



arteche

**Presentation of results**  
1st semester 2021

# Disclaimer

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# Letter from the Chairman and CEO



On June 11th, Arteche made its debut in BME Growth with a view to further extend its financing options. This leap, aligned with our Strategic Plan by 2023, aims at organically and inorganically growing at a year-on-year rate of 8%, as well as strengthening our leadership in the international power market.

In a context of economic recovery associated with the pace of vaccination, we have closed the first half of 2021 with satisfactory results.

It is now a good time for our sector in terms of global investment, as is shown by the number of orders received, with an activity that is higher than in the first semester of 2020, while it is worth highlighting growth in the market of Europe and Middle East (+11%) as well as in the United States (+4%). In terms of business activities, we have increased by 32% in Automation, backed by the sector's growth (digitisation, automation, renewables) and the growth in market share in segments such as railway (+38%). In the Measurement business, we have also grown compared with 2020 (+9%) and once the effect of Mexico's contracts, which were concluded in July, is linearised, growth should accelerate in the second half of the year. Our challenge for the second semester will consist in recovering growth in the business of nextwork reliability where, although we have closed major framework agreements, mobility restrictions affect our customer's installation capacity.

***All this has allowed us to close the first semester of the year with a 8% increase compared with the same period in 2020, improving EBITDA by 8% and with a positive net result which exceeds by 5 points over sales the result in 2020.***

Regarding stock listing, the launching has been positive and has strengthened our investors' confidence in the Arteche project, which has allowed us to boost the inorganic growth plan, completing the process for the purchase of the Turkish company ESITAŞ, which was carried out in July.

The purchase of ESITAŞ is part of our strategy to increase and strengthen our position in Asia. The factories of Arteche's new company in Turkey and Indonesia position us in two very important markets with a great development potential for our business.

ESITAS' integration process into Arteche is already under way and allows us to already accelerate our growth pace as of the second semester of this year and, in 2022 and 2023, the whole growth potential in new markets will become visible and the major synergies identified will materialise.

The main challenges we have ahead consist in the increase in raw material costs and logistic costs as well as their impact on the supply chain.

Over these past months, we have strengthened the supply chain and successfully minimised the impact that the shortage in some materials may have on our production.

Likewise, we have launched price adjustment and cost reduction measures in order to offset cost increases, but the rise in raw materials and logistics is stronger than what we expected and the price increases might not be sufficient in some activities and markets.



**Alex Artetxe**

As long as these cost conditions are maintained, we will keep such action lines going in order to control and minimise their impact and thus further advance in parallel towards a sustainable future, not only from a business perspective.

In this sense, we continue promoting various actions, not only through Arteche's Sustainability Committee, but also from a perspective which implies a transversal commitment that goes from our Board of Directors to each member of Arteche.

On this basis, we are facing the second part of the year with enthusiasm and intend to comply with the objectives set in our Strategic Plan by 2023.

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# Major milestones



## Growth

### Inorganic:

- **Purchase** of Esitaş, a Medium Voltage manufacturer with plants in Turkey and Indonesia

### Organic:

- **Presence expansion in Mexico** with the building of a new **state-of-the-art** laboratory
- Opening of a **commercial office** in **Colombia**
- **32% growth** in **Network Automation**

## Customers

### Measurement and Monitoring:

- **Offshore wind** agreement with **General Electric**
- CFE (**Federal Electricity Commission of Mexico**) **annual award**
- **New customers:** Wemag Germany and Ende Bolivia
- **Installation of optical Transformers** for Elvia Noruega

### Network automation

- **Increase** in the sale of relays in the **railway sector**
- **Protection and control** systems in Furnas and Electronorte Brazil
- Multiannual framework agreement in **Naturgy (electronic appliances)**

### Network reliability

- Framework agreement with **Neoenergia (reclosers)**

## Operations

### Industry 4.0:

- New automated cell for the manufacturing of **electronic products**
- **Robotization** of our **warehouse** in China
- **Digitization of information panels** in our production plants

### Increase in our production capacity:

- **Capacity increase in capacitive devices** in our Chinese plant so as to meet growing demand

## Financing

### Financing sources diversification strategy:

- **Capitalization** after IPO for **M€30**
- Alternative bond market: at the end of June **M€32.7 (>M€18.7)** compared with December). Improvement in cost and deadline.
- Provision from the **ICO** (Official Credit Institute): **M€5**

# Main financial indicators

Thousands of euros	30/06/2020	30/06/2021
<b>Turnover</b>	<b>119.506</b>	<b>129.006</b>
Direct Margin	45,682	41,199
Direct Margin (% / sale price revenue)	35.9%	31.1%
<b>EBITDA</b>	<b>9,881</b>	<b>10,651</b>
EBITDA/Turnover (%)	8.3%	8.3%
<b>EBIT</b>	<b>4,439</b>	<b>4,481</b>
EBIT/Turnover (%)	3.7%	3.5%
<b>Net Profit</b>	<b>-4,442</b>	<b>1,712</b>
Net Profit/Turnover (%)	-3.7%	1.3%

