



# H1 2023 Earnings Release

September 7, 2023



*The information contained in this presentation of results has been prepared by Arteche Lantegi Elkarte, S.A. (hereinafter the Company or Arteche Group) and includes financial information drawn from the the first half consolidated accounts of the Company and its Group as of June 30, 2023, reviewed by Ernst & Young S.L, as well as declarations concerning future forecasts.*

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# H1 2023 Key highlights



- ✓ **Orders grew** in the first half by **+28.7%** to €247.3 million, well above market growth. All geographic regions and business lines grew significantly.
- ✓ **Revenue** increased by **+20.3%** to €188.0m and **grew by double digit** both in **Q1 and Q2**.
- ✓ **Direct margin improved** progressively throughout the year to reach **32.0% in H1 23** vs 28.6% in H1 22
- ✓ **EBITDA** reached €17.4 million, **growing by +32.9% year on year**.
- ✓ **Deleveraging continues** to **1.76x NFD/EBITDA** at 30 June 2023 vs **1.90x** at 30 June 2022.
- ✓ **Net profit** grew by 41.0% compared to the previous year, to **€4.3 million**.

# H1 2023 Financial highlights



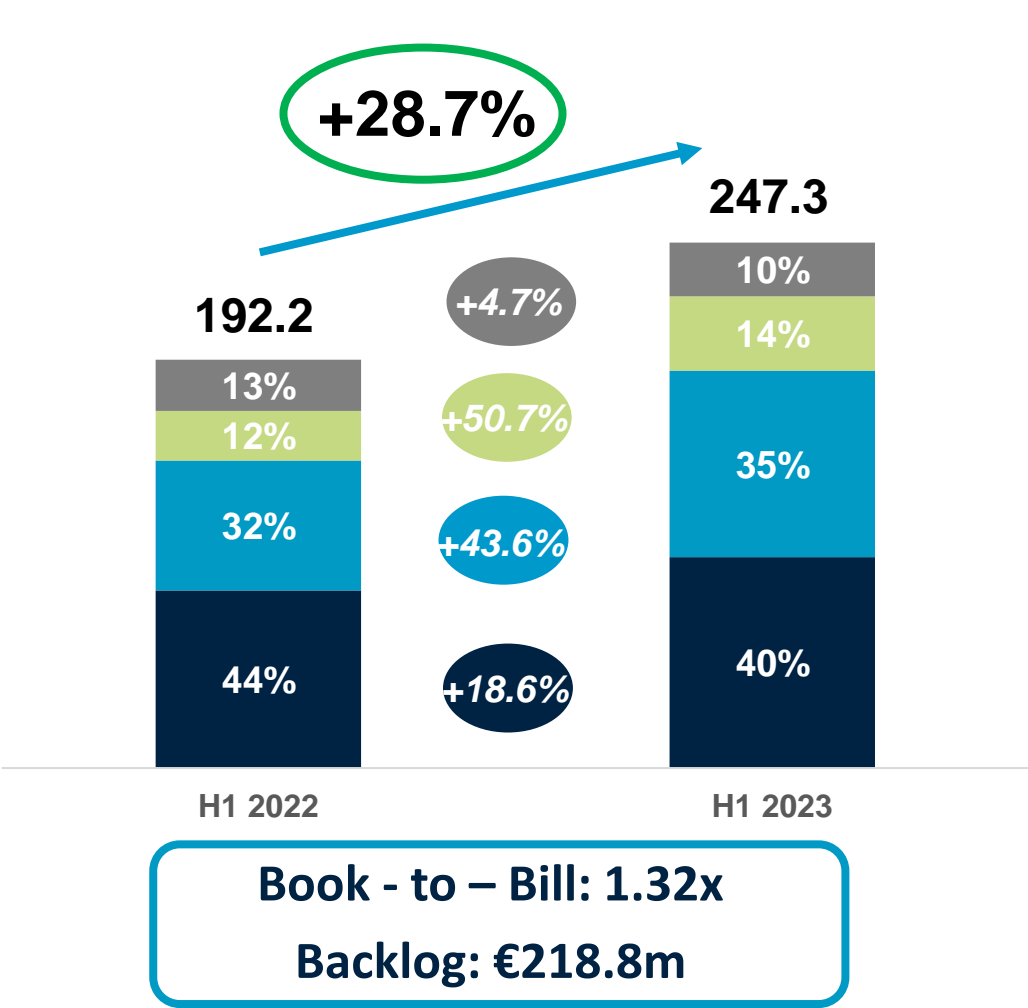
Order book	Revenue	Direct Margin <sup>(1)</sup>	EBITDA	Net profit	NFD / EBITDA
€247.3m	€188.0m	€66.2m	€17.4m	€4.3m	1.76x
+28.7% y/y	+20.3% y/y (+24.4% in constant currency)	+46.3% y/y (+52.5% in constant currency)	+32.9% y/y (+33.7% in constant currency)	+41.0% y/y	vs 1.90x at 30 June 2022

(1) Direct margin = Income at selling price – procurement – direct labor – direct operating expenses

