Arteche Group. In this regard, in accordance with the interpretation of the ICAC published in its official bulletin of September 2009 (No. 79), companies considered to be "industrial holding companies", as is the case of the Company, shall present dividends and accrued income from financing granted to investees and other management fees of the same as income from their activity, and are classified under the heading "Revenue".

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Derio Bidea 28, 48100 :: Mungia :: Bizkaia :: Spain
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Interest income

Interest income is recognized using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to the recoverable amount and discounts the estimated future cash flows at the original effective interest rate of the instrument and continues to carry the discount as a decrease in interest income. Interest income on loans that have become impaired is recognized using the effective interest method.

Dividend income

Dividend income is recognized in the income statement at the time the entitlement to receive the dividends is established. Notwithstanding the foregoing, if the dividends distributed originate from profits generated prior to the acquisition date they are not recognized as income but rather as lowering the carrying amount of the investment.

3.15 Transactions in foreign currency

a) Functional and presentation currency

The Company's financial statements are presented in euro, which is the Company's functional and presentation currency.

b) Transactions and balances

Transactions in foreign currencies are converted into the functional currency using the exchange rates in effect at the date of the transactions. Foreign currency gains and losses resulting from the settlement of these transactions and from the conversion at closing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except if deferred in equity as qualified cash flow hedges and qualified net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currencies classified as available-for-sale are analyzed between conversion differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Conversion differences are recognized in profit or loss and other changes in book value are recognized in equity.

3.16 Related-party transactions

In general, intra-group transactions are initially recognized at fair value. If applicable, where the agreed price differs from the fair value, the difference is recognized based on the financial reality of the transaction. The later valuation is made in line with the respective accounting standards.

Notwithstanding the foregoing, in mergers, spin-offs or non-monetary contributions of a business, the constituent elements of the acquired business are valued at the amount corresponding to them, once the transaction has been carried out, in the consolidated annual accounts of the group or subgroup.

When the parent company of the group or subgroup and its subsidiary do not intervene, the annual accounts to be considered for these purposes will be those of the group or major subgroup in which the assets and liabilities of the parent company, whose parent company is Spanish, are included.

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(Expressed in thousands of euros)

In these cases, the difference that may arise between the net value of the assets and liabilities of the acquired company, adjusted by the balance of the groupings of grants, donations and bequests received and adjustments for changes in value, and any amount of capital and share premium, if any, issued by the acquiring company, is recorded in reserves.

3.17 Environmental assets

Expenses arising from compliance with environmental legislation are recorded as expenses in the year in which they are incurred, unless they correspond to the purchase cost of items that are incorporated into the Company's assets to be used on a lasting basis, in which case they are recorded under the corresponding caption "Property, plant and equipment", and are depreciated using the same criteria.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial Risk Factors

The Arteche Group is exposed to certain financial credit, market (including interest rate risk, foreign exchange risk, commodity price risk and other price risks) and liquidity risks, which it manages by means of grouping together risk identification, measurement, concentration limitation and oversight systems. Financial risk management and limitation is carried out in a coordinated manner by both the Arteche Group's Finance Department and the regions, pursuant to the policies approved at the highest executive level and the established regulations, policies, and procedures, which are periodically approved and supervised by the Board of Directors of the Parent Company.

In 2021, the Board of Directors approved the General Risk Management and Control Policy, a reference framework for financial risk management. In 2024, on the recommendation of Management, the Audit and Compliance Committee submitted an update of the Risk Control and Management Policy and a new Internal Control over Financial Reporting System ("ICFR") Policy, which are currently being analyzed by the Board as of the date of these consolidated financial statements.

The Group's risk management focuses on financial market uncertainty and seeks to minimize potential adverse effects on the Group's financial profitability. The Group uses derivative financial instruments to hedge certain risk exposures.

4.2 Credit risk

Credit risk arises from the potential losses that may arise from the failure of the group companies' counterparties to comply with contractual obligations, i.e. the possibility that the financial assets may not be recovered at their carrying amount or within the established term.

Arteche Group's maximum exposure to credit risk at December 31, 2023 and 2022 is as follows:

	2023	2022
Non-current financial investments (except equity instruments)	1447	2731
Trade and other receivables (except balances with public administrations)	52417	56631
Short-term financial investments	4086	3305
	57950	**62667**

As part of its policy to reduce exposure to risk, the Arteche Group has reached a factoring without recourse agreement with a financial institution that allows it to assign the commercial insolvency risk relating to certain trade receivables to that institution.

In these financing transactions, the derivative instruments entered into and the cash financing transactions are arranged exclusively with financial institutions with high and recognized credit ratings.

As a result of the control procedures described above, during the 2023 fiscal year, 308 thousand euro have been recorded as impairment in the provision for insolvencies. In addition, 521 thousand euro have been offset against results for the period (in the 2022 fiscal year an impairment of 377 thousand euro was recorded).

In order to manage credit risk, the Group makes a distinction between the financial assets originating from operating and investment activities.

Operating activities

The Sales Department and the credit control area of the Finance Department require customers to have an appropriate credit history before approving the sale of products and services and they establish credit limits for each customer that are established based on internal information and that received from specialized company solvency analysis companies. In addition, since Arteche Group operates in the electric power industry, it has a customer base with very good creditworthiness.

However, since basically international sales are involved, mechanisms such as irrevocable letters of credit and insurance policies are used to ensure collection as a second risk mitigation strategy. The purpose of the credit insurance policies taken out to this end is to cover the economic impact in the event of large claims for which the internal system has proven inefficient in predicting insolvency.

Fortnightly a breakdown of the age of each outstanding balance is prepared, which serves as a basis for managing collections. Overdue accounts are claimed on a monthly basis by the credit control area of the Finance Department and the commercial department of each company of the group and, if appropriate, subsequent legal claims are made. Customer credit limits are reviewed on a regular basis, primarily those that have shown delays in payment.

Generally, the average customer collection period is around 60 days.

The actual level of insolvencies that Arteche Group has faced over the past few years has been very low due to the high quality of its customer portfolio. Outstanding balances generally originate from customer claims due to a delay in delivery or alleged quality defects, which are diligently analyzed and resolved. There is a log of outstanding items and pending claims to be resolved by geographical area. These items are regularly reported (situation, review status and solutions) to the Board of Directors of the parent company. In the event that the claims are considered to be likely, a provision is immediately recorded.

Losses incurred, if any, are calculated based on an individual analysis of each customer.

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Investment activities

The credit risk arising from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions is considered insignificant due to the credit quality of the banks with which the Group operates.

The Group's investment policies establish that:

- Any investment in fixed-income funds and in listed shares must be approved by the Board of Directors of the parent company.
- The Group’s Finance Department must approve investments in all other available funds, bank deposits and other financial assets with no short-term risk.
- All operating investments are subject to different levels of approval by the regional committees, the Group's management committee and the Board of Directors, and they are prioritized according to return rate.

4.3 Market risk

Market risk arises from the possible losses that may derive from changes in fair value or in future cash flows from a financial instrument due to changes in market prices. Market risk includes interest rate risk, foreign exchange risk, raw material price risk, energy cost inflation risk and other price risks.

Interest rate risk

Interest rate risk arises from the possible losses that may derive from changes in fair value or in future cash flows from a financial instrument due to changes in market interest rates. The Group's exposure to the risk of changes in interest rates is mainly due to the need to maintain a balanced debt structure between fixed and variable interest rates (normally, Euribor), with the premise of maintaining an adequate balance between financing costs and the risk of interest rate variations.

The Arteche Group has arranged most of its borrowings at floating rates and uses hedging instruments, where appropriate, to minimize the risk when the financing is non-current. Hedging instruments that are specifically assigned to debt instruments are interest rate derivatives and have at most the same nominal value.

These instruments’ effectiveness in fixing the interest rate of the financing policies contracted is assessed and documented based on methodologies pursuant to applicable accounting regulations.

This interest rate risk control policy is materialized in the contracting of interest rate derivatives for a total notional value of 31.8 million euro (Note 18.2) at December 31, 2023, having hedged the interest rate variation risk of approximately 43% of the long-term debt contracted at a variable rate. If we also take into account the loans already contracted at a fixed rate, the Arteche Group now has interest rate risk coverage for approximately 52% of its total non-current loan debt.

Currency risk

This risk arises as a result of the international transactions carried out by Arteche Group in the ordinary course of its business. A portion of its income and costs are denominated primarily in US dollars, Mexican pesos, Brazilian real, Argentinian pesos, Chinese renminbi, and Turkish lira.

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Therefore, if Arteche Group does not use financial instruments to hedge its net exposure to current and future exchange rate risk, its earnings could be affected by fluctuations in the euro/other currency exchange rate.

In order to manage and minimize this risk, Arteche Group uses hedging strategies at the group level, since its objective is to generate profits only through its ordinary business, and not by speculating in relation to exchange rate fluctuations.

Arteche Group analyzes foreign currency risk on the basis of its firm order book and the planned transactions that are highly probable on the basis of contractual evidence. Risk exposure limits are established each year for a time horizon of less than one year to adapt to market trends, which are always associated with the Group’s net cash flows. The instruments used to minimize this risk consist basically of exchange-rate hedges and currency derivatives and they are always contracted by the Company.

In 2023 and 2022, the Group carried out net balance sheet positions and issued orders associated with business operations. The transactions were contracted to ensure sales levels of effective cash balances (balances of accounts in dollars), and to offset the recoverable position differences with USD. The effect of these transactions is disclosed in Note 18.2 and Note 21, respectively, of the Group's consolidated annual accounts.

The Group has several investments in foreign operations which have net assets in currencies other than the euro and which are therefore exposed to conversion risk. The exchange rate risk on the net assets of the Group's foreign operations is managed mainly by optimizing the financing structure with external resources (loans) denominated in foreign currencies and by minimizing shareholders' equity.

Raw material price risk

Fluctuations in the variables that set raw material prices, represented by the variability of global commodity markets, can affect the cost of the production process, and can have a greater or lesser impact on business profitability. The Group is exposed to variations in the prices of raw materials listed on regulated markets.

In order to mitigate this risk, the Group's companies employ a strategy of geographical market and supplier diversification through constant monitoring of supply and demand and active management of optimum stock levels. In addition, the Arteche Group has implemented measures to adapt sales prices and to continuously follow up on and monitor market variables that determine the prices of certain raw materials, such as copper, eventually including the contracting of derivative financial instruments to hedge them.

Energy cost inflation risk

The abnormally inflationary context in industrial production costs impacts the production cost structure. In particular, energy consumption—mainly natural gas and electricity—represents a considerable source of operating expenses that is inherent to the production and manufacturing process.

In order to manage the impact of this risk, the Group employs specific control processes to mitigate potential unforeseen effects on operating margins in the event of inflationary market trends.

Other price risks

The Group's exposure to price risk of equity security due to investments classified in the consolidated balance sheet as "Financial assets at fair value with changes in net equity" is not significant given the low importance of these investments in the context of the Group's total assets and equity.

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The acquisition of shares in unlisted companies must be approved by the Board of Directors of the parent company.

As of December 31, 2023, the maximum exposure to equity instrument price risk amounts to 178 thousand euro (245 thousand euro at December 31, 2022).

4.4 Liquidity risk

Exposure to adverse debt or capital market situations may make it difficult or impede the coverage of the financial needs required to adequately carry out the business activities of Arteche Group and its strategic plan.

The liquidity policy followed by the Group ensures compliance with payment commitments acquired without having to obtain funds under unfavorable conditions. Different management methods are used to this end, such as holding sufficient and flexible credit facilities, diversifying financing needs coverage by accessing different markets and geographic areas, and diversifying maturity dates for issued debt. In addition, depending on liquidity needs, the Group uses financial liquidity instruments (non-recourse factoring, confirming and commercial paper discounting).

The Finance Department regularly monitors the Group's liquidity needs to ensure that it has sufficient cash to meet its operating needs and that credit facilities as well as net financial debt are sufficiently available to it.

	Million euro	
	2023	2022
Gross financial debt	**104.2**	**107.5**
Bank borrowings (including finance leases)	**55.4**	**38.8**
Syndicated loan	14.6	19.5
Other financial institutions	40.8	19.3
Other financial liabilities	**48.8**	**68.7**
Alternative Fixed-Income Market (MARF)	13.8	26.0
European Investment Bank (EIB)	17.4	19.9
Instituto de Crédito Oficial (ICO)	12.0	16.0
Cofides	5.1	5.9
Other (excluding free financing)	0.5	0.89
Liquid assets	**(62.5)**	**(58.5)**
Cash and cash equivalents	(60.8)	(56.2)
Other cash equivalents	(1.7)	(2.3)
Net financial debt	**41.7**	**49.0**
Unused lines of credit and discounting bills	20.1	43.7
Tranche B Revolving Syndicated Loan	5.0	5.0
Available EIB and Cofides Loan	38.8	-
Undrawn MARF Commercial Paper programs	36.2	24.0
Availabilities	**100.1**	**72.7**

(*) A reconciliation of the Alternative Performance Metrics is included in the management report.

Additionally, at the end of 2023, the Group was authorized by various financial institutions to obtain non-recourse factoring lines for 52,331 thousand euro (48,322 thousand euro in 2022) and supplier payment management lines for 83,772 thousand euro (61,063 thousand euro in 2022). The recourse-free factorized balance by the Group at December 31, 2023 amounts to 31,285 thousand euro (27,922 thousand euro at December 31, 2022).

In addition, the following table details the working capital presented in the Group's consolidated balance sheet as of December 31, 2023 and 2022:

	Million euro	
	2023	2022

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Current asset	**221.2**	**210.7**
Current operating asset	**155.4**	**150.6**
Inventory	82.8	72.2
Trade and other receivables	72.6	78.4
Current non-operating asset	**65.7**	**60.1**
Short-term financial investments	4.1	3.3
Short-term accruals	0.8	0.6
Cash and cash equivalents	60.8	56.2
Current liabilities	**(180.5)**	**(182.0)**
Current operating liability	**(136.3)**	**(123.6)**
Trade and other payables	(136.3)	(123.6)
Current non-operating liability	**(44.2)**	**(58.4)**
Short -term liabilities	(43.7)	(57.6)
Short-term provisions	(0.5)	(0.8)
Working capital	**40.6**	**28.7**

Although working capital in isolation is not a key parameter for understanding the Group's financial statements, Arteche actively manages its working capital through net working capital and net financial debt, based on the soundness, quality, and stability of its relationships with customers and suppliers, as well as on exhaustive monitoring of its situation with financial institutions and financing entities.