- **Our turnover increases by 8%** compared with the year before, driven by the network's Measurement and Automation business activities
- The **direct margin evolution** is determined by the change in product mix, the evolution of currencies and, to a lesser extent, the increase in transport and material costs
- In this global context, **the EBITDA** increases in the same proportion as the turnover, so that profitability is maintained
- The positive **net profit** at the end of the semester **clearly exceeds the previous year** thanks to the incremental volume, the strong reduction in financial costs and a proper handling of currencies



We are further growing...

# Balance

Balance sheet (thousands of euros)	31/12/2020	30/06/2021
<b>Non-current asset</b>	<b>84,942</b>	<b>82,676</b>
<b>Current asset</b>	<b>141,355</b>	<b>176,709</b>
Stocks	49,976	54,494
Commercial debtors and other accounts receivable	53,093	58,387
Cash and other equivalents + short-term financial investments	37,488	63,229
Others	798	599
<b>TOTAL ASSETS</b>	<b>226,297</b>	<b>259,385</b>

INDICATOR	30/06/2020	30/06/2021
<b>Net Financial Debt</b>	<b>82,097</b>	<b>46,446</b>
<b>NFD / EBITDA</b>	<b>2.8</b>	<b>1.5</b>
<b>NFD / Adjusted equity</b>	<b>1.5</b>	<b>0.5</b>
<b>Cash generation</b>	<b>-7,338</b>	<b>19,929</b>

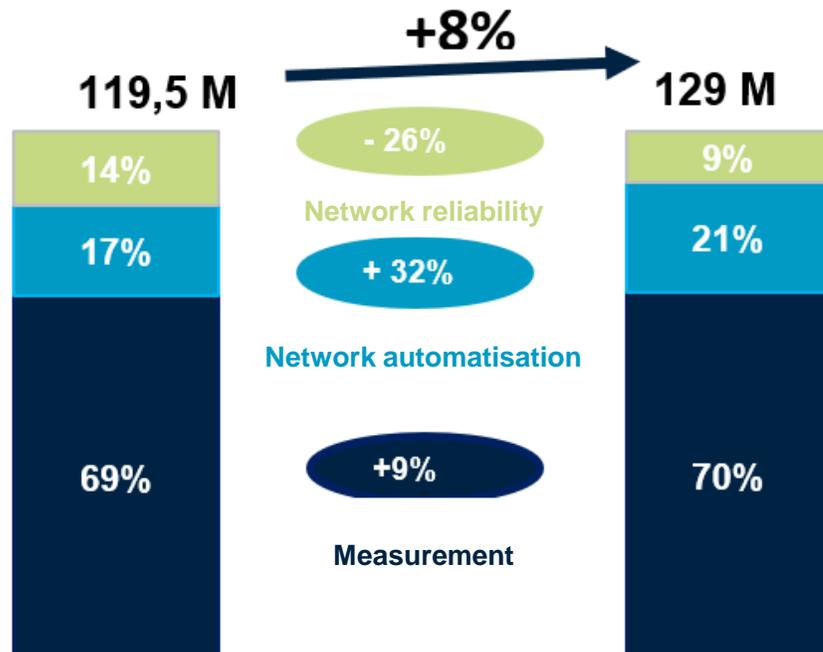
Balance sheet (thousands of euros)	31/12/2020	30/06/2021
<b>Net equity</b>	<b>26,059</b>	<b>56,322</b>
<b>Non-current liability</b>	<b>70,837</b>	<b>76,968</b>
Long-term debts	64,972	71,681
Other long-term debts	5,865	5,287
<b>Current liability</b>	<b>129,401</b>	<b>126,095</b>
Commercial credits and other accounts payable	84,504	84,573
Short-term debts	42,150	39,895
Other short-term debts	2,747	1,627
<b>TOTAL NET EQUITY AND LIABILITY</b>	<b>226,297</b>	<b>259,385</b>

## Strengthening our ratios: Balance and equity item.

- **Increase in net equity** thanks to the capitalization linked to initial public offering
- **The cash and equivalents item** is strengthened thanks to our recent participation in BME Growth. The activity increase in this period has induced an increase in operating working capital
- The provision of **long-term lines and the cancellation of short-term lines** which significantly reduce the Group's financing costs stand out