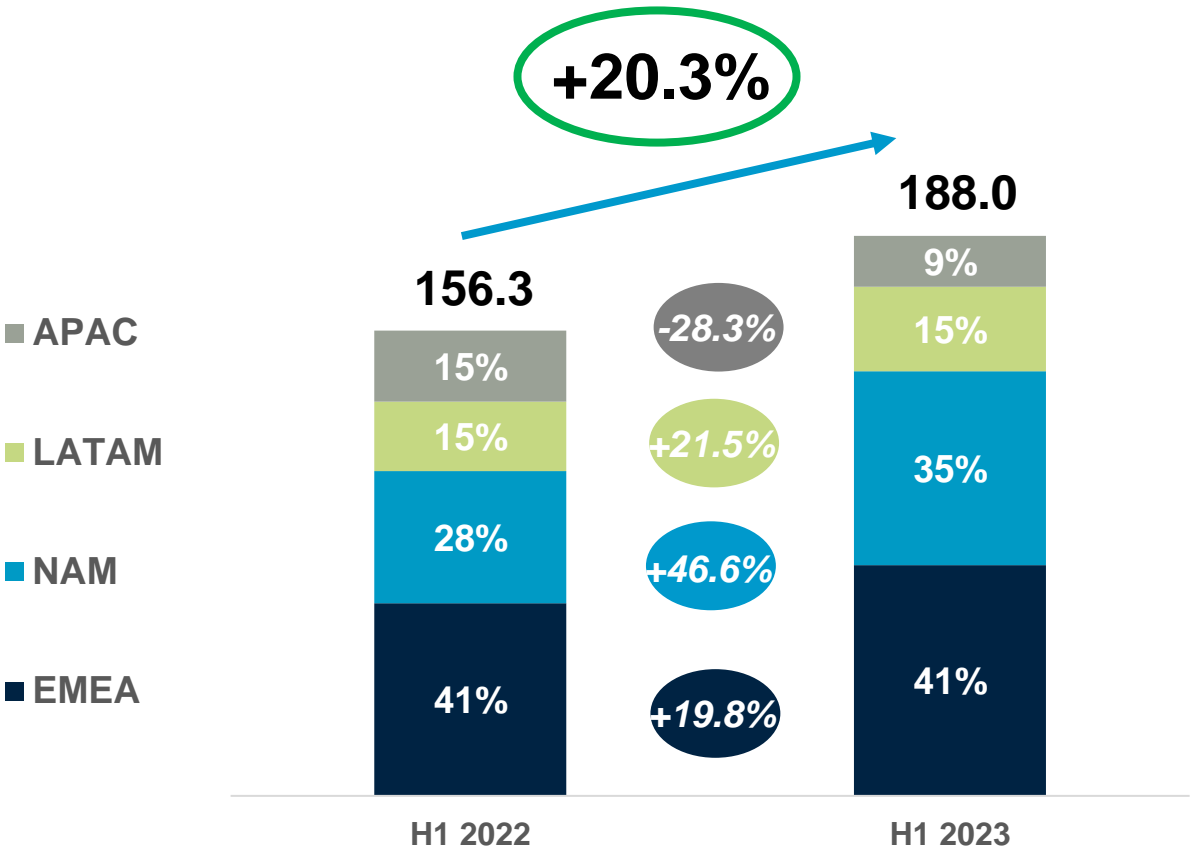
# Revenue grew at double-digit rate in H1 2023



Order book (€m,%)



Revenue by geographical region<sup>(1)</sup> (€m,%)



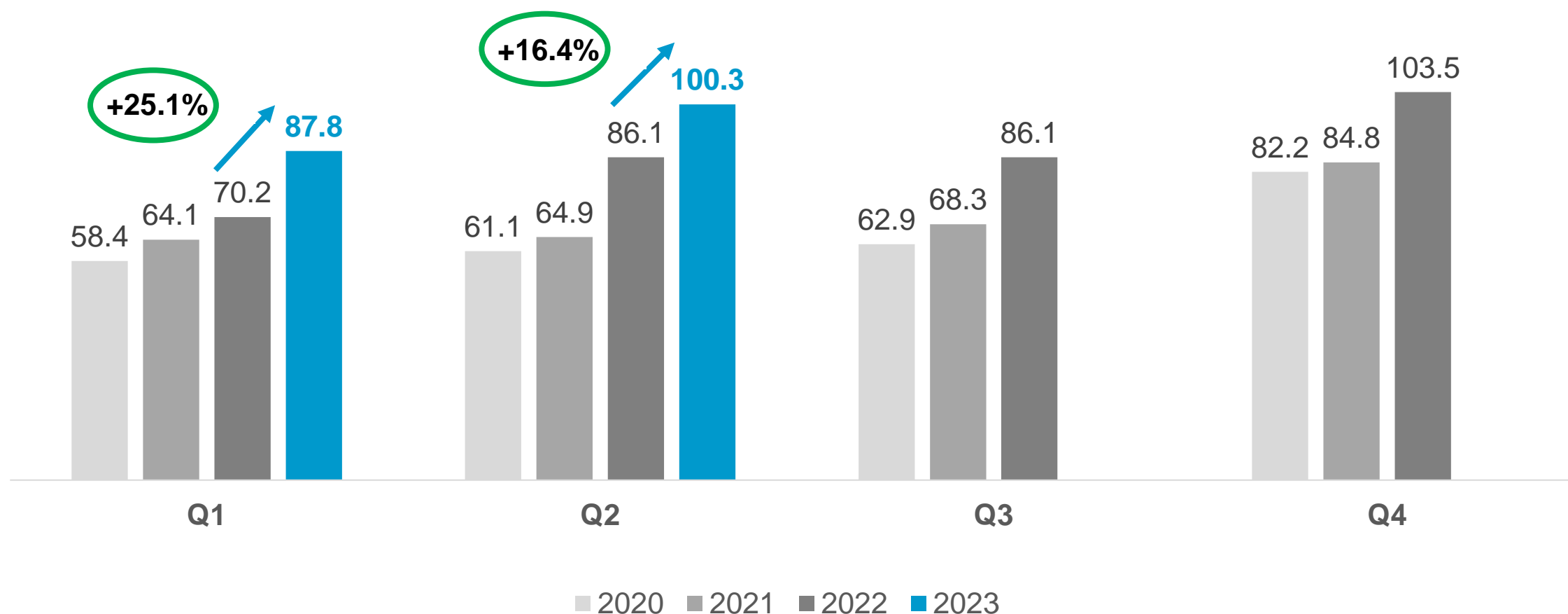
(1) Revenue by destination: EMEA (Europe, Middle East and Africa), NAM (Mexico, USA and Canada), APAC (Asia Pacific and Turkey), LATAM (South and Central America).