As a result of the aforementioned, no significant liquidity risk has been estimated for 2024.

4.5 Debt and solvency risk

At December 31, 2023, the Arteche Group recorded a consolidated net financial debt of 41.7 million euro (49 million euro at December 31, 2022), which implies a 14.9% reduction when compared to the end of the previous year.

As a result, the financial solvency indicators at the end of 2023 reflect a debt equivalent to 1.02 times the EBITDA operating result for the last twelve months (compared to 1.63 times in 2022), thereby demonstrating the financial capacity of the business and the stability of Arteche Group's equity position.

The core of the funding structure focuses on long-term syndicated financing, MARF-issued commercial papers, and financing from official entities such as the EIB, ICO and Cofides, which shows an adequate diversification of financing sources.

Some loans contain performance clauses with covenants linked to specific financial stipulations (covenants), which are standard practice in the market. As of the end of 2023, these commitments have been fulfilled. Group Management monitors changes in debt based on several indicators:

- Net Financial Debt / EBITDA
- Net Financial Debt / Equity - Shareholders' Funds
- EBITDA / financial expenses

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In addition, the "Liquidity Risk" section and Note 18 to the Group's consolidated annual accounts detail the main financing drawn down, discounted bills and cash and cash equivalents. At year-end, it is important to highlight that undrawn credit lines and trade discount facilities amount to 17.0 million and 3.1 million euro, respectively (25.2 million and 18.5 million euro at the end of 2022, respectively). In addition, the Group has loans available with EIB and Cofides for a total of 38.8 million euro, which were signed in 2023. What is more, 5 million euro corresponding to Tranche B of the Syndicated Loan are available to the Group in the form of a revolving credit line as of December 31, 2023 (5 million euro at December 31, 2022).

4.6 Fair value estimate

The fair value of financial instruments that are sold on active markets (such as financial assets at fair value through profit or loss) is based on market prices at the balance sheet date. The listed market price used for financial assets is the ordinary buy price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on the existing market conditions at each balance sheet date. For non-current debt, market prices or agent price quotes are used. Other techniques, such as estimated discounted cash flows, are used to determine the fair value of other financial instruments. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows.

The fair value of forward foreign exchange contracts is determined using exchange market rates at the balance sheet date.

It is assumed that the carrying amount of trade receivables and payables approximates their fair value. The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(Expressed in thousands of euros)

5. INTANGIBLE ASSETS

The breakdown and movements of the different items that make up the intangible assets are as follows:

	Thousand euro		
	Opening Balance	**Additions and allocations**	**Closing Balance**
2023			
Cost			
Development	540	-	540
Software	8519	1394	9913
	9059	**1394**	**10453**
Accumulated amortization			
Development	(540)	-	(540)
Software	(7,551)	(221)	(7,772)
	(8,091)	**(221)**	**(8,312)**
Net carrying amount	**968**		**2141**
2022			
Cost			
Development	540	-	540
Software	8225	294	8519
	8765	**294**	**9059**
Accumulated amortization			
Development	(540)	-	(540)
Software	(7,396)	(155)	(7,551)
	(7,936)	**(155)**	**(8,091)**
Net carrying amount	**829**		**968**

The additions of computer software in fiscal years 2023 and 2022 correspond to investments corresponding to software and technological developments associated with the Company.

During 2023, intangible assets were acquired from group companies in the amount of 100 thousand euro (no intangible assets were acquired in 2022).

The detail of fully amortized assets in use as of December 31 is as follows:

	Thousand euro	
	2023	**2022**
Development	540	540
Software	7672	7512
	8212	**8052**

At December 31, 2023, the Company has investment commitments in computer software amounting to 316 thousand euro (there were no investment commitments at December 31, 2022).

6. INVESTMENTS IN THE EQUITY OF GROUP, MULTIGROUP AND ASSOCIATED COMPANIES

6.1 Description of movements during the fiscal year

On March 8, 2023, the Company registered the merger of its investee ZB Inversiones, S.A. with AIT, S.A. In order to carry out the transaction, Arteche Instrument Transformers, S.L. carried out a capital increase of 674 thousand euro and a share premium of 1,574 thousand euro, which was fully assumed by Arteche Lantegi Elkartea, S.A., with the other shareholder waiving its preferential right of assumption. Arteche Lantegi Elkartea, S.A. has made a non-monetary contribution, consisting of its shareholding in ZB Inversiones, S.A.

On March 28, 2023, the investee Inversiones Zabalondo, S.L. approved the distribution of unrestricted reserves, which resulted in a reduction of the ownership interest in the amount of 6,654 thousand euro.

In 2023, the Group incorporated the company Arteche UK, Ltd.

On May 2, 2022, the Group company Arteche Instrument Transformers, S.L. sold 26,460 shares of Arteche Hitachi Energy Instrument Transformers, S.L. (previously known as Arteche Gas Insulated Transformers, S.L.U.) for 3,754 thousand euro to Hitachi Energy Ltd. These shares represented 49% of this company's capital stock, thus rendering it a jointly controlled company.

In addition, on May 31, 2022, the Group incorporated Arteche Germany GmbH with an initial share capital of 25 thousand euro.

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6.2 Description of investments

The information regarding group, multigroup and associated companies as of Sunday, December 31, 2023 is as follows:

	Net carrying amount	Direct interest percentage	Indirect interest percentage	ICapital	Reserves/ Negative results	Profit/(loss) for the year	Other shareholder contributions and other items	Own funds	Other equity items	Net equity	Address	Activity
Electrotécnica Arteche Hermanos, S.L. (*)	-	0.01%	99.99%	2006	43477	8011	-	53494	736	54230	Derio Bidea 28 Mungia (Bizkaia)	Purchase, sale and manufacture of all kinds of electrical appliances.
Electrotécnica Arteche Smart Grid, S.L.U. (*)	-	-	100%	588	13987	9048	6000	29623	923	30546	Derio Bidea 28 Mungia (Bizkaia)	Purchase, sale and manufacture of all kinds of electrical appliances.
Inversiones Zabalondo, S.L.	4815	99.98%	0.02%	777	5294	491	-	6562	-	6562	Derio Bidea 28 Mungia (Bizkaia)	To buy, sell, rent, parcel, urbanize, segregate and group plots, lands and estates, as well as to manage, exploit and administer such real estate properties and to provide real estate management and administration services to third parties.
Arteche Instrument Transformers, S.L.	40318	99.98%	0.02%	7946	32527	(1,171)	(2,404)	36898	-	36898	Derio Bidea 28 Mungia (Bizkaia)	To buy, subscribe, exchange and sell all kinds of securities, for its own account and without intermediary activity and, in particular, to carry out the activity of management and administration of said securities.
Arteche Smart Grid, S.L.U.	47984	100%	-	1318	18723	5287	37420	62748	-	62748	Derio Bidea 28 Mungia (Bizkaia)	To buy, subscribe, exchange and sell all kinds of securities, for its own account and without intermediary activity and, in particular, to carry out the activity of management and administration of said securities.

(Expressed in thousands of euros)

	Net carrying amount	Direct interest percentage	Indirect interest percentage	ICapital	Reserves/ Negative results	Profit/(loss) for the year	Other shareholder contributions and other items	Own funds	Other net equity items	Net equity	Address	Activity
Arteche Turnkey Solutions, S.A.	-	99.99%	0.01%	260	(22,301)	(67)	22961	853	-	853	Derio Bidea 28 Mungia (Bizkaia)	Promoting and encouraging companies by means of temporary ownership of their share capital.
Arteche Centro de Tecnología, A.I.E.	90	90%	10%	100	68	133	-	301	-	301	Derio Bidea 28 Mungia (Bizkaia)	R&D projects related to technologies that are relevant to the energy generation, transmission and distribution sector and the incorporation of new technologies in the products and manufacturing processes involved.
Arteche North America, S.A. de C.V. (*)	-	-	100%	22834	13933	4828	-	41595	(1,027)	40568	Km. 73,540. Ant. Carretera México-Querétaro Tepejí del Río de Ocampo State of Hidalgo (Mexico)	Manufacture and marketing of instrument transformers, relays and automated protection equipment for High, Medium and Low Voltage electrical installations.
AIT, S.A. (*)	-	-	100%	14432	(9,742)	(1,479)	12198	15409	(13,020)	2389	Ruta 9, Km 689 Ferreyra Córdoba (Argentina)	Manufacture and marketing of current transformers for high voltage electrical facilities.
Arteche EDC Equipamientos e Sistemas, S.A. (*)	-	-	100%	49881	(43,514)	2673	-	9040	(2,587)	6453	Rua Juscelino K. de Oliveira Curitiba State of Paraná (Brazil)	Manufacture and marketing of electrical equipment and automated protection equipment for power plants.
Arteche USA, Inc. (*)	-	-	100%	1541	2254	2669	-	6464	(179)	6285	18503 Pines Blvd. Suite 313 Pembroke Pines (United States)	Electronic and electrical equipment trading company.
Arteche ACP do Brasil Ltda	-	0.02%	99.98%	20144	(11,177)	(1,145)	-	7822	(9,131)	(1,309)	Rua Rodolpho Hatschbach, nº725 Bairro, Cidade Industrial de Curitiba Estado de Paraná (Brasil)	Marketing, import, export and maintenance of machinery, parts and equipment for the generation or cogeneration of electric power, telecommunications, electrical and electronic components.
Arteche DYH Electric Co., Ltd. (**)	-	-	60%	11886	(113)	2013	-	13786	2192	15978	Taiping Industrial Park Pulandian Dailian Liaoning Province (China)	Manufacture and marketing of current transformers for high voltage electrical facilities.
Arteche Hitachi Energy Instrument Transformers, S.L.U. (*)	-	51%	-	1540	(158)	(242)	4553	5693	20	5713	Gerezpea, 15 Polígono Industrial de Jundiz Vitoria (Alava)	Manufacture and marketing of products related to the electricity and energy sector.

(Expressed in thousands of euros)

	Net carrying amount	Direct interest percentage	Indirect interest percentage	ICapital	Reserves/ Negative results	Profit/(loss) for the year	Other shareholder contributions and other items	Own funds	Other net equity items	Net equity	Address	Activity
Arteche- Inael, S.L.	-	-	56%	1787	(151)	(750)	-	886	-	886	Derio Bidea 28 Mungia (Bizkaia)	Promoting or fostering companies through temporary participation in their capital, receiving and granting financing to the companies in which it participates.
Smart Digital Optics Pty.	-	-	100%	5035	(4,486)	241	-	790	(639)	151	National Innovation Centre,145 Australian Technology Park, 4 Cornwallis Street, Eveleigh New South Wales (Australia)	Design and research in the field of optical transformers.
Zizkua Inversiones, S.L.	317	15%	-	2110	(110)	45	-	2045	-	2045	Derio Bidea 28 Mungia (Bizkaia)	Purchase, subscription, exchange and sale of securities, advice to companies and development of activities related to real estate and urban development.
Arteche & Inael Industrial Elétrica Ltda	-	-	56%	711	(1,252)	(5)	-	(546)	128	(418)	Rua Delegado Theolindo Baptista de Siqueira, 85 Almirante Tamandaré State of Paraná (Brazil)	Import, export, trade and manufacturing services for machinery and equipment for the measurement, distribution and control of electrical energy.
SAC Maker, S.A.U. (*)	-	-	100%	561	(4,240)	(229)	2200	(1,708)	139	(1,569)	Las Rozas (Madrid)	Development and commercialization of engineering projects related to the automation of control systems, manufacturing and/or assembly of electrical machinery and electronic equipment and their corresponding software, as well as safety-related services.
Arteche Ventures, S.L.	80	99.80%	0.20%	5	(165)	-	-	(160)	-	(160)	Derio Bidea 28 Mungia (Bizkaia)	To buy, subscribe, exchange and sell all kinds of securities, both national and foreign, for its own account and without intermediary activity and, in particular, to carry out the activity of management and administration of said securities. As well as to carry out studies and market research, manage and place its own financial resources and those of the entities in which it has a direct or indirect participation, and entities belonging to the same business group.

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	Net carrying amount	Direct interest percentage	Indirect interest percentage	ICapital	Reserves/ Negative results	Profit/(loss) for the year	Other shareholder contributions and other items	Own funds	Other net equity items	Net equity	Address	Activity
Arteche ACP, S.A. de C.V (*)	-	0.01%	99.99%	5272	(3,440)	956	-	2788	360	3148	Calle 8 nº1-B Fraccionamiento Industrial Alce Blanco Naucalpan de Juarez (Mexico)	Development, design, manufacture, production, commercialization, distribution, promotion, financing, execution and rendering of services in all matters related to project management of high, medium and low voltage electrical installations, using all energy sources, including renewable energies.
Arteche Chile, S.p.A	-	-	100%	1656	(1,997)	111	-	(230)	371	141	Derio Bidea 28 Mungia (Bizkaia)	Promoting or fostering companies through temporary participation in their capital, receiving and granting financing to the companies in which it participates.
Esitaş Elektrik Sanayi ve Ticaret A.Ş (*)	-	-	100%	3049	10611	(5,060)	-	8600	(6,787)	1813	Hilal, Pasakoy Cd. No:31, 34791. Sancaktepe/Istanbul	Manufacture and marketing of products related to the electricity and energy sector.
PT Esitaş Pacific	-	-	100%	1227	(148)	188	-	1267	9	1276	Kawasan Industri Jababeka Tahap 1 JL Jababekea IX A Blok P-2F Cikarang, Bekasi 17530 Indonesia	Manufacture and marketing of products related to the electricity and energy sector.
Elmya Arteche Limited	-	-	49.99%	1825	(2,124)	(10)	-	(309)	325	16	17 Gosvenor Gardens London SWS1W0BD	Construction of utility projects for electricity and telecommunications.
Arteche Germany GmbH	-	-	100%	25	7	70	-	102	-	102	Emil-Riedel-Str. 7 80538 München Germany	Manufacture and marketing of products related to the electricity and energy sector.
Arteche UK LIMITED	-	-	100%	-	-	-	-	-	-	-	17 Gosvenor Gardens London SWS1W0BD	Construction of utility projects for electricity and telecommunications.
Arteche Andina, S.A.S.	-	-	100%	30	(100)	(23)	-	(93)	(7)	(100)	CL 78 nº9 57 P6 Bogotá D.C. (Colombia)	Promotion of the company's business activities and products in the Andean region.
Arteche Power Technology (Shanghai) Co., Ltd.	-	-	100%	30	-	8	-	38	(2)	36	Office 09-103, No. 333, Wanghangdu Road, Jing'an District, Shanghai (China)	Commercial Services
Arteche Smart Grid India, PL	-	-	100%	45	60	(86)	-	19	(1)	18	No 913, 9th Floor, Raheja Towars East Wing, 26/27 MG Road Bangalore -560001	Marketing of all types of electrical and electronic components of the Arteche brand

