



H1 2022 Earnings Release

September 9, 2022

Disclaimer



The information contained in this presentation of results has been prepared by Arteche Lantegi Elkartea, S.A. (hereinafter the Company or Arteche Group) and includes financial information drawn from the first half consolidated accounts of the Company and its Group as of June 30, 2022, reviewed by Ernst & Young S.L., as well as declarations concerning future forecasts.

The information and declarations concerning future forecasts about Arteche Group are not historical facts, as they are based on numerous assumptions, subject to risks and uncertainties, many of which are difficult to predict and, generally, beyond the control of Arteche Group. Shareholders and investors are hereby informed that these risks could lead to real results and developments significantly differing from those expressed, implied or projected in the information and future forecasts. With the exception of the aforementioned information, the information, opinions and statements contained in this document have not been verified by independent third parties and, for this reason, no warranty of any kind, either express or implied, is given regarding the impartiality, accuracy, completeness or correctness of the information, opinions and statements expressed therein.

This document does not constitute an offer or invitation to purchase or subscribe shares, in accordance with the provisions of the Spanish Royal Legislative Decree 4/2015 of 23 October, approving the consolidated text of the Securities Market Act, and its draft legislation. Likewise, this document does not constitute an offer of purchase, sale or exchange, nor a request of an offer of purchase, sale or exchange of securities, nor a request for any vote or approval in any other jurisdiction.

H1 2022 highlights



Earnings per share of €0.05 vs €0.03 in H1 2022, **+57%** year-on-year.



Order intake of €192.2m **up 50.9%** vs H1 2021, above expected market growth.



Revenue of €156.3m **up 21.1%** vs H1 2021.



- **EBITDA** reached €13.1m, **increasing by 23.1%** year-on-year.
- **EBITDA margin improved** year-on-year by 13 bps **up to 8.4% over revenue.**



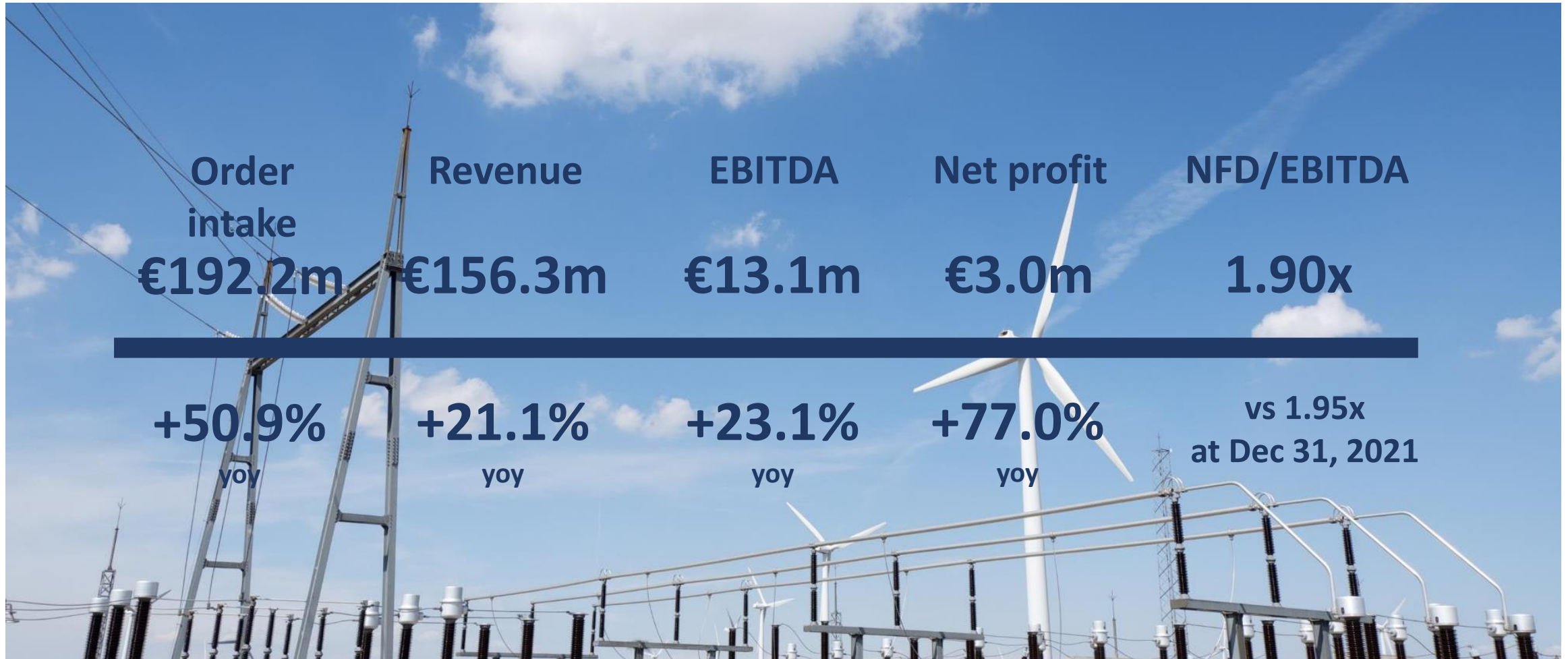
Continued deleverage reaching **1.90x NFD/EBITDA at June 30, 2022** vs 1.95x at December 31, 2021.



Inorganic growth strategy on track: developed pipeline under analysis.
Joint Venture with Hitachi Energy closed last May 2, 2022.