# Double-digit revenue growth in all quarters

Historical record reached in the first half



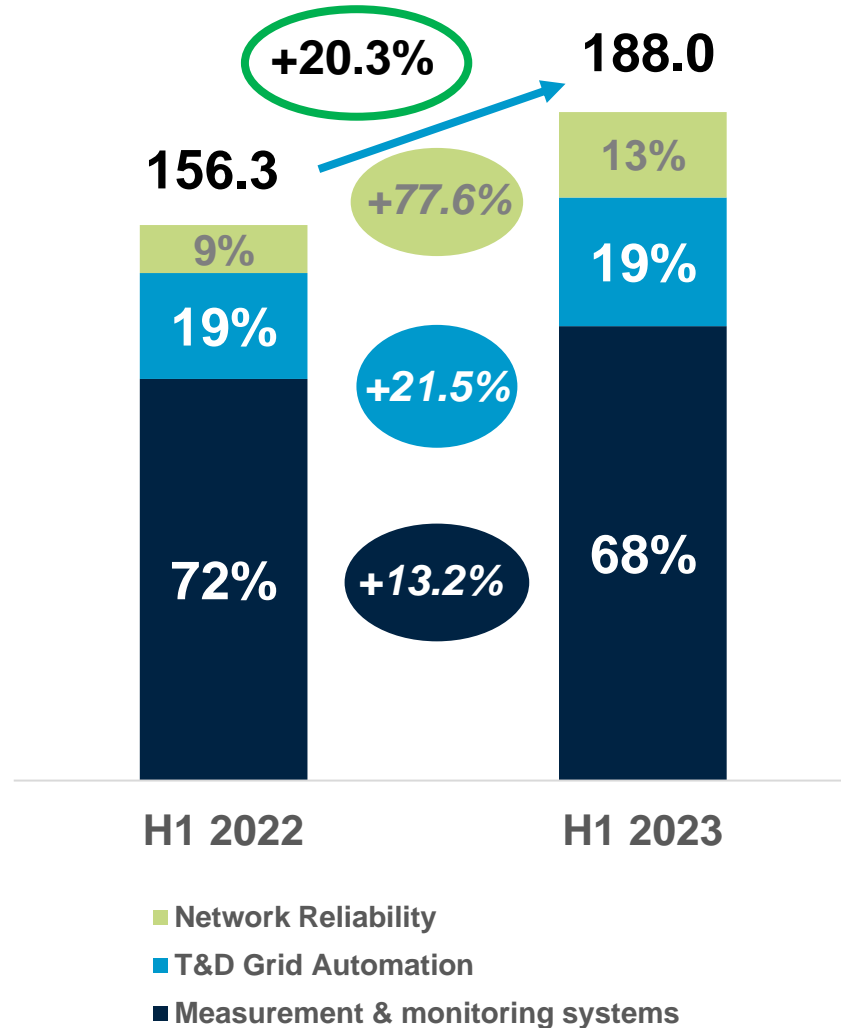
## Quarterly revenue (€ million)



# Positive contribution from all businesses



## Revenue by business line (€m, %)



### Measurement and Monitoring Systems

*Maintaining the Top 3 in HV and Top 10 in MV*

- ✓ New products: 400kV **SF6 free GIS VT**, 145kV **inductive VT** with **15% less carbon footprint**, 52kV sensor
- ✓ **Top four markets** YTD: US, Spain, Mexico and Brazil.
- ✓ Opening of **new 19,000 square feet factory in Turkey** to double previous local capacity.
- ✓ First HVDC european projects using **Optical Technology**. Delivery of **optical current units** for **nuclear fusion** research projects in the US.



### T&D Grid Automation

*Diversification in products and markets*

- ✓ New **state of the art hybrid 61850 process bus architectures** for SAS solutions.
- ✓ **Relay orders** coming from **72 different countries** in H1 2023.
- ✓ Protection & Control projects deliveries for **high speed train** projects in **Mexico**.
- ✓ **E-commerce channel for relays & test blocks** reached 10M€ in orders with 100 users.