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	Net carrying amount	Direct interest percentage	Indirect interest percentage	ICapital	Reserves/ Negative results	Profit/(loss) for the year	Other shareholder contributions and other items	Own funds	Other net equity items	Net equity	Address	Activity
Arteche Middle East J.LT.	-	-	100%	25	191	(2)	-	214	(5)	209	Office No. 903-904-16 Level 9-Reef Tower Cluster O Jumeirah Lake Towers Dubai (UAE)	Marketing of all types of electrical and electronic components of the Arteche brand
	93604											

(*) Company audited by EY
(**) Company audited by other auditors

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The information regarding group, multigroup, and associated companies as of December 31, 2022 is as follows:

	Net carrying amount	Direct interest percentage	Indirect interest percentage	Capital	Reserves/ Negative results	Profit/(loss) for the year	Other shareholder contributions and other items	Own funds	Other net equity items	Net equity	Address	Activity
Electrotécnica Arteche Hermanos, S.L. (*)	-	0.01%	99.99%	2006	47047	630	-	49683	564	50247	Derio Bidea 28 Mungia (Bizkaia)	Purchase, sale and manufacture of all kinds of electrical appliances.
Electrotécnica Arteche Smart Grid, S.L.U. (*)	-	-	100.00%	588	15620	4867	6000	27075	1141	28216	Derio Bidea 28 Mungia (Bizkaia)	Purchase, sale and manufacture of all kinds of electrical appliances.
Inversiones Zabalondo, S.L.	11469	99.98%	0.02%	777	11948	425	-	13150	-	13150	Derio Bidea 28 Mungia (Bizkaia)	To buy, sell, rent, parcel, urbanize, segregate and group plots, lands and estates, as well as to manage, exploit and administer such real estate properties and to provide real estate management and administration services to third parties.
Arteche Instrument Transformers, S.L.	38069	99.98%	0.02%	7271	35525	(4,572)	436	38660	-	38660	Derio Bidea 28 Mungia (Bizkaia)	To buy, subscribe, exchange and sell all kinds of securities, for its own account and without intermediary activity and, in particular, to carry out the activity of management and administration of said securities.
Arteche Smart Grid, S.L.U.	47984	100%	-	1317	20921	882	42884	66004	-	66004	Derio Bidea 28 Mungia (Bizkaia)	To buy, subscribe, exchange and sell all kinds of securities, for its own account and without intermediary activity and, in particular, to carry out the activity of management and administration of said securities.

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	Net carrying amount	Direct interest percentage	Indirect interest percentage	Capital	Reserves/ Negative results	Profit/(loss) for the year	Other shareholder contributions and other items	Own funds	Other net equity items	Net equity	Address	Activity
Arteche Turnkey Solutions, S.A.	-	99.99%	0.01%	260	(22,221)	(80)	22961	920	-	920	Derio Bidea 28 Mungia (Bizkaia)	Promoting and encouraging companies by means of temporary ownership of their share capital.
Arteche Centro de Tecnología, A.I.E.	90	90%	10%	100	63	5	-	168	32	200	Derio Bidea 28 Mungia (Bizkaia)	R&D projects related to technologies that are relevant to the energy generation, transmission and distribution sector and the incorporation of new technologies in the products and manufacturing processes involved.
Arteche North America, S.A. de C.V. (*)	-	-	100%	22834	12307	3110	-	38251	(4,663)	33588	Km. 73,540. Ant. Carretera México-Querétaro Tepejí del Río de Ocampo State of Hidalgo (Mexico)	Manufacture and marketing of instrument transformers, relays and automated protection equipment for High, Medium and Low Voltage electrical installations.
AIT, S.A. (*)	-	-	100%	14062	(7,282)	(3,648)	8282	11414	(10,224)	1190	Ruta 9, Km 689 Ferreyra Córdoba (Argentina)	Manufacture and marketing of current transformers for high voltage electrical facilities.
Arteche EDC Equipamientos e Sistemas, S.A. (*)	-	-	100%	49881	(44,428)	905	-	6358	(2,961)	3397	Rua Juscelino K. de Oliveira Curitiba State of Paraná (Brazil)	Manufacture and marketing of electrical equipment and automated protection equipment for power plants.
Arteche USA, Inc. (*)	-	-	100%	1541	706	1548	-	3795	10	3805	18503 Pines Blvd. Suite 313 Pembroke Pines (United States)	Electronic and electrical equipment trading company.
Arteche ACP do Brasil Ltda	-	0.02%	99.98%	20144	(10,867)	(310)	-	8967	(9,114)	(147)	Rua Rodolpho Hatschbach, nº725 Bairro, Cidade Industrial de Curitiba Estado de Paraná (Brasil)	Marketing, import, export and maintenance of machinery, parts and equipment for the generation or cogeneration of electric power, telecommunications, electrical and electronic components.
Arteche DYH Electric Co., Ltd. (**)	-	-	60%	11886	(1,682)	1564	-	11768	3037	14805	Taiping Industrial Park Pulandian Dailian Liaoning Province (China)	Manufacture and marketing of current transformers for high voltage electrical facilities.
Arteche Hitachi Energy Instrument Transformers, S.L.U. (*)	-	51%	-	1540	-	(158)	4553	5935	27	5962	Gerezpea, 15 Polígono Industrial de Jundiz Vitoria (Alava)	Manufacture and marketing of products related to the electricity and energy sector.

(Expressed in thousands of euros)

	Net carrying amount	Direct interest percentage	Indirect interest percentage	Capital	Reserves/ Negative results	Profit/(loss) for the year	Other shareholder contributions and other items	Own funds	Other net equity items	Net equity	Address	Activity
Arteche- Inael, S.L.	-	-	56%	1786	(151)	-	-	1635	-	1635	Derio Bidea 28 Mungia (Bizkaia)	Promoting or fostering companies through temporary participation in their capital, receiving and granting financing to the companies in which it participates.
Smart Digital Optics Pty.	-	-	100%-	5035	(5,902)	1417	-	550	(643)	(93)	National Innovation Centre,145 Australian Technology Park, 4 Cornwallis Street, Eveleigh New South Wales (Australia)	Design and research in the field of optical transformers.
Zizkua Inversiones, S.L.	317	15%	-	2110	(62)	-	-	2048	-	2048	Derio Bidea 28 Mungia (Bizkaia)	Purchase, subscription, exchange and sale of securities, advice to companies and development of activities related to real estate and urban development.
Arteche & Inael Industrial Elétrica Ltda	-	-	56%	711	(1,246)	(4)	-	(539)	144	(395)	Rua Delegado Theolindo Baptista de Siqueira, 85 Almirante Tamandaré State of Paraná (Brazil)	Import, export, trade and manufacturing services for machinery and equipment for the measurement, distribution and control of electrical energy.
SAC Maker, S.A.U. (*)	-	-	100%	560	(4,157)	(83)	2200	(1,480)	243	(1,237)	Las Rozas (Madrid)	Development and commercialization of engineering projects related to the automation of control systems, manufacturing and/or assembly of electrical machinery and electronic equipment and their corresponding software, as well as safety-related services.
Arteche Ventures, S.L.	80	99.80%	0.20%	5	(240)	-	75	(160)	-	(160)	Derio Bidea 28 Mungia (Bizkaia)	To buy, subscribe, exchange and sell all kinds of securities, both national and foreign, for its own account and without intermediary activity and, in particular, to carry out the activity of management and administration of said securities. As well as to carry out studies and market research, manage and place its own financial resources and those of the entities in which it has a direct or indirect participation, and entities belonging to the same business group.

(Expressed in thousands of euros)

	Net carrying amount	Direct interest percentage	Indirect interest percentage	Capital	Reserves/ Negative results	Profit/(loss) for the year	Other shareholder contributions and other items	Own funds	Other net equity items	Net equity	Address	Activity
Arteche ACP, S.A. de C.V (*)	-	0.01%	99.99%	5272	(3,508)	76	-	1840	90	1930	Calle 8 nº1-B Fraccionamiento Industrial Alce Blanco Naucalpan de Juarez (Mexico)	Development, design, manufacture, production, commercialization, distribution, promotion, financing, execution and rendering of services in all matters related to project management of high, medium and low voltage electrical installations, using all energy sources, including renewable energies.
Arteche Chile, S.p.A	-	-	100%	1656	(1,956)	(41)	-	(341)	380	39	Derio Bidea 28 Mungia (Bizkaia)	Promoting or fostering companies through temporary participation in their capital, receiving and granting financing to the companies in which it participates.
ZB Inversiones, S.A.	2308	97.01%	2.99%	123	1310	(98)	770	2105	(1,051)	1054	Ruta nacional nº9, km 689, Barrio Ferreyra, City of Córdoba, Argentina	Real estate activity
Esitaş Elektrik Sanayi ve Ticaret A.Ş (*)	-	-	100%	484	7117	3470	-	11071	(4,081)	6990	Hilal, Pasakoy Cd. No:31, 34791. Sancaktepe/Istanbul	Manufacture and marketing of products related to the electricity and energy sector. Manufacture and marketing of products related to the electricity and energy sector.
PT Esitaş Pacific	-	-	100%	897	224	(372)	-	749	50	799	Kawasan Industri Jababeka Tahap 1 JL Jababekea IX A Blok P-2F Cikarang, Bekasi 17530 Indonesia	Manufacture and marketing of products related to the electricity and energy sector.
Elmya Arteche Limited	-	-	49.99%	1825	(1,996)	(128)	-	(299)	272	(27)	17 Gosvenor Gardens London SWS1W0BD	Construction of utility projects for electricity and telecommunications.
Arteche Germany GmbH	-	-	100%	25	-	7	-	32	-	32	Emil-Riedel-Str. 7 80538 München Germany	Manufacture and marketing of products related to the electricity and energy sector.
Arteche Andina, S.A.S.	-	-	100%	29	(87)	(14)	-	(72)	11	(61)	CL 78 nº9 57 P6 Bogotá D.C. (Colombia)	Promotion of the company's business activities and products in the Andean region.
	100317											

(*) Company audited by EY
(**) Company audited by other auditors

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(Expressed in thousands of euros)

None of the Group companies in which the Company has a stake are publicly traded.

The amounts of shareholders' funds and equity of the group companies have been obtained after homogenizing their annual accounts to the accounting principles of Arteche Lantegi Elkartea, S.A. and have been converted to euro based on the figures in foreign currencies of each company, applying the exchange rate at the end of each year.

7. FINANCIAL ASSETS

The carrying value of each category of financial assets, except for investments in the equity of group, multigroup, and associated companies (Note 6), is as follows:

	Thousand euro					
	Instruments of equity		Derivatives, credits and others		Total	
	2023	2022	2023	2022	2023	2022
Long-term financial assets						
Financial assets at cost						
Investments in group and associated companies (Note 6)	93604	100317	-	-	93604	100317
Equity instruments	76	76	-	-	76	76
Derivatives	-	-	246	1347	246	1347
Financial assets at amortized cost						
Loans to group companies (Note 15.1)	-	-	31103	25544	31103	25544
Other financial assets	-	-	9	9	9	9
	93680	**100393**	**31358**	**26900**	**125038**	**127293**
Short-term financial assets						
Financial assets at amortized cost						
Other financial assets	-	-	968	1572	968	1572
Trade and other accounts receivable (*)	-	-	11031	9165	11031	9165
Loans to group companies (Note 15.1)	-	-	42780	35810	42780	35810
Derivatives	-	-	787	486	787	486
Cash and cash equivalents	-	-	2357	4327	2357	4327
	-	**-**	**57923**	**51360**	**57923**	**51360**
	93680	**100393**	**89281**	**78260**	**182961**	**178653**

(*) Except for public administrations

Other short-term financial assets

The amount recorded in this account at December 31, 2023 and 2022 relates mainly to deposits in euro amounting to 1,590 thousand euro (2,115 thousand euro at December 31, 2022) to guarantee certain obligations assumed with the financial institutions in which the deposits are held. These assets are not remunerated, except for 250 thousand euro deposited in a fund with a 2.61% remuneration at the end of 2023.

Trade and other receivables

The breakdown of this heading as of December 31 is as follows:

	Thousand euro	
	2023	2022
Accounts receivable, group and associated companies (Note 15.1)	10858	8981
Sundry receivables	140	132
Personnel	33	52
	11031	**9165**

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The fair value of these financial assets, calculated based on the discounted cash flow method, did not differ significantly from their carrying value.

In 2023 and 2022 the Company has not recorded impairment losses of a significant amount.

Cash and cash equivalents

The breakdown of this heading as of December 31 is as follows:

	Thousand euro	
	2023	2022
Box	1	1
Demand current accounts	2356	4326
	2357	**4327**

Current accounts accrue the market interest rate for this type of account. The balance denominated in foreign currency totals 485 thousand euro (461 thousand euro at December 31, 2022).

8. EQUITY - SHAREHOLDERS' FUNDS

8.1 Authorized capital

The share capital, fully subscribed and paid-in as of December 31, 2023 and 2022, of the Company, consisted of 57,094,013 registered shares with a nominal value of 0.10 euro each. During 2023 and 2022, there have been no changes in capital stock.

As of December 31, 2023 and 2022, the shareholders which held over 5% of the capital stock were as follows:

	2023	2022
Ziskua Ber, S.L.	52.45%	52.45%
ECN Cable Group	20.21%	20.21%
Basque Fondo de Capital Riesgo	6.40%	6.40%
Onchena, S.L.	5.64%	5.63%

All shares, except treasury stock, have the same political and economic rights. The voting rights of treasury stock are suspended. The economic rights, with the exception of the rights of cost-free allocation of new shares, are attributed to the remaining shares in a proportional manner, pursuant to the regulations stipulated by Article 148 of the Capital Companies Act. All of the Company's shares are listed on the BME MTF Equity BME Growth segment (multilateral trading system). There are no free transfer restrictions.

The listed share value of the Company, listed on BME Growth, amounted to 4.00 euro at December 31, 2023.

8.2 Share premium

The share premium account may be used to increase share capital and there is no specific restriction as to the availability of this balance.