H1 2022 Financial highlights

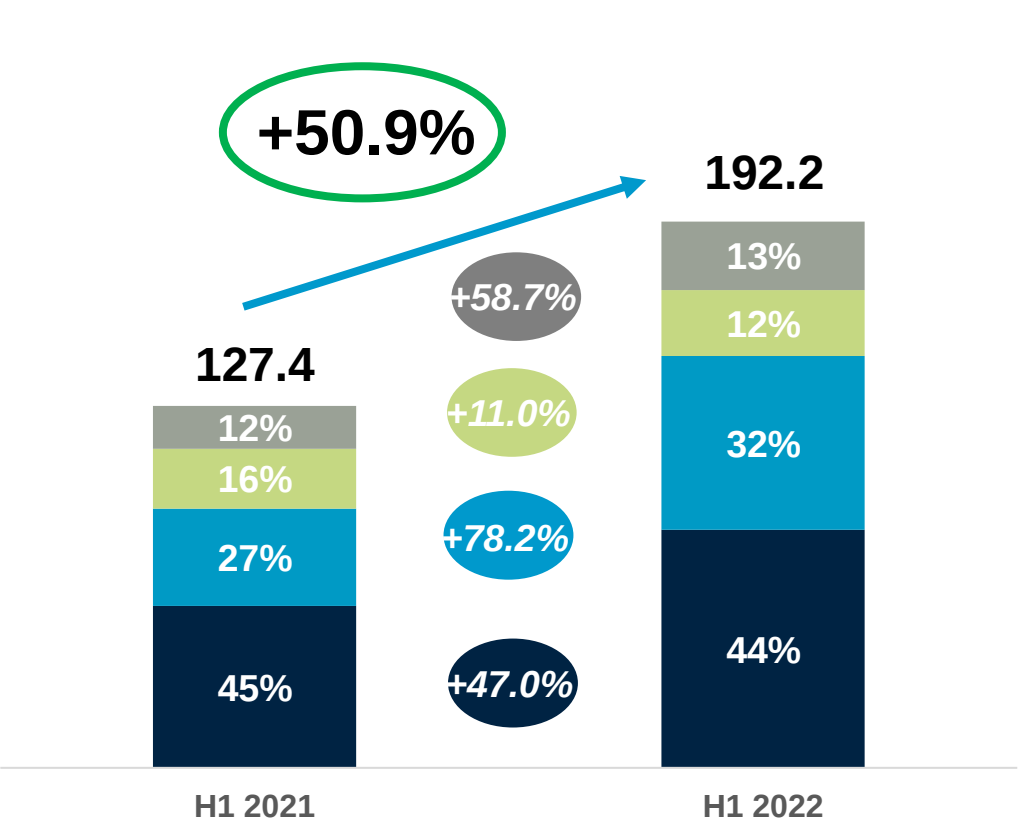


Revenue grew at double-digit rate in H1 2022

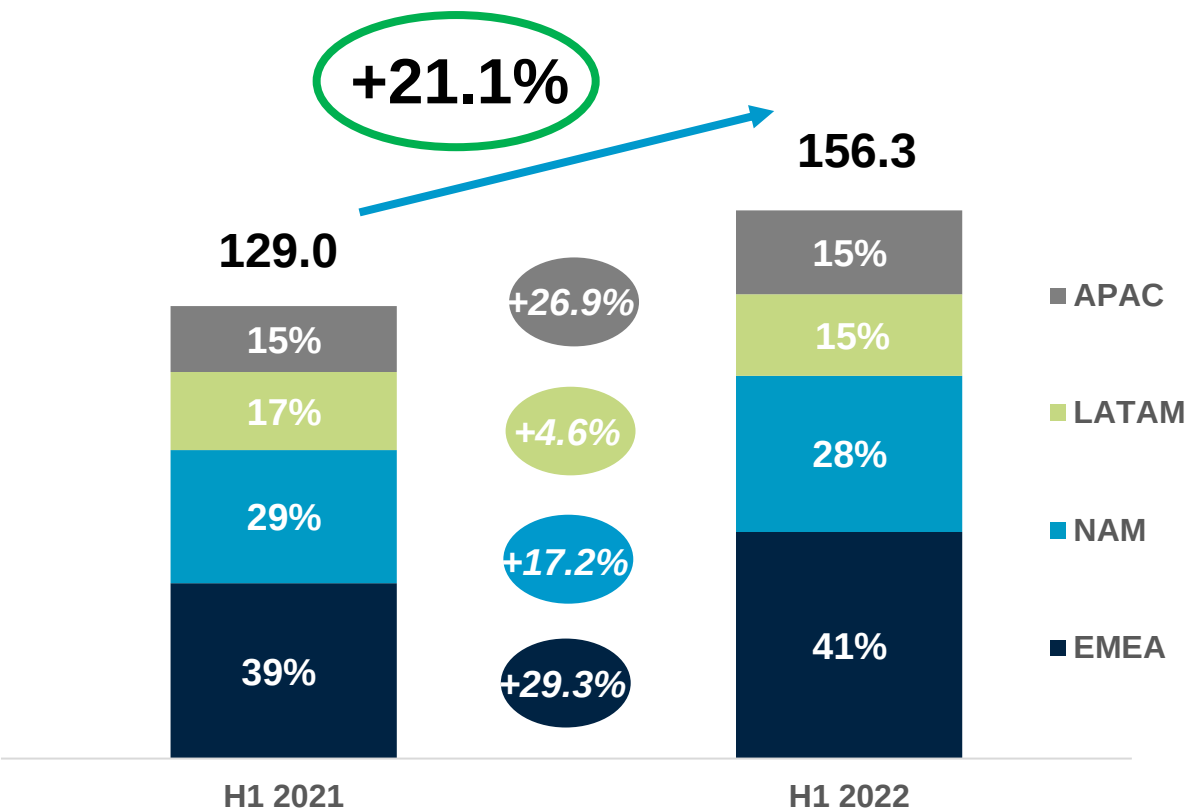


Growth in all geographical areas

Order intake growth (€ million,%)