### Network Reliability

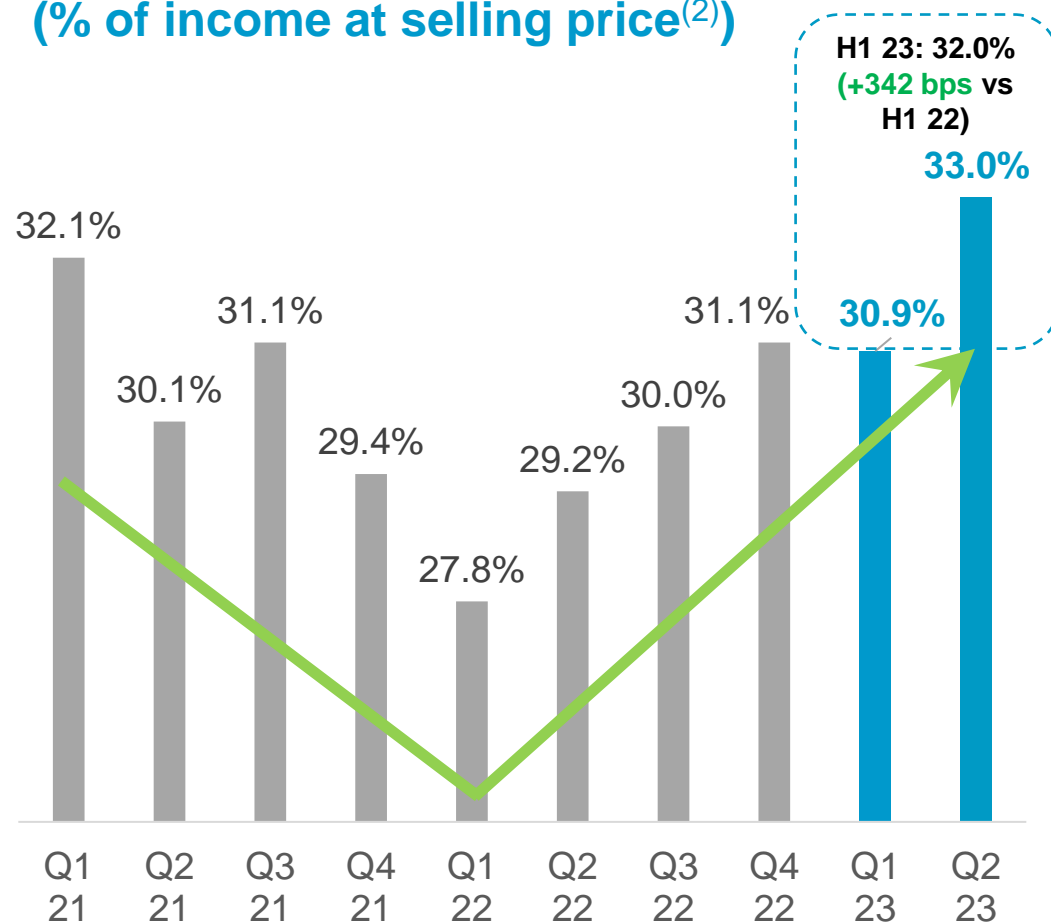
*Growth thanks to the increase in renewable energy grid connection*

- ✓ **New product offering: PQ Switch** (external pre-insertion resistor circuit breaker).
- ✓ Supply of 12 **harmonic filters** for 1GW **wind project** plus 8 new projects YTD in **US & Canada**.
- ✓ **New LATAM recloser awards**: Peru, Argentina and Guatemala.
- ✓ **25% growth in service** orders in H1 2023.