(Expressed in thousands of euros)

8.3 Reserves and negative results of prior years

The breakdown and movements of different items composing the reserves are as follows:

	Thousand euro				
	Opening balance	Distribution of prior year's income	Dividend distribution	Other	Closing Balance
2023					
Legal reserve	1142	-	-	-	1142
Voluntary reserves	7172	4443	(2,306)	(42)	9267
	8314	**4443**	**(2,306)**	**(42)**	**10409**
2022					
Legal reserve	990	152	-	-	1142
Voluntary reserves	4385	5226	(2,563)	124	7172
	5375	**5378**	**(2,563)**	**124**	**8314**

Voluntary reserves

As of December 31, 2023, the Company has fully amortized development expenses in its assets (the same situation as at the end of 2022). In accordance with commercial legislation, no dividends may be distributed unless the amount of available reserves is at least equal to the amount of development expenses stated on the asset side of the balance sheet.

Legal reserve

A provision to the legal reserve has been made in accordance with Article 274 of the revised Capital Company Act, which establishes that, in any case, an amount equal to 10% of the yearly income will be transferred to the legal reserve until it amounts to at least 20% of the capital stock. As of December 31, 2023 and 2022, the legal reserve is fully funded.

In accordance with the Spanish Limited Liability Companies Act, until the legal reserve exceeds the minimum limit of 20% of share capital, it may not be distributed to shareholders and may only be used to offset losses in the event that no other company reserves are available.

The legal reserve may be used to increase share capital to the extent that it exceeds 10% of the increased share capital.

8.4 Treasury stock and equity interests

The Ordinary General Meeting of Shareholders of 2021 authorized the Board of Directors of the Parent Company to acquire its own shares in the secondary market for its treasury stock. Within the framework of this office, the Board of Directors authorized the execution of a liquidity agreement, of which the market was informed through a notification under Other Relevant Information sent to BME Growth, dated March 7, 2022. For the implementation of the aforementioned agreement, a treasury stock transaction was carried out, which allowed for the deposit of a total of 1,346 shares to the Financial Intermediary's securities account. In accordance with current legislation, the Company periodically submits a detailed report of the transactions carried out under the aforementioned agreement to BME Growth.

During 2023, there have been movements in the purchase and sale of treasury stock under the framework of the Liquidity Provider contract. The difference between the cost price and the selling price, amounting to 42 thousand euro, has been recorded under "Voluntary reserves" (0 thousand euro in 2022).

(Expressed in thousands of euros)

The movement of treasury stock is as follows:

	Thousand euro		Share number	
	2023	**2022**	**2023**	**2022**
As of January 1	**503**	**375**	**136330**	**134712**
Acquisition of treasury stock	505	372	121251	107932
Disposal of treasury stock	(503)	(244)	(116,200)	(106,314)
Capital reduction	-	-	-	-
As of December 31	**505**	**503**	**141381**	**136330**

8.5 Distributed dividends

On July 6, 2023, the Company distributed a final dividend of 2,306 thousand euro, charged against 2022 results, as approved by the General Meeting of Shareholders of May 5, 2023.

In addition, on July 6, 2022, the Company distributed a final dividend with a charge against 2021 results in the amount of 2,563 thousand euro, as approved by the General Meeting of Shareholders of May 11, 2022.

9. PROFIT/(LOSS) FOR THE YEAR

The proposed distribution of the profit for the year 2023 to be presented to the General Shareholders' Meeting and approved for the year 2023 is as follows:

	Thousand euro	
	2023	**2022**
Distribution basis		
Income statement balance (profit)	6886	4443
	6886	**4443**
Distribution		
To voluntary reserves	854	2137
To legal and statutory reserve	-	-
To dividends	6032	2306
	6886	**4443**

By virtue of certain loan contracts that the Group has entered into (Note 11.1) there is a limit to the distribution of dividends to shareholders, corresponding to 25%, 30% or 50% of the net consolidated profit, depending on the level of compliance with the Net Financial Debt / EBITDA ratio.

(Expressed in thousands of euros)

10. EQUITY - ADJUSTMENTS FOR CHANGES IN VALUE

The detail and movements of the adjustments for changes in value are as follows:

	Thousand euro		
	Opening balance	**Variation in value**	**Closing balance**
2023			
Cash flow hedges (Note 11.2)	1774	(742)	1032
Tax effect	(425)	178	(247)
	1349	**(564)**	**785**
2022			
Cash flow hedges (Note 11.2)	-	1774	1774
Tax effect	-	(425)	(425)
	-	**1349**	**1349**

The information regarding the derivative financial instruments relating to these hedge transactions are included in Note 11.2.

11. FINANCIAL LIABILITIES

The carrying value of each category of financial liabilities as of December 31 is as follows:

	Thousand euro					
	Bank borrowings		**Derivatives and others**		**Total**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Long-term financial liabilities						
Financial liabilities at amortized cost						
Long-term creditors	35825	24510	-	-	35825	24510
Other financial liabilities	-	-	26100	33400	26100	33400
Payable to group and associated companies	-	-	5382	7782	5382	7782
	35825	**24510**	**31482**	**41182**	**67307**	**65692**
Short-term financial liabilities						
Financial liabilities at amortized cost						
Liabilities and other negotiable securities	-	-	13800	26000	13800	26000
Short-term debt	14366	10018	-	-	14366	10018
Other financial liabilities	-	-	7867	6884	7867	6884
Payable to group and associated companies	-	-	5964	366	5964	366
Trade and other accounts payable (excluding Public Administrations)	-	-	4786	4051	4786	4051
	14366	**10018**	**32417**	**37301**	**46783**	**47319**
	50191	**34528**	**63899**	**78483**	**114090**	**113011**

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11.1 Bank borrowings

The breakdown of debts with credits institutions as of December 31 is as follows:

	Thousand euro	
	2023	**2022**
Non-current		
Bank borrowings and credit facilities	35825	24510
	35825	**24510**
Current		
Bank borrowings and credit facilities	14191	9977
Accrued interest pending payment	175	41
	14366	**10018**
	50191	**34528**

Bank borrowings and credit facilities

The Company entered into a syndicated loan in 2015, which was renewed in December 2017, January 2021 and September 2022. The amount drawn down from the syndicated loan was of 14,627 thousand euro (14,300 thousand euro at amortized cost) at December 31, 2023 (19,503 thousand euro in 2022), of which 4,876 thousand euro (4876 thousand euro in 2022) falls due in the short-term. Several Group companies are guarantors for this loan.

The applicable interest rate is Euribor plus a margin that is determined based on compliance with certain ratios (including ESG goals). The Company contracted a cap at a 0% strike level to hedge the variations of the Euribor on half of the nominal amount pending amortization (Note 11.2).

At all times over the life of the credit agreement the Company must meet a series of ratios calculated based on the Group's consolidated annual accounts. Non-compliance with the ratios is cause for the early termination of the agreement. The Company’s Directors consider that these ratios were met in 2022 and 2023.

Furthermore, additional loans were arranged during 2020, providing the group with the financial stability necessary to fulfill all its commitments, the most noteworthy of which were the loans from financial entities guaranteed by the Instituto de Crédito Oficial for a balance of 7.8 million euro at December 31, 2023 (10.9 million euro at December 31, 2022), maturing in 2026.

During 2023, the Company signed various loans with different banking entities totaling 25.5 million euro, and which are to mature in 2028, some of which include ESG goals under compliance with certain KPIs aimed at ensuring that electricity consumption comes from renewable sources, as well as promoting the reuse of waste generated in the manufacturing process.

All loans drawn down by the Company, bank and non-bank, have a final maturity between 2025 and 2030 and an average interest rate at December 31, 2023 of 4.2%.

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The breakdown by maturity of the long-term portion due as of December 31 is as follows:

	Thousand euro	
	2023	**2022**
2024	-	10172
2025	14016	8261
2026	12004	6077
2027	6118	-
2028 and afterwards	3687	-
	35825	**24510**

Credit lines

At year-end, the Company had undrawn credit facilities amounting to 7.0 million euro (6.0 million euro at year-end 2022). They accrue market interest rates.

11.2 Derivatives and others

Details of the financial liabilities classified in this category as of December 31 are as follows:

	Thousand euro	
	2023	**2022**
Non-current		
Payable to group and associated companies (Note 15.1)	5382	7782
Other financial liabilities - Loans	26100	33400
	31482	**41182**
Current		
Liabilities and other negotiable securities	13800	26000
Payable to group and associated companies (Note 15.1)	5964	366
Other financial liabilities	7867	6884
Trade and other payables (except public administrations)	4786	4051
	32417	**37301**

Derivatives

The breakdown of derivatives at December 31 is as follows:

	Thousand euro			
	Notional		**Fair value**	
	2023	**2022**	**2023**	**2022**
Floating rate interest rate hedges (cash flow hedges)	31813	43105	1033	1774
Forward contracts for accounts receivable	-	1731	-	59
	31813	**44836**	**1033**	**1833**

The Company regularly obtains hedges to cover the risk of interest rate (Note 11.1) and exchange rate variations. At 31 December 2022 and 2023, the conditions for the hedge instrument and the hedged instrument coincided, therefore the hedge was effective.

The notional amount of derivative financial instruments designated as hedging transactions does not represent a Company risk, as its net position was obtained from offsetting/combining the instruments.

In 2022 several derivative instruments were contracted to hedge the risk of changes in the variable interest rate for (i) the amount corresponding to the first two drawdowns on the Parent Company's loan with the EIB for a total nominal amount of 15,000 thousand euro; (ii) 50% of the nominal amount pending repayment of the syndicated loan at the date the derivative was contracted, i.e. 12,189 thousand euro, and (iii) the 16,000 thousand euro still pending repayment as of 2023 corresponding to the loan the Company has taken out with the ICO.

(Expressed in thousands of euros)

The structure contracted was an IRS for the first two EIB drawings and for the ICO loan, while the option chosen for the syndicated loan was a 0% strike level CAP loan. All hedges have been taken out with banks from the Company's banking pool.

The counterparties to the derivatives are banks of accredited solvency.

The fair values of these financial instruments, calculated based on the effective cash flow discount method, using interest rate curves and future exchange rates, are reflected in financial assets and liabilities at 31 December as follows:

	Thousand euro	
	2023	**2022**
Non-current borrowings - Derivatives	246	1347
Current borrowings - Derivatives	787	486
Current creditors - Derivatives	-	-
	1033	**1833**

The years in which cash flows are expected to occur and affect the income statement are as follows:

	Thousand euro	
	2023	**2022**
2023	-	486
2024	787	1347
2025	246	-
	1033	**1833**

Liabilities and other negotiable securities

On October 29, 2020, the Company launched a commercial paper program on the Alternative Fixed-Income Market (MARF) named “Arteche 2020 Commercial Paper Program” with a maximum limit of 50 million euro and a duration of one year. This program was renewed in October 2023. The range of interest rates at which the Company issued promissory notes during 2023 ranged from 3.10% to 5.30% (between 0.4% and 3.35% in 2022), with 1–6-month terms (1-9 months in 2022). The total amount of commercial paper issued during 2023 amounted to 63.0 million euro (83.3 million euro in 2022), of which, as of December 31, 2023, commercial paper for 13.8 million euro (26.0 million euro in 2022) were outstanding, reflected under the “Liabilities and other negotiable securities” heading.

Other financial liabilities - Loans

On December 19, 2019, a credit line was entered into with the European Investment Bank (EIB) for 27,000 thousand euro, for the purpose of co-financing the Group's investments in Europe for the 2020-2023 term. As of December 31, 2023, the outstanding principal amount to be amortized for this loan is 17.4 million euro, with the last installment maturing in June 2030. As of December 31, 2022, the amount drawn down amounted to 19.9 million euro. This loan is subject to compliance with certain financial ratios. The Directors of the Company believe that they have been met as of December 31, 2023 and 2022.

Likewise, in 2020, the Instituto de Crédito Oficial (ICO) endorsed our R+D+i plan and its fit with the guidelines set by the European Union in the field of Innovation and Sustainability, granting us long-term (6 years) and flexible financing for the amount of 20.0 million euro to tackle the upcoming investment plans.

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The amount drawn down on this loan as of December 31, 2023 amounts to 12.0 million euro, of which 4.0 million euro mature in the short term (the amount drawn down at December 31, 2022 was 16.0 million euro, of which 4.0 million euro matured in the short term).

In July 2021, Arteche Lantegi Elkartea, S.A. signed a contract with Cofides for 4.0 million euro with maturity in 2028, so as to partially finance the purchase of the company Esitaş Elektrik Sanayi ve Ticaret Anonim Sirketi. The amount drawn down as of December 31, 2023 and 2022 amounted to 4.0 million euro, of which €0.8 million mature in the short term.

In July 2023, Arteche Lantegi Elkartea, S.A. signed a loan with Cofides in the amount of 3.9 million euro, which is totally undrawn as of December 31, 2023 and has a repayment period of 7 years. This loan includes a commitment to comply with an environmental KPI aimed at ensuring the reduction of CO2 emissions, which, if met, would result in an improvement in the applicable interest rate.

In December 2023, the Company signed a new loan with the EIB for an amount of 29.0 million euro, which as of December 31, 2023 remains fully undrawn and has a repayment period of 8 years from the drawdown date. The purpose of this loan is to co-finance the group's investments in Europe over the 2024-2027 period.

The breakdown of long-term maturities by year is as follows:

	Thousand euro	
	2023	**2022**
2024	-	7300
2025	8117	8117
2026	8117	8117
2027	4117	4117
2028 and afterwards	5749	5749
	26100	**33400**

Trade and other payables (except Public Administrations)

The breakdown of this heading as of December 31 is as follows:

	Thousand euro	
	2023	**2022**
Suppliers	11	-
Creditors, group, and associated companies (Note 15.1)	2301	2356
Sundry payables	1700	1126
Personnel (accrued wages and salaries)	774	569
	4786	**4051**

(Expressed in thousands of euros)

Information regarding the average payment period for suppliers. Additional Provision Three. "Disclosures" established by Law 15/2010, of July 5

The detail of the information required in relation to the average payment period to suppliers is as follows:

	2023	2022
	Days	**Days**
Average payment period for suppliers	48	45
Ratio of transactions paid	47	44
Ratio of transactions pending payment	51	52
	Thousand euro	
Total payments made	6495	5478
Total pending payments	1455	1049
Total amount of invoices paid	6495	5478
Amount of invoices paid within the legal term	4034	3681
%	62%	67%
Total number of invoices paid	1985	1630
Total number of invoices paid within the legal term	1508	1219
%	76%	75%

12. FISCAL SITUATION

The breakdown of the tax assets and liabilities as of December 31 is as follows:

	Thousand euro	
	2023	**2022**
Deferred tax assets	2357	2796
Other receivables from public administrations		
VAT	193	184
Withholdings	2	70
Grants	4	2
	2556	**3052**
Deferred tax liabilities	(253)	(432)
Other payables to Public Administrations		
Personal income tax and similar	(228)	(224)
Social Security	(66)	(65)
	(547)	**(721)**
	2009	**2331**

The Company is pending inspection by tax authorities for the last 4 fiscal years regarding the main applicable taxes.

