Tubacex, S.A. and subsidiaries

Consolidated financial statements for the year ended 31 December 2021 and accompanying Group Management Report

TUBACEX, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021 AND 2020

(Thousands of euros)

ASSETS	Note	31/12/2021	31/12/2020
NON-CURRENT ASSETS			
Intangible assets	Note 7	114,098	115,571
Goodwill		8,329	10,108
Other intangible assets		105,769	105,463
Property, plant and equipment	Note 8	278,131	308,526
Investments accounted for using the equity method		4	6
Derivative financial instruments	Note 10	184	13
Non-current financial assets	Note 9	4,766	4,657
Deferred tax assets	Note 21	85,644	75,618
Total non-current assets		482,827	504,391
CURRENT ASSETS			
Inventories	Note 11	313,508	263,496
Trade and other receivables	Note 12	84,883	79,431
Trade receivables		60,164	57,404
Other receivables		24,719	21,416
Current tax assets	Note 21	-	611
Derivative financial instruments	Note 10	183	695
Current financial assets	Note 9	17,500	26,677
Other current assets		2,402	4,992
Cash and cash equivalents	Note 13	140,489	159,245
Total current assets		558,965	534,536
TOTAL ASSETS		1,041,792	1,038,927

EQUITY AND LIABILITIES	Note	31/12/2021	31/12/2020
EQUITY			
Capital and reserves			
Issued capital	Note 14.1	58,040	59,840
Share premium	Note 14.2	17,108	17,108
Revaluation reserve	Note 14.3	3,763	3,763
Other reserves of the parent and entities accounted for using the full consolidation and equity methods	Note 14.4	166,401	205,977
Own shares	Note 14.5	(10,424)	(13,530)
Profit/(loss) for the year attributable to equity holders of the parent		(32,212)	(25,303)
Other equity instruments	Note 14.6	1,862	1,390
		204,538	249,245
Valuation adjustments			
Translation differences		(6,282)	(7,556)
Hedging transactions		(842)	(827)
	Note 14.7	(7,124)	(8,383)
Equity attributable to equity holders of the parent		197,414	240,862
Non-controlling interests	Note 14.9	51,775	57,582
Total equity		249,189	298,444
NON-CURRENT LIABILITIES			
Non-current provisions	Note 15	2,961	2,820
Deferred income	Note 16	9,408	13,596
Non-current financial liabilities		274,024	253,170
Bank borrowings	Note 17	245,259	234,820
Notes and other marketable securities		28,755	17,702
Derivative financial instruments	Note 10	10	648
Employee benefits	Note 20	9,588	7,655
Deferred tax liabilities	Note 21	23,710	20,636
Other non-current financial liabilities	Note 18	18,846	20,502
Total non-current liabilities		338,537	318,379
CURRENT LIABILITIES			
Current provisions	Note 15	8,165	16,268
Current financial liabilities		239,131	247,898
Notes and other marketable securities	Note 17	159,974	178,959
Bank borrowings	Note 17	60,218	52,586
Derivative financial instruments	Note 10	1,555	955
Other financial liabilities	Note 18	17,384	15,398
Trade and other payables	Note 19	206,770	157,938
Trade payables		151,221	114,137
Other accounts payable		54,358	42,317
Current tax liabilities	Note 21	1,191	1,484
Total current liabilities		454,066	422,104
TOTAL EQUITY AND LIABILITIES		1,041,792	1,038,927

TUBACEX, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR 2021 AND 2020
(Thousands of euros)

	Note	2021	2020 (*)
Continuing operations:			
Revenue	Note 6	341,861	460,530
Changes in inventories of finished goods and work in progress	Note 11	(7,045)	(20,172)
Self-constructed assets	Note 3.2	1,681	2,744
Cost of sales	Note 11	(141,830)	(212,796)
Other operating income	Note 23	13,284	10,969
Employee benefits expense	Note 24	(101,444)	(130,201)
Other operating expenses	Note 23	(93,101)	(84,770)
Asset depreciation, amortisation and impairment	Notes 7 & 8	(44,525)	(49,812)
Gain on a bargain purchase	Note 2.6	-	10,141
Operating profit/(loss)		(31,119)	(13,367)
Finance income	Note 9	2,341	1,572
Finance costs	Note 17	(14,571)	(14,279)
Exchange gains/(losses)		927	(1,842)
Net finance income/(cost)		(11,303)	(14,549)
Profit/(loss) before tax		(42,422)	(27,916)
Income tax	Note 21	3,488	1,532
Profit/(loss) for the year from continuing operations		(38,934)	(26,384)
Profit after tax from discontinued operations	Note 2.6	3,733	1,203
Profit/(loss) for the year		(35,201)	(25,181)
Attributable to:			
Equity holders of the parent		(32,212)	(25,303)
Non-controlling interests	Note 14.9	(2,989)	122
Earnings/(loss) per share (€)			
- Basic	Note 22.1	(0.26)	(0.20)
- Diluted	Note 22.2	(0.25)	(0.19)
Earnings/(loss) per share from continuing operations (€)			
- Basic	Note 22.1	(0.29)	(0.21)
- Diluted	Note 22.2	(0.28)	(0.20)

(*) Restated (note 2.6)

TUBACEX, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020
(Thousands of euros)

	Note	2021	2020
Profit/(loss) for the year		(35,201)	(25,181)
Items that may be reclassified to profit or loss in subsequent years:			
Profit/(loss) recognised directly in equity			
Cash flow hedging instruments	Notes 10 & 14.7	762	(627)
Tax effect	Notes 10, 14.7 & 21	(183)	150
Translation differences	Note 14.7	1,274	(14,068)
Amounts reclassified to profit or loss for the year			
Cash flow hedging instruments	Notes 10 & 14.7	(781)	(1,170)
Tax effect	Notes 10, 14.7 & 21	187	281
Other comprehensive income		1,259	(15,434)
Total comprehensive income for the year		(33,942)	(40,615)
Attributable to:			
Equity holders of the parent		(30,953)	(40,737)
Non-controlling interests		(2,989)	122

TUBACEX, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2021 AND 2020
(Thousands of euros)

	Equity attributable to equity holders of the parent										
	Capital and reserves										
	Issued capital	Share premium	Revaluation reserve	Other reserves	Own shares	Profit/(loss) for the year	Other equity instruments	Translation differences	Cash-flow hedges	Non-controlling interests	Total equity
Balance at 31 December 2019	59,840	17,108	3,763	196,159	(8,502)	11,149	917	6,512	539	48,156	335,641
Total recognised income/(expense)	-	-	-	-	-	(25,303)	-	(14,068)	(1,366)	122	(40,615)
Other changes in equity											
Transfers between equity items	-	-	-	11,149	-	(11,149)	-	-	-	-	-
Business combinations during the year (note 2.6)	-	-	-	-	-	-	-	-	-	9,301	9,301
Purchase-sale of own shares (note 14.5)	-	-	-	(299)	(5,028)	-	-	-	-	-	(5,327)
Other changes	-	-	-	(559)	-	-	-	-	-	3	(556)
Long-term incentive plan (notes 3.12 & 14.6)	-	-	-	(473)	-	-	473	-	-	-	-
Balance at 31 December 2020	59,840	17,108	3,763	205,977	(13,530)	(25,303)	1,390	(7,556)	(827)	57,582	298,444
Total recognised income/(expense)	-	-	-	-	-	(32,212)	-	1,274	(15)	(2,989)	(33,942)
Other changes in equity											
Transfers between equity items	-	-	-	(25,303)	-	25,303	-	-	-	-	-
Acquisition of NCI in Tubacex Pipes (note 14.9)	-	-	-	(7,592)	-	-	-	-	-	(2,818)	(10,410)
Purchase-sale of own shares (note 14.5)	-	-	-	(176)	(3,861)	-	-	-	-	-	(4,037)
Cancellation of shares	(1,800)	-	-	(5,167)	6,967	-	-	-	-	-	-
Other changes	-	-	-	(866)	-	-	-	-	-	-	(866)
Long-term incentive plan (notes 3.12 & 14.6)	-	-	-	(472)	-	-	472	-	-	-	-
Balance at 31 December 2021	58,040	17,108	3,763	166,401	(10,424)	(32,212)	1,862	(6,282)	(842)	51,775	249,189

TUBACEX, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2021 AND 2020
(Thousands of euros)

	Note	2021	2020 (*)
Operating activities			
Profit/(loss) before tax from discontinued operations	Note 2.6	3,928	1,558
Profit/(loss) before tax from continuing operations	Note 2.6	(38,494)	(26,358)
Profit/(loss) before tax		(42,422)	(27,916)
Adjustments for:			
Asset depreciation and amortisation	Notes 7 & 8	44,525	50,049
Net foreign exchange differences		(927)	1,842
Movements in provisions	Notes 11, 12, 15 & 20	(7,962)	5,698
Gain on bargain purchase	Note 2.6	-	(10,141)
Finance income	Note 9	(2,341)	(1,712)
Finance costs	Note 17	14,571	14,279
Self-constructed assets	Note 3.2	-	(2,744)
		5,444	29,355
Working capital changes			
Inventories	Note 11	(66,646)	46,931
Trade and other receivables	Note 12	(10,807)	25,542
Other current assets		13,072	(2,986)
Trade and other payables	Note 19	55,264	(99,728)
Other non-current assets and liabilities		(5,914)	3,841
		(15,031)	(26,400)
Other cash flows from operating activities			
Interest paid		(14,571)	(14,279)
Income tax collected/(paid)	Note 21	233	2,496
Net cash used in operating activities (I)		(23,925)	(8,828)
Investing activities			
Proceeds from sale of non-current assets	Notes 7 & 8	-	7,324
Interest received	Note 9	2,341	1,712
Purchase of property, plant, and equipment	Note 8	(18,425)	(19,548)
Purchase of intangible assets	Note 7	(8,309)	(5,115)
Acquisition of non-controlling interests	Note 2.6	(8,472)	-
Business combinations	Note 2.6	26,229	(9,385)
Net cash used in investing activities (II)		(6,636)	(25,012)
Financing activities			
Purchase/sale of own shares	Note 14.5	(4,037)	(5,327)
Proceeds from bank borrowings	Note 17	47,963	91,252
Proceeds from other borrowings	Notes 17 & 18	319,186	196,661
Repayment of bank borrowings	Note 17	(29,892)	(93,044)
Repayment of other borrowings	Note 17	(322,170)	(134,728)
Net cash from financing activities (III)		11,050	54,814
Net foreign exchange difference (IV)		755	(4,340)
Net (decrease)/increase in cash and cash equivalents (I+II+III+IV)		(18,756)	16,634
Cash and cash equivalents at 1 January	Note 13	159,245	142,611
Cash and cash equivalents at 31 December	Note 13	140,489	159,245

(*) Restated (note 2.6)

Tubacex, S.A. and subsidiaries comprising the TUBACEX Group

Notes to the consolidated financial statements for the year ended 31 December 2021

1. Parent company information

Tubacex, S.A. (hereinafter, the Parent or the Company) was incorporated as an open-ended public limited company (*sociedad anónima*) on 6 June 1963. Its registered office is located in Llodio (Álava, Spain).

Its core business includes the manufacture and sale of seamless steel tubing solutions, essentially made from stainless steel, and any other type of tube or pipe in demand in the steel-metalworking industry. Nevertheless, on 1 January 1994, the Parent became the holding company for and head of the Tubacex Group; since then it has had no productive activity, which is rather carried on by its subsidiaries.

Tubacex, S.A.'s main activity is now therefore to hold equity interests (Appendix) and to provide the Group companies certain centralised corporate and lease services for which it charges them.

Tubacex, S.A. is the Parent of the Group made up of the subsidiaries itemised in the accompanying Appendix, which is an integral part of this note. Tubacex, S.A. and subsidiaries (hereinafter, the TUBACEX Group or the Group) are devoted to manufacture and sale of seamless steel tubing solutions, mainly made from stainless steel.

Tubacex, S.A.'s share are traded on the Spanish stock exchange.

Financial statement authorisation

The accompanying consolidated annual financial statements were authorised for issue by the Board of Directors on 23 February 2022. The Group's 2020 consolidated financial statements were approved at the Parent's Annual General Meeting on 24 June 2021. The Group's annual consolidated financial statements and the separate financial statements of the entities comprising it for 2021 are all pending approval by their respective shareholders. However, the Parent's Board of Directors expects all those annual financial statements to be approved without modification.

For ESMA European Single Electronic Format purposes, we hereby itemise the elements of the core taxonomy to be marked up:

- Name of the reporting entity: Tubacex, S.A.
- Domicile of entity Llodio (Álava).
- Legal form of entity: Public limited company (*sociedad anónima*).
- Country of incorporation: Spain
- Address of entity's registered office: Llodio (Álava).
- Principal place of business: Several.
- Description of nature of entity's operations and principal activities: the manufacture and sale of seamless steel tubing solutions, mainly made from stainless steel.
- Name of parent entity: Tubacex, S.A.
- Name of ultimate parent of group: Tubacex, S.A.
- There has been no change in the name of reporting entity since end of preceding reporting period.

2. Basis of presentation of the annual consolidated financial statements

The main accounting policies used to prepare these financial statements are set out below. The accounting policies have been applied uniformly for all reporting periods presented.

2.1 Basis of preparation

The Group's consolidated financial statements for 2021 have been prepared and authorised for issue by the Parent's directors:

- In keeping with the International Financial Reporting Standards (hereinafter, IFRS) adopted by the European Union in keeping with European Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, specifically including the International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). Note 3 summarises the most significant accounting policies and measurement criteria used to prepare the accompanying consolidated financial statements.

- These annual consolidated financial statements were prepared taking into consideration all the mandatory accounting principles and standards and measurement criteria which have a material impact thereon, including permitted alternatives, as specified in note 3.

- As a result, these consolidated financial statements present fairly the Group's equity and financial position at 31 December 2021 and its financial performance, the changes in its equity and cash flows, all on a consolidated basis, for the year then ended.

- The accounting records kept by the Parent and the rest of the entities comprising the Group. However, given that the accounting principles and measurement criteria used to prepare the Group's annual consolidated financial statements may differ from those used by the Group entities (local GAAP), the appropriate adjustments and reclassifications have been made upon consolidation in order to ensure the application of uniform principles and criteria and bring them in line with IFRS.

The Parent's directors have prepared these annual consolidated financial statements on a going concern basis (note 2.8).