# Evolution per segment

## Evolution per segment



June 2020

June 2021

## Relays & Electronic Appliances

Energy



+17% \*

Railway



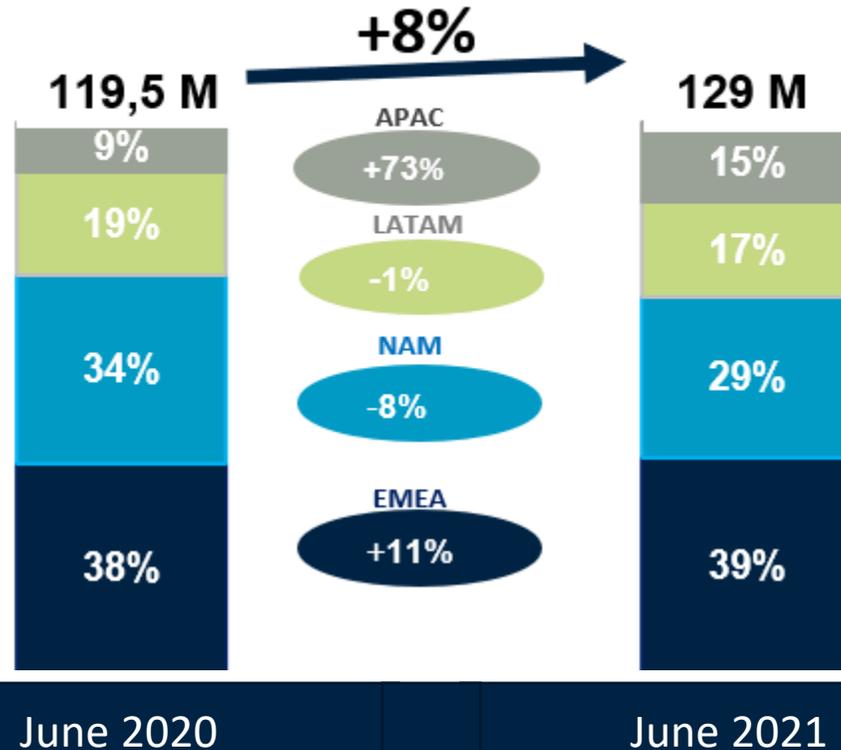
+36% \*

\* Contracts vs Q2 2020

- Strong **increase in the Network Automation segment both in the relays and substation automation business**. It is worth highlighting the consolidation of our growth in relays in **the railway sector**. We comply with the objectives set in our Strategic Plan
- **Award of the FEC tender (Federal Energy Commission) in Mexico**, which will imply **growth in the Measurement business by the end of the year**
- The **purchase of ESITAŞ strengthens growth** in the Measurement segment
- **Network reliability**: delay in the framework agreements of the main utilities