As a consequence, among others, of the different possible interpretations of current tax legislation, additional liabilities could arise as a result of an inspection. In any case, the directors consider that such liabilities, should they arise, will not have a significant effect on the annual accounts.

ARTECHE LANTEGI ELKARTEA, S.A.
Derio Bidea 28, 48100 :: Mungia :: Bizkaia :: Spain
T. (+34) 94 60 11 200 :: F. (+34) 94 67 40 018 www.arteche.com

(Expressed in thousands of euros)

12.1 Corporate income tax calculation

The reconciliation between the net amount of income and expenses for the year and the taxable income for income tax purposes is as follows:

	Thousand euro					
	Consolidated income			Revenues and expenses directly imputed to net equity		
	Increases	Decreases	Total	Increases	Decreases	Total
2023						
Balance of income and expenses for the Financial Year						
Continuing operations			6886			(572)
Corporate tax						
Continuing operations			(941)			(181)
Balance of income and expenses for the year before taxes			5945			(753)
Permanent differences	297	(11,989)	(11,692)			-
Temporary differences						-
Originating in the fiscal year	-	(1,818)	(1,818)			(753)
Arising from prior years	-	-	-			-
Individual taxable income contributed to the consolidation group			**(7,565)**			**-**

	Thousand euro					
	Consolidated income			Revenues and expenses directly imputed to net equity		
	Increases	Decreases	Total	Increases	Decreases	Total
2022						
Balance of income and expenses for the Financial Year						
Continuing operations			4443			1371
Corporate tax						
Continuing operations			(768)			433
Balance of income and expenses for the year before taxes			3675			1804
Permanent differences	120	(8,985)	(8,865)			-
Temporary differences						
Originating in the fiscal year	-	(466)	(466)			1804
Arising from prior years	-	-	-			-
Individual taxable income contributed to the consolidation group			**(5,656)**			**-**

The decreases due to permanent differences in 2023 and 2022 are mainly due to the income from dividends received from the companies Arteche Instrument Transformers, S.L., Arteche Smart Grid, S.L.U. and Inversiones Zabalondo, S.L.

The individual taxable income contributed by the Company is offset by the tax consolidation group of which it forms part. In fiscal year 2023, the group has generated a positive taxable income. In 2022, the Company generated a negative taxable income of 1,320 thousand euro that could be offset in the future with the positive taxable income generated by the tax consolidation group.

(Expressed in thousands of euros)

The reconciliation between the income tax expense / (income) and the result of multiplying the applicable tax rates to the total income and expenses recognized, differentiating the balance of the income statement, is as follows:

	Thousand euro			
	Consolidated income		**Income and expenses recognized directly in equity**	
	2023	**2022**	**2023**	**2022**
Balance of income and expenses for the year before taxes	5945	3675	(753)	1804
Theoretical tax burden (tax rate 24%)	1427	882	(180)	426
Non-deductible expenses / (Non-taxable income)	(2,806)	(2,128)	-	-
Foreign withholding taxes	485	126	-	-
Regularization of prior years	5	40	-	-
Other adjustments	(52)	(5)	-	-
Uncapitalized taxable income corresponding to the tax group	-	317	-	-
Effective tax expense / (income)	**(941)**	**(768)**	**(180)**	**426**

Income tax expense / (income) is broken down as follows:

	Thousand euro			
	Consolidated income		**Directly recognized to equity**	
	2023	**2022**	**2023**	**2022**
Current year tax	(1,859)	(1,009)	-	-
Deferred tax	433	115	(180)	426
Foreign withholding taxes	485	126	-	-
	(941)	**(768)**	**(180)**	**426**

12.2 Deferred tax assets and liabilities

The breakdown of movements in items making up deferred tax assets and liabilities are as follows:

	Thousand euro			
		Variations reflected in		
	Opening balance	**Consolidated income**	**Net equity**	**Closing Balance**
2023				
Deferred tax assets				
Temporary differences	761	(439)	-	322
Cash flow hedges (Note 10)	-	-	-	-
Provision for restructuring	-	-	-	-
Tax losses carried forward	370	-	-	370
Tax deductions	1665	-	-	1665
	2796	(439)	-	2357
Deferred tax liabilities				
Cash flow hedges (Note 10)	(426)		178	(248)
Grants, donations and bequests	-	-	(5)	(5)
Provision for restructuring and other	(6)	6	-	-
	(432)	6	173	(253)
	2364	**(433)**	**173**	**2104**

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T. (+34) 94 60 11 200 :: F. (+34) 94 67 40 018 www.arteche.com

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	Thousand euro			
		Variations reflected in		
	Opening balance	Consolidated income	Net equity	Closing Balance
2022				
Deferred tax assets				
Temporary differences	876	(115)	-	761
Cash flow hedges (Note 10)	-	-	-	-
Provision for restructuring	-	-	-	-
Tax losses carried forward	370	-	-	370
Tax deductions	1665	-	-	1665
	2911	(115)	-	2796
Deferred tax liabilities				
Cash flow hedges (Note 10)	-	-	(426)	(426)
Provision for restructuring and other	(6)	-	-	(6)
	(6)	-	(426)	(432)
	2906	**(115)**	**(426)**	**2364**

As of December 31, the Company has unused tax loss carryforwards, including those generated within the tax group, for which, a corresponding deferred tax asset of 370 thousand euro has been recognized, considering future profitability projections. The detail of the tax loss carryforwards is as follows:

	Thousand euro	
Generation exercise	**2023**	**2022**
2010	1061	1061
2012	479	479
2013	2946	2946
2014	3100	3100
2015	306	306
2016	5758	5758
2017	3569	3569
2018	7761	7761
2019	1534	1534
2020	46	46
2022	1320	1320
	27880	**27880**

As of December 31, 2023, the Company records unused tax deductions in the amount of 5,117 thousand euro (4,424 thousand euro at December 31, 2022), for which a corresponding deferred tax asset of 1,665 thousand euro has been recognized. The detail of these deductions is as follows:

	Thousand euro	
Generation exercise	**2023**	**2022**
2003	59	59
2004	19	19
2005	499	499
2006	108	108
2007	274	274
2008	182	182
2009	116	116
2010	184	184
2011	226	226
2012	301	301
2013	443	443
2014	676	676
2015	225	225
2016	351	351
2017	237	237
2018	116	116
2019	143	143
2020	142	142
2021	126	123
2022	208	-
2023 (*)	485	-
	5120	**4424**

(*) In the year 2023 only the deduction for international double taxation has been calculated.
The unused tax credits basically relate to international double taxation and investment tax credits.

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The tax Group to which the Company belongs has made an estimate of the tax benefits it expects to obtain in the coming years in accordance with the budgets. The reversal of taxable temporary differences was also analyzed. Based on this analysis, the Company has recorded deferred tax assets relating to the tax loss carryforwards yet to be offset, deductions yet to be applied and the temporary deductible differences for which they consider it likely that sufficient profits will be generated in the future.

13. INCOME AND EXPENSES

13.1 Revenues

Practically all of the net turnover is generated with group and associated companies, and the geographical distribution is as follows:

	Thousand euro	
	2023	**2022**
Segmentation by geographical market		
Spain	19298	14277
Non-domestic	6453	5406
	25751	**19683**

In accordance with the accounting policy indicated in Note 3.14, "Net turnover" includes dividends received from Group companies, provided that they unequivocally derive from results generated after the acquisition date, as well as interest on financing granted to them. In this regard, in 2023 the Company recorded dividend income from its subsidiary Arteche Smart Grid, S.L.U. amounting to 8,724 thousand euro (5,050 thousand euro in 2022), 2,840 thousand euro from its subsidiary Arteche Instrument Transformers, S.L. (2,972 thousand euro in 2022) and 425 thousand euro from its subsidiary Inversiones Zabalondo, S.L. (963 euro thousand in 2022).

This heading also includes interest on loans granted to group companies (Note 15.1), broken down by geographical area:

	Thousand euro	
	2023	**2022**
Segmentation by geographical market		
Spain	2617	1201
Non-domestic	674	293
	3291	**1494**

13.2 Personnel costs

The detail of personnel expenses is as follows:

	Thousand euro	
	2023	**2022**
Wages, salaries and similar remuneration		
Wages and salaries	4989	4769
Social security		
Social Security	816	617
	5805	**5386**

(Expressed in thousands of euros)

The detail of the Company's employees by professional category and gender is as follows:

	Number of people employed at end of the year			Average number of people employed in the year
	Men	**Women**	**Total**	
2023				
Indirect personnel	23	16	39	39
	23	**16**	**39**	**39**
2022				
Indirect personnel	23	15	38	38
	23	**15**	**38**	**38**

There are no employees with a disability equal to or greater than 33% in the Company's workforce in 2023 and 2022.

As of December 31, 2023, the Board of Directors is composed of 2 legal entities (whose representatives were individuals, 2 men in 2023 and 2 men in 2022) and 7 individuals, 6 men and 1 woman (6 individuals, 6 men in 2022). At December 31, 2023, there were 9 men and 3 women (9 men and 2 women as of December 31, 2022).

13.3 External services

Details of external services are as follows:

	Thousand euro	
	2023	**2022**
Development costs	100	2
Leases	409	372
Repairs and maintenance costs	640	710
Independent professionals' services	5199	4368
Insurance premiums	366	305
Bank services	388	407
Advertising, publicity and public relations	181	300
Other services	859	570
	8142	**7034**

13.4 Financial costs

The detail of financial expenses is as follows:

	Thousand euro	
	2023	**2022**
Interest on debts with group companies (Note 15.1)	430	279
Interest on debts owed to third parties		
Loans and credits with credit institutions	2012	1413
Other financial liabilities - Loans	3130	1370
	5572	**3062**

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14. FOREIGN CURRENCY

14.1 Balances in foreign currency

The amounts of assets and liabilities denominated in foreign currencies (mainly U.S. dollars) as of December 31 are as follows:

	Thousand euro	
	2023	**2022**
Assets		
Trade and other receivables		
Group Companies	3063	2566
Third parties	162	151
Short-term loans to group companies	1904	5627
Treasury	485	432
	5614	**8776**
Liabilities		
Payable to group companies		-
Trade and other payables	185	238
	185	**238**

14.2 Transactions in foreign currency

The detail of transactions carried out in foreign currency (mainly U.S. dollars) is as follows:

	Thousand euro	
	2023	**2022**
Services provided	4030	2972
Interest on loans granted	184	121
Interest on loans received	-	(88)
External services	(89)	(100)
	4125	**2905**

The amount of exchange differences recognized in the income statement is as follows:

	Thousand euro	
	2023	**2022**
Financial liabilities at amortized cost		
For transactions settled during the fiscal year	16	511
For transactions pending settlement at year end	245	(193)
	261	**318**

15. TRANSACTIONS WITH RELATED PARTIES

Group companies are considered to be all those companies in which control is exercised and is presumed when the Company has a majority interest, directly or indirectly, in their capital stock. Multigroup companies are considered as joint ventures if there is joint control by means of a statutory or contractual agreement with one or more partners. Associated companies are considered to be those companies in which significant influence is exercised, which is presumed to exist whenever the direct or indirect shareholding is more than 20% and less than 50%.

Related companies are considered to be associates, Company shareholders or their investee companies and companies over which control is exercised but not included in the consolidated annual accounts.

Directors and senior management are also considered to be related parties.

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The related parties that have carried out transactions with the Company in 2023 and 2022, as well as the nature of the relationship, are as follows:

	Nature of the association
Group companies (Note 6.2)	Group
Majority shareholder (Ziskua Ber, S.L.)	Associated company
Lur Zabalondo, S.L.	Associated company
Directors	Board members
Senior Management	Executives

The Group's subsidiaries with tax domicile in Bizkaia file consolidated VAT returns with Ziskua Ber, S.L., the head of the consolidated tax group, pursuant to Article 163 quinquies of Local Regulation 7/1994 on VAT.

Transactions with related parties correspond basically to commercial and financial transactions.

The services rendered refer to income from "brand royalties", invoiced to group companies for the use of the ARTECHE brand on the products manufactured. The amount invoiced is obtained by applying a percentage to each company's sales of its own production to third parties. These services are formalized in contracts signed between the various group companies.

The remaining services rendered refer to the pass-through of management and service costs incurred centrally, which are allocated to each group company on a usage basis.

15.1 Associated entities

The detail of balances with related entities is as follows:

	Thousand euro	
	Group Companies	Total
2023		
Long-term loans (Note 7)	31103	31103
Accounts receivable (Note 7)	10858	10858
Short-term loans (Note 7)	42780	42780
Long-term debt (Note 11)	(5,382)	(5,382)
Short-term debt (Note 11)	(5,964)	(5,964)
Accounts payable (Note 11)	(2,301)	(2,301)
2022		
Long-term loans (Note 7)	25544	25544
Accounts receivable (Note 7)	8981	8981
Short-term loans (Note 7)	35810	35810
Long-term debt (Note 11)	(7,782)	(7,782)
Short-term debt (Note 11)	(366)	(366)
Accounts payable (Note 11)	(2,356)	(2,356)

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The "Loans to group companies" accounts include the amount of participating loans and other loans granted to group companies, as follows:

	Thousand euro				
	2023				2022
	Long term	Short term	Interest balances	Total	Total
Participating loans:					
Arteche Ventures, S.L.	208	-	-	208	208
Loans:					
Electrotécnica Arteche Smart Grid, S.L.	14500	-	900	15400	14500
Arteche EDC, S.A.	2412	-	309	2721	2575
ZB Inversiones, S.A.	-	-	-	-	774
Arteche ACP do BrasilLtda	-	492	-	492	492
Esitas Elektrik Sanayi ve Ticaret Anonim Sirketi	4000	-	248	4248	2054
Arteche Instrument Transformers, S.L.	1500	-	284	1784	-
IS Tax Group	8483	-	-	8483	6623
	31103	**492**	**1741**	**33336**	**27226**
Short-term lines of credit and interest:					
Electrotécnica Arteche Hermanos, S.L.	-	16	105	121	9484
Inversiones Zabalondo, S.L.	-	-	-	-	39
Arteche North América, S.A. de C.V.	-	500	671	1171	2549
Arteche Smart Grid, S.L.U.	-	22909	562	23471	14489
Arteche Turnkey Solutions, S.A.	-	1591	48	1639	1529
Arteche Instrument Transformers, S.L.	-	12751	-	12751	1070
Smart Digital Optics Pty., Limited	-	1358	-	1358	1607
Electrotécnica Arteche Smart Grid, S.L.	-	-	-	-	2147
Elmya Arteche Limited, Ltd	-	-	-	-	2
Naire XXI, S.L.	-	3	-	3	3
Arteche ACP, S.A. de C.V.	-	-	-	-	1206
PT Esitas Pacific	-	-	31	31	5
Arteche UK, Ltd.	-	-	2	2	-
	-	**39128**	**1419**	**40547**	**34130**
Total	**31103**	**39620**	**3160**	**73883**	**61356**

The participating loans accrue interest at variable rates based on the achievement of the Operating Profit Margin on total operating income for each year. The interest rate accrued during the year was 0%, as in fiscal year 2022.