2.2 Adoption of International Financial Reporting Standards (IFRS)

The following mandatory standards and interpretations took effect in 2021, having been adopted by the European Union and, to the extent applicable, have been used by the Group in drawing up these annual consolidated financial statements:

(1) *New standards, amendments and interpretations mandatorily applicable during the year*

New or amended standard or interpretation	Date of application in the EU
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Extension of the Covid-19-related rent concessions beyond 30 June 2021 (Amendments to IFRS 16)	1 April 2021

Although the directors considered the new standards in drawing up these annual financial statements, they did not have a significant impact on them.

(2) *New standards, amendments and interpretations mandatorily applicable in annual periods subsequent to the annual period that began on 1 January 2021*

The Group intends to apply the new standards, interpretations and amendments issued by the IASB whose application is not mandatory in the European Union when they are effective, to the extent applicable to the Group. The Group is in the process of analysing their impact but estimates that their first-time application will not have a significant impact on its consolidated financial statements.

The standards due to take effect in the coming years include:

New or amended standard or interpretation	Date of adoption by the EU	Date of application in the EU	Date of application by the IASB
Amendments to: - IFRS 3 Business Combinations - IAS 16 Property, Plant and Equipment - IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Annual Improvements to IFRS, 2018-2020 Cycle	2 July 2021	1 January 2022	1 January 2022
IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current	Pending	Pending	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and the IFRS Practice Statement 2)	Pending	Pending	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	Pending	Pending	1 January 2023
Deferred Tax Related with Assets and Liabilities that Arise in a Single Transaction (Amendments to IAS 12)	Pending	Pending	1 January 2023

2.3 Functional currency

The accompanying consolidated financial statements are presented in euros, which is the currency of the primary economic environment in which the Group operates. The financial statements of foreign operations are translated following the accounting policies outlined in note 2.6.

The equivalent amount in thousands of euros of the assets and liabilities of subsidiaries whose functional currency is not the euro at year-end 2021 and 2020, including group balances that are eliminated in the consolidated statement of financial position, break down as follows:

	Equivalent in thousands of euros			
	31 December 2021		31 December 2020	
Currency	Assets	Liabilities	Assets	Liabilities
BRL	1,191	1,818	1,171	1,255
THB	13,200	8,803	13,915	8,833
USD	232,351	126,543	254,890	128,913
INR	46,491	10,089	54,378	16,151
NOK	11,561	7,379	11,023	8,504
AED	5,267	1,992	5,265	1,993
SGD	700	-	-	-
RUB	38	255	-	-
Total	310,799	156,879	340,642	165,649

The breakdown of the main subsidiary balances in foreign currencies by heading:

	Equivalent in thousands of euros			
	31 December 2021		31 December 2020	
Nature of the balances	Assets	Liabilities	Assets	Liabilities
Intangible assets	79,461	-	96,461	-
Property, plant and equipment	110,123	-	115,052	-
Financial investments and deferred tax assets	4,880	-	5,532	-
Inventories	55,489	-	50,490	-
Trade and other receivables	38,801	-	38,584	-
Other current financial assets	244	-	2,527	-
Cash and cash equivalents	21,801	-	31,996	-
Non-current liabilities	-	89,448	-	97,520
Current liabilities	-	67,431	-	68,129
Total	310,799	156,879	340,642	165,649

2.4 Responsibility for the information presented and significant estimates made

The Parent's Board of Directors is responsible for the information included in these consolidated financial statements.

The Group's 2021 consolidated financial statements make use of estimates. The most significant estimates relate to:

- The assumptions used to measure the Group's goodwill and its intangible assets with indefinite useful lives (notes 2.6 and 7).
- The assumptions used to assess the recoverability of deferred tax assets (note 21).
- The useful lives of intangible assets and property, plant and equipment (notes 7 and 8).
- The assessment of possible asset impairment (notes 7, 8, 9 and 12).

- The analysis of the net realisable value of inventories, assessment of inventory impairment on account of slow turnover and assessment of possible onerous contracts within the orderbook (notes 3.7 and 11).

- The measurement of provisions for liabilities and charges and the probability of occurrence and amount of liabilities of uncertain amounts and/or contingent liabilities (notes 3.15 and 15).

- The actuarial assumptions used to calculate pension liabilities and other employee commitments (notes 3.11 and 20)

- The fair value of certain equity instruments (notes 3.12 and 14.6)

- Delivery of the conditions for derecognising certain financial assets (note 3.5).

- Compliance with the covenants attached to some of the Group's borrowings (note 17).

- Aspects related with the environment and climate change (note 28).

Although these estimates were made on the basis of the best information available regarding the facts analysed, future events could make it necessary to revise these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with IAS 8, recognising the effects of the change in estimates in the related consolidated statement of profit or loss. Given the uncertainty implicit in any forward-looking estimate in the current economic environment, actual performance may differ from that projected. The reader should take the significance of those estimates into account when interpreting the accompanying consolidated financial statements, most particularly in relation to the recoverable amounts of goodwill, intangible assets, property, plant and equipment and recognised deferred tax assets.

On 24 May 2017, the Group entered into an agreement with the National Iranian Oil Company (NIOC) for the supply of 600km of corrosion-resistant stainless steel tubing. A number of socio-political developments occurring in 2018 prompted the Group to pause the supply of that tubing, as disclosed in the Group's annual financial statements authorised for issue on 25 February 2020. As at the date of these consolidated financial statements, that contract had been *de facto* terminated on account of the impossibility of executing it, although steps are being taken to terminate it officially. At 31 December 2021, the Group had provided NIOC sureties totalling 49,707 thousand euros (year-end 2020: 51,920 thousand euros) to guarantee performance of that contract; in light of the sanctions imposed by the United States, those sureties are not enforceable (note 15). The accompanying consolidated financial statements do not recognise any assets or liabilities derived under that contract.

At 31 December 2021, the Parent's directors estimate that the Group does not have any contingent liabilities that are not duly disclosed in these consolidated financial statements (nor did it have any at year-end 2020).

Situation derived from the Covid-19 pandemic

The global pandemic, declared as such by the World Health Organisation on 11 March 2020, has caused an unprecedented health crisis that has impacted the macroeconomic environment and the Group's business performance.

The consequences of that situation have included supply chain disruption, raw material and energy price increases and contraction in the supply of certain components. The pandemic is having consequences for the economy in general and for the Group's operations in particular. The Group expects the effects of the pandemic to be minimal in 2022.

Operating risk

The Group has taken steps on the sales and cost fronts to minimise the impacts of the pandemic.

The Group secured significant binding contracts in both 2021 and 2020. Although the start of execution of some orders has been delayed, no major contracts have been cancelled. The Parent's directors believe that the delays being experienced are temporary and attributable to the pandemic and other Group circumstances and that its operations will return to normal over the course of 2022.

Elsewhere, in 2020, the Group began to implement a cost-cutting programme that implies a recurring positive annual impact on its fixed costs of 20 million euros. Among other measures, that plan has implied the need to reduce the Group's headcount in order to ensure its profitability. At the date of authorising these financial statements for issue, that restructuring work was complete.

Liquidity risk

The drop in business volumes in 2021 as a result of the situation facing two of the Group's main companies has had an impact on its ability to generate cash. As indicated in notes 5 and 12, the Group monitors its liquidity requirements to ensure it has the financial resources needed to cover its operating needs. Under the scope of the restructuring work already carried out in response to the COVID-19 crisis, the Group has arranged 60.5 million euros of long-term loans, transformed 78 million euros of short-term credit facilities into non-current loans that mature in two to five years' time (both transactions executed with the support of Spain's official credit institute, ICO) and obtained additional financing from a range of sources in the amount of approximately 100 million euros. Thanks to those measures, at year-end 2021 the Group presented solid liquidity and solvency: 158 million euros of cash and short-term financial assets and undrawn credit facilities put the Group's liquidity at over 240 million euros; over 50% all borrowings are non-current, up from approximately 40% at year-end 2020.

Asset and liability valuation risk

None of the significant projects included in the Group's orderbook has been cancelled, while framework agreements have been entered into with customers.

Credit risk has not increased significantly due to the impairment of customer creditworthiness; nor has the expected loss assessment changed significantly on account of the quality or solvency of the customer portfolio.

The Group has tested the recoverability of its non-current assets (intangible assets, property, plant and equipment and deferred tax assets) based on its expectations for its business performance in the medium and long term, which are not significantly affected by the COVID-19 situation, based on the Group's expectation that the effects of the pandemic will be minimal in 2022, such that the directors have not identified the need to reduce the carrying amount of any of those assets.

2.5 Comparison of information

As required under IAS 1, these financial statements and notes provide comparative information in respect of the previous period.

In order to compare the consolidated financial statements for 2021 with those of 2020, the reader should consider the impact of the discontinued operations and the other changes in the consolidation scope outlined in note 2.6.

2.6 Basis of consolidation

Consolidation scope

The accompanying annual consolidated financial statements comprise the Parent and the investees controlled by the latter. Control is defined as having power over an investee, exposure or rights to variable returns from its involvement with that investee and the ability to use its power to affect the investor's returns from its involvement with the investee.

The accompanying consolidated financial statements for the year ended 31 December 2021 were prepared from the separate accounting records as of the reporting date of Tubacex, S.A. (the Parent; note 1) and the subsidiaries itemised in the Appendix accompanying these notes. All of the Parent's subsidiaries have the same year-end except for Tubacex Tubes and Pipes Pvt Ltd (formerly, Tubacex Prakash India Pvt Ltd) and Tubacex India Pvt Ltd, whose year-end is 31 March. The appropriate adjustments have been made for uniform reporting purposes as of 31 December.

The Group also has investments in associates that are scantly material in respect of these annual consolidated financial statements; those investments are recognised at cost within "Other financial assets" in the amount of 39 thousand euros.

Discontinued operations

Tubos Mecánicos Group

On 23 December 2021, the TUBACEX Group agreed the sale of its subsidiary, TUBOS MECÁNICOS, S.A., and the latter's investee, TUBOS MECÁNICOS NORTE, S.A., for 26.2 million euros; it owned 100% of that subgroup indirectly through Tubacex Services Solutions Holding, S.L.U.

That agreement includes contingent consideration whereby the Group stands to collect up to 1.5 million euros depending on the delivery of certain ratios over the next three years; the Group had not recognised an asset in that respect at 31 December 2021.

The companies sold comprised the Tubos Mecánicos subgroup and the "carbon segment" in its entirety (note 6).

As a result, the earnings of the carbon segment were reclassified as discontinued operations. That subgroup's earnings performance in 2021 and 2020 was as follows:

(Thousands of euros)	2021	2020
Revenue	23,129	19,092
Other operating income	-	61
Operating expenses	(19,290)	(17,735)
Finance income	89	140
Profit/(loss) before tax	3,928	1,559
Income tax	(195)	(355)
Profit/(loss) after tax for the year from discontinued operations	3,733	1,203

The net cash flows attributable to discontinued operations:

(Thousands of euros)	2021	2020
Operating activities	8,381	4,805
Investing activities	(1,445)	(1,691)
Financing activities	(3,460)	(1,942)
Net increase in cash and cash equivalents	3,476	1,172

Lastly, the breakdown of the related assets and liabilities:

(Thousands of euros)	2021
Assets	
Property, plant and equipment (note 8)	12,010
Financial investments	2
Inventories	16,634
Trade and other receivables	6,511
Cash and cash equivalents	1,000
Assets sold	36,157
Liabilities	
Provisions	24
Bank borrowings	29
Trade and other payables	3,260
Other liabilities	3,181
Liabilities disposed of	6,494
Net assets corresponding to the subgroup disposed of	29,663

Other changes in the consolidation scope

The most significant changes to the consolidation scope in 2021 were as follows:

Tubacex Tubes and Pipes Pvt Ltd (formerly Tubacex Prakash India Pvt Ltd.)

During the first half of 2021, the TUBACEX Group acquired the non-controlling interests in Tubacex Prakash India, Pvt Ltd., thereby increasing its ownership interest from 67.53% to 100%. The cost of that acquisition amounted to approximately 10.5 million euros, of which 2,054 thousand euros was pending payment at 31 December 2021; that sum was settled in January 2022.

Having obtained outright ownership of that investee, the Group decided to change its name to Tubacex Tubes and Pipes Pvt Ltd.

Hyvalue Tubacex IET, S.L.

On 21 December 2021, the TUBACEX Group, together with another partner, incorporated Hyvalue Tubacex IET, S.L. with initial capital of 4 thousand euros. That company, with registered office at Parque Científico y Tecnológico de Bizkaia, Ibaizabal Bidea, Edificio 702 - 1ª planta (Derio, Bizkaia), has been created to develop and sell waste recovery projects.

Tubacex Desarrollos, S.L.U.

On 21 December 2021, the TUBACEX Group incorporated Tubacex Desarrollos, S.L.U. with initial capital of 3 thousand euros. That company, with registered office at Parque Científico y Tecnológico de Bizkaia, Ibaizabal Bidea, Edificio 702 - 1ª planta (Derio, Bizkaia), has been created to conduct R&D projects.

Tubacex IBF Kazajistán S.R.L.

On 4 October 2021, the Group incorporated Tubacex IBF Kazajistán S.R.L., in Atyrau City, whose core business is to manufacture, distribute and sell tubes and pipes and other customised tubing solutions, including the research and development of new business and partnership opportunities.

The contribution made by that investee to the Group amounted to 10 thousand euros and was paid in by year-end.

The most significant changes to the consolidation scope in 2020 were as follows:

Amega West

On 22 August 2020, through NTS Middle East FZCO, and together with the non-controlling shareholder in that investee, Senaat, the Group agreed to acquire certain assets from Amega West Services LLC, Amega West Canada Ltd. and Amega West PTE. Ltd., entities specialised in the manufacture, repair and lease of traditional and specialist drilling equipment used in on- and off-shore oil and gas extraction, so reinforcing the Group's positioning in that segment in the US, Canada and Singapore. That agreement also led the Group to take on certain employees that until then had been in the employment of those companies. Having performed the corresponding analysis, the Group concluded that the transaction gave it control over the businesses of the above-listed companies and therefore constituted a business combination.

The acquisition price for the Group amounted to 9,105 thousand euros, all of which was paid for on the date on which it obtained control, namely 30 September 2020.

The identifiable assets acquired and liabilities assumed as of the acquisition date were as follows:

Nature of the balances	€ 000
Total identifiable net assets at fair value	21,424
Non-current assets (fixed assets) (note 8)	22,060
Current assets	5,596
Non-current liabilities (note 18)	(6,232)
Other identifiable assets and liabilities	5,678
Customer relationships (note 7)	7,863
Trademarks (note 7)	8,767
Provisions (note 15)	(8,541)
Deferred tax assets and liabilities (note 21)	(2,411)
Non-controlling interests (note 14.9)	(9,301)
Consideration delivered	9,105
Gain on bargain purchase	8,696

The net assets acquired were valued by an independent expert in order to provide a fairness opinion on the value of certain identified intangible assets in keeping with the criteria stipulated in IAS 38 and IFRS 3. In order to verify the reasonableness of the gain recognised on the purchase, the Group analysed the nature of the assets acquired and liabilities assumed with the aim of determining whether the fair values of any of those assets or liabilities warranted further adjustment in addition to the adjustments already made upon first-time consolidation.