# Geographic evolution

## Evolution per geography

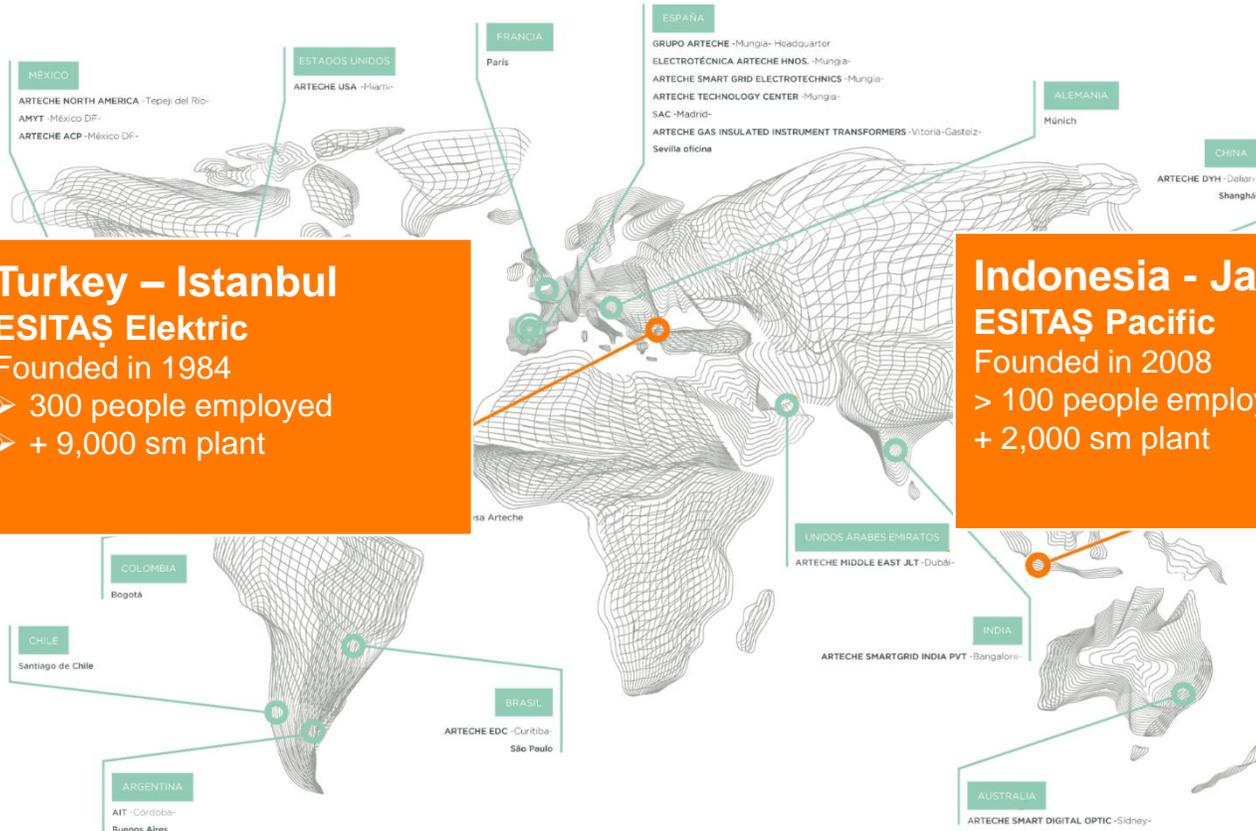


- Strong **turnover increase in APAC and EMEA areas**
- Efforts to **maintain the ratios in the LATAM area** (marked by uncertainty in Argentina, Chile and Brazil)
- **Projection of a recovery in Brazil in the Network Reliability business** once the post-COVID market has stabilised
- The contracts won in the NAM area in July **will ensure full-year growth**

# Inorganic growth



In July 2021, Esitas was purchased



**Turkey – Istanbul**  
ESITAŞ Elektrik  
Founded in 1984  
➢ 300 people employed  
➢ + 9,000 sm plant

**Indonesia - Jakarta**  
ESITAŞ Pacific  
Founded in 2008  
> 100 people employed  
+ 2,000 sm plant



This operation is part of the **inorganic growth strategy** of Arteche defined in its Strategic Plan by 2023

With the purchase of Esitaş, Arteche enhances its **industrial position in Asia and strengthens its leadership in the Measurement and Monitoring business**

Esitaş, a company which has plants in Turkey and Indonesia, manufactures medium and low voltage instrument transformers and **is one of the main leading labels in its geographic market**

In **2022 and 2023**, we will be able to see the whole **growth potential in new markets and the significant synergies identified** will materialise

The integration process has been successfully launched, accelerating growth pace

# ESG:

104 actions identified by Arteche's Sustainability Committee

30.7% have been fully carried out\*

0

Environmental incidents

-9,4%\*

Water consumption reduction

\* Vs Q2 2020

74%

Local suppliers

>2.400

Direct jobs



E

- ✓ Implementation of **energy efficiency** measures in our plants:
  - ✓ Efficiency studies
  - ✓ Solar panel project
  - ✓ Installation of LEDs
- ✓ Chargers for electric vehicles
- ✓ **34.52 compensated tonnes** of CO<sub>2</sub> thanks to the reforestation of **>200** trees



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- ✓ **We multiply our training:** in the first semester, we match the number of hours given in 2020 as a whole.
- ✓ Commitment to **women's professional development** :
  - ✓ The number of women executives increases to **29%**
  - ✓ The increase in women doubles the number of men (pace **>67%**)
  - ✓ **44%** of structural hirings are women



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- ✓ Renewed **Audit and Compliance Committee and Appointments and Remuneration Committee**
- ✓ Implementation of a **Risk Management System**
- ✓ **Certification in 27001**



Commitment towards the 2030 Agenda for Sustainable Development



# ANNEX: ALTERNATIVE PERFORMANCE MEASURES



The alternative performance measures used by Arteche, as well as their base of calculation, are identified below.

Alternative Performance Measures	Definition
<b>Gross Operating Profit (EBITDA)</b>	✓ Operating income + amortisation and depreciation + impairment of trade operations + impairment of goods + impairment of finished products and products in process
<b>Direct Margin</b>	✓ Sale price revenue – direct costs
<b>Sale price revenue</b>	✓ Turnover net amount +/- variation of stocks at sale price
<b>Direct costs</b>	✓ Supplies (without depreciations or extraordinary costs) + direct staff costs + other direct operating costs
<b>Net Operating Income (EBIT)</b>	✓ Operating income
<b>Gross financial debt (GFD)</b>	✓ Amounts owed to credit institutions + other financial liabilities + financial lease creditors + debentures and other marketable securities – financing without costs
<b>Net financial debt (NFD)</b>	✓ GFD – temporary financial investments – credits to companies (no group) – cash and other equivalent liquid assets – deposits in other long-term financial assets
<b>Cash generation</b>	✓ Difference between the NFD of a period compared with the one of another previous period
<b>Adjusted equity</b>	✓ Equity of the consolidated balance sheet excluding the “Treasury shares and equity investments” heading and including the “External partners” heading.



**■ ADDING ENERGIES**  
**#MovingTogether**