The interest rate accrued on loans in 2023 ranged between 5.4% and 6.0% for loans denominated in euro and between 6.8% and 7.1% for loans denominated in U.S. dollars (between 3.0% and 3.5% in 2022 regardless of the currency in which they were denominated).

The breakdown by maturity of long-term loans is as follows:

	Thousand euro	
	2023	2022
2024	-	25544
2025	31103	-
	31103	**25544**

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The accounts "Payable to group companies" amounting to 11,346 thousand euro (8,148 thousand euro at December 31, 2022) include receivables broken down as follows:

	Thousand euro				
	2023				2022
	Long term	Short-term	Interest	Total	Total
Inversiones Zabalondo, S.L.	4782	-	292	5074	5054
Electrotechnical Arteche Hermanos, S.L	-	2554	-	2554	-
Electrotécnica Arteche Smart Grid, S.L	-	3056	-	3056	-
Arteche Instrument Transformers, S.L.	-	-	-	-	31
Arteche ACP, S.A. de C.V.	-	-	62	62	63
Arteche North America, S.A. de C.V.	600	-	-	600	3000
Total	**5382**	**5610**	**354**	**11346**	**8148**

The loan agreement with the group company Inversiones Zabalondo, S.L. amounting to 4,782 thousand euro (4,782 thousand euro at December 31, 2022), matured on December 31, 2018. In 2021, the Company signed an extension postponing the maturity of this loan to 2023. An extension was signed in 2022, postponing the maturity until 2025. The accrued interest rate for the year was 6.0% (3.0% interest rate in 2022).

The balances with Electrotécnica Arteche Hermanos, S.L and Electrotécnica Arteche Smart Grid, S.L at the end of 2023 correspond to credit lines with maximum limits of 20,000 thousand euro and 10,000 thousand euro, respectively.

The breakdown by long-term maturities is as follows:

	Thousand euro	
	2023	2022
2024	-	7782
2025	5382	-
	5382	**7782**

The detail of transactions with related parties is as follows:

	Thousand euro		
	Group companies	Associated companies	Total
2023			
Services rendered (Note 13.1)	10471	-	10471
Financial income (Note 13.1)	3291	-	3291
Dividends (Note 13.1)	11989	-	11989
Services received	(1,977)	-	(1,977)
Financial expenses (Note 13.4)	(430)	-	(430)
2022			
Services rendered (Note 13.1)	9204	-	9204
Financial income (Note 13.1)	1494	.	1494
Dividends (Note 13.1)	8985		8985
Services received	(1,907)	-	(1,907)
Financial expenses (Note 13.4)	(279)	-	(279)

As of December 31, 2023, the Company had provided guarantees to third parties in relation to the activities carried out by subsidiaries of Lur Zabalondo, S.L. amounting to 8,200 thousand euro (6,929 thousand euro as of December 31, 2022), although at the date of preparation of these consolidated annual accounts, Lur Zabalondo, S.L. had provided a counter-guarantee to the Arteche Group for 100% of the aforementioned amounts.

(Expressed in thousands of euros)

15.2 Board of Directors and Senior Management

a) Remuneration of members of the Board of Directors and Senior Management Personnel

The detail of the remuneration accrued by the members of the Board of Directors, in addition to the transactions carried out with the Majority Shareholder and Board Member included in Note 15.1, and by the Company's Senior Management personnel is as follows:

	Thousand euro	
	2023	**2022**
Directors		
Salaries	535	477
Per diems	743	672
Senior Management		
Salaries	2357	2004
	3635	**3153**

As of December 31, 2023 and 2022, the Company did not record any pension or life insurance obligations relating to previous or current members of the Board of Directors of the parent company or senior management, and had not assumed any obligations with them regarding any guarantees.

In 2023, the Company paid directors' liability insurance premiums for damages caused by acts or omissions in the performance of their duties amounting to 29 thousand euro (26 thousand euro in 2022).

As of December 31, 2023 and 2022, the Company has not concluded, modified or terminated in advance any contract between the Company and any of its partners or directors outside the ordinary course of business of the Company, nor under normal conditions.

b) Advances and loans to members of the Board of Directors and Senior Management Personnel

As of December 31, 2023 and 2022, no advances or loans have been granted to members of the Board of Directors. Also, as of December 31, 2023 and 2022, no advances have been given to senior management personnel and there are no balances receivable.

c) Director conflict of interest situations

In order to avoid conflicts of interest with the Company, during the year, Directors that held positions on the Board of Directors complied with the obligations established in Article 228 of the Consolidated Text of the Corporate Enterprises Act. Both they and persons related to them have abstained from entering into the conflicts of interest defined by Article 229 of that law, except in the cases where the appropriate authorization has been obtained.

16. GUARANTEES AND CONTINGENT LIABILITIES

The Company has issued letters of financial support in the amount of 39,571 thousand euro (13,424 thousand euro at December 31, 2022) to guarantee financing granted by credit institutions to other Group companies.

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Derio Bidea 28, 48100 :: Mungia :: Bizkaia :: Spain
T. (+34) 94 60 11 200 :: F. (+34) 94 67 40 018 www.arteche.com

17. AUDIT FEES

Fees accrued during the year by the Company's auditor for auditing and other verification services amounted to 55 and 60 thousand euro, respectively (57 and 48 thousand euro as of December 31, 2022).

18. INFORMATION ON ENVIRONMENTAL ISSUES

The Company's activities do not have a significant negative impact on the environment and therefore there are no significant investments or costs related to this matter.

The directors consider that there are no significant contingencies relating to the protection and improvement of the environment, and do not consider it necessary to record any provision in this regard.

19. EVENTS AFTER THE REPORTING PERIOD

Subsequent to year-end, and up to the date of drafting these financial statements, no significant events have occurred that could have a material effect on the 2023 financial statements.

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Accumulated Results Figures

	2023	2022	Reported variation	Variation at constant currency
Turnover (€M)	401.3	345.9	+16.0%	+23.3%
EBITDA (€M)	40.7	30.1	+35.1%	+41.3%
Profit per share (euro)	0.21	0.13	+56.9%	
Net debt/EBITDA (ratio)	1.0	1.6	-0,6x	

- Turnover for 2023 totaled 401.3 million euro, reflecting a growth of +23.3% in constant currency.
- EBITDA amounted to 40.7 million euro, equivalent to a margin on turnover of 10.1%.
- Earnings for the year increased by +56.9% when compared to the previous year, to 0.21 euro per share.
- Debt at December 31, 2023 was reduced to 41.7 million euro, representing a leverage of 1.0x EBITDA for the last twelve months, with an improvement in leverage from the 1.6x ratio in 2022.

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Business Model and Strategy

Founded in 1946, the Arteche Group operates within the **electricity sector**, providing **products, solutions and services to cover all needs from the Generation and Transmission to the Distribution of electricity**. The Group's business specializes in the design, manufacture and supply of equipment and solutions focused on ensuring that the energy produced in any generation plant in the world reaches the end user with **efficiency, quality and reliability**.

The Arteche Group develops its entire product range in **three business segments**:

Segment	Description	Business
Measuring & Monitoring Systems	Measuring and protection of electrical power systems, covering the functions of current and voltage signals collection from power lines to convert them to measurable values for meters and protections, the equipment responsible for energy billing and protection of the system's assets	• High and Medium Voltage Instrument Transformers • Digital measuring equipment • Sensors (current and voltage)
Automation of Transmission and Distribution Networks	Transmission and distribution network substation automation systems that provide protection, control, automation, monitoring and communication capabilities as part of a comprehensive substation control and monitoring solution	• Auxiliary relays (industry and railroads) • SAS (Substation Automation and Distribution Systems)
Network reliability	Products and services that enhance the power system's efficiency, reliability and stability. Reliability indices in a power system are often used to make short, medium and long-term network planning decisions	• Energy quality • Reclosers • Analysis, Consulting and Engineering Services

Within this framework, the Arteche Group is among the **top 3** world leaders in the instrument transformer market and **number 1** in the auxiliary relay market, maintaining a regional leadership position for the rest of the products. All of Arteche's products are aimed at **highly demanding and value-added** markets, such as renewable generation and the railway sector. This is why the company invests recurrently in R&D&I, with the intention of improving the quality and efficiency of its products, innovating in the development of new solutions and, ultimately, offering the customer a differential added value.

Arteche's **customer base** is highly diversified, with utilities (electrical companies) being its main customer. Arteche has **approvals** in 90% of the utilities around the world (approximately 1,500), and obtaining these technical approvals is the main **barrier** to business **entry** . In addition, it is trusted by numerous EPCs, OEMs and distributors. The first 5 customers have been working with the Arteche Group for more than 30 years.

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Arteche is currently present in more than **175 countries** with **commercial distribution** capabilities and has **13 factories** in the EMEA, North America, Latin America and Asia-Pacific regions, including **7 dedicated research centers**. Arteche is made up of more than **2,800** people from across the world.

The year 2023 marks the end of Arteche's 2020-2023 Strategic Plan, a period when, among other relevant milestones in its history, the Company was listed on the BME Growth segment of BME MTF Equity. The basic pillars of this plan are

- **Improving the value proposition**: Improving and strengthening competitive advantages in the market by developing high value-added solutions and services in the product portfolio.
- **Geographic expansion**: Increasing our international presence, with the aim of growing mainly in the Asian and United States markets, as well as strengthening our presence in Europe.
- **New market segments**: Identifying new market segments that are complementary to its value offer, such as the railroad sector and energy-intensive industrial companies, among others.
- **New business lines**: Developing new business lines to add to the current portfolio (e.g. asset management technologies).
- **New technologies**: Strengthening our commitment to innovation and the development of new technologies, which will allow us to remain at the forefront of market value.
- **New solutions:** Developing new solutions focused on the transformation of the electricity sector, such as electrification, digitalization, decarbonization, decentralization and integration of renewable energies.

Global Context

Macroeconomic context

The year 2023 was no stranger to the geopolitical and macroeconomic tensions that had such a strong impact during the course of 2022, although the impact was relatively less severe. The world has faced a slowing economy, with deteriorating growth prospects in all countries, and serious geopolitical uncertainties such as the war between Russia and Ukraine, the conflict in Gaza or the instability of the Red Sea.

Against this backdrop, three **issues have been noteworthy for the global economy** in 2023:

(i) Moderation of the increase in raw material prices that resulted from the Russian invasion of Ukraine;
(ii) The tightening of policies—especially monetary policies—in response to rising inflation;
(iii) China's disappointing growth despite its reopening, stemming from a real estate crisis.

However, this evolution conceals the **major differences among economic areas**. The United States' growth has remained solid, acting as the world's locomotive. Meanwhile, the Eurozone is struggling to adapt to the energy shock and to avoid a recession, and China is finding it very difficult to revive its economy in the face of the exhaustion of its growth model and of the risks arising from the real estate crisis.

Inflation remains above target levels in many countries, but has moderated across the board in 2023 from the high levels reached in 2022, due to the powerful response of central banks. Thus, the Federal Reserve raised benchmark rates from 0.25% to 5.5% in July 2023. Meanwhile, during its September meeting, the European Central Bank kept the main financing operations rate at 4.50%. In any case, the progress in disinflation over the course of 2023 has been sufficient for official rate hikes to be paused in recent months. Even so, inflation in Argentina and Turkey has remained at very high levels—211.4% and 64.8%, respectively.

As for currencies, after the dollar tended to strengthen during 2022, since the beginning of 2023 this trend has been reversed, coinciding with a stronger stance on the part of the ECB and the mitigation of some risks for Europe. During 2023, the **exchange rates** of Arteche's other reference currencies, such as the Mexican peso and the Brazilian real, appreciated against the euro (10% and 4%, respectively), except for the Argentine peso, the Chinese yuan and the Turkish lira, which depreciated by 373%, 6% and 63%, respectively.

Sector Context

At the sector level, **significant investment has been made by electrical companies** in the Distribution, Transmission and Generation segments, and these very high levels are expected to continue in upcoming decades.

The importance of the energy transition—a consensus among the majority of countries worldwide—is driving investment in renewable generation, modernization and repowering of electricity grids, interconnections, digitalization and, in general, those needs arising from the decarbonization of the economy.

Capital investment in global power grids increased by 5% in 2023 compared to 2022, to 310 billion USD, according to an analysis by BloombergNEF, during a time that saw an increase in grid congestion and interconnection queues.

The U.S. was the largest investor, with 87 billion USD, followed by China and Europe. In the latter two regions, investments have focused on improving interregional transmission capacities and digitizing and upgrading high-voltage transmission networks, respectively.

Also, according to the International Energy Agency's World Energy Outlook report, investment in clean energy, captained by solar PV, has increased by 40% since 2020. The main reasons for this growth are emission reduction, energy security, industrial strategies and job creation.

Evolution of Arteche Lantegi Elkartea, S.A.

Arteche Lantegi Elkartea, S.A., as the parent company of the Arteche Group, has as its main income the rendering of services to the different subsidiaries of the Group, the interest received from the financing provided to the Group's subsidiaries and the income from dividends received from these subsidiaries.

The main change in the turnover of Arteche Lantegi Elkartea, S.A. in the year is due to the dividends received from its subsidiaries Arteche Instrument Transformers, S.L, Arteche Smart Grid S.LU and Inversiones Zabalondo S.L. amounting to 11.9 million euro compared to 8.9 million euro received from Arteche Instrument Transformers, S.L Arteche Smart Grid S.LU and Inversiones Zabalondo S.L. in 2022. Offset by higher sales to the Group's various subsidiaries.