Revenue by geographical region¹ (€ million,%)

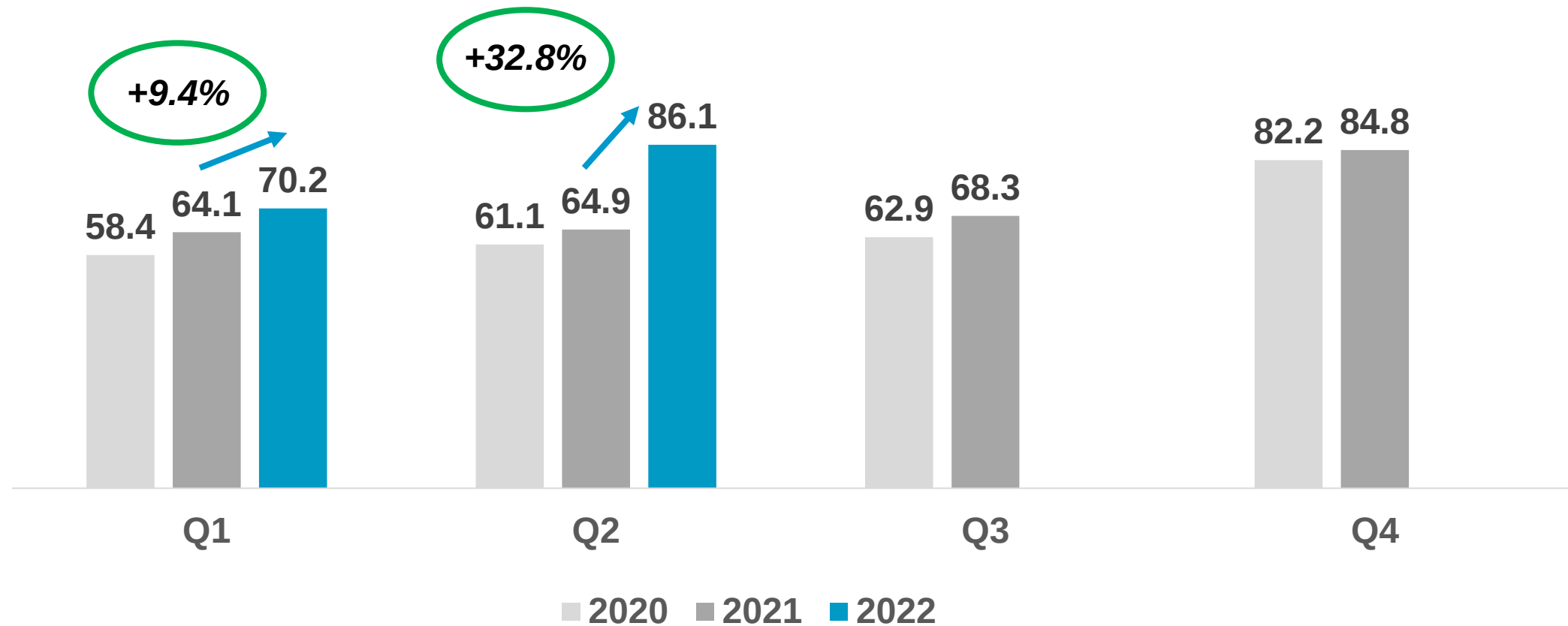


Note (1): Revenue by destination: EMEA (Europe, Middle East and Africa), NAM (Mexico, USA and Canada), APAC (Asia Pacific and Turkey), LATAM (South and Central America).