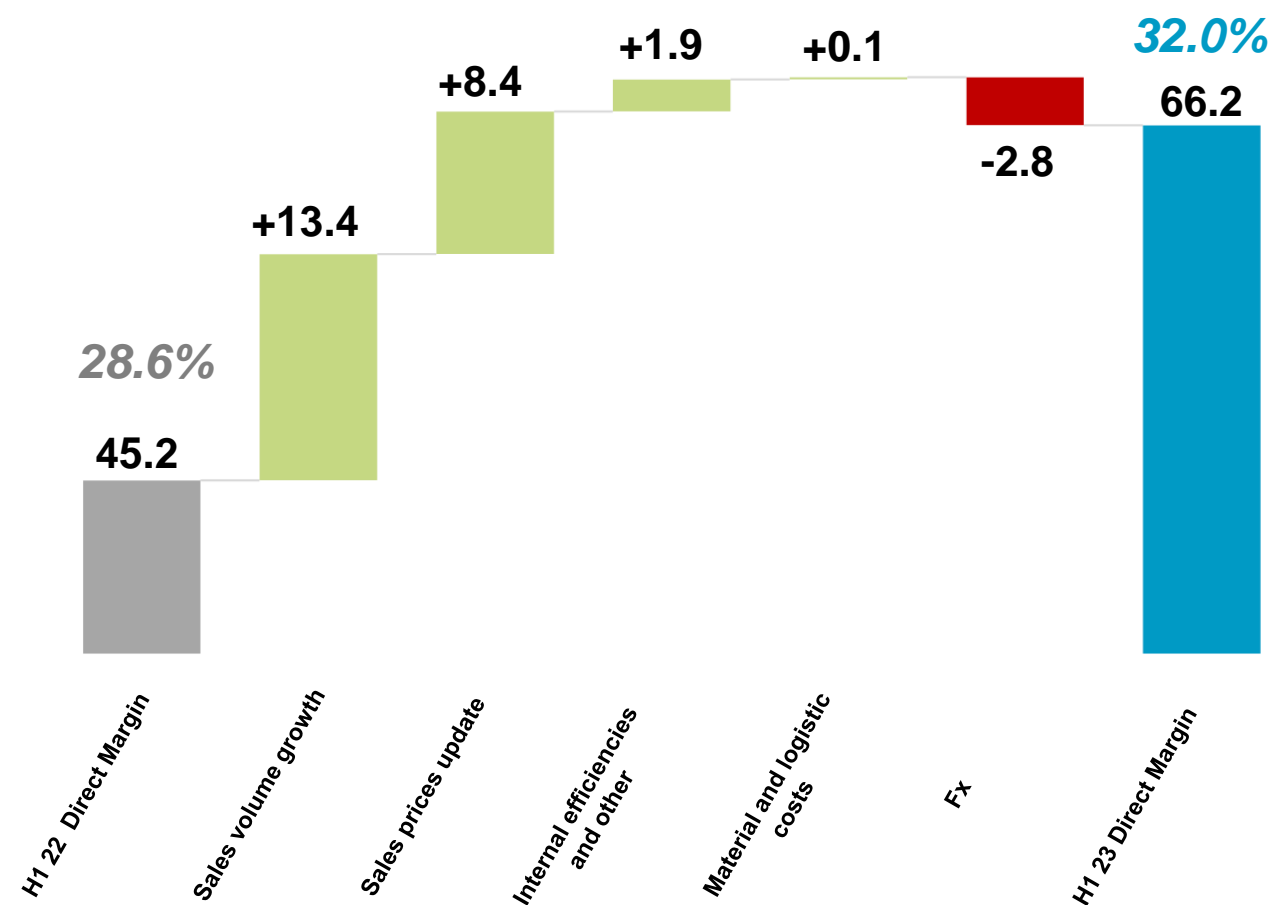


# Direct margin exceeds pre-crisis levels during H1 2023

## Direct margin<sup>(1)</sup> by quarter (% of income at selling price<sup>(2)</sup>)



## Direct margin evolution (€m, % of income at selling price)



(1) Direct margin = Income at selling price – procurement – direct labor – direct operating expenses.

(2) Income at selling price = Revenue +/- change in inventories at selling price.

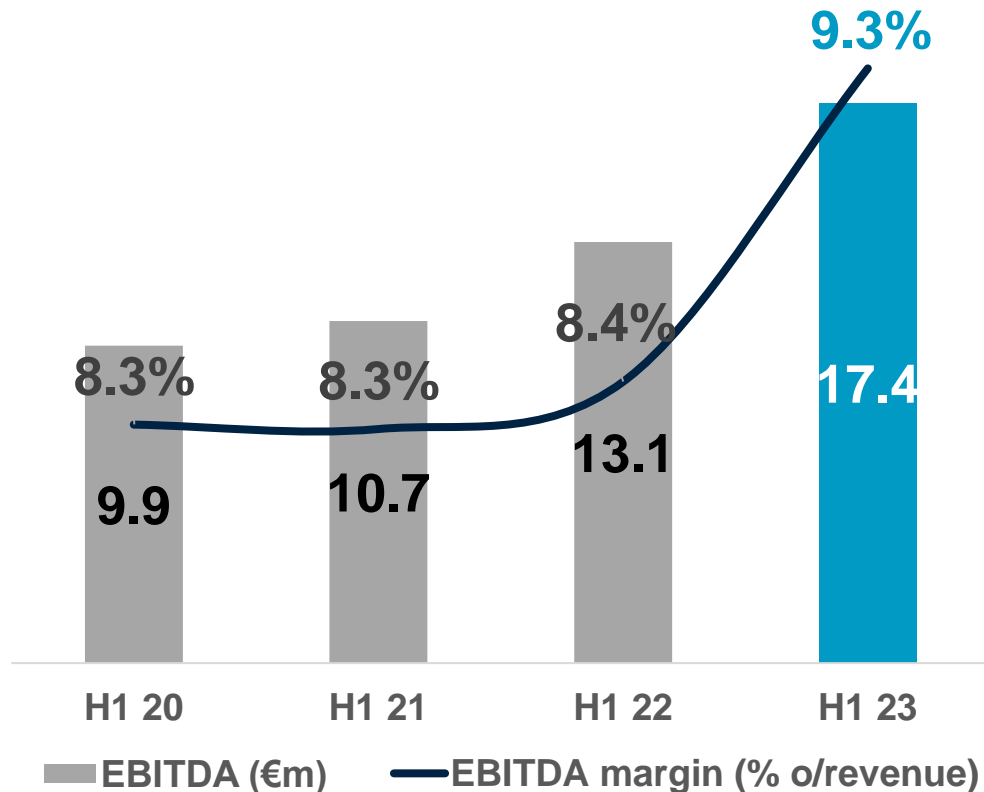


# EBITDA H1 2023

## Record growth of 33% in the first half



EBITDA evolution year on year  
(€ million,% of revenue)



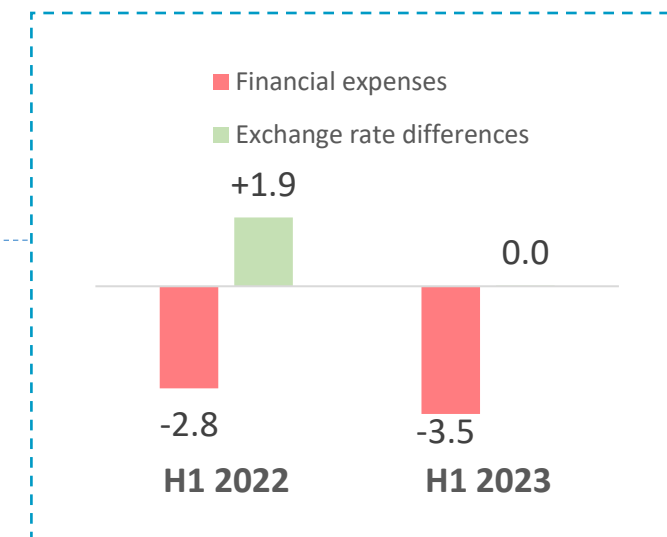
- **EBITDA increased** in the first half as a result of record sales volume, updated sales prices and operational productivity improvements.
- The company's **structural costs improved to 22.7% of revenue** vs 23.2% a year ago, despite the inflationary environment.