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Derio Bidea 28, 48100 :: Mungia :: Bizkaia :: Spain
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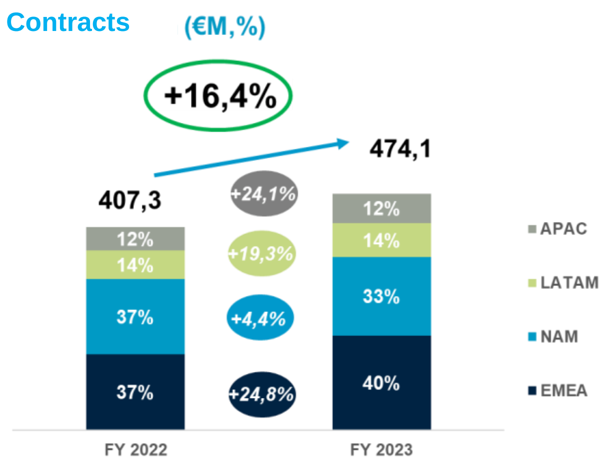
Results Performance

Contracting (orders)



In **2023**, the Arteche Group achieved a turnover of **474 million euro,** an increase of more than **16% compared to the previous year**.

The **Group's three business segments** (i. system measuring and monitoring, ii. automation of transmission and distribution networks and iii. network reliability) and **the four geographical areas** where the company operates (EMEA, North America, Latin America and Asia-Pacific) grew significantly, driven by the significant investment made by electrical companies in the power Distribution, Transmission and Generation segments, which will continue at very high levels in the upcoming years.

The **EMEA** region—which accounted for **40% of the** Group' **s total** order intake in 2023—reached 190 million euro, up **25% compared to the previous year**, thanks to countries such as Spain, the United Kingdom, France, Germany and the Middle East, with strong growth in all business segments.

North America—which accounted for **33% of total order intake**—reached 158 million euro, an increase of **more than 4% compared to the previous** year, driven mainly by the United States. This country maintains its leading position in terms of order intake for the Arteche Group, driven by significant growth in all business segments. Thus, we continued to increase our market share in the segments of measurement and monitoring of systems (high and medium voltage) and Grid Reliability, the latter driven by the strong investment in renewable energies.

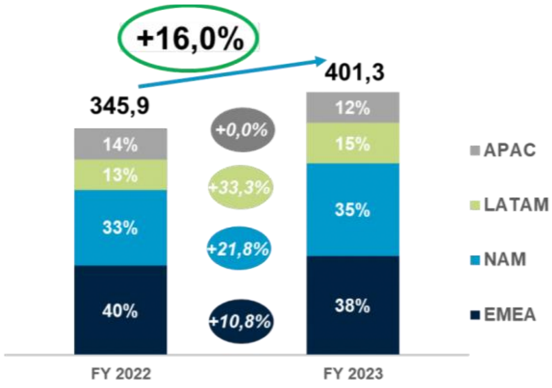
The **Latin America** area **(14% of the total)** reached 68 million euro, growing by **19% compared to 2022**, driven by Brazil with strong growth across all business segments.

Finally, the **Asia-Pacific** area **(12% of the total)** grew by **24%** reaching 58 million euro, driven by the growth of markets (excluding China) in Southeast Asia (Thailand, Vietnam and Malaysia) and the significant growth in Australia, a market driven by significant investment in renewable energy generation and transmission networks.

Expectations for 2024 continue to be very **positive** and point to **double-digit growth**, driven by ongoing strong investment in renewable generation and the automation of transmission and distribution networks in all geographical locations.

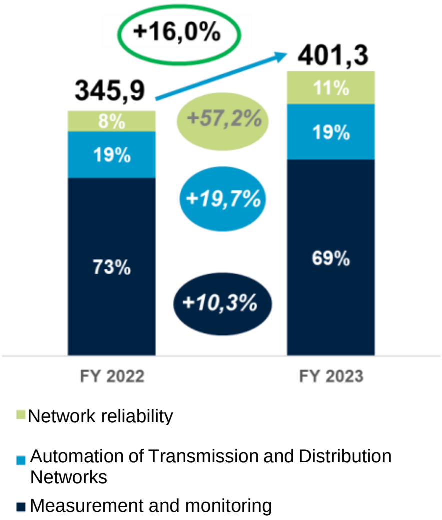
Revenues

Revenue by geographical location[1] (€M, %)



(1) Sales by destination: EMEA (Europe, Middle East and Africa), NAM (Mexico, USA and Canada), APAC (Asia-Pacific and Turkey), LATAM (Central and South America)

Revenue by business division (€M, %)



Group **revenue** grew by **16%** to **401 million euro** in 2023. All business segments and geographic regions grew significantly.

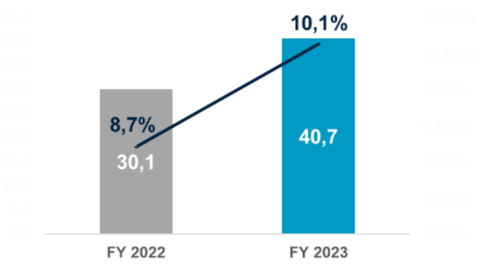
Particularly noteworthy in the year was the growth of the **grid reliability** segment (11% of overall turnover)**,** boosted by the growth of renewables worldwide and the positioning acquired in 3 key countries—the USA, Australia and Brazil—driving this segment to reach 46 million euro in turnover, **57%** more than the previous year.

The **transmission and distribution network automation** segment (19% of total revenues) grew **by 20% to 78 million euro** , driven by both the relay and substation automation businesses. It is worth highlighting the consolidation of growth in the railroads sector, a business area where the Arteche Group has achieved the objectives set out in the strategic plan.

Finally, the Group's most traditional segment, the **systems measuring and monitoring** segment (69% of total turnover), continued to grow to 277 million euro (up 10% compared to the previous year), thus placing the Arteche Group in the **top 2 of high-voltage transformer manufacturers worldwide**.

Operating income (EBITDA)

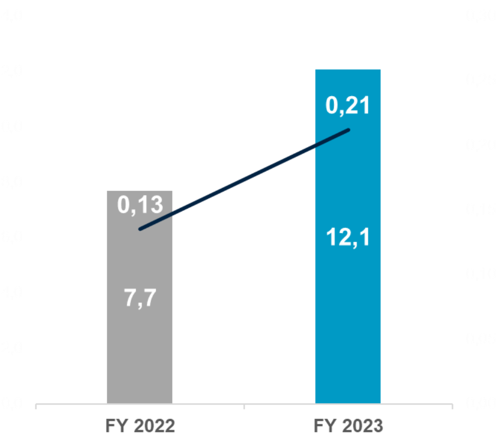
EBITDA (€M, % of revenues)



The accumulated **gross operating profit (EBITDA)** for fiscal 2023 amounted to 40.7 million euro. This represents a growth of +35.1% in reported terms, reflecting an increase in constant currency of +41.3%. The EBITDA obtained represents a margin over sales of 10.1%. It reflects an improvement of 143 basis points over the previous year.

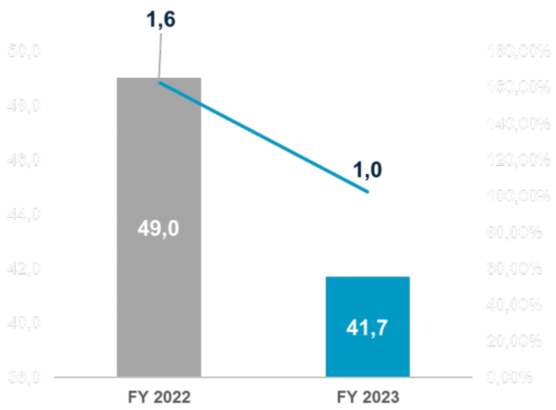
Net income and balance sheet

Net income (€M) and EPS (€/share)



The **net income** for 2023 amounted to 12.1 million euro. Equivalent to earnings per share of 0.21 euro, reflecting an increase of +56.9% over the previous year.

Net debt (€M) and Net debt/EBIDTA (ratio)



At the balance sheet level, **net debt** at December 31, 2023 stood at 41.7 million euro. Represents a leverage ratio equivalent to 1.0x times EBITDA for the last twelve months, an improvement on the 1.6x leverage ratio of 2022.

Relevant Management Figures

	2023	2022
Turnover (€M)	401.3	345.9
EBITDA (€M)	40.7	30.1
EBITDA margin (% of revenues)	10.1%	8.7%
EBIT (€M)	24.2	14.3
Net income (€M)	12.1	7.7
Free cash flow (€M)	16.2	6.0
Net Financial Debt (€M)	41.7	49.0
Net Financial Debt / EBITDA (ratio)	1.0x	1.6x
Net Financial Debt / equity (ratio)	0.4x	0.5x
EBITDA /financial expenses (ratio)	5.2x	6.5x
Total assets (€M)	327.8	319.4
Total equity (€M)	73.9	69.0

Shareholder Value Creation

Shareholder remuneration

The shareholder remuneration policy aims to offer an attractive, predictable and sustainable dividend over time. This policy is compatible with the top priority assigned to maintaining a level of shareholders' equity that guarantees investments for the Company's future growth and ensures value creation.

The overall shareholder remuneration charged to the 2022 profit/(loss) was **0.040 per share** (interim dividend paid on June 5, 2023), equivalent to the distribution of **30% of the Group's net income for 2022**.

With regard to the expected payments for 2024, the Board of Directors has proposed a profit/(loss) **payout of 50%** of the Group's net income **for the 2023 financial year**, equivalent to an amount of **0.1059 euro per share**.

Stock market performance

As of June 11, 2021, the shares of Arteche Lantegi Elkartea, S.A., parent company of the Arteche Group, are listed on the **BME Growth** trading segment **of BME MTF Equity** (multilateral trading system).

The capital stock of the Parent Company of the Group is comprised of 57,094,013 shares of 0.10 euro par value each, of the same class, and fully paid up.

With regard to share price performance, at December 31, 2023, the share **appreciated by +2.6% compared to the end of 2022**, ending the year at 4.00 euro per share and thus outperforming other benchmark indices such as the Ibex Growth Market 15 (-24.2%) and the Ibex Growth All Share (-11.0%), as shown in the graph below:

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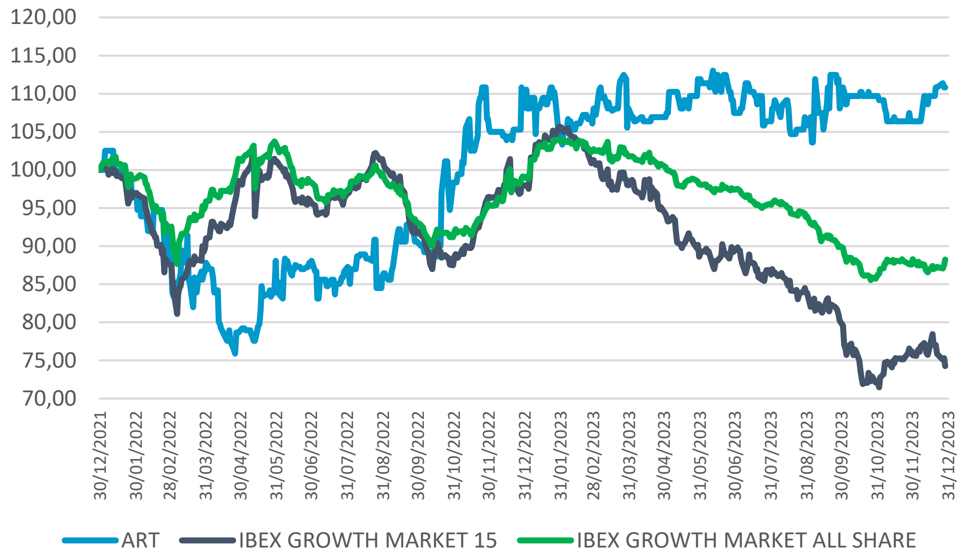
Arteche's share price performance

In comparative percentage terms, 2021 base



Arteche's main stock market indicators

	2023	2022
Admitted capital (Thousand euro)	5.709	5.709
No. of shares (x 1.000)	57.094	57.094
Period-end closing price (euro)	4,00	3,90
Last price period (euro)	4,00	3,90
Max. period price (euro)	4,38	4,00
Min. period price (euro)	3,46	2,74
Capitalization (Thousand euro)	228.376	222.667
Volume (thousands of shares)	1.594	2.308
Cash (thousand euro)	6.236	7.453

Acquisition of treasury stock

As indicated in Note 13.5 to the financial statements, during 2023 there have been movements in the purchase and sale of treasury stock within the framework of the contract with the Liquidity Provider (Norbolsa S.A.). The difference between the cost price and the selling price has been recorded under "Voluntary reserves".

Investments

Investments in **property, plant and equipment** (8.5 million euro) are mainly composed of R&D activations (6.9 million euro) in terms of technology development projects that will lead to improvements in the range of products manufactured by the Group and for which it is expected to obtain positive future profits and results.

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Investments in **property, plant and equipment** amounted to 6.7 million euro. Within this figure, this year's highlights include the move to a **new plant in Esitas Turkey**, which doubled the current production capacity to meet the increase in the order book, the **new high voltage laboratory in Mexico**, as well as the Group's migration to SAP HANNA, together with the usual technical installations and machinery associated with the replacement and improvement of production processes.

R&D Activities

For Arteche, innovation is a strategic variable, a corporate value and, most importantly, a commitment both in-house and to our customers.

As part of defining our **new 2024-2026 strategic plan**, we have developed an **innovation manifesto** that reflects our commitment to supporting the **four "D's" (decarbonization, digitalization, decentralization and democratization)** that underpin the current movement of electricity grids towards the **smart grids** concept.

Our priorities continue to be oriented towards developing actions focused on supporting the development of smart energy transmission and distribution networks that allow for the **efficient, reliable and sustainable** integration of the new realities associated with the energy transition (renewable technologies, electrical interconnections, electric vehicles, energy storage, etc.) within an increasingly digital and sustainable environment that introduces the need to develop and apply new technologies (cybersecurity, AI, eco-design, etc.).

Arteche maintains the firm conviction that **investment in R&D&I is fundamental** in order to improve its competitive position in the market, increasing its R&D expenditure and investment for yet another year and pursuing **five fundamental objectives**:

1. **Extending the product portfolio** by developing high value-added solutions that enable growth into **new market segments and geographical locations.**

2. **Improving the competitiveness** of its solutions by applying technology to productivity.

3. **Product sustainability** by developing solutions with a lower carbon footprint and overall environmental impact by working on durability, recyclability and the use of recycled materials.