Sound growth in Q2 2022 and backlog increase



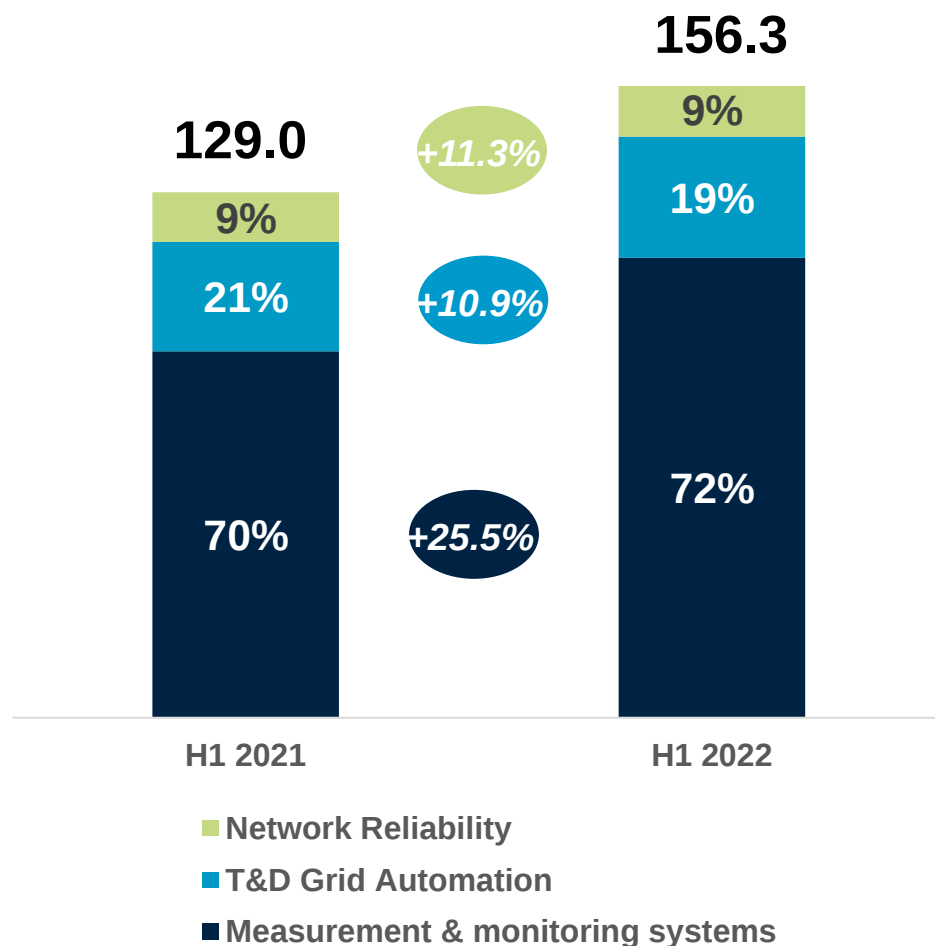
Quarterly revenue (€ million)



Positive contribution from all businesses



Revenue by business division (€ million, %)



Measurement and monitoring

We strengthen our leadership position

- ✓ We beat expected growth.
- ✓ We launched new products during H1 2022: remote monitoring systems for transformers and eco friendly gas alternatives.
- ✓ Successful integration of ESITAS allows us to increase our market share in M&M (top 3 world position in HV and among top 5 of European MV suppliers)
- ✓ First company achieving arc-proof technology approval in China's State Grid.
- ✓ We consolidate our position in digital optic technology in a moment of exponential business growth.



T&D Grid Automation

We grow at double digit taking advantage of the opportunity of digitalization of the sector

- ✓ Awarded CFE's Mexico protection and control frame agreement.
- ✓ Improved position in railway relay market in Asia (India and China).
- ✓ Final testing for new protection and control platform (available in Q1 23)
- ✓ Obtained new technical approvals in APAC (Laos, Vietnam and Indonesia for Bay Control Units).



Network Reliability

The drivers of growth and the boost of renewable energies are maintained

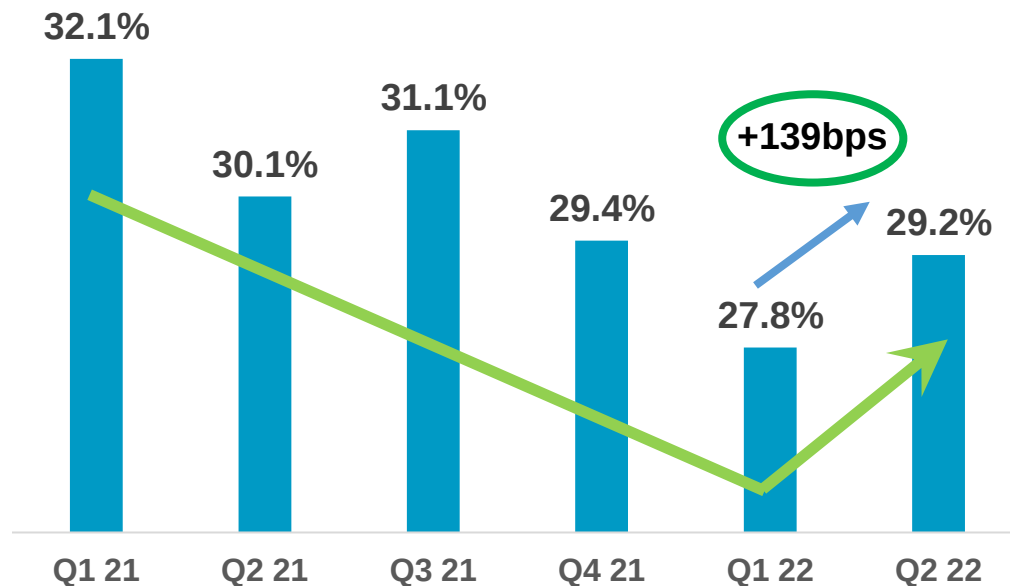
- ✓ Latam recloser market fully recovered post-COVID-19.
- ✓ US renewable market boost driving growth in NAM.
- ✓ New plant in Brazil more efficient and more lean.
- ✓ First power quality orders from Australia received.