The gain on the purchase - in the amount of 8,696 thousand euros - was associated primarily with the characteristics of the business acquired, active in a highly specialised and value-adding sector, with a very well-known brand, high entry barriers for new players on account of the conservative nature of the sector, and a very stable customer base with equally stable business volumes.

From the date of the business combination, the acquiree contributed 3,093 thousand euros of revenue and a loss before tax of 981 thousand euros. If the combination had taken place at the beginning of the year, revenue from would have been approximately 11,271 thousand euros higher and the loss before tax, 8,033 thousand euros higher.

The non-controlling interests in the acquiree were recognised at fair value.

TSS Norway

In October 2020, the Group completed the acquisition of 100% of the equity of More Bildco, AS (whose name was later changed to TSS Norway), a Norwegian company specialised in tubes and pipes for the oil and gas business, for 1,116 thousand euros. That acquisition, which reinforced the Group's position in the North Sea, bringing on board the know-how of Norwegian Piping, was accounted for as a business combination.

The identifiable assets acquired and liabilities assumed as of the acquisition date were as follows:

Nature of the balances	€ 000
Total identifiable net assets at fair value	150
Fixed assets (note 8)	19
Current assets	3,436
Current liabilities	(3,305)
Other identifiable assets and liabilities	2,411
Trademarks (note 7)	5,063
Deferred tax liabilities (note 21)	(575)
Provisions (note 15)	(2,077)
Consideration delivered	1,116
Gain on bargain purchase	1,445

The Group estimated the fair value of certain identified intangible assets in keeping with the criteria stipulated in IAS 38 and IFRS 3. In order to verify the reasonableness of the bargain purchase gains recognised, the Group analysed the nature of the assets acquired and liabilities comprising the acquiree's statement of financial position with the aim of determining whether the fair values of any of those assets or liabilities warranted further adjustment in addition to the adjustments already made upon first-time consolidation.

As a result of that business combination, the Group recognised a gain of 1,445 thousand euros, which is substantiated by the acquiree's proven and extensive track record supplying tubing solutions for the oil and gas sector in the Norwegian market in particular and the North Sea region in general, boosting the Group's penetration of that market.

The acquiree did not contribute significantly to the Group's revenue from the date of the acquisition. If the business combination had taken place at the beginning of the year, the revenue contribution would have been approximately 701 thousand euros and the pre-tax loss, 2,712 thousand euros.

Consolidation methods

a) Subsidiaries

Subsidiaries are all entities over which the Group has control.

The Group has control when it has:

- Power over an investee;

- Exposure, or rights, to variable returns from its involvement with the investee; and

- The ability to use its power over the investee to affect the amount of its returns.

The Group re-assesses whether or not it controls an investee if the facts and circumstances indicate that there have been changes in one or more of the three elements of control itemised above.

When the Group holds less than the majority of voting rights in an investee, it still has power over that investee if the voting rights it holds are sufficient to give it the practical ability to direct its relevant activities unilaterally. The Group considers whether its voting rights are sufficient to give it power considering all of the relevant facts and circumstances, including:

- The size of the Group's vote holding in relation to the size and dispersion of other vote holders;

- The potential voting rights held by the Group, other vote holders and other parties;

- Rights arising from other contractual arrangements;

- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities when decisions need to be made, specifically including voting patterns at previous shareholders' meetings.

The Group consolidates a subsidiary from when it obtains control and deconsolidates it when it ceases to have such control.

Profit or loss for the year and each component of other comprehensive income is attributed to the owners of the Parent and any non-controlling interests. The Group also attributes total comprehensive income to the owners of the Parent and to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, appropriate adjustments are made to the subsidiaries’ financial statements to ensure conformity with the Group’s accounting policies.

All of the assets, liabilities, equity, income, expenses and cash flows related with transactions among Group companies are fully eliminated upon consolidation.

b) Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A joint venture (as opposed to a joint operation, as described in section c) below) is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are recognised in these consolidated financial statements using the equity method of consolidation. Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are only recognised to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which it becomes an associate or a joint venture.

Gains and losses resulting from upstream and downstream transactions between the Parent and its associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of the unrelated investors' interests in the associate or joint venture.

c) Joint operations and consortia

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

When a Group company carries out its operations as part of a joint operation, the Group, as joint operator, recognises the following in relation to its interest in the joint operation:

- Its assets, including its share of any assets held jointly;

- Its liabilities, including its share of any liabilities incurred jointly;

- Its share of the revenue from the sale of the output by the joint operation; and

- Its expenses, including its share of any expenses incurred jointly.

When a Group company enters into a transaction with a joint operation in which it is a joint operator, such as a purchase of assets, the Group does not recognise its share of the gains and losses until it resells those assets to a third party. The TUBACEX Group did not have any interests in joint operations at 31 December 2021 or 2020.

Business combinations

A transaction or other event is a business combination when the assets acquired and liabilities assumed constitute a business. The Group recognises each business combination using the acquisition method, which implies identifying the acquiror, determining the acquisition date, which is the date it obtains control over the acquiree, and the acquisition cost and recognising and measuring the identifiable assets acquired, liabilities assumed and any non-controlling interests in the acquiree and, lastly, recognising and measuring any goodwill or gain on a bargain purchase.

Acquisition costs are expensed in the year they are accrued and are not capitalised as part of the business acquisition.

Identifiable assets acquired and liabilities assumed are measured initially at their acquisition-date fair values. Non-controlling interests in the acquiree are measured transaction by transaction either at the non-controlling interest's proportionate share of the acquiree's identifiable net assets or at fair value.

In the case of business combinations achieved in stages, the acquirer remeasures its previously held investment to fair value on the date it obtains control, recognising the corresponding gain or loss in profit or loss.

Once control has been achieved, transactions whereby the Parent acquires further equity interests from non-controlling interests, or disposes of equity interests without losing control, are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

The Group recognises goodwill at the acquisition date at the positive difference between:

- The sum of: (i) the acquisition-date fair value of the consideration transferred; and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and

- The net value of the identifiable assets acquired and liabilities assumed.

If that difference is negative, the Group proceeds to re-analyse all of the assets and liabilities to substantiate the existence of a bargain purchase, in which case the difference is recognised as a "Gain on a bargain purchase" in the consolidated statement of profit or loss.

Translation of the financial statements of foreign operations

The financial statements of foreign operations are translated into euros using the closing rate method, which consists of translating all assets, rights and obligations into euros using the exchange rate prevailing at the reporting date and the statement of profit or loss headings at the average rate for the year.

The difference between the amount of the foreign operation's equity translated at the historical exchange rate (except for profit or loss for the year, due to the method described above) and the equity value resulting from the translation of the assets, rights and obligations at the closing exchange rate is recognised in equity in the consolidated statement of financial position under "Translation differences", net of the differences attributable to non-controlling shareholders, which is recognised under "Equity - Non-controlling interests".

2.7 Restatement for errors

No material errors have been identified warranting the restatement of the amounts presented in the 2020 consolidated financial statements.

2.8 Going concern

At 31 December 2021, the Group had 104,899 thousand euros of positive working capital (year-end 2020: 112,432 thousand euros). In 2021 it reported a loss of 32,212 thousand euros (2020: a loss of 25,303 thousand euros) attributable, mainly, to external factors, such as the global pandemic and its impact on business volumes, as well as internal factors related with the restructuring work undertaken (note 24) across the Group's subsidiaries. The Group has locked in the ability to cover its liquidity requirements by means of credit facilities and the cash generated by the business itself. At 31 December 2021, the TUBACEX Group had undrawn credit facilities totalling 23,595 thousand euros, which is equivalent to 23% of its total credit limit (71,559 thousand euros at year-end 2020; 67% of the total credit limit). In addition, the Group had 135 million euros available under the Notes Programme outlined in note 17 and cash and current financial assets of 140,489 thousand euros and 17,500 thousand euros, respectively.

In light of the financing available to the Group, in addition to other considerations made in these consolidated financial statements (notes 2.4, 5 and 17), the Parent's directors have prepared these consolidated financial statements on a going concern basis, underpinned by the belief that the Group's business prospects will lead to profits and net cash generation in the years to come.

3. Accounting policies and measurement standards

The main measurement standards used by the Group to prepare the consolidated financial statements at 31 December 2021 and 2020 are as follows:

3.1 Intangible assets

Goodwill

Goodwill is calculated using the criteria outlined in note 2.6.

Goodwill is recognised when triggered by a business combination. Goodwill is allocated to each cash-generating unit (CGU) expected to benefit from the synergies generated by the business combination and is not amortised. The CGUs to which goodwill has been assigned are tested for impairment at least annually, using the methodology outlined in note 3.3, and are written down for impairment as required.

Goodwill impairment losses cannot be reversed in subsequent reporting periods.

Greenhouse gas emission allowances

Greenhouse gas emission allowances are recognised when the Group becomes entitled to receive them and are measured at cost when they are purchased from third parties, less accumulated impairment losses, if any. Allowances acquired free of charge or for substantially less than their fair value are recognised at fair value. The difference between that value and the amount of consideration delivered, if any, is recognised with a credit to government grants and included under "Deferred income".

That asset is recycled to profit or loss, specifically through "Other operating expenses", as a function of the allowances used as a percentage of total allowances contemplated for the entire period for which they've been allocated (note 23).

Emission allowances are not amortised. The Group derecognises emission allowances using the weighted average cost method.

Other intangible assets

The remaining intangible assets (mainly software and software developments) acquired by the Group are recognised in the statement of financial position at cost less amortisation and any accumulated impairment losses.

The Group has recognised one trademark and an agreement with a strategic customer of one of its subsidiaries, IBF SpA, at fair value. Those intangible assets were recognised in the context of the business combination completed in 2016 (note 7). The Parent's directors estimate that the trademark has an indefinite useful life. The trademark's carrying amount is tested for impairment at every year-end. The Group likewise assesses the status of the customer agreement at each reporting date.

Lastly, in the context of the business combinations completed in 2020 and 2019, the Group has recognised trademarks and intangible assets that are identified with the "customer relationships" recognised at fair value (notes 2.6 and 7). The Parent's directors believe those trademarks and intangible assets have indefinite useful lives and will test them for impairment at each year-end or whenever it detects indications of impairment. The intangible assets associated with the "customer relationships" are amortised over the course of their useful lives which have been estimated at an average of 14 years for those recognised in 2019 and 10 years for those recognised in 2020.

Research and development expenses

The Group recognises any research costs incurred during the year in profit and loss. It only capitalises development costs when the following criteria are met:

- They are separately identifiable by project and their costs can be measured reliably.

- The Group can demonstrate the technical feasibility of completing the intangible asset and how it will generate probable future economic benefits.

- Capitalised development costs are amortised on a straight-line basis over their useful life.

Useful lives and amortisation

Intangible assets with finite useful lives are amortised by allocating their depreciable amount on a systematic basis over their estimated useful lives, of between five and 10 years, using the straight-line method.

"Depreciable amount" is the cost of an asset, or other amount substituted for cost, less its residual value.

The Group reviews its intangible assets' residual values, useful lives and amortisation methods at each year-end.

3.2 Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost, adjusted, as warranted, for legally permitted asset revaluations, which, in keeping with IFRS are considered part of the cost of such assets; they are subsequently deducted for accumulated depreciation and impairment losses, if any.

Cost likewise includes expenditure that is directly attributable to the acquisition of the items. The work needed to ready an asset for use that the Group performs on its own assets is recognised at cost (self-constructed assets), which is external costs plus internal costs, determined on the basis of in-house consumption of warehouse materials, direct labour costs incurred and general manufacturing costs allocated based on throughput rates similar to those used to value inventories.

In 2021, the Group capitalised staff costs totalling 1,681 thousand euros, related mainly to hours worked by its engineers; that balance was recognised under "Self-constructed assets" (2020: 2,744 thousand euros). Of that sum, 1,378 thousand euros is recognised under "Intangible assets" (2020: 2,359 thousand euros) (note

7), and 303 thousand euros is recognised under “Property plant and equipment”(2020: 385 thousand euros) (note 8).

The cost of maintaining and repairing the various items of property, plant and equipment is expensed in the consolidated statement of profit or loss in the year incurred. On the other hand, amounts spent to upgrade these assets that increase their capacity or efficiency or lengthen their useful lives are capitalised.

Items of property, plant and equipment are depreciated by systematically allocating their depreciable amount over the course of their useful lives. “Depreciable amount” is the cost of an asset, or other amount substituted for cost, less its residual value. The Group depreciates each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item separately.

The depreciation charges for the items comprising the Group's property, plant and equipment are determined on a straight-line basis over their estimated useful lives, as follows:

	Estimated years of useful life
Buildings	25 - 48
Plant and machinery	5 - 20
Other fixtures, tools and furniture and other PP&E	5 - 10

The Parent’s directors review the residual values and useful lives of the Group’s various fixed assets periodically. Any changes in the initially established parameters are recognised as a change in accounting estimate. The Group did not re-estimate the useful lives of any of its assets in either 2021 or 2020.

In general, capitalised costs for items of property, plant and equipment that require more than one year to get ready for use - qualifying assets - include borrowing costs accrued prior to getting the assets ready for use when such expenses have been invoiced by the supplier or correspond to specific or generic loans or other external financing directly allocable to the acquisition or manufacture of the asset. The Group did not capitalise any borrowing costs within property, plant or equipment in 2021 or 2020.

The Group tests its property, plant and equipment for impairment and recognises any impairment losses (or reversals thereof) in accordance with the criteria outlined in note 3.3.

Works of art

The Group recognises the artwork it owns under this sub-heading; it values works of art at cost less any impairment losses determined on the basis of periodic appraisals performed by an independent expert.

Works of art are not depreciated as their useful lives are deemed unlimited and they do not lose value with the passage of time. Under applicable accounting rules, artwork with such characteristics only fits into the property, plant and equipment category.

3.3 Impairment of Assets

At each reporting date, the TUBACEX Group tests its non-current assets for indications of impairment. In the event it detects an indication of impairment, it estimates the recoverable amount of the asset to determine the amount of the required impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use, the latter defined as the present value of the estimated future cash flows.

If the recoverable amount is lower than the asset's carrying amount, the Group recognises the corresponding impairment loss at the difference under "Asset depreciation, amortisation and impairment" in the accompanying consolidated statement of profit or loss, writing down the amount of "Property plant and equipment" or "Intangible assets", as appropriate, in the consolidated statement of financial position.