4. **Speed to market**, rapidly developing technologically innovative solutions that enable us to achieve market leadership positions in new products and solutions.

5. **Servitization**, generating new business models, associating the concept of selling services with that of technological products.

R+D+i projects

Technological Innovation and Products

Arteche's strategic lines frame the R&D&I itinerary for the coming years in order to offer **Innovative and Sustainable Solutions** thanks to the application of disruptive technologies in the development of our new products.

To this end, we are working on the development of a **dual R&D roadmap**: (i) a roadmap that we call **incremental**, in which we aim toward the progress and constant improvement of products and solutions already existing or adjacent to Arteche's portfolio of products and services, and (ii) an **innovation** roadmap in which we seek disruptive developments through the introduction of new technologies and innovative solutions.

Arteche Centro de Tecnología [Arteche Technology Center]

The R&D&I Team includes **Arteche Centro de Tecnología**, an R&D business unit that is part of the Basque Science and Technology Network (RVCT), and which contributes specialized resources and technical means to the group's strategic R&D&I projects.

Innovation Ecosystem

During 2023 we promoted the development of the Arteche innovation ecosystem, through which we seek to multiply our development capabilities by adding those of customers, suppliers, technology centers and universities. Given the multiple technologies in which Arteche's R&D area operates, it is evident that trying to master all technologies ourselves is a limiting factor in our growth. **Arteche must master its core technologies and rely on the expertise of third parties within its ecosystem to develop new technological capabilities.**

The Arteche ecosystem is structured around **four main initiatives**:

1. The **acquisition** of technology and the **development** of the group's internal innovation capabilities.

2. **Dissemination** of Arteche's innovation **results** including participation in national and international events and publication of results.

3. The **development of a stable ecosystem of collaborators** through cooperation with technology centers, universities, and open innovation through start-ups.

4. The establishment of a **system of technological surveillance** of the environment that allows Arteche to have fast and updated knowledge on the evolution of the market, competitors and technology.

Sustainability

Throughout 2023 we have worked to develop the infrastructure and knowledge necessary to improve our new designs and products and to meet the information needs of our customers. To this end, we have implemented a **dedicated product sustainability organization** that channels all sustainability and eco-design actions and provides support and knowledge to all our teams in the different R&D centers.

In addition:

- **Arteche's eco-design policy** has been published, along with the methodologies and processes required to ensure improvement or DNSH in all our new designs and products.

- **Environmental impact calculation** tools have been implemented, accessible to all the group's companies and design teams and valid for all products.

- The **first third-party certified carbon footprints** have been obtained.

Notable Projects

- Upholding our commitment to sustainability and the environment, with the collaboration of its partner Hitachi, Arteche has developed the **world's first SF6-free 420 kV GIS voltage transformer**, reducing the gas's carbon footprint by more than 90% compared to conventional equipment.

- In collaboration with **Elewit**, **Redeia** Group's innovation unit, we developed the **ZEPAS** solution, an efficient and environmentally friendly portable system that makes it possible to supply power for the auxiliary services of any substation directly from the high voltage, dispensing with any generator set and, therefore, avoiding its emissions.

- We installed **the first PQ-Switch in the Talayuela II substation (Caceres)**. It is a new solution for connecting capacitive loads, allowing for the safe connection of capacitor banks, mitigating the generated transient. Its functionality is integrated into the banks themselves to securely connect power electronics equipment such as solar inverters and ensure compliance with the grid code.

Organizational Innovation and Processes

The ability to **innovate, transform processes, incorporate new technologies and develop new products** are strategic aspects of Arteche's activity. They are a source of competitive advantages and, above all, a firm commitment to customer satisfaction within a context that is to become more and more responsive, in a cleaner, more efficient and effective environment, with added safety every day.

Outlook for the Group

Arteche's sector—the **supply of solutions for the generation, transmission and distribution of electric power**—is currently in its sweet spot.

The need to replace equipment that has reached the end of its life cycle, sustainability commitments to reduce the carbon footprint, and the increased complexity of the network constitute a **the wind behind our sails** that boosts the cruising speed in order to achieve the strategic objectives of the 2024-2026 plan.

This dynamic has led to **double-digit growth in the main business metrics**: revenue, EBITDA and profit. This allows us to maintain a level of investment in innovation of over 3% of turnover, since the technological advances available allow us to increase the functionality of our products and solutions.

This situation will continue in upcoming years, providing a **stable framework for executing planned investments** to increase production capacity and progressively upgrade the product range. **We** therefore **expect our results to remain solid**, progressively demonstrating that our business profile and the way we serve our customers nowadays are more consolidated than ever.

However, it is necessary to pay attention to the potential macroeconomic, competitive and regulatory risks facing the business. Each of these risks has an associated metric, a responsible party and an action plan to mitigate it.

In summary, Arteche will benefit from the **positive circumstances**, which, combined with a well-developed strategic plan and the commitment of all its employees, will allow it to continue writing its success story, culminating in its 80th anniversary in 2026.

Main Risks and Uncertainties

The Arteche Group is exposed to various risks inherent to the activities it carries out and to the different countries and markets in which it operates, which may prevent it from achieving its objectives.

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T. (+34) 94 60 11 200 :: F. (+34) 94 67 40 018 www.arteche.com

In its commitment to address this issue, Arteche's Board of Directors establishes the basic mechanisms and principles for an adequate control and management of risks through the General Risk Control and Management Policy. Through this policy, in line with its mission, vision and values, the Group is committed to providing greater certainty and security in:

- The achievement, with a controlled volatility, of the strategic objectives set by the Group;
- Providing the highest level of guarantees to shareholders and defending the interests of all its stakeholders;
- Protection of the Group's results and reputation;
- Safeguarding business stability and financial strength on a sustained basis over time;
- Guaranteeing compliance with applicable regulations.

To this end, the General Risk Control and Management Policy is deployed through a Group-wide Risk Management System. This system is comprised of a set of rules, processes, procedures, controls and information systems, whereby all risks are adequately managed through the system stages and activities below, including:

1. Establishment of the risk management context
2. Identification of the different types of risk in line with the main ones detailed in the Policy
3. Risk assessment
4. Measures in place for the treatment of the identified risks
5. Periodic risk monitoring and reporting

The **Risk Management System** adopted by the Arteche Group as detailed above is **aligned with international standards** regarding the use of an effective methodology for the analysis and integrated management of risk and the **Three Lines Model**, on the assignment of responsibilities in the area of risk control and management. In this regard, the Board of Directors is ultimately responsible for the **General Risk Control and Management Policy**, approving the procedures relevant to its identification, measurement, management and control. It is also in charge of establishing clear lines of authority and responsibility. The Audit Committee is responsible for the supervision or independent assessment of the effectiveness of the Risk Control and Management System implemented and the procedures designed to monitor it. To this end, it will rely on the **Risk Function** included within the Finance Department and additionally on the **Internal Audit Function**.

The most significant risks faced by the Group can be classified into the following categories:

- **Strategic risks**: arising from the uncertainty represented by macroeconomic and geopolitical conditions, in addition to the specific characteristics of the sector and markets in which the Group operates and the strategic and the technological planning decisions adopted.
- **Financial risks**: arising from market fluctuations, contractual relationships with third parties and counterparties related to investments in financial assets and liabilities. The main ones are:
    - **Market risk**: exposure of the Group's results and equity to fluctuations in exchange rates, interest rates and commodity prices, mainly.

- Credit risk: insolvency, bankruptcy proceedings or non-payment of monetary obligations on the part of counterparties to which the Group has granted net credit and which is pending collection.

- **Liquidity and debt risk**: inability to carry out transactions or non-compliance with the Group's obligations due to lack of funds or of access to financial markets, due to a decrease in creditworthiness (credit rating) or due to other causes. This also includes the risk of being unable to obtain purchasers for an asset for sale at a given time.

- **Operational, environmental, social and technical risks**: Inherent to all the Group's activities, products, systems and processes that cause economic/reputational impacts as a result of human/technological errors, inadequate organizational structure, non-robust internal processes, intervention of external agents, climate change, supply chain, people's health and safety.

- **Technological risks**: related to the security of the Group's information, the normal development of daily communications by means of computer applications, operating systems, databases, software, etc., and the security of all the assets that store, process or transmit data.

- **Compliance and regulatory risks**: Arising from the violation of internal and external regulations which may be applied to the Group by management or employees, including those related to the reliability of financial and non-financial information and tax risks.

- **Corporate governance risks**: arising from non-compliance with the Group's Corporate Governance System, which regulates the operation of the Governing Bodies and their relationship with stakeholders, the commitment to ethical principles, good practices and transparency, and which is designed around corporate interest defense and the creation of sustainable value.

Due to its global scope in risks, the Risk Management System is **constantly being updated** to incorporate new risks that may affect the Group as a result of changes in the environment or of goal and strategies revision, as well as those updates that originate from lessons learned from monitoring and controlling the system.

In order to avoid duplication between the risk information contained in the notes to the consolidated financial statements of the Arteche Group and the management report, the **information on the main risks and uncertainties** is found in the following sections of the consolidated financial statements and the Statement of Non-Financial Information:

- Financial risk management: Note 5

- Financial risk factors: Note 5.1

    - Credit risk
    - Market risk (interest rate, currency, energy and raw material costs)
    - Liquidity risk
    - Debt and solvency risk

- Estimation of fair value: Note 5.2

- Armed conflict: Note 1.1

- Climate change: Note 1.2

- Sustainability: 2023 Statement of Non-Financial Information

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Average Payment Period for Suppliers

During 2023, the average payment period of the Company was 48 days, as indicated in note 11.2 of the notes to the consolidated annual accounts.

Events After Year-end Closing

Subsequent to year-end, and up to the date of drafting these financial statements, no significant events have occurred that could have a material effect on the 2023 financial statements.

Non-Financial Information Statement - Sustainability Report

In accordance with Law 11/2018 amending the Commercial Code, the Consolidated Text of the Capital Companies Act and the Audit Law, regarding non-financial information and diversity, the 2023 Statement of Non-Financial Information is included as an Appendix to the Consolidated Management Report.

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APPENDIX: ALTERNATIVE PERFORMANCE MEASURES (APM) - GRUPO ARTECHE

APM	Unit	Definition	2023	2022	Usefulness
Revenue at selling price	Thousand euro	Revenues — change in inventories at selling price	416,625 Thousand euro = 401,256 + 15,369	347,503 Thousand euro = 345,903 + 1,600	APM used to measure production and other revenue at selling price.
Direct costs	Thousand euro	Supplies (excluding depreciation and extraordinary costs) + Direct personnel costs + Other direct operating profit	283,018 Thousand euro = 226,984 + 34,717 + 21,317	244,458 Thousand euro = 197,270 + 28,493 + 18,694	APM used by Management to measure operating expenses directly attributable to each operational segment.
Gross margin	Thousand euro	Revenue at selling price - direct costs	133,607 Thousand euro = 416,625 - 283,018	103,045 Thousand euro = 347,503 - 244,458	APM of operating profitability used to assess the generation of profit/(loss) at selling price excluding those expenses that are not directly attributable to operational segments.
% gross margin	%	Gross margin / Revenue at selling price	32.1% = 133,607 / 416,625	29.7% = 103,045 / 347,503	APM % operating profitability to assess the generation of profit at selling price without indirect costs.
Gross operating profit/(loss) (EBITDA)	Thousand euro	Operating profit + Depreciation of property, plant and equipment + Impairment of trading income + Impairment of merchandise + Impairment of work in progress and finished goods + Property losses and impairment losses	40,692 Thousand euro = 24,240 + 14,618 - 59 + 524 + 1,137 + 232	30,126 Thousand euro = 14,322 + 14,667 + 44 + 306 + 787	APM of operating profitability excluding interest, taxes, depreciation and amortization. Used by management to assess the operating cash flow generation capacity of the operating segments.
% EBITDA	%	EBITDA / Net business revenue	10.1% = 40,692 / 401,256	8.71% = 30,126 / 345,903	APM % of operating profitability excluding interest, taxes, depreciation and amortization.
Gross Financial Debt (GFD)	Thousand euro	Bank borrowings + other financial liabilities +financial lease creditors + bonds and other marketable securities (all long and short term) - no-cost financing +/- accrued interest and commissions	104,207 Thousand euro = 55,192 + 41,039 + 203 +13,800 - 6,173 + 146	107,498 Thousand euro = 39,180 + 53,883 + 164 +26,000 - 11,729 + 0	APM used by Management to assess the gross debt level, considering financing with costs only
Net Financial Debt (NFD)	Thousand euro	DFB - Short-term financial investments - loans to companies (non-group) - cash and cash equivalents	41,707 Thousand euro = 104,207 - 1,590 - 150 - 60,760	49,019 Thousand euro = 107,498 - 2,266 –0 - 56.213	APM used by management to assess the level of net debt.
Net Financial Debt / EBITDA	X times	NFD / EBITDA	1.02x = 41,707 / 40,994	1.63x = 49,019 / 30,126	APM, the purpose of which is to show the Group's degree of leverage, based on the NFD operational flow payment.

ARTECHE LANTEGI ELKARTEA, S.A.
Derio Bidea 28, 48100 :: Mungia :: Bizkaia :: Spain
T. (+34) 94 60 11 200 :: F. (+34) 94 67 40 018 www.arteche.com

APM	Unit	Definition	2023	2022	Usefulness
Profit per share (basic and diluted)	€/share	Profit/(loss) attributed to the Parent Company / (weighted average issued shares - weighted average treasury stock)	0.21 € = 12,063 / (57,094 - 136)	0.13 € = 7,686 / (57,094 - 140)	Income attributable to holders of ordinary instruments of the Company. The basic and diluted Arteche shares do not differ, since only common shares are issued.

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On March 18, 2024, and in compliance with the requirements established in Article 253 of the Corporate Enterprises Act and Article 37 of the Code of Commerce, the Board of Directors of the Arteche Lantegi Elkartea, S.A. company proceeds to prepare the Consolidated Annual Accounts and the Consolidated Management Report for the year ended December 31, 2023, which are constituted by the documents attached hereto.

Ziskua Ber, S.L. represented by Mr. Lander Arteche Eguia

Mr. Alexander Artetxe Panera

Mr. José María Abril Pérez

Mr. Luis Aranaz Zuza

Mr. Guillermo Ulacia Arnáiz

Mr. Dámaso Quintana Pradera

Mr. Pablo Ramallo Taboada

Gestión de Capital Riesgo del País Vasco SGEIIC, S.A. represented by Mr. Zigor Urkiaga

Eladia, Eladia Pulido Arroyo