Direct margin recovery in Q2 2022

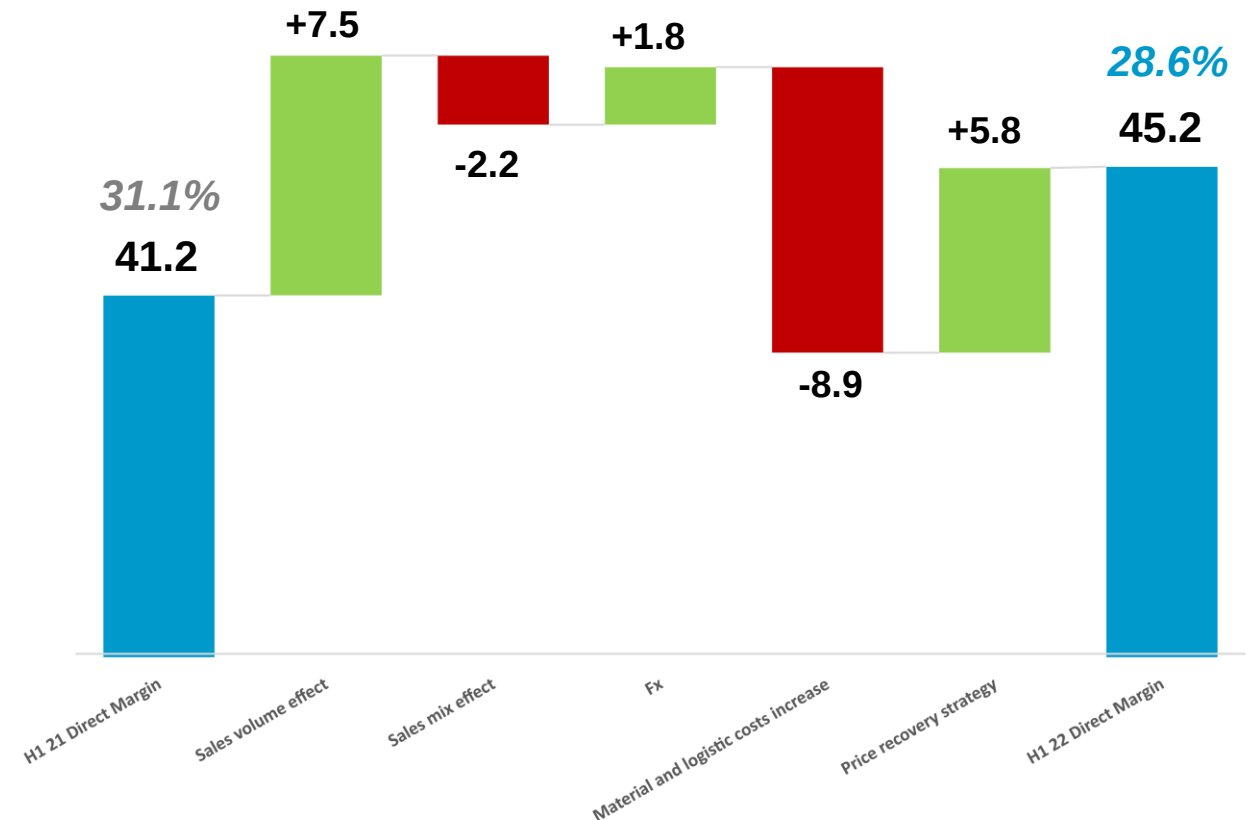


Revenue growth in the quarter offsets a more adverse cost environment

Direct margin⁽¹⁾ evolution by quarter
(% of income⁽²⁾)



Direct margin⁽¹⁾ bridge year-on-year
(€ million, % of income⁽²⁾)



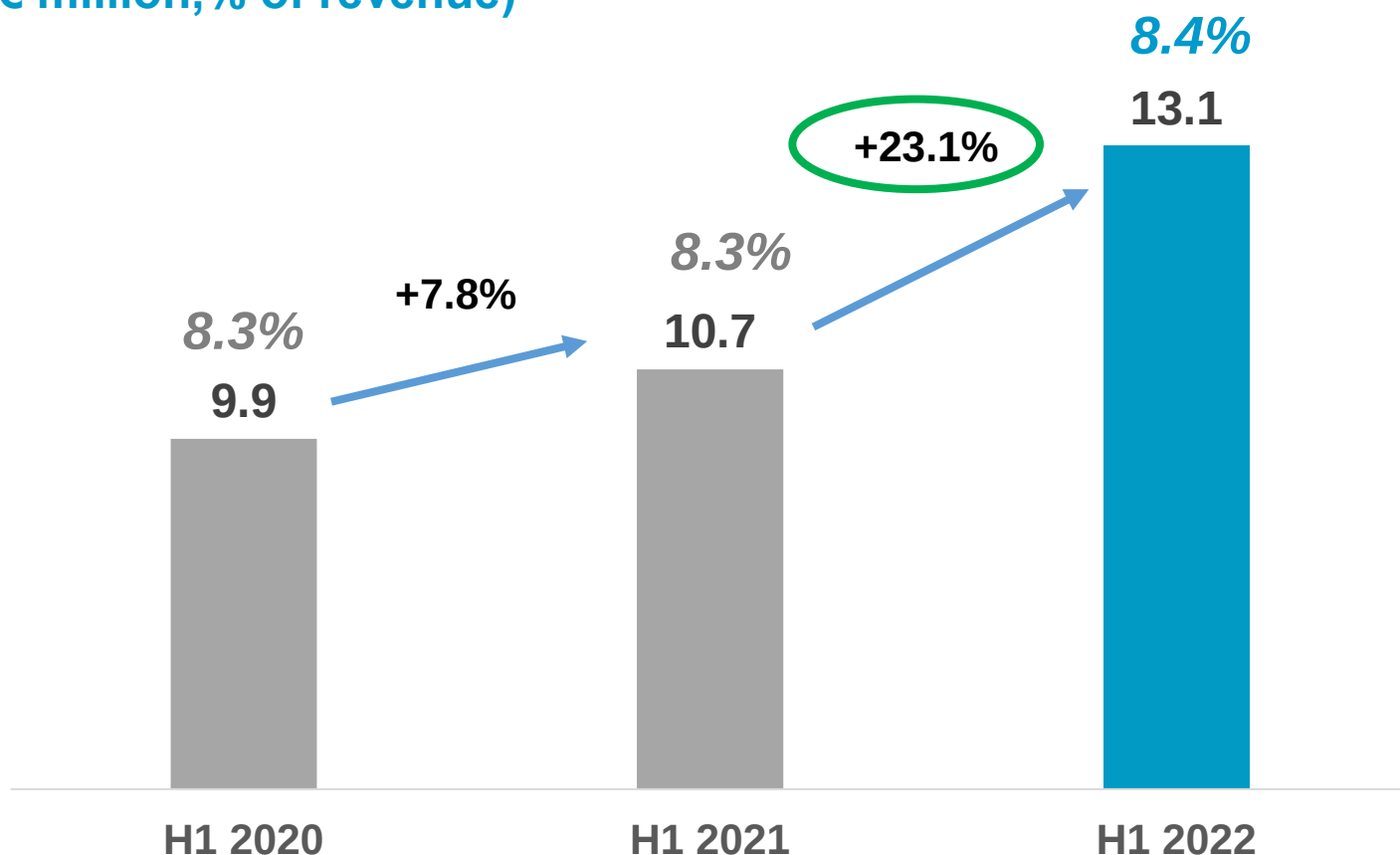
Notes: (1) Direct Margin = Income – Procurement – Direct labor – Direct operating expenses; (2) Income = Revenue +/- Change in stocks at selling price