# Net profit H1 2023

## Growth of 41% in the first six months



In € million	H1 2023	H1 2022	% y-o-y
<b>EBIT (Operating profit)</b>	<b>9.3</b>	<b>5.8</b>	<b>+60.7%</b>
Financial result	-3.5	-0.9	<i>n.a.</i>
Income tax	-1.2	-1.6	-23.7%
<b>Profit for the year<sup>(1)</sup></b>	<b>4.6</b>	<b>3.3</b>	<b>+40.3%</b>
Minorities	-0.3	-0.2	+31.5%
<b>Net income</b>	<b>4.3</b>	<b>3.0</b>	<b>+41.0%</b>



(1) Profit for the year is the reference figure for the purpose of allowing a homogeneous comparison since it includes the result attributed to external partners (€0.3 million). In addition, the result was negatively impacted by €0.9 million due to an accounting adjustment as a result of the hyperinflation declared in Turkey.

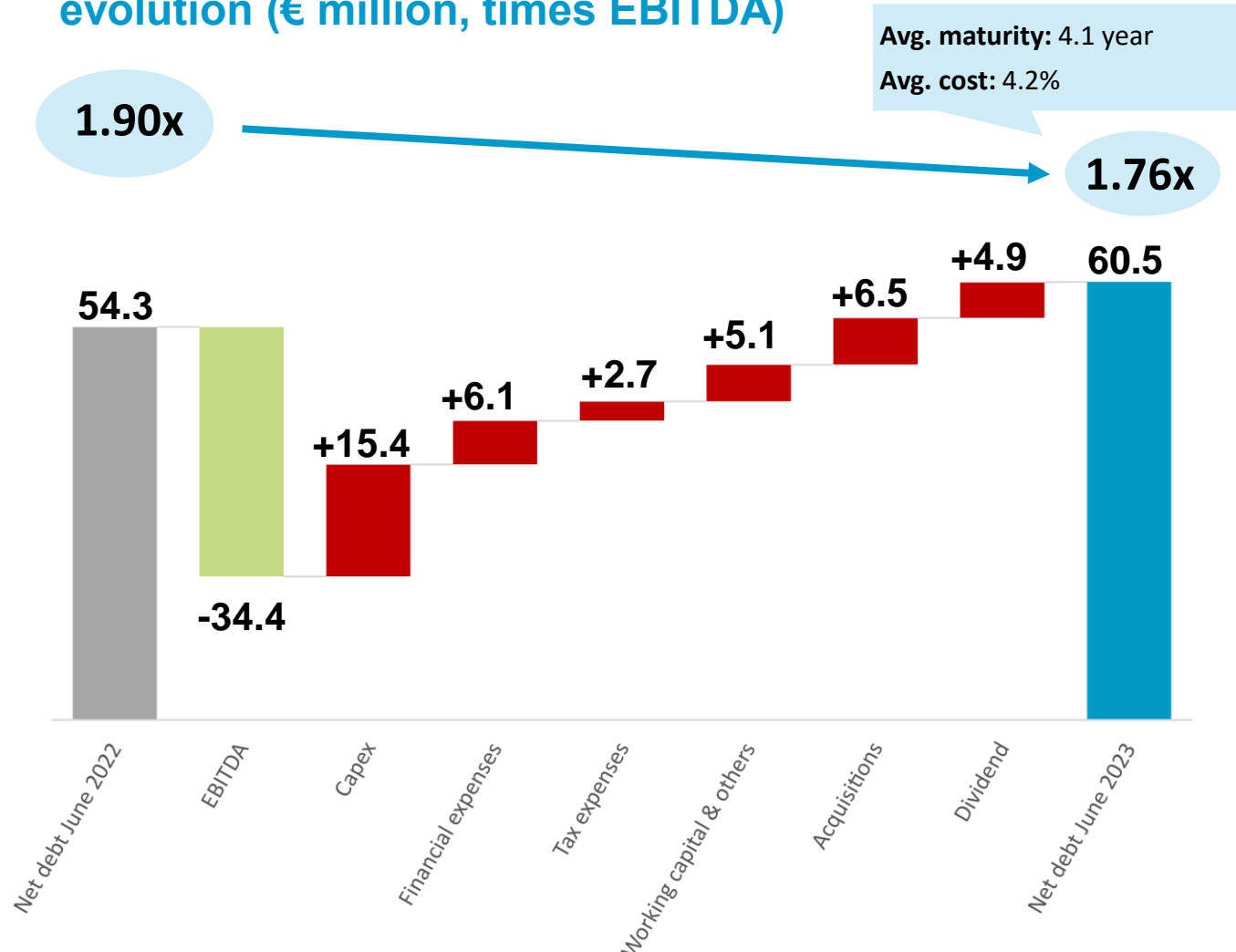
**Shareholder remuneration:** During the first half, the company distributed a dividend of €2.3 million against FY 2022 results, equivalent to a pay-out of 30%.