Impairment losses recognised on an asset in prior years are reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised, increasing the carrying amount of the asset to its recoverable amount. The increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognised. Goodwill impairment losses cannot be reversed.

3.4 Leases

The Group assesses its lease agreements and recognises a right-of-use asset and associated lease liability for all lease agreements in which it acts as lessee, except for short-term leases (a lease that, at the commencement date, has a lease term of 12 months or less) and leases for which the underlying asset is of low value (less than 5,000 dollars).

Right-of-use assets are initially recognised at cost, calculated as the outstanding lease payments discounted at a rate that reflects the lessee's incremental borrowing cost, plus initial direct costs incurred and any asset dismantling or restoration costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any impairment losses. Right-of-use assets are depreciated over the short of the useful life of the underlying asset or the lease term. If ownership is transferred to the lessee or it is virtually certain that the lessee will exercise a purchase option, the asset is depreciated over its useful life. The useful life of leasehold improvements that cannot be passed on may not exceed the remaining term of the lease. The weighted average term of the Group's leases is four years in the case of *Buildings and properties* and three years in the case of *Plant*.

Lease liabilities are initially recognised at the present value of the outstanding lease payments at the commencement date. Those payments are discounted using the lessee's incremental borrowing cost. Subsequently, the financial liability is restated by increasing its carrying amount on the basis of the finance cost recognised in "Finance costs" in the consolidated statement of profit or loss and reducing it by the amount of lease payments made.

Contingent rents subject to the occurrence of a specific event and variable payments that depend on the use of the underlying asset are recognised when incurred within external services in the consolidated statement of profit or loss and are not included as part of the lease liability.

3.5 Financial instruments

Financial assets

The Group's financial assets are classified into the following categories on the basis of the contractual cash flow characteristics of the financial asset and the entity's business model for managing the financial assets:

a) Assets at amortised cost: financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes the Group's "Trade and other receivables", which are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method. The Group recognises impairment losses at the amount of any differences between the amount of its accounts receivable it reasonably expects to recover and their carrying amount in accordance with the above measurement criteria. More specifically, the Group recognises provisions for these accounts receivable using the expected credit loss model (note 12).

b) Assets at fair value through other comprehensive income: financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income, impairment losses and exchange differences are recognised in profit or loss in the same way as for financial assets measured at amortised cost. All other changes in fair value are recognised in other comprehensive income and can be reclassified to profit or loss when the assets are sold.

   The Group may irrevocably designate equity instruments that are not held for trading as financial assets at fair value through other comprehensive income. In such instances, amounts presented in other comprehensive income are not subsequently reclassified to profit or loss when the instruments are sold; only dividends are recognised in profit or loss.

c) Financial assets at fair value through profit or loss: all remaining financial assets are included in this category. They are initially recognised in the consolidated statement of financial position at the fair value of the consideration delivered plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

   The Group recognises impairment losses at the amount of any differences between the amount of its accounts receivable it reasonably expects to recover and their carrying amount in accordance with the above measurement criteria.

The Group recognises impairment losses on receivables when the debtor is in arrears on its payments or ceases to be creditworthy following individual analysis of their collectible amounts. In 2021, the Group recognised impairment allowances against account receivable in the amount of 3,245 thousand euros and used 300 thousand euros of existing provisions (2020: additional allowances of 987 thousand euros; reversal of 111 thousand euros and utilisation of 1,510 thousand euros) (notes 12 and 23).

The Group derecognises financial assets when the contractual rights to the cash flows from the financial asset expire or are transferred, which implies transferring substantially all the risks and rewards of ownership of the financial asset; this is the case with firm asset sales; trade receivable factoring transactions in which it retains neither credit risk nor interest rate risk; sales of financial assets with an agreement to repurchase them at their fair value; and securitisations in which the transferring entity neither retains subordinated liability, grants any form of guarantee nor assumes any other type of risk.

At 31 December 2021, the Group had derecognised 56,502 thousand euros of trade receivables on that basis (year-end 2020: 38,551 thousand euros). At 31 December 2021, the Group had 36,878 thousand euros of receivables discounting facilities available for drawdown (year-end 2020: 64,540 thousand euros).

In contrast, the Group does not derecognise financial assets, but rather recognises a financial liability at an amount equal to the consideration received, in the transfer of financial assets in which it retains substantially all the risks and rewards incidental to ownership, such as discounted bills, recourse factoring, disposals of financial assets under repurchase agreements at fixed prices or at the sale price plus interest, and securitisations of financial assets in which the transferor retains subordinated liability or grants other types of guarantees which would substantially absorb all possible losses. At 31 December 2021, the Group had transferred assets yet retained substantially all the risks and rewards of their ownership in the amount of 4,807 thousand euros (year-end 2020: 3,450 thousand euros) (note 17).

The Parent's directors determine the most appropriate classification for each asset upon acquisition.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other highly-liquid short-term investments whose value is not subject to significant risks. More specifically, cash equivalents include investments with original maturities of three months or less.

Trade and other payables

Accounts payable are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method.

Bank borrowings and other financial liabilities

Bank borrowings and other financial liabilities are initially recognised at the amount received, net of incurred transaction costs, i.e., the equivalent of subsequent application of the amortised cost model using the effective interest rate. Finance costs are recognised on an accrual basis in the consolidated statement of profit or loss using the effective interest rate method and are added to the carrying amount of the financial instrument to the extent they are not settled in the year in which they accrue (note 17).

Derivative financial instruments

The Group uses derivatives to hedge the risks to which its activities, operations and projected cash flows expose it. The main risk derives from exposure to changes in exchange rates and interest rates.

For those instruments to qualify for hedge accounting they have to be designated as hedges from the outset and the hedging relationship must be documented in detail. Hedge effectiveness must be verified initially and regularly over the life of the hedging relationship.

The fair values of certain derivative instruments used for hedging purposes are disclosed in note 10. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities, as appropriate.

The Group arranges cash-flow hedges.

At the inception of the hedge the Group formally designates and documents the hedging relationship and the risk management objective and strategy for undertaking the hedge. Hedge accounting is only used if at the inception of the hedge and in subsequent periods, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated (prospective testing) and those expectations are realised within a certain range (retrospective testing).

For cash flow hedges of forecast transactions, the Group evaluates whether those transactions are highly probable and present an exposure to variations in cash flows that could ultimately affect profit or loss.

The Group only designates assets, liabilities, firm commitments or highly probable forecast transactions that involve a party external to the Group as hedged items.

It defers the fair value measurement gains or losses on hedging instruments corresponding the portion of the hedge determined to be effective in equity. The ineffective portion of the hedging relationship, and the specific component of the gain or loss or related cash flows on the hedging instrument that is excluded from the assessment of the hedging relationship (excluded components), are recognised with a charge or credit to finance costs and finance income in profit and loss.

When hedge accounting is discontinued, any cumulative loss or gain existing at that time in "Valuation adjustments - Hedging transactions" is kept in equity until the hedged transaction occurs, at which time the loss or gain on the transaction will be recycled. If a forecast transaction is no longer expected to occur, the gain or loss that was recognised in equity is transferred immediately to the consolidated statement of profit or loss.

3.6 Own shares held as treasury stock

The own shares held by the Group at year-end 2021 are recognised at cost and are presented as a reduction in equity under "Equity - Capital and reserves" in the consolidated statement of financial position balance in the amount of 10,424 thousand euros (year-end 2020: 13,530 thousand euros) (note 14.5).

3.7 Inventories

Inventories are carried at the lower of cost, which comprises all costs of purchase, costs of conversion and other direct and indirect costs incurred in bringing the inventories to their present location and condition, and their net realisable value, which is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The Group uses the following criteria to determine cost for each class of inventories:

a. Goods for resale: At cost of purchase, determined using the weighted average cost method.

b. Raw materials and goods held for conversion: At weighted average cost.

c. Work in progress and finished goods: At the weighted average cost of the raw materials and other consumables used, including costs directly related with the units produced and a portion of the fixed and variable production overheads incurred during the conversion period, calculated on a systematic basis.

The costs of underutilisation are not included in the measurement of inventories.

The carrying amount of inventories is written down for impairment when their cost exceeds their net realisable value. For impairment testing purposes, net realisable value is:

- Raw materials and goods held for conversion: replacement price. Notwithstanding the foregoing, the Group does not recognise an impairment allowance if it expects the finished products in which the impaired raw materials and other supplies will be sold at an amount equivalent to or higher than its production costs;

- Goods held for resale and finished products: the estimated sale price less the costs necessary to make the sale;

- Work in progress: the estimated sale price of the corresponding finished products, less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory impairment losses and the reversal thereof are recognised in the consolidated statement of profit or loss under “Changes in inventories of finished goods and work in progress” and “Cost of sales”.

3.8 Foreign currency transactions and other commitments

The assets and liabilities of foreign operations have been translated into euros following the procedure outlined in note 2.6. All other non-monetary assets and liabilities denominated in foreign currency have been translated at the exchange rates prevailing at each reporting date, with the differences between the amounts translated at the exchange rate used for accounting purposes and the closing rates recognised as exchange gains or losses, as appropriate. Foreign currency transactions in which the TUBACEX Group has decided to mitigate the foreign currency risk through the use of derivatives are accounted for using the criteria outlined in note 3.5.

3.9 Distinction between current and non-current liabilities

Liabilities are classified in accordance with their maturities as at year-end in the accompanying consolidated statement of financial position. Current liabilities are those maturing within 12 months of the reporting date; all other liabilities are classified as non-current.

3.10 Government grants

The grants received by the Group companies are accounted for as follows:

1) <u>Non-repayable grants, donations and bequests received:</u> Grants are measured at the fair value of the amount or asset awarded, depending on whether or not the grant is a monetary grant, and are recognised in profit or loss over the periods and in the proportions in which depreciation expense on the related depreciable assets is recognised or, when applicable, when the asset is derecognised or written down for impairment.

2) <u>Repayable grants</u>: They are accounted for as liabilities as long as they qualify for repayment.

3) <u>Grants related to income</u>: These grants are credited to income when awarded unless they are earmarked to offset future operating losses, in which case they are recognised in the years the losses are realised. If they are granted to finance specific expenses, they are recognised in profit or loss in the same period as the related expenses.

Elsewhere, grants, donations and bequests received from shareholders or owners do not constitute income and must be recognised directly in equity, regardless of the type of grant extended, so long as it is not repayable.

3.11 Employee commitments

Pension obligations

The Group has assumed certain commitments to its employees which qualify for classification as defined benefit plans. A portion of those commitments was covered in prior years by taking out an insurance policy with a single premium. At 31 December 2021, those commitments were measured at 4,823 thousand euros (year-end 2020: 5,390 thousand euros) and are recognised under “Non-current liabilities - Employee benefits” in the accompanying statement of financial position (note 20).

Other long-term employee benefits

In May 2019, the Parent’s shareholders agreed, in general meeting, a long-term incentive plan (in addition to the share-based payments outlined in notes 3.12 and 26) for the members of the TUBACEX Group’s senior management team, payment of which will depend on value generation measured as a function of certain metrics including EBITDA, net debt and dividend payments. The Group did not recognise any liability in that respect at either 31 December 2021 or 2020 on the basis of the directors’ best estimates.

In addition, due to the commitments assumed by certain subsidiaries with their employees, the Group has to pay long-service bonuses upon retirement and other benefits agreed with those employees whose disbursement takes place more than 12 months from the end of the year in which they accrue.

3.12 Share-based payments

The Group recognises, on the one hand, the goods and services received as an asset or expense, depending on their nature, at the time they are received and, the corresponding increase in equity, if the transaction is settled using equity instruments, or the corresponding liability, if it is settled in an amount that is based on the value of the equity instruments, on the other.

In the case of equity-settled share-based transactions, both the services provided and the related increase in equity are measured at the fair value of the equity instruments granted with reference to the date of their grant. If, on the other hand, they are settled in cash, the goods and services received and the corresponding liability are recognised at the fair value of the latter, with reference to the date on which the vesting conditions are met.

In the case of equity-settled share-based payments, the fair value is charged equally over the vesting period to “Employee benefits expense” in the consolidated statement of profit or loss and credited to “Other equity instruments” in the consolidated statement of financial position (note 14.6) as a function of the Group’s best estimate of how many shares will ultimately vest.

Fair value is based on market prices available at the measurement date, taking into account the characteristics of the instrument. In the absence of market prices, generally accepted valuation techniques are used to measure financial instruments of this kind (note 14.6).

3.13 Termination benefits

Under prevailing labour law, the Group is obliged to pay severance to employees who are discontinued under certain circumstances. Termination benefits that can be reasonably estimated are recognised as an expense in the year in which the redundancy decision is taken.

3.14 Income tax

On 26 December 2013, the tax authorities of Álava, Spain acknowledged the plans of the Parent and certain subsidiaries located in the Basque region and subject to that region's corporate income tax regulations to avail of the consolidated tax regime from the year started 1 January 2014 (as provided for in Basque Regional Regulation 37/2013). Tubacex, S.A. is the parent of the resulting Tax Group, which has also included Tubacex Servicios de Gestión S.L. since 2018 and Tubacex Advance Solutions S.L.U., Tubacex Services Solutions Holding S.L.U. and Tubacex Upstream Technologies S.A. since 2016.

The companies included in that tax regime apply the accounting criteria contemplated in the Resolution published by Spain's Institute of Accounting and Auditors of Accounts - ICAC in Spanish - on 9 February 2016 addressing how to treat tax consolidation for accounting purposes (note 21).

The rest of the Group's subsidiaries file their corporate income tax on an individual basis in keeping with the regimes applicable in their respective jurisdictions.

The income tax expense of Spanish companies and consolidated foreign entities is recognised in the consolidated statement of profit or loss, except when it relates to transactions recognised directly in equity, in which case the related tax expense is likewise recognised in equity.

Income tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year, less any eligible tax credits, plus any changes during the year in recognised deferred tax assets and liabilities.

Deferred tax assets and liabilities include taxable and deductible temporary differences between the carrying amount of an asset or liability and its tax base, and the carry-forward of unused tax credits and unused tax losses. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realised or the liability settled.

Deferred tax liabilities are recognised for all temporary differences except, in general, if the temporary difference derives from the initial recognition of goodwill. Deferred tax assets are recognised for unused tax losses, unused tax credits and temporary differences only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

As prescribed in IFRS, deferred tax assets and liabilities are classified as non-current assets and non-current liabilities, respectively.