EBITDA H1 2022

Growth of +23.1% in the first six months



EBITDA margin⁽¹⁾ evolution year on year
(€ million, % of revenue)



- **H1 2022 EBITDA grew** as a result of **additional sales volume** and **sales price recovery** despite raw material and logistic headwinds.
- **Arteche managed to reduce overhead costs year on year**, down to 25.3% of revenue in H1 22 from 25.7% in H1 21.

Note (1): EBITDA margin = EBITDA / revenue

Net income H1 2022

Growth of +77.4% in the first six months



In € million	H1 2022	H1 2021	% y-o-y
EBIT (Operating profit)	5.8	4.5	+28.9%
Financial result	-0.9	-1.4	-34.7%
Income tax	-1.6	-1.1	+41.1%
Minorities	-0.2	-0.2	-3.0%
Net income	3.0	1.7	+77.4%
Earnings per share (EPS)	0.05	0.03	+56.6%

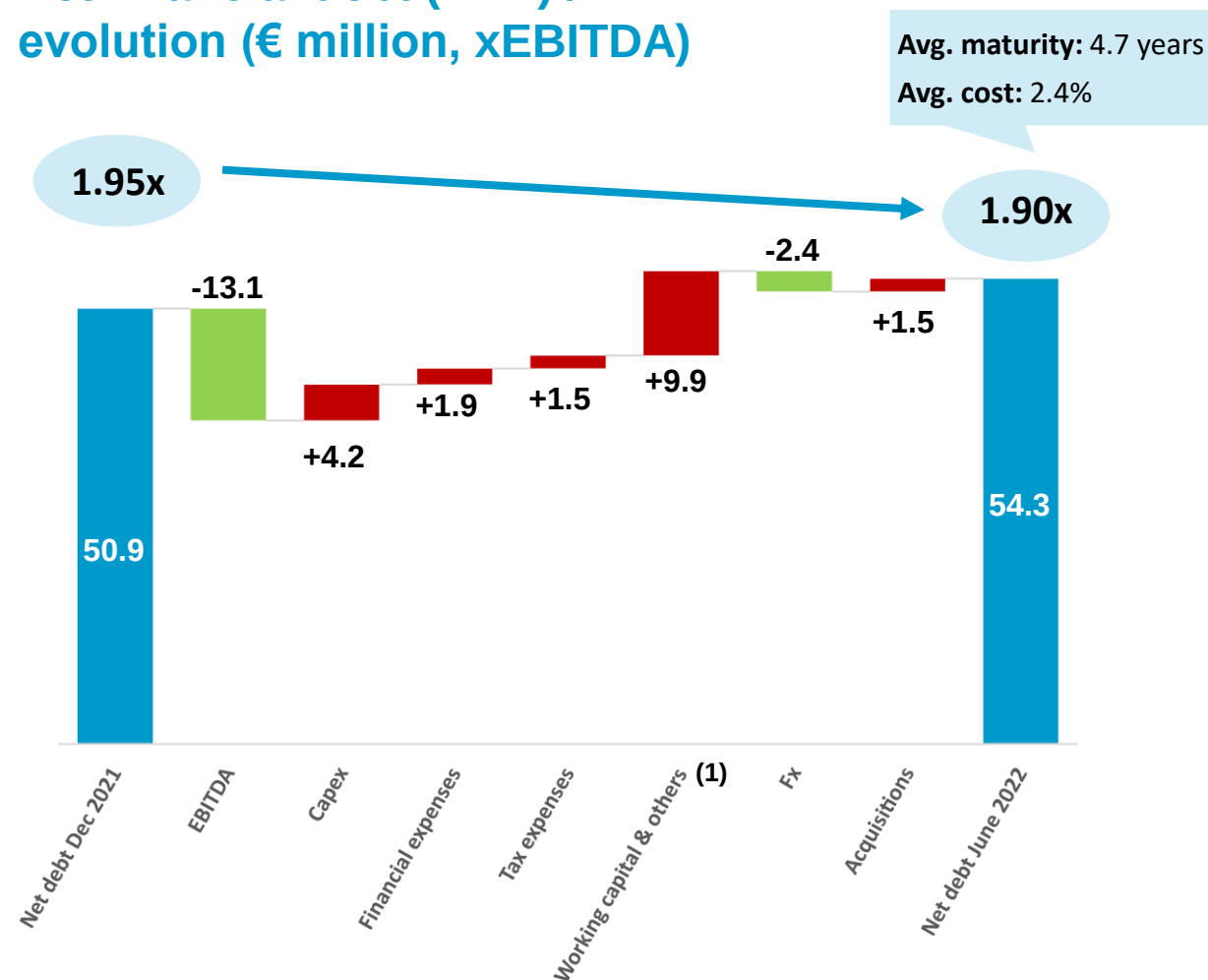
Shareholder Remuneration: 0.045 euros/share (30% pay-out against FY2021 results) paid last July 6, 2022