# Net financial debt at June 30, 2023

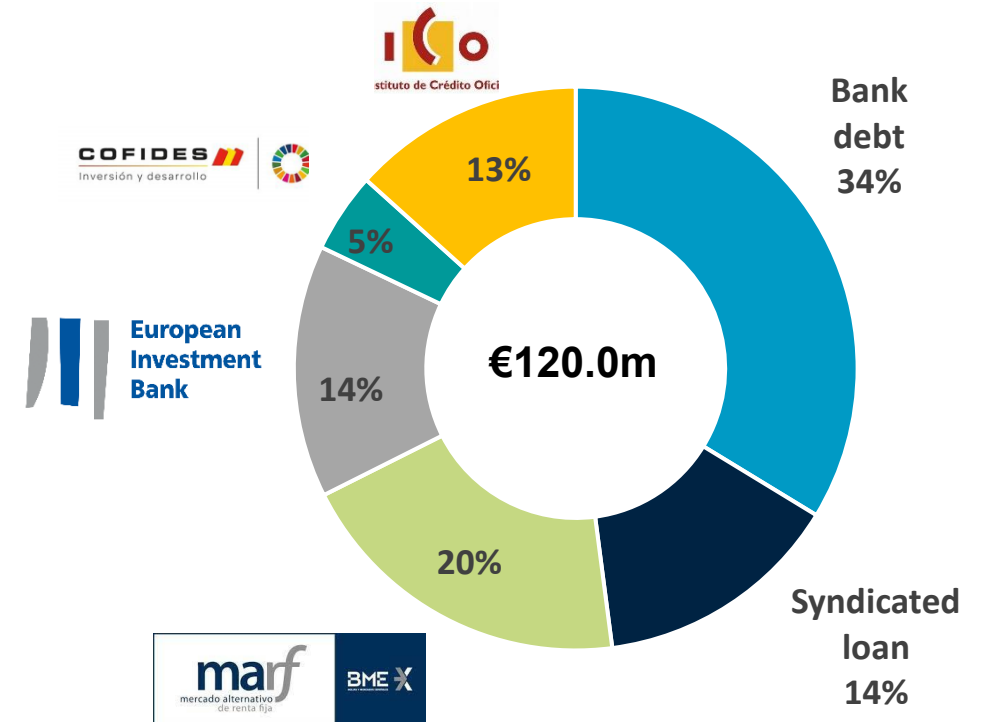
Leverage ratio improvement in the year



Net financial debt (NFD) / EBITDA  
evolution (€ million, times EBITDA)



H1 2023 Gross financial debt breakdown  
by source (%)



60% of total long-term loans are hedged against the risk of interest rate variation

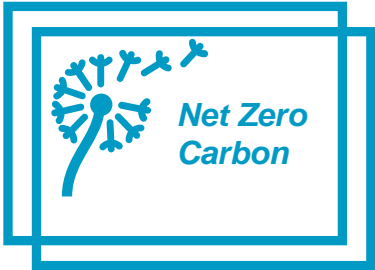
# Our ESG Commitment

Moving forward with our 2030 ESG strategy



## Enviroment

Target	Indicator	H1-23	2030
Ecological & biodegradable fluid insulators	Product ranges with eco/bio fluid insulation solutions/ Total product ranges (%)	74%	100%
Reduce carbon footprint	Scope 1+2 emission reduction vs last year	38%	>50%
Renewable electricity consumption	Total renewable electricity cosumption/ Total electricity consumption (%)	32%	100%



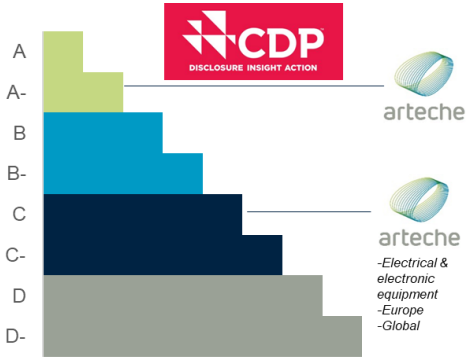
## Social

Equal opportunities for development	Women in the “front line management” category/ Total employees in the “front line” category (%)	25%	40%
“0” days away from work due to own staff accidents and company responsibility	Accident severity ratio	0.2	0.0



## Governance

Internal Control Financial Information System (SCIIF)	Assessment and certification	In process of implementation	Audited by a third-party
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# Outlook for FY 2023



	FY2022	LTM June 30, 2023	Outlook FY 2023
<b>Revenue</b> ( <i>€ million</i> )	<b>345.9</b>	<b>377.7</b>	<b>385.0 – 405.0</b>
<b>EBITDA</b> ( <i>€ million</i> )	<b>30.1</b>	<b>34.4</b>	<b>36.5 – 40.5</b>
<b>EBITDA Margin</b> ( <i>% over revenue</i> )	<b>8.7%</b>	<b>9.3%</b>	<b>9.5% - 10.0%</b>

# Conclusions

1

**Sound growth in orders (+28.7% y/y) and revenue (+20.3% y/y) in a context marked by strong demand in all regions and commercial discipline.**



2

**Strength in revenue together with a tight cost management support direct margin strong recovery (+342 bps y/y)**



3

**Transforming our portfolio through new products and markets development to deliver higher growth and better margins**



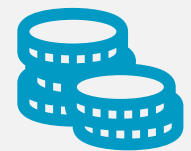
4

**Ongoing commitment to ESG that's creating value for all stakeholders**



5

**Focus on cash flow generation (special focus on inventory management) to reinforce our balance sheet in order to face future growth**





# Q&A

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# Annex | Alternative Performance Measures (APM)