3.15 Provisions and contingencies

In drawing up the annual consolidated financial statements, the Parent's directors distinguish between:

- Provisions: liabilities recognised to cover a present obligation arising from past events, of uncertain timing and/or amount, settlement of which is expected to result in an outflow of resources embodying economic benefits.

- Contingent liabilities: a possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

The consolidated financial statements recognise all provisions in respect of which it is considered more likely than not that a present obligation exists. Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed in the accompanying notes, unless the possibility of an outflow of resources embodying economic benefits is remote.

The compensation to be received from a third party when an obligation is settled is recognised as a separate asset so long as it is virtually certain that the reimbursement will be received, unless the risk has been contractually externalised so that the Group is legally exempt from having to settle, in which case the reimbursement is taken into consideration in estimating the amount of the provision, if any.

Provision for GHG emission allowances

Expenses derived from greenhouse gas emissions are recognised on a systematic basis by crediting the provision for emission allowances, which is reversed when the corresponding allowances (awarded free of charge by the authorities or purchased in the market) are delivered.

The provision is estimated assuming that the obligation will be cancelled:

- Firstly using the allowances assigned to the Group in the national allowances registry as per a national allocation plan. The expense corresponding to this portion of the liability is determined as a function of the carrying amount of the allowances transferred.

- Subsequently, by using the rest of the allowances on record. The expense corresponding to this portion of the liability is determined using the average price or weighted average cost of those allowances.

- Given that the Group has sufficient allowances, it has not had to recognise any additional provisions to reflect the need to acquire further allowances.

3.16 Revenue recognition

Revenue from sales and the performance of services is measured at the fair value of the assets or rights received as consideration for the goods and services provided in the normal course of the Group companies' business, net of discounts and applicable taxes.

Sale of goods

The Group recognises revenue from sales when it has transferred the significant risks and rewards of ownership of the goods to the buyer. The Group believes it retains control over the goods it sells until they are delivered, at which point it deems it probable that it will receive the corresponding revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The transaction price

The objective when allocating the transaction price is to allocate it to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services.

Subsequent to identification of the performance obligations in the contract with the customer, the Group allocates the price to the respective obligations. In general, the Group's contracts with customers contain a single performance obligation. As a result, the contract price is generally allocated to a single performance obligation.

Variable consideration

The Group's contracts with customers do not contain significant amounts of variable consideration (other than possible payments under contract penalty clauses).

Warranties

Warranties in relation to the Group's sales cannot be purchased separately. Accordingly, the Group recognises sales warranties as prescribed in IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Group does not give warranties additional to the assurance warranties it is legally required to offer that, under IFRS 15 could constitute service-type warranties that would have to be treated as a separate performance obligation.

Collection period

The Group's sales do not contain a significant financing component. Customers are generally required to pay, on average, 30 to 90 days after invoicing, as set down in the contract terms and conditions. In general, invoices are issued shortly after the goods are delivered.

3.17 Environmental matters

The Group recognises capital expenditure of an environmental nature at acquisition or production cost net of accumulated depreciation, classifying such assets in the corresponding heading of property, plant and equipment (notes 8 and 28).

Expenses incurred to comply with applicable environmental legislation are classified by their nature under "Other operating expenses" in the accompanying consolidated statement of profit or loss (note 28).

Expenses incurred with respect to greenhouse gas emissions (Law 1/2005 of 9 March 2005) are recognised at their fair value or at the cost of the allowances allocated or purchased as those gases are emitted in the course of the productive process with a credit to the corresponding provision account.

3.18 Consolidated statement of cash flows

The consolidated statement of cash flows was prepared using the indirect method and the following definitions:

- Cash flows. Inflows and outflows of cash and cash equivalents, the latter understood as short-term, highly liquid investments which are subject to an insignificant risk of changes in value.

- Operating activities. The principal revenue-producing activities of the Group and other activities that are not investing or financing activities.

- Investing activities. The acquisition and disposal of long-term assets and other investments not included in cash equivalents.

- Financing activities. Activities that result in changes in the size and composition of equity and borrowings that are not operating activities.

The Group classifies cash flows corresponding to interest received within investing activities and those corresponding to interest paid within financing activities. Dividends paid are classified within financing activities.

3.19 Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year (not including the average number of Parent shares held as treasury stock).

Diluted earnings per share, meanwhile, is calculated by dividing the net profit attributable to the equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year, adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

3.20 Related-party transactions

The Group carries out all transactions with related parties at transfer prices that meet the OECD's rules governing transactions with group companies and associates. As a result, the Parent's directors do not believe there is a significant risk of material related liabilities not provided for.

4. Appropriation of the Parent's profit/(loss)

The Parent's directors have resolved to submit the following appropriation of the Parent's profit/(loss) for the year for approval at the upcoming Annual General Meeting (thousands of euros):

	Year-end 2021
Offset of prior-year losses	12,104
Total	12,104

5. Financial risk management policy

The TUBACEX Group's activities expose it to various types of financial risk: market risk (including foreign currency risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group's risk management effort focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivatives to hedge certain exposures.

Risk management is carried out by the Group's finance department in keeping with policies approved by the Board of Directors. That department identifies, evaluates and hedges financial risks in close cooperation with the Group's financial administration and procurement departments. The Board of Directors sets overall risk management policies, as well as policies for specific matters such as foreign currency risk, interest rate risk, liquidity risk, the use of derivative and non-derivative instruments and the investment of surplus liquidity.

5.1 Market risk

a.1) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk on transactions denominated in foreign currency, especially in US dollars and Indian rupees. Foreign exchange risk arises from future commercial transactions (purchases of commodities and sales of products in foreign currencies), recognised assets and liabilities and net investments in foreign operations.

At 31 December 2021, had the euro been 10% weaker against the US dollar, all other variables remaining constant, the Group's after-tax loss would have been 4,609 thousand euros narrower (2020: narrower by 4,868 thousand euros), without considering the impact of the Group's hedging policy.

To manage the foreign currency risk deriving from future commodity purchases and product sales and recognised assets and liabilities, the Group companies use forward currency sale and purchase contracts with matching maturities, which it negotiates with its banks. Foreign exchange risk arises when future transactions and recognised assets and liabilities are denominated in a currency other than the functional currency of the relevant group entity. The Group's finance department is responsible for managing the net position in each foreign currency using external foreign exchange forward contracts. Note 10 itemises the forward currency purchase and sale agreements outstanding at 31 December 2021 and 2020.

For financial reporting purposes, the Group's management designates external foreign currency hedges as foreign currency risk hedges on certain assets, liabilities or future transactions.

The Group has several investments in foreign operations whose net assets are exposed to foreign currency translation risk, mainly in US dollars and Indian rupees. At 31 December 2021, the Group had 232,350 euros of net assets denominated in dollars and 48,270 thousand euros of net asset denominated in Indian rupees (note 2.3).

a.2) Commodity price risk

One of the key aims of the Group's business plan is to reduce the impact of commodity price volatility on its consolidated earnings; to minimise that exposure, the Group's management meticulously monitors working capital positions as a function of timing milestones in the productive and invoicing processes.

In the event sales orders are negotiated at variable prices, the commodity price risk factor is significantly offset by the implicit hedge implied by the application of the alloy surcharge which the Group passes on to its customers in its sales prices, so achieving a highly efficient natural hedge.

In the case of sales orders negotiated at fixed prices, the Group relies on commodity price futures contracts with maturities selected to match the scheduled start of production of each order with the aim of locking in the margins targeted at the time of agreeing the sale.

At 31 December 2021, had nickel prices been 10% higher or lower, the Group's cost of sales would have been approximately 1,039 thousand higher or lower, respectively (2020: approximately 1,873 thousand euros), albeit mitigated by the impact of the alloy surcharge added to sales prices.

Moreover, if the prices of commodities as a whole had been 10% higher or lower, the Group's cost of sales would have been approximately 3,090 thousand euros higher or lower, respectively (2020: approximately 5,573 thousand euros).

Elsewhere, oil prices have an indirect effect on the Group's earnings which is not possible to quantify. The reason for that effect is the correlation between crude prices and a reduction in orders in the Oil & Gas segment, to which the Group sells its highest value-added products. The Group's business plan specifically pursues strategic objectives such as increased value chain reach and product and geographic diversification with the aim of mitigating exposure to oil prices and *ad-hoc* macroeconomic situations in different markets.

a.3) Investments in works of art

The Group is likewise exposed to market risks through its investments in works of art which are recognised within property plant and equipment (note 8). It is Group policy to obtain regular appraisals from independent third parties in order to identify potential unrealised losses.

5.2 Credit risk

The Group's exposure to credit risk is not significantly concentrated. To address credit risk on its accounts receivable, the Group takes a conservative approach, arranging credit insurance to cover sales to customers with lower credit ratings.

It only arranges derivatives and spot transactions with financial institutions with high credit ratings. The Group's risk management policies limit exposure to individual financial institutions.

At 31 December 2021, the Group's exposure to credit risk was limited mainly to the credit presented under *"Trade and other receivables*", with a gross carrying amount at year-end 2021 of 67,272 thousand euros (year-end 2020: 62,332 thousand euros). The Group has written 7,873 thousand euros of those receivables down for impairment (year-end 2020: 4,928 thousand euros) (note 12). The balance of receivables that were past due at 31 December 2021 amounted to approximately 17,253 thousand euros (year-end 2020: 14,618 thousand euros). Most of those receivables are past due by less than two months and the Group does not consider them non-performing as ordinary business developments can sometimes cause collection days that are not attributable to borrower solvency risk.

5.3 Liquidity risk

The Group takes a prudent approach to liquidity risk management, securing funding with long-term maturities on attractive terms and conditions, credit facilities with generous limits, some of which are not drawn down, for short-term funding purposes, receivables discounting facilities to front-load customer collections and reverse factoring agreements to facilitate supplier payments, all of which framed by a strategy of diversifying the Group's sources of financing, which include a variety of financial institutions, public institutions, the European Investment Bank, Spain's official credit institute (ICO) and the capital markets (the alternative fixed-income exchange, known as MARF) (notes 17 and 18). The combination of all these mechanisms provide the TUBACEX Group with a good liquidity buffer.

The Parent's directors do not expect to encounter liquidity tensions in the short term (note 2.8).

Note that the Group will settle its corporate income tax bill approximately six months from the reporting date.

The maturity profile of the Group's trade and other accounts payable is provided below:

	€ 000	
	2021	2020
Within 3 months	156,386	135,375
Between 3 and 12 months	50,384	22,563
Over 12 months	-	-
	206,770	157,938

5.4 Cash flow and fair value interest rate risk

The Group's interest rate risk stems from its current and non-current borrowings. Borrowings issued at floating rates of interest expose the Group to cash flow interest rate risk. The Group hedges its exposure to this risk factor mainly by arranging interest rate swaps (note 10). The Group's fixed-rate borrowings expose it to fair value interest rate risk.

The Group's current and non-current interest-bearing loans and other liabilities stood at 494,206 thousand euros at 31 December 2021 (year-end 2020: 484,067 thousand euros). In 2021 short-term bank financing averaged approximately 21 million euros (2020: approximately 88 million euros). Considering the balance drawn down, an increase or decrease of 5% in market interest rates would have decreased or increased profit before tax by 607 thousand euros, respectively (2020: 628 thousand euros). The Group also has other financial liabilities totalling 36,230 thousand euros (year-end 2020: 35,900 thousand euros).

Since the Group does not hold significant amounts of interest-earning assets, the income and cash flows generated by its operating activities are mostly protected from fluctuations in market interest rates.

The fair values of the various balances recognised on the consolidated statement of financial position do not differ significant from their carrying amounts at 31 December 2021 or 2020.

Fair value hierarchy disclosures

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Upon initial recognition, the fair value of the derivatives arranged by the Group is equivalent to their transaction price in the principal market (retail market).

For financial reporting purposes, the Group classifies its fair value measurements into levels 1, 2 or 3 depending on the extent to which the inputs used are observable and the significance of the various inputs to the overall fair value measurement, as outlined next:

- Level 1 – The inputs are based on quoted prices (unadjusted) in active markets for an identical instrument.

- Level 2 – The inputs are based on quoted prices in active markets for a similar instrument (other than level 1), quoted prices for identical or similar instruments in markets that are not active and valuation techniques for which all the significant inputs are observable in the market or can be corroborated using market-observable data.

- Level 3 – The inputs are not generally observable and reflect, in general, assumptions and estimates to determine the price of an asset or liability. The non-observable data used in the valuation models are significant with respect to the fair values of the assets and liabilities.

The Group believes that most of the inputs used to determine the fair value of its derivative financial instruments are level 2 inputs, including the data used to calculate the own and counterparty credit risk adjustments. Although the Group has made that determination, the credit risk adjustments use level 3 inputs, namely direct or comparable company credit ratings, to determine own credit risk and counterparty credit risk, which in turn determine the probability of default.

6. Segment reporting

6.1 Segment reporting criteria

The Group is internally organised around operating segments, as detailed below, which coincide with its core business units. The core business units sell different products and services and are managed separately since they rely on different technology and market strategies.

For more information about the Group's product portfolio, business markets and general sales terms and conditions, please refer to its corporate website.

6.2 Segment reporting – basis and methodology

Segment performance is measured on the basis of earnings before tax. Segment profit is the metric used as the key performance measure as the Group believes it is the most relevant to assessing certain segments' performance in relation to other players operating in the same businesses.

In keeping with the segment reporting rules prescribed in IFRS 8 Operating Segments, the TUBACEX Group has defined two business units as operating segments, based on the conclusion that their organisational and management structures and their internal reporting systems (to the board and executive teams) are such that their risks and performance are predominantly influenced by the fact of operating in one or other business area, the latter understood as the universe of related products and services. The segment criteria applied pinpoint the identifiable components of the TUBACEX Group that are characterised as being exposed to risk factors and performance drivers that are unique with respect to those of other business units which operate in different environments.