Net financial debt at June 30,2022

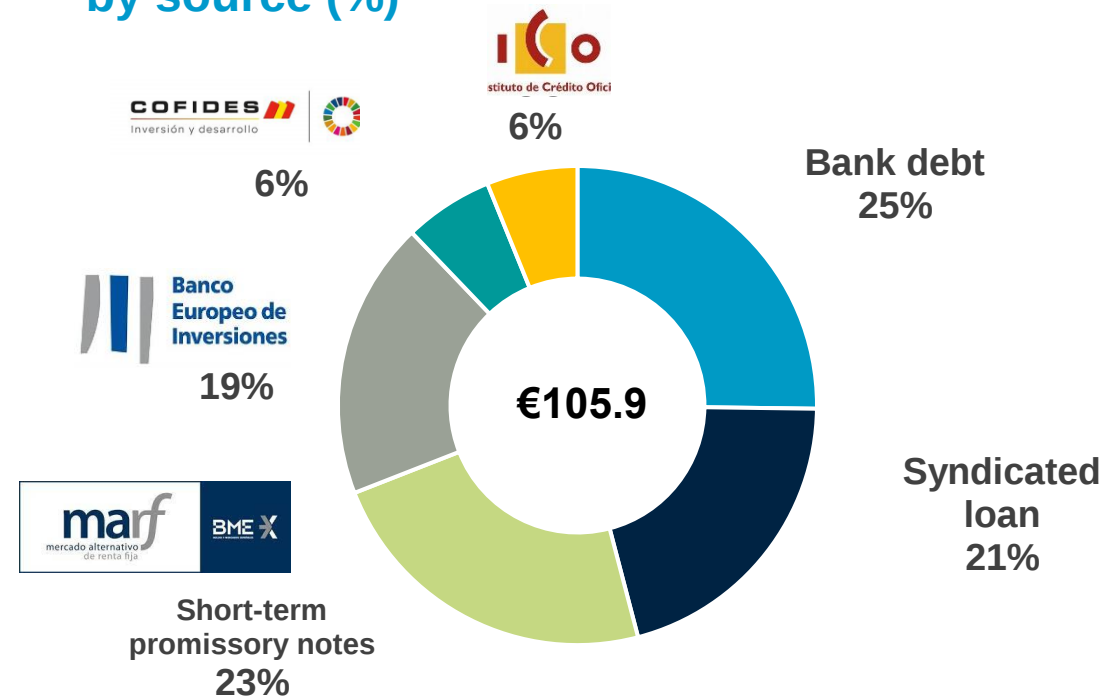
Leverage ratio improvement in the first six months



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



H1 2022 Gross financial debt breakdown by source (%)



70% of total long-term loans are hedged against the risk of interest rate variation

Note (1): Working capital in the first six months impacted by extraordinary inventory increase in order to guarantee supply chain continuity

Progressing in our ESG Strategy



Environment

-7% y-o-y Direct GHG emissions Scope 1

-5% y-o-y Energy consumption & Scope 2 emissions

-20% y-o-y Total hazardous waste

Esker On Award – Eco design project

Award given by Beaz Bizkaia and Diputación Foral de Bizkaia for BIOAT project developed with Tekniker looking for **innovation and sustainability**



Social

+5% y-o-y New female hired vs total hired

+2% y-o-y Women in management positions

-4% y-o-y Employee turnover rate (Employee leaves)

Solidarity run – adding energies

720 participants in 20 countries to provide electricity supply for the whole year to 75 disadvantaged families



Governance



SCIIF (Control Interno de la Información Financiera) processes started (diagnosis & planning)



Corporate and regional Risk management maps



Sustainability Strategic Plan 2030 approved by Board of Directors

Sustainability awards

Arteche has received two sustainability awards in H1 2022: (i) **Transparency and good governance** from BBK and El Correo, and (ii) **Sustainability in energy sector** from Forbes – Credit Suisse



Outlook for FY 2022



	FY 2021	LTM June 30, 2022	Outlook FY 2022
✓ Revenue (€ million)	282.0	309.3	325.0 – 340.0
✓ EBITDA (€ million)	26.1	28.6	30.2 – 34.7
✓ EBITDA margin (% over revenue)	9.3%	9.3%	9.3% - 10.2%

- ✓ Prevailing **strong and dynamic market demand** worldwide.
- ✓ Arteche **footprint** is **well positioned**
 - ✓ **Geographic markets / product portfolio**
 - ✓ **Market share / sound order intake** (Double-digit growth expected for H2 2022)
- ✓ Arteche '**Business Model**' proved to be **resilient**
 - ✓ **Price recovery** strategy on track
 - ✓ **Cost saving** programs speeding up (from design to delivery)
- ✓ **Supply chain disruptions** (energy, raw material, logistic costs) remains a top management priority.