APM	Unit	Definition	30 June 2023	FY 2022	30 June 2022
<b>Income at selling price</b>	€m	Revenue +/- Change in stocks at sale price	€206.8m = 188.0 + 18.8	€347.5m = 345.9 + 1.6	€158.0m = 156.3 + 1.7
<b>Direct costs</b>	€m	Supplies (without depreciations or extraordinary costs) + direct staff costs + other direct operating costs	€140.6m = 113.6 + 17.1 + 10.0	€244.5m = 197.3 + 28.5 + 18.7	€112.8m = 91.2 + 13.4 + 8.2
<b>Direct margin</b>	€m	Income at sale price – direct costs	€66.2m = 206.8 – 140.6	€103.0m = 347.5 – 244.5	€45.2m = 158.0 – 112.8
<b>% Direct margin</b>	%	Direct margin / Income at sale price	32.0% = 66.2 / 206.8	29.7% = 103.0 / 347.5	28.6% = 45.2 / 158.0
<b>Gross operating profit (EBITDA)</b>	€m	Operating income + amortisation and depreciation + impairment of trade operations + impairment of goods + impairment of finished products and products in process	€17.4m = 9.3 + 7.4 + 0.2 + 0.5 - 0.0	€30.1m = 14.3 + 14.7 + 0.04 + 0.3 + 0.8	€13.1m = 5.8 + 7.1 - 0.0 + 0.1 + 0.1
<b>Gross operating profit (EBITDA) LTM</b>	€m	Operating income + amortisation and depreciation + impairment of trade operations + impairment of goods + impairment of finished products and products in process	€34.4m = 17.8 + 15.0 + 0.2 + 0.8 + 0.7	€30.1m = 14.3 + 14.7 + 0.04 + 0.3 + 0.8	€28.6m = 13.8 + 13.3 + 0.8 + 0.3 + 0.4
<b>% EBITDA</b>	%	EBITDA / Revenues	9.3% = 17.4 / 188.0	8.7% = 30.1 / 345.9	8.4% = 13.1 / 156.3
<b>Gross Financial Debt (GFD)</b>	€m	Amounts owed to credit institutions + other financial liabilities + financial lease creditors + debentures and other marketable securities – financing without cost +/- Interest and accrued commissions	€120.0m = 56.7 + 42.6 + 0.1 + 23.6 - 3.4 + 0.3	€107.5m = 38.7 + 53.9 + 0.2 + 26.0 - 11.7 + 0.5	€105.9m = 46.7 + 44.0 + 1.1 + 24.5 - 11.0 + 0.6
<b>Net Financial Debt (NFD)</b>	€m	GFD – temporary financial investments – credits to companies (no group) – cash and other equivalent liquid assets	€60.5m = 120.0 – 1.5 - 0.1 - 57.9	€49.0m = 107.5 – 2.1 - 0.2 - 56.2	€54.3m = 105.9 – 2.0 - 0 - 49.6
<b>Net Financial Debt/ LTM EBITDA</b>	times (x)	NFD / EBITDA	1,76x = 60.5 / 34.4	1,63x = 49.0 / 30.1	1,90x = 54.3 / 28.6
<b>Earnings per share (basic and diluted)</b>	€/share	Profit for the year attributable to equity holders of the Parent / (weighted average number of ordinary shares outstanding - weighted average number of own shares)	0,08 € = 4.3 / (57.1 – 0.14)	0,13 € = 7.7 / (57.1 – 0.14)	0,05 € = 3.0 / (57.1 – 0.1)



# Annex | Key Financial Figures



Key Financial Figures			
€m			
	30.06.2023	30.06.2022	% change
<b>Revenue</b>	<b>188.0</b>	<b>156.3</b>	<b>+20.3%</b>
<b>Direct margin</b>	<b>66.1</b>	<b>45.2</b>	<b>+46.3%</b>
<i>Direct margin (% over income*)</i>	32.0%	28.6%	+341.6bps
<b>EBITDA</b>	<b>17.4</b>	<b>13.1</b>	<b>+32.9%</b>
<i>EBITDA margin (% over revenue)</i>	9.3%	8.4%	+87.7bps
<b>EBIT</b>	<b>9.3</b>	<b>5.8</b>	<b>+60.7%</b>
<i>EBIT margin (% over revenue)</i>	4.9%	3.7%	+123.9bps
<b>Net profit</b>	<b>4.3</b>	<b>3.0</b>	<b>+41.0%</b>
<i>Net profit margin (% over revenue)</i>	2.3%	1.9%	+33.4bps
<b>EPS (€/share)</b>	<b>0.08</b>	<b>0.05</b>	<b>+41.0%</b>

\* Income = Revenue +/- Change in stocks at selling price

# Annex | Consolidated Balance Sheet



Consolidated Balance Sheet		
€m		
	30.06.2023	31.12.2022
<b>Non-current Assets</b>	<b>105.5</b>	<b>108.7</b>
<b>Current Assets</b>	<b>226.8</b>	<b>210.7</b>
Inventories	88.0	72.2
Trade and other receivables	77.3	78.4
Short-term financial investments	3.0	3.3
Cash and cash equivalents	57.9	56.2
Others	0.6	0.6
<b>TOTAL ASSETS</b>	<b>332.3</b>	<b>319.4</b>
<b>Total Shareholders' Equity</b>	<b>69.6</b>	<b>69.0</b>
<b>Non-current Liabilities</b>	<b>80.8</b>	<b>68.4</b>
Long term debt	74.3	62.3
Other non-current liabilities	6.5	6.1
<b>Current Liabilities</b>	<b>181.9</b>	<b>182.0</b>
Short term debt	49.4	57.5
Trade and other payables	131.5	123.6
Other short-term debt	1.0	0.9
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>332.3</b>	<b>319.4</b>