Against that backdrop, underpinned by its historical experience, the Group has identified the following segments:

- Seamless stainless steel tubing
- Carbon steel tubing

The attendant operating segment disclosures are provided below:

	€ 000					
	Stainless steel tubing		Carbon steel tubing		Consolidated total	
	2021	2020	2021 (*)	2020	2021 (*)(**)	2020 (**)
Total segment revenue	341,861	460,530	23,129	19,092	364,990	479,622
Depreciation, amortisation and impairment	(44,525)	(49,812)	(295)	(237)	(44,820)	(50,049)
Changes in inventories (note 11)	(7,045)	(20,172)	-	-	(7,045)	(20,172)
Finance income	2,341	1,572	146	140	2,487	1,712
Finance costs	(14,571)	(14,279)	(57)	-	(14,628)	(14,279)
Exchange gains/(losses)	927	(1,842)	-	-	927	(1,842)
Gain on bargain purchase	-	10,141	-	-	-	10,141
Cost of sales and other expenses	(321,410)	(414,054)	(18,995)	(17,437)	(340,405)	(431,491)
Segment profit/(loss) before tax	(42,422)	(27,916)	3,928	1,558	(38,494)	(26,358)
Income tax expense	3,488	1,532	(195)	(355)	3,293	1,177
Profit/(loss) for the year	(38,934)	(26,384)	3,733	1,203	(35,201)	(25,181)
Segment assets	1,041,788	993,934	-	44,987	1,041,788	1,038,921
Investments accounted for using the equity method	4	6	-	-	4	6
Total segment assets	1,041,792	993,940	-	44,987	1,041,792	1,038,927
Capital expenditure	18,425	17,465	-	1,742	18,425	19,207
Total segment liabilities	792,603	732,385	-	8,098	792,603	740,483

(*) As a result of the transaction outlined in note 2.6, the Company classified the carbon steel piping segment as a discontinued operation in 2021. Income and expenses from this business activity are present in a single line item, net of the tax effect, within "Profit/(loss) after tax for the year from discontinued operations." This heading also includes the after-tax gain or loss recognised upon measuring the assets or disposal groups constituting the discontinued operation at fair value less costs to sell.
(**) Prior to reclassification as a discontinued operation, as disclosed in note 2.6.

The operating segments are managed globally, as the Group does business worldwide; its main markets are Europe, the US and India. Within Europe it most important markets are Spain, Germany, Austria, France, Italy, Netherlands and the UK (note 2.6).

For geographical segment disclosure purposes, revenue is based on the geographical location of the customer, while the segment asset breakdown is based on the physical location of the assets.

The geographical segment disclosures are provided below:

a) The breakdown of revenue by geographical area in 2021 and 2020 (€ 000):

Geographical area	2021	%	2020	%
Spain	17,344	5%	26,271	6%
Germany	31,485	9%	52,929	11%
Italy	23,595	7%	35,338	8%
Norway	46,040	13%	43,921	10%
UK	13,294	4%	27,086	6%
France	26,464	8%	20,819	5%
Netherlands	11,240	3%	16,069	3%
Russia	8,158	2%	7,364	2%
Austria	20,067	6%	13,938	3%
Rest of Europe	38,832	11%	67,304	15%
Arab Emirates	10,097	3%	17,131	4%
US	52,069	15%	50,022	11%
Other	43,176	13%	82,338	18%
Total revenue	341,861	100%	460,530	100%

b) The breakdown of net investments in non-current assets by geographical area at year-end 2021 and 2020 (€ 000):

Geographical area	2021	%	2020	%
Spain	161,550	33%	170,796	34%
Rest of Europe	131,784	27%	126,997	25%
India	25,710	5%	27,552	5%
US	76,899	16%	84,316	17%
Thailand	4,136	1%	4,508	1%
Brazil	229	0%	229	0%
Dubai	57,533	12%	62,817	12%
Saudi Arabia	3,955	1%	5,945	1%
Singapore	4,095	1%	4,391	1%
Canada	8,376	2%	7,944	2%
Norway	8,560	2%	8,896	2%
Total non-current assets	482,827	100%	504,391	100%

7. <u>Intangible assets</u>

The reconciliation of the carrying amounts of the various items comprising intangible assets at the beginning and end of 2021 and 2020 (€ 000):

	Goodwill	Other intangible assets	Greenhouse gas emission allowances	Total
Cost:				
Cost at 1 January 2020	28,283	134,537	825	163,645
Additions	-	7,753	106	7,859
Additions to consolidation scope (note 2.6)	-	21,693	-	21,693
Derecognitions	-	(2,598)	-	(2,598)
Cost at 31 December 2020	28,283	161,385	931	190,599
Additions	-	8,182	127	8,309
Additions to consolidation scope (note 2.6)	-	-	-	-
Subsidiaries deconsolidated (note 2.6)	-	(312)	-	(312)
Derecognitions	-	(3,648)	-	(3,648)
Translation differences	(1,779)	-	-	(1,779)
Cost at 31 December 2021	26,504	165,607	1,058	193,169
Accumulated amortisation:				
Accumulated amortisation at 1 January 2020	(1,900)	(40,669)	-	(42,569)
Charges	-	(9,159)	-	(9,159)
Derecognitions	-	175	-	175
Accumulated amortisation at 31 December 2020	(1,900)	(49,653)	-	(51,553)
Charges	-	(7,263)	-	(7,263)
Subsidiaries deconsolidated (note 2.6)	-	312	-	312
Derecognitions	-	2,908	-	2,908
Accumulated amortisation at 31 December 2021	(1,900)	(53,696)	-	(55,596)
Accumulated impairment at 31 December 2020	(16,275)	(7,200)	-	(23,475)
Charges	-	-	-	-
Accumulated impairment at 31 December 2021	(16,275)	(7,200)	-	(23,475)
Carrying amount 31/12/2020	10,108	104,532	931	115,571
Carrying amount 31/12/2021	8,329	104,711	1,058	114,098

The most significant additions recognised in 2021 and 2020 related to the development of new products and more efficient working methods, as well as software developments related with information processing at the factory level.

The Group was not contractually committed to the purchase of any intangible assets at either year-end.

At year-end 2021, the original cost of fully-amortised intangible assets still in use, mainly software, was 22,034 euros (year-end 2020: 16,879 euros).

7.1 *Goodwill*

Goodwill breaks down as follows:

2021:

	31/12/2020	Translation differences	31/12/2021
Tubacex Tubes and Pipes Pvt Ltd	10,008	(1,779)	8,229
MIS	100	-	100
Total	10,108	(1,779)	8,329

2020:

	31/12/2019	31/12/2020
Tubacex Tubes and Pipes Pvt Ltd	10,008	10,008
MIS	100	100
Total	10,108	10,108

Goodwill allocated to Tubacex Tubes and Pipes Pvt Ltd

In the wake of the acquisition by Indian subsidiary Tubacex Tubes and Pipes Pvt Ltd of the production line of Prakash Steelage Pvt Ltd for 2,091 million rupees, the Group recognised the difference between the price paid and the net assets acquired - 708 million rupees (10,008 thousand euros) - as goodwill.

The recoverable amount of this CGU was determined based on value-in-use calculations. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The budgeted gross margin at the Indian subsidiary is based on management's expectations for the market's development. More specifically, the main valuation assumptions made by management include significant annual sales growth, an after-tax discount rate of 8.1% (2020: 8.1%) and a growth rate in perpetuity of 1.75% (2020: 1.75%), which is in line with the long-run growth rate observed in similar markets and geographies to those in which the CGU in question operates.

Based on the Group's estimates and projections, the projected net cash flows attributable to this CGU substantiate the carrying amount of the associated goodwill, which was accordingly not deemed impaired at 31 December 2021.

7.2 *Other intangible assets*

Intangible assets related with IBF

In 2015, the Group recognised the fair value of assets derived from the acquisition of IBF, S.p.A. under "Other intangible assets", specifically a trademark with an indefinite useful life and an agreement with a strategic customer, which the Group carried at 11.7 million euros at 31 December 2021 (year-end 2020: 2.2 million euros). Recognition of those assets triggered the recognition of a deferred tax liability in order to account for the transaction net of the corresponding tax effect (note 21) in the accompanying consolidated financial statements.

At year-end 2021, the Parent's directors tested the intangible asset corresponding to the IBF trademark for impairment. To measure its recoverable amount, they used the royalty-relief method, which consists of valuing the asset at the present value of the royalty income that could be generated by the trademark. The royalty income is discounted using a discount rate plus a premium to reflect the fact that the cash flows from the asset are subject to a higher degree of risk.

The main assumptions used to test the trademark for impairment:

- Sales projections based on financial budgets approved by management covering a four-year period.

- The directors estimated sales for 2022-2025 based on their outlook for the market, assuming that the current highly adverse situation in the commodities market is unsustainable in the long run.

- They believe that in the long term the assumptions used when purchasing IBF, S.p.A. regarding the company's market potential have not changed.

- The royalty rate modelled was 0.89%, which is similar to that used by the independent expert when it conducted the purchase price allocation procedure (2020: 0.89%).
- The projected cash flows were discounted at a rate of 10.10% (a weighted average cost of capital of 8.10% plus a risk premium of 2%) (2020: 9.68%).

Based on those tests, the Parent's directors concluded that at 31 December 2021, the IBF trademark was not impaired. However, it will continue to test this intangible asset at least annually.

As for the intangible asset related with the agreement with the strategic customer, as noted above, that asset was recognised at the time of the business combination and is associated with four orders that management expected to receive before 31 December 2021, which the Group has recognised at 2.2 million euros at year-end 2021. In 2021 the Group did not recognise any additional impairment losses against this intangible asset; in 2020 it recognised 4.8 million euros of impairment losses under "Asset depreciation, amortisation and impairment" in the consolidated statement of profit or loss.

The NTS trademark

In 2019 (note 2.6), following the acquisition of the NTS Group, the Group recognised trademarks and intangible assets associated with "Customer relationships" under "Other intangible assets" in the amounts of 41,799 and 10,617 thousand euros, respectively; the fair value of those assets was determined by an independent expert as part of the purchase price allocation process. Recognition of those assets triggered the recognition of a deferred tax liability in order to account for the transaction net of its tax effects.

As required under applicable accounting standards, the Group has tested the NTS trademark for impairment. The main assumptions used to test the trademarks for impairment:

- Sales projections for the next four years.

- The royalty rate modelled was 3.5%, which is similar to that used by the independent expert when it conducted the purchase price allocation procedure (2020: 3.5%).

- The cash flows were discounted at rates of between 15.4% and 16% (unchanged from 2020).

Amega West trademarks and customer relationships

As a result of the business combination completed in 2020 (note 2.6), the Group recognised trademarks and intangible assets associated with "customer relationships" within "Other intangible assets" in the amounts of 8,767 and 7,683 thousand euros at 31 December 2020, respectively; the fair value of those assets was determined by an independent expert as part of the purchase price allocation process. It also recognised the corresponding deferred tax liability in order to account for the transaction net of its tax effects. The preliminary accounting of that business combination finished in 2021 without resulting in any changes in the conclusions reached at year-end 2020.

As required under applicable accounting standards, the Group has tested the NTS trademark for impairment. The main assumptions used to test the trademarks for impairment:

- Sales projections for the next three years.

- The royalty rate modelled was 3%, which is similar to that used by the independent expert when it conducted the purchase price allocation procedure (2020: 3%).

- The cash flows were discounted at rates of between 17.2% and 18.4% (unchanged from 2020).

Norwegian Piping (TSS Norway) trademark

As a result of the business combination completed in 2020 (note 2.6), specifically the acquisition of TSS Norway (formerly, More Holdco AS), the Group recognised an intangible asset associated with the Norwegian Piping trademark in the amount of 5,063 thousand euros, along with the corresponding deferred tax liability in order to account for the transaction net of its tax effects. The preliminary accounting of that business combination finished in 2021 without resulting in any changes in the conclusions reached at year-end 2020.

As required under applicable accounting standards, the Group has tested the NTS trademark for impairment. The main assumptions used to test the trademarks for impairment:

- Five-year sales projections.

- The royalty rate modelled was 3%, which is similar to that used by the independent expert when it conducted the purchase price allocation procedure (2020: 3%).

- The cash flows were discounted at 17.3% (unchanged from 2020).

8. Property, plant and equipment

The reconciliation of the carrying amounts of the various items comprising property, plant and equipment at the beginning and end of 2021 and 2020:

	€ 000								
	Land	Buildings	Right-of-use assets - Buildings (note 3.4)	Plant and machinery	Right-of-use assets - Plant and machinery (note 3.4)	Other fixtures, tools, furniture and other PP&E:	Works of art (note 7)	Prepayments and PP&E in progress	Total
Cost:									
Cost at 1 January 2020	29,071	130,669	2,767	656,630	7,885	61,806	4,388	21,855	915,071
Additions	-	1,059	-	6,761	-	4,534	-	6,736	19,090
Additions to consolidation scope (note 2.6)	-	8,300	-	13,610	-	157	-	12	22,079
Derecognitions	-	(24)	-	(1,399)	-	(3,095)	-	(172)	(4,690)
Transfers	-	41	-	5,174	-	1,642	-	(6,993)	(136)
Translation differences	(867)	(1,469)	-	(4,116)	-	(357)	-	(310)	(7,119)
Cost at 31 December 2020	28,204	138,576	2,767	676,660	7,885	64,687	4,388	21,128	944,295
Additions	3	899	-	3,423	-	6,624	-	7,476	18,425
Subsidiaries deconsolidated (note 2.6)	(7,197)	(8,803)	-	(4,244)	-	(344)	-	(2,107)	(22,695)
Derecognitions	-	(184)	-	(3,087)	-	(3,200)	-	(37)	(6,508)
Transfers	-	-	-	5,873	-	2,149	-	(8,024)	(2)
Translation differences	-	168	-	(2,802)	-	(256)	-	(11)	(2,901)
Cost at 31 December 2021	21,010	130,656	2,767	675,823	7,885	69,660	4,388	18,425	930,614
Accumulated depreciation:									
Accumulated depreciation at 1 January 2020	-	(79,820)	(529)	(480,009)	(1,740)	(44,515)	-	-	(606,613)
Charges	-	(3,288)	-	(24,652)	-	(8,150)	-	-	(36,090)
Derecognitions	-	12	-	315	-	2,230	-	-	2,557
Translation differences	-	1,527	-	2,562	-	619	-	-	4,708
Accumulated depreciation at 31 December 2020	-	(81,569)	(529)	(501,784)	(1,740)	(49,816)	-	-	(635,438)
Charges	-	(3,002)	(152)	(16,995)	(3,058)	(14,055)	-	-	(37,262)
Subsidiaries deconsolidated (note 2.6)	-	6,434	-	3,933	-	318	-	-	10,685
Derecognitions	-	634	-	2,864	-	2,653	-	-	6,151
Translation differences	-	1,376	-	2,102	-	234	-	-	3,712
Accumulated depreciation at 31 December 2021	-	(76,127)	(681)	(509,880)	(4,798)	(60,666)	-	-	(652,152)
Accumulated impairment at 31 December 2020	-	-	-	-	-	-	(331)	-	(331)
(Impairment)/reversal during the year	-	-	-	-	-	-	-	-	-
Derecognitions	-	-	-	-	-	-	-	-	-
Accumulated impairment at 31 December 2021	-	-	-	-	-	-	(331)	-	(331)
Carrying amount at 31 December 2020	28,204	57,007	2,238	174,876	6,145	14,871	4,057	21,128	308,526
Carrying amount at 31 December 2021	21,010	54,529	2,086	165,943	3,087	8,994	4,057	18,425	278,131

The capital expenditure undertaken by the Group in 2021 was focused on driving growth in value-added products and services. More specifically, it invested in a new finishing facility in the factory in Austria which will enable growth in production of very high value-added products such as umbilical tubing solutions and extra-long, premium-quality tubes. The Group also continued to invest in a new factory in the US in order to consolidate its industrial facilities in that market. It also invested in new machinery and equipment at recent acquiree, NTS, with the aim of facilitating expansion of that investee's customer base and geographic footprint.

The main additions recognised in 2020, meanwhile, related to investments to install a new warehouse in Galicia, complete investment in a new factory in the US and buy new machinery for the NTS Group.

The Group's property, plant and equipment located outside of Spain at year-end (€ 000):

2021:

Description	Carrying amount (gross)	Accumulated depreciation	Accumulated impairment losses
Land and buildings	94,356	(33,582)	-
Plant and machinery	376,719	(253,557)	-
Other PP&E	33,884	(2,392)	-
PP&E in progress	12,062	-	-
Total	517,020	(289,531)	-

2020:

Description	Carrying amount (gross)	Accumulated depreciation	Accumulated impairment losses
Land and buildings	94,002	(32,749)	-
Plant and machinery	369,258	(247,270)	-
Other PP&E	29,468	(2,333)	-
PP&E in progress	11,472	-	-
Total	504,199	(282,351)	-

The breakdown at year-end of the original cost of fully-depreciated items of property, plant and equipment still in use (€ 000):

Description	Gross carrying amount	
	Year-end 2021	Year-end 2020
Buildings	54,064	54,064
Plant and machinery	326,872	323,856
Other fixtures, tools and furniture	15,969	13,643
Other PP&E	26,697	26,595
Total	423,602	418,158

Works of art

This heading includes artwork owned by the Parent. The TUBACEX Group engages an independent expert to appraise its artwork periodically. Those appraisal values are in line with the amounts at which the artwork was carried at year-end 2021 and 2020 (the last such appraisal was conducted in 2020). Works of art are not depreciated as they do not lose value with the passage of time. Under applicable accounting rules, artwork with such characteristics only fits into the property, plant and equipment category.

The following assets presented within property, plant and equipment (notes 3.1 and 8) are not used directly in the Group's business operations (€ 000):

Description	2021			2020		
	Cost	Impairment	Total	Cost	Impairment	Total
Works of art	4,388	(331)	4,057	4,388	(331)	4,057

There were no movements under these assets in 2021 or 2020.

Asset impairment

In the context of its business plan, the Group tested each of its cash-generating units for impairment. The Group's management determined the recoverable amounts of its CGUs based on value-in-use calculations. Those calculations use cash flow projections based on financial budgets approved by management covering a four-year period. Management determined budgeted gross margins based on past performance and its market development expectations. Cash flows beyond the four-year period were extrapolated using growth in perpetuity rates of between 1.5% and 2%. The cash flow projections were discounted at an after-tax rate of 8.1% which reflects the risks specific to the businesses carried on by the investees, underpinned by the understanding that the market is global in nature, so permitting the use of similar assumptions to discount different assets.

The Group conducted impairment tests for Tubacex Tubos Inoxidables, S.A.U. and Acería de Álava, S.A., where the terminal value represents 0% of the total recoverable amount; for IBF SpA., where the terminal value represents 10% of the total recoverable amount; and for Tubacex Tubes and Pipes Pvt Ltd, where the terminal value represents 49% of the total recoverable amount.

An increase/decrease in the discount rate of 0.5% would not result in any impairment losses.

Other information

The directors believe there were no indications that the rest of the Group's assets were impaired at either 31 December 2021 or 2020.

At 31 December 2021, none of the amounts recognised under "Trade and other accounts payable" in the accompanying consolidated statement of financial position was pending payment to fixed asset suppliers (966 thousand euros at year-end 2020)(note 19).

Capital expenditure contracted for the end of the reporting period amounted to 4,400 thousand euros (372 thousand euros at year-end 2020).

The Group had not mortgaged any items of its property, plant or equipment at either year-end.

It is Group policy to take out the insurance policies necessary to cover the potential risks to which the various items of its property, plant, and equipment are exposed. The coverage existing at both year-ends is deemed sufficient to cover these risks.

The Group did not carry any material assets at fair value at either year-end.

9. <u>Financial assets</u>

This consolidated statement of financial position heading breaks down as follows:

2021:

	€ 000			
	31 December 2021			
	Fair value through profit or loss	Fair value through other comprehensive income	At amortised cost	Total
Equity instruments	3,917	-	-	3,917
Other financial assets	-	48	801	849
Non-current	3,917	48	801	4,766
Other financial assets	16,855	-	645	17,500
Current	16,855	-	645	17,500
Total	20,772	48	1,446	22,266

2020:

	€ 000			
	31 December 2020			
	Fair value through profit or loss	Fair value through other comprehensive income	At amortised cost	Total
Equity instruments	3,811	-	-	3,811
Other financial assets	-	48	798	846
Non-current	3,811	48	798	4,657
Other financial assets	25,769	-	908	26,677
Current	25,769	-	908	26,677
Total	29,580	48	1,706	31,334

In the wake of the business combination completed in Italy in 2015, the Tubacex Group acquired (unlisted) shares in certain companies through IBF SpA. The main balances at year-end:

Company name	%	Carrying amount 2021	Carrying amount 2020	Capital	Profit/(loss)	Capital and reserves
COPROSIDER Srl (*)	39%	39	39	100	120	4,333
Total		39	39			

(*) Figures as per the financial statements at 31 December 2021.

"Other financial assets" includes a loan extended to Coprosider Srl in the amount of 644 thousand euros (year-end 2020: 644 thousand euros) (note 25).

The Company has invested some of its surplus cash in investment funds, in the amount of 16,855 thousand euros at 31 December 2021 (25,754 thousand euros at year-end 2020), which are recognised under “Current financial assets”; those assets generated net finance income as a result of movements in their fair value of 433 thousand euros in 2021; that income is recognised within “Finance income” in the accompanying consolidated statement of profit or loss in 2021 (2020: 110 thousand euros).

10. Derivative financial instruments

The breakdown of the Group’s derivative financial instruments at year-end:

2021:

	Notional amount		€ 000			
			Assets		Liabilities	
	Amount in ‘000	Unit	Non-current	Current	Non-current	Current
Derivatives held for trading						
Forward sale of USD	6,003	USD	-	-	-	(157)
Forward sale of GBP	2,470	GBP	-	-	-	(49)
Forward purchase of USD	19,440	USD	-	132	-	-
			-	132	-	(206)
Hedging derivatives						
Cash flow hedges						
Interest-rate swaps	76,875	EUR	184	6	(10)	(206)
Forward sale of USD	11,956	USD	-	-	-	(232)
Forward sale of GBP	3,385	GBP	-	-	-	(2)
Forward sale of SEK	6,700	SEK	-	-	-	(13)
Purchase/sale of commodities		EUR	-	45	-	(896)
			184	51	(10)	(1,348)
			184	183	(10)	(1,555)

2020:

	Notional amount		€ 000			
			Assets		Liabilities	
	Amount in ‘000	Unit	Non-current	Current	Non-current	Current
Derivatives held for trading						
Forward sale of USD	5,159	USD	-	268	-	-
Forward sale of GBP	1,162	GBP	-	13	-	-
Forward purchase of USD	12,033	USD	-	-	-	(511)
			-	281	-	(511)
Hedging derivatives						
Cash flow hedges						
Interest-rate swaps	76,875	EUR	13	-	(648)	(199)
Forward sale of USD	11,956	USD	-	414	-	-
Forward sale of GBP	15	GBP	-	-	-	-
Purchase/sale of commodities		EUR	-	-	-	(245)
			13	414	(648)	(444)
			13	695	(648)	(955)

These financial instruments are classified into the categories stipulated in IFRS 9; for fair value hierarchy purposes, note that the valuation method used relies on unquoted prices obtained from observable markets.

10.1 Foreign currency forward contracts

As indicated in note 2.3, the Group's functional currency is the euro. To manage its foreign currency risk, mainly its exposure to the US dollar, the Group has forward agreements for the purchase and sale of currencies to cover its import and export activities, respectively.

At 31 December 2021, the Group had forward currency sale contracts not accounted for as hedges in the amount of 8,013 thousand euros (year-end 2020: 5,770 thousand euros). The notional amount of forward currency contracts held for trading stood at 6,003 thousand US dollars (year-end 2020: 5,159 thousand US dollars) and 2,470 thousand pounds sterling (year-end 2020: 1,162 thousand pounds sterling). Despite not being designated as hedges, in all instances, however, those derivatives were arranged to hedge currency sales.

The breakdown by currency of the notional amounts of the forward currency sales contracts at year-end:

	€ 000			
	2021		2020	
	USD	GBP	USD	GBP
Within one year	5,129	2,884	4,468	1,302

Elsewhere, at year-end 2021, the Group had written forward currency purchase contracts held for trading over a notional amount of 17,005 thousand euros (year-end 2020: 10,302 thousand euros). Those contracts were written over a notional amount of 19,440 thousand US dollars (year-end 2020: 12,033 thousand US dollars). Despite not being designated as hedges, in all instances, however, those derivatives were arranged to hedge currency purchases.

The breakdown by currency of the notional amounts of the forward currency purchase contracts at year-end:

	€ 000	
	USD	
	2021	2020
Within one year	17,005	10,302

The fair values of these foreign currency contracts were estimated by discounting their cash flows using forward exchange rates gleaned from public sources.

10.2 Futures contracts written over commodities

To hedge the risk of volatile nickel prices, the Group arranges futures contacts over that commodity.

Specifically, at year-end, the Group had several unexpired nickel sale and purchase futures. At 31 December 2021, the Group recognised a derivative on the asset side of its consolidated statement of financial position of 45 thousand euros under "Derivative financial instruments" (a liability position of 245 thousand euros at year-end 2020), the associated deferred tax liability of 11 thousand euros under "Deferred tax liabilities" (a deferred tax asset of 59 thousand euros at year-end 2020) and the corresponding positive impact on equity of 34 thousand, which was recognised within “Valuation adjustments – Hedging transaction” (negative impact of 186 thousand euros at year-end 2020).

In parallel, the Group also recognised a derivative on the liability side of 896 thousand euros under “Derivative financial instruments”, the associated deferred asset of 215 thousand euros under “Deferred tax assets” and the corresponding negative impact on equity of 681 thousand, under “Valuation adjustments - Hedging transactions ”.

The fair values of the contracts over nickel prices are estimated using discounted cash flow methodology based on the difference between market nickel prices gleaned from public sources of information at year-end and the fixed prices locked in under the various futures contracts.

10. Interest-rate swaps

The Group writes interest rate swaps to hedge its exposure to floating rates of interest. The breakdown of the interest rate swaps outstanding at year-end:

2021:

Notional amount € 000	Start date	End date	Interest rate
1,875	4 June 2019	29 May 2024	0.09%
26,000	20 June 2022	20 June 2027	-0.03%
30,000	20 January 2020	20 January 2028	0.30%
7,500	5 June 2020	21 April 2025	0.00%
3,000	21 October 2020	21 October 2026	0.00%
2,000	4 January 2021	30 November 2026	0.25%

2020:

Notional amount € 000	Start date	End date	Interest rate
1,500	1 November 2017	1 May 2021	0.45%
2,500	20 February 2017	20 May 2021	0.946%
1,250	31 March 2017	31 March 2021	0.995%
2,625	4 June 2019	29 May 2024	0.09%
26,000	20 June 2022	20 June 2027	-0.027%
30,000	20 January 2020	20 January 2028	0.295%
2,500	16 July 2017	16 July 2021	0.9142%
7,500	5 June 2020	21 April 2025	0%
3,000	21 October 2020	21 October 2026	0%

10.4 Cash flow hedges

The amount of cash flow hedges reclassified from equity to profit or loss and the breakdown of the headings of the consolidated statement of profit where they’ve been recognised:

	€ 000	
	Profit/(loss)	
	2021	2020
Interest-rate swaps:		
- Finance income/(cost)	(190)	(230)
Foreign currency hedges:		
- Exchange gains/(losses)	971	1,400
	781	1,170

The interest expense generated by the interest rate swaps that expired in 2021 were recognised under "Finance costs" in the accompanying consolidated statement of profit or loss.

The Group layers adjustments for credit risk in order to reflect own credit risk and counterparty credit risk into its fair value estimates using generally accepted valuation models.

Specifically, to determine those credit risk adjustments, the Group uses a technique based on the calculation, using simulations, of the total expected exposure (which therefore includes current and potential exposure), adjusted for the probability of default over time and the loss given default assigned to the Group and each of its counterparties. The total expected exposure of derivatives is obtained using observable market inputs such as yield, currency and volatility curves, factoring in market conditions at the measurement date.

11. Inventories

The breakdown of this consolidated statement of financial position heading at the end of 2021 and 2020 is as follows:

	€ 000	
	2021	2020
Goods for resale	-	13,816
Raw materials and other consumables	137,106	114,170
Work in progress and semi-finished goods	76,989	55,315
Finished goods	126,214	109,468
Prepayments to suppliers	4,263	1,225
Impairment	(31,064)	(30,498)
	313,508	263,496

The raw materials, other consumables and goods for resale recognised as an expense in 2021 and 2020:

	€ 000	
	2021	2020
Raw materials, other consumables and goods for resale used		
Net purchases	154,425	192,338
Change in inventories	(12,595)	20,458
	141,830	212,796

The movement in the allowance for impairment of inventories in 2021 and 2020 is shown below (€ 000):

2021:

	Opening balance	Additions	Unused amounts reversed	Closing balance
Goods for resale, raw materials and goods held for conversion	18,092	-	(3,475)	14,617
Work in progress	3,111	-	(1,793)	1,318
Finished goods	9,295	5,835	-	15,130
Impairment of inventories	30,498	5,835	(5,268)	31,065

2020:

	Opening balance	Additions	Unused amounts reversed	Closing balance
Goods for resale, raw materials and goods held for conversion	16,322	1,964	(194)	18,092
Work in progress	2,917	252	(58)	3,111
Finished goods	11,802	24	(2,531)	9,295
Impairment of inventories	31,041	2,240	(2,783)	30,498

Net purchases included the purchase of the following inventories in currencies other than the euro:

Currency	€ 000	
	2021	2020
USD	75,725	80,338
INR	28,531	19,456
THB	1,703	2,863

12. <u>Trade and other receivables</u>

The breakdown of this consolidated statement of financial position heading at year-end is as follows:

	€ 000	
	2021	2020
Trade receivables	67,262	62,332
Trade receivables, related parties (note 25)	765	554
Miscellaneous receivables	9,816	6,926
Taxes receivable (note 21)	14,903	13,936
Current tax assets (note 21)	-	611
	92,756	84,359
Less: impairment	(7,873)	(4,928)
Total trade and other receivables	84,883	79,431

The impairment allowances for trade and other receivables as at 31 December reconcile to the opening loss allowances as follows:

	€ 000	
	2021	2020
Opening balance	4,928	5,562
Additions (notes 3.5 and 23)	3,245	987
Unused amounts reversed (notes 3.5 and 23)	-	(111)
Receivables written off during the year as uncollectable	(300)	(1,510)
Closing balance	7,873	4,928

The year-end balances receivable from the tax authorities break down as follows:

	€ 000	
	2021	2020
Taxes receivable from the authorities:		
VAT	13,475	13,361
Other items	1,428	575
	14,903	13,936

13. Cash and cash equivalents

This consolidated statement of financial position heading breaks down as follows:

	€ 000	
	2021	2020
Cash at bank and in hand	140,489	159,245
	140,489	159,245

This heading essentially includes cash, short-term bank deposits and commercial paper with an original maturity of three months or less. The amounts on deposit at banks are remunerated at market rates of interest. There are no restrictions on these balances.

14. Equity

14.1 Capital

On 24 June 2021, the Parent's shareholders agreed in general meeting to reduce the Company's share capital by 1,800,000 euros by means of the cancellation of the 4,000,000 own shares held as treasury stock at the time (equivalent to 3% of share capital), delegating execution of the resolution in the Board of Directors. The Board approved the transaction on 22 July 2021.

At year-end 2021, the Parent's share capital was made up of 128,978,782 ordinary shares, represented by book entries, each with a par value of 0.45 euros, all fully paid. All of the shares carry identical voting and dividend rights except for the own shares held as treasury stock: voting rights on those shares are suspended and dividend entitlements are divided proportionately among the rest of the Company's shares.

The Company's shares are traded on the Spanish stock exchange.

There are no restrictions on the transfer of the shares.

At both year-ends, Mr. Jose María Aristrain de la Cruz held an 11% interest; no other shareholders held stakes of more than 10%.

14.2 Share premium

This reserve is freely distributable.

14.3 Revaluation reserves

The breakdown of the revaluation reserves legally endowed:

	€ 000	
	2021	2020
Revaluation reserve as per Regional Law 4/1997	3,763	3,763

The Group revalued its property, plant and equipment on 31 December 1996 as permitted under applicable company law.

The period for inspection by the tax authorities having duly prescribed, this reserve can be earmarked, without becoming taxable, to:

- Offsetting prior-year losses.

- Increasing capital, having first offset any accumulated losses recognised on the statement of financial position and duly endowed the legal reserve.

- Restricted reserves in respect of any balance pending utilisation.

14.4 Other reserves

The breakdown of "Other reserves" at year-end:

	€ 000	
	2021	2020
Reserves in the parent company	22,050	22,050
Reserves in fully-consolidated companies	144,351	183,927
Total	166,401	205,977

Legal reserve:

The Spanish Corporate Enterprises Act stipulates that 10% of profit for each year be transferred to the legal reserve until it represents at least 20% of share capital. The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase. Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

That reserve was fully endowed at both year-ends.

Other parent company reserves:

These are voluntary, unrestricted reserves.

14.5 Own shares

At year-end the Parent and other members of the consolidated group held the following shares of the Parent as treasury shares:

2021:

	No. of shares	Par value (€ 000)	Average purchase price (€)	Total purchase cost (€ 000)
Own shares at year-end 2021	5,801,630	2,611	1.80	10,424

2020:

	No. of shares	Par value (€ 000)	Average purchase price (€)	Total purchase cost (€ 000)
Own shares at year-end 2020	7,378,668	3,320	2.43	13,530

In 2019, the Board of Directors approved a new incentive plan that partially affected own shares (notes 3.13 and 14.6).

Also in 2019, the Company entered into a liquidity agreement with JB Capital Markets, Sociedad de Valores, S.A., which was duly notified to the securities market regulator. Under the scope of that agreement, the Company acquired 3,616,717 own shares at an average price of 1.65 euros per share and sold 1,193,755 shares at an average price of 1.60 euros per share between 1 January 2021 and 31 December 2021.

The reconciliation of the opening and year-end own share balances in 2021 and 2020:

2021:

	31/12/2020	Purchases	(Sales)	Shares cancelled	31/12/2021
Own shares	13,530	5,864	(2,003)	(6,967)	10,424

2020:

	31/12/2019	Purchases	(Sales)	31/12/2020
Own shares	8,502	6,641	(1,613)	13,530

The Group recognised the consideration received on the sale of own shares, in the amount of 176 thousand euros (2020: 299 thousand euros), directly in equity, against “Voluntary reserves”.

14.6 Other equity instruments

On 25 May 2016, the Board of Directors and the Company's shareholders approved the following transactions under the scope of a long-term incentive plan (note 3.11):

- The grant of options to the CEO to purchase up to 500,000 shares for 2 euros each with an initial exercise date of 31 March 2018.

- The grant of loans to nine senior executives for the acquisition of 1,200,000 shares for 2 euros with a limit per person of 120,000 shares. Those loans were initially due on 31 March 2018, which is when they were due to be settled in full either in cash or by delivering the Parent all of the shares acquired in 2016. During the term of the loans, the Company would hold a pledge right over the shares and the borrowers would not be allowed to avail of, transfer, dispose of or encumber the shares acquired pursuant to the loans without the prior written consent of the Parent. Termination of the employment relationship with the borrower at the behest of the latter would trigger the requirement to prepay the loan.

At the Parent's Annual General Meeting of May 2018, it was agreed to extend the entire plan to 31 March 2019.

Subsequently, at the Annual General Meeting held in May 2019, it was agreed to extend the period for exercising the options until 31 March 2023 or 31 March 2024, at the choice of the beneficiary.

Those share option plans materialised in the execution of a contract with the CEO and a series of contracts with identical terms with each of the 10 members of the senior management team.

It was agreed at that same Annual General Meeting in May 2019 to award new long-term incentive plans to both the CEO and the members of the senior executive team in the same amounts and with the same maturities as the previous plan.

To measure those stock option plans, the Parent - with the help of an independent expert - used the binomial trees (the Cox, Ross and Rubinstein model), a method that assumes that share price movements are made up of a high number of small binomial movements. That method is widely used in the financial community to value options in order to include the impact of market conditions on the value of equity instrument grants. The main assumptions used were as follows:

- The 5-year interest rate at the measurement date was 0.031%.

- To determine the dividend per share, it was assumed that the dividend yield would hold steady in the coming years.

- To determine share price volatility, the historical volatility for the last 260 sessions was used.

To determine the total cost of the plan and the cost to be recognised in 2021, the Parent's directors assumed:

- That all of the beneficiaries would meet the requirements for entitlement to the shares.

- A vesting period until 31 March 2023/2024.

Based on those assumptions, the directors estimated the value of the total amount accrued under those plans as at year-end at 1,862 thousand euros (year-end 2020: 1,390 thousand euros). As outlined in note 3.11, the Parent recognises the services provided by the plan beneficiaries on an accrual basis, allocating the fair value of the equity instruments granted over the plan vesting period, a treatment that implied the recognition of a charge of 472 thousand under “Other reserves of the parent and entities accounted for using the full consolidation and equity methods” in the consolidated statement of financial position at year-end 2021 and a credit to “Other equity instruments” in equity, likewise at 31 December 2021 (charge of 473 thousand euros under “Other reserves of the parent and entities accounted for using the full consolidation and equity methods” in the consolidated statement of financial position at year-end 2020 and a credit to “Other equity instruments” in equity, likewise at 31 December 2020).

14.7 Valuation adjustments

Breakdown and reconciliation

The breakdown and reconciliation of the carrying amounts of the various items comprising other comprehensive income at the beginning and end of 2021 and 2020:

	€ 000			
	Translation differences	Cash flow hedges	Tax effect	Net
Balance at 31 December 2019	6,512	578	(39)	7,051
Income and expense generated during the year	(14,068)	(627)	150	(14,545)
Amounts reclassified to profit or loss	-	(1,170)	281	(889)
Balance at 31 December 2020	(7,556)	(1,219)	392	(8,383)
Income and expense generated during the year	1,274	762	(183)	1,853
Amounts reclassified to profit or loss	-	(781)	187	(594)
Balance at 31 December 2021	(6,282)	(1,238)	396	(7,124)

Translation differences:

Devaluation of the US dollar and Indian rupee in 2020 had the effect of eroding the value of the net assets denominated in those currencies with an impact on equity of 14,068 thousand euros. The tax effect corresponds to the Group’s cash flow hedges.

14.8 Capital management policies

The Group's capital management objectives are to safeguard its ability to continue as a going concern in order to generate further returns for its shareholders and benefits for all its stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group can adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

In line with other players in its sector, the TUBACEX Group monitors its capital structure on the basis of its leverage ratio. It calculates leverage by dividing net debt by total equity. Net debt is the sum of the Group’s current and non-current loans and other interest-bearing liabilities, less cash, cash equivalents and current financial assets.

The leverage ratios so calculated by management for year-end 2021 and 2020:

	€ 000	
	2021	2020
Total bank borrowings (note 17)	494,206	484,067
Less: cash, cash equivalents and current financial assets (notes 9 & 13)	(157,989)	(185,922)
Net debt	336,217	298,145
Equity	249,189	298,444
Leverage ratio	135%	100%

14.9 Non-controlling interests

The reconciliation of non-controlling interests in the equity of the following Group companies at the beginning and end of 2021 and 2021 by component of equity:

	€ 000
Balance at 31 December 2019	48,156
Recognised income and expense	
Profit/(loss) for the year	122
Additions to consolidation scope (note 2.6)	9,301
Other changes	3
Balance at 31 December 2020	57,582
Recognised income and expense	
Loss for the year	(2,989)
Additions to consolidation scope (note 2.6)	-
Acquisition of non-controlling interests (note 2.6)	(2,818)
Balance at 31 December 2021	51,775

The most significant movement in 2021 was the acquisition of the non-controlling interests in Tubacex Tubes and Pipes Pvt Ltd, so increasing the Group's ownership interest in that subsidiary from 67.53% to 100% (note 2.6).

In 2020 the most significant changes were attributable to the business combinations completed that year, as outlined in note 2.6.

15. Provisions

Non-current provisions

The Group has recognised provisions at the estimated amount of its probable and certain tax debts and other liabilities as a result of litigation in progress and in respect of termination benefits or outstanding obligations of uncertain amount and sureties and other similar guarantees for which the exact amount of the corresponding payment either cannot be determined or for which the actual settlement date depends on the delivery of certain terms and conditions. The amount provided in 2021 and 2020 amounted to 1,650 thousand euros, a figure the directors deem adequate.

This heading likewise includes provisions for potential environmental damages in the amount of 671 thousand euros (1,170 thousand euros at year-end 2020) (note 28).

Current provisions

The reconciliation of current provisions at the beginning and end of 2021 and 2020 (€ 000):

	Current provisions
Balance at 31 December 2019	6,229
Charges	1,324
Additions to consolidation scope (note 2.6)	10,618
Amounts utilised	(1,830)
Unused amounts reversed	(73)
Balance at 31 December 2020	16,268
Charges	-
Subsidiaries deconsolidated (note 2.6)	(24)
Amounts utilised	(8,079)
Unused amounts reversed	-
Balance at 31 December 2021	8,165

"Current provisions" include provisions recognised to cover possible contingencies derived from commercial relationships in the amount of 5,373 thousand euros (year-end 2020: 3,307 thousand euros). The definitive amounts payable will depend on the final outcome of the negotiations ongoing with the corresponding customers; they have been quantified on the basis of the best information available at the end of the reporting period.

Guarantees extended

The Group has extended bank sureties to guarantee its performance under certain contracts obtained in the ordinary course of business totalling 87,185 thousand euros (year-end 2020: 72,211 thousand euros). Of the total extended at 31 December 2021, 49,707 thousand euros corresponded to the contract in Iran (year-end 2021: 51,920 thousand euros) (note 2.4). The Parent's directors believe that the probability of a significant liability materialising as a result of these sureties is remote.

16. Deferred income

In December 2018, Tubacex Durant, Inc. entered into an agreement with US Bancorp Community Development Corporation ("USBCDC"), a corporation based in Minnesota, covering the development, construction and fit-out of a facility in Durant (Oklahoma). Under the scope of that agreement, USBCDC made a capital contribution to USBCDC Investment Fund 272, LLC, a limited-liability company in Missouri (the "Fund") in the amount of 10.9 million dollars (equivalent to 9.5 million euros).

The agreement is part of a tax incentive scheme (the NMTC Program) contemplated in the Community Renewal Tax Relief Act of 2000, which is designed to foster investment in qualifying low-income communities in the United States. That Act gives qualifying tax payers credit (the new markets tax credit or "NMTC") against Federal income tax of up to 39% of the cost of investments made in designated Community Development Entities ("CDEs"). CDEs are privately managed entities that are certified to invest in the qualifying low-income communities. As a result of the funds contributed by USBCD, totalling 10.9 million dollars, USBCDC will be entitled to claim 13.3 million dollars (equivalent to 11.6 million euros) of tax credit during the seven-year period contemplated in the above Act (the "recapture period").

As a result, having recognised the sum of 1,248 thousand euros in profit or loss, the Group continued to recognise 5,945 thousand corresponding to the contribution made by USBCDC to the Fund, net of fees, at 31 December 2021 (year-end 2020: 7,193 thousand euros), this being the main component of this heading. The remaining balance corresponds to a number of grants for assets received by members of the consolidated group.

17. Current and non-current bank borrowings

The breakdown of this consolidated statement of financial position heading at the end of 2021 and 2020 is as follows:

	€ 000	
	2021	2020
Non-current:		
Bank borrowings	175,331	205,015
Notes and other marketable securities	28,755	17,702
Non-current credit facilities	69,928	29,805
	274,014	252,522
Current:		
Notes and other marketable securities	159,974	178,959
European Investment Bank	8,125	8,125
Current credit facilities	4,978	2,317
Current portion of non-current loans	40,158	36,561
Discounted bills (note 3.5)	-	208
Trade finance (note 3.5)	4,807	3,242
Interest	2,150	2,133
	220,192	231,545

As in prior years, the TUBACEX Group, through its Parent, renewed its 200-million-euro commercial paper programme, which is