Conclusions

1

Sound growth in order intake (+50.9% yoy) and revenue (+21.1% yoy) in a context marked by strong demand and commercial discipline.



2

Strength in revenue together with a tight cost management support direct margin recovery (+139pbs qoq)



3

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



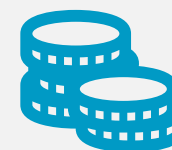
4

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

ARTECHE LANTEGI ELKARTEA, S.A.

Investor Relations Office

Tel: +34 620 328 643

investors@arteche.com

www.arteche.com

Annex | Alternative Performance Measures (APM)



APM	Unit	Definition	30 June 2022	FY 2021	30 June 2021
Income at sale price	€m	Revenue +/- Change in stocks at sale price	€158.0m = 156.3 + 1.7	€290.5m = 282.0 + 8.5	€132.6m = 129.0 + 3.6
Direct costs	€m	Supplies (without depreciations or extraordinary costs) + direct staff costs + other direct operating costs	€112.8m = 91.2 + 13.4 + 8.2	€201.7m = 161.7 + 23.7 + 16.3	€91.4m = 72.9 + 10.8 + 7.7
Direct margin	€m	Income at sale price – direct costs	€45.2m = 158.0 – 112.8	€88.8m = 290.5 – 201.7	€41.2m = 132.6 – 91.4
% Direct margin	%	Direct margin / Income at sale price	28.6% = 45.2 / 158.0	30.6% = 88.8 / 290.5	31.1% = 41.2 / 132.6
Gross operating profit (EBITDA)	€m	Operating income + amortisation and depreciation + impairment of trade operations + impairment of goods + impairment of finished products and products in process	€13.1m = 5.8 + 7.1 - 0.0 + 0.1 + 0.1	€26.1m = 12.5 + 11.6 + 0.7 + 0.1 + 1.2	€10.7m = 4.5 + 5.5 - 0.1 + 0.0 + 0.8
Gross operating profit (EBITDA) LTM	€m	Operating income + amortisation and depreciation + impairment of trade operations + impairment of goods + impairment of finished products and products in process	€28.6m = 13.8 + 13.3 + 0.8 + 0.3 + 0.4	€26.1m = 12.5 + 11.6 + 0.7 + 0.1 + 1.2	€30.7m = 17.2 + 10.9 + 0.5 + 0.4 + 1.7
% EBITDA	%	EBITDA / Revenue	8.4% = 13.1 / 156.3	9.3% = 26.1 / 282.0	8.3% = 10.7 / 129.0
Gross Financial Debt (GFD)	€m	Amounts owed to credit institutions + other financial liabilities + financial lease creditors + debentures and other marketable securities – financing without cost	€105.9m = 47.3 + 1.1 + 24.5 + 44.0 - 11.0	€111.3m = 53.5 + 43.1 + 1.0 + 27.5 - 13.8	€108.3m = 43.8 + 4.2 + 27.4 + 1.8 + 0.5 + 0.5 + 32.7 - 3.5 + 0.9
Net Financial Debt (NFD)	€m	GFD – temporary financial investments – credits to companies (no group) – cash and other equivalent liquid assets	€54.3m = 105.9 – 2.0 - 49.6	€50.9m = 111.3 – 1.7 - 58.7	€46.4m = 108.3 - 2.3 - 59.6
Net Financial Debt/ LTM EBITDA	times (x)	NFD / EBITDA	1,90x = 54.3 / 28.6	1,95x = 50.9 / 26.1	1,51x = 46.4 / 30.7
Earnings per share (basic and diluted)	€/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)	0,05 € = 3.0 / (57.1 – 0.1)	0,16 € = 8.5 / (53.7 – 0.07)	0,03 € = 1.7 / (50.3 – 0.1)

Annex | Key Financial Figures



Key Financial Figures			
€m			
	30.06.2022	30.06.2021	% change
Revenue	156.3	129.0	+21.1%
Direct margin	45.2	41.2	+9.6%
<i>Direct margin (% over income*)</i>	28.6%	31.1%	-248.0bps
EBITDA	13.1	10.7	+23.1%
<i>EBITDA margin (% over revenue)</i>	8.4%	8.3%	+13bps
EBIT	5.8	4.5	+28.9%
<i>EBIT margin (% over revenue)</i>	3.7%	3.5%	+22.3bps
Net profit	3.0	1.7	+77.0%
<i>Net profit margin (% over revenue)</i>	1.9%	1.3%	+61.4bps
EPS (€/share)	0.05	0.03	+56.6%

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

Annex | Consolidated Balance Sheet



Consolidated Balance Sheet		
€m		
	30.06.2022	31.12.2021
Non-current Assets	107.4	101.7
Current Assets	198.3	183.6
Inventories	74.5	61.8
Trade and other receivables	71.4	60.4
Cash and cash equivalents	51.7	60.7
Others	0.7	0.7
TOTAL ASSETS	305.7	285.3
Total Shareholders' Equity	69.0	58.5
Non-current Liabilities	68.4	76.5
Long term debt	63.1	71.6
Other non-current liabilities	5.3	4.9
Current Liabilities	168.3	150.4
Short term debt	55.3	55.2
Trade and other payables	111.4	93.8
Other short-term debt	1.6	1.4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	305.7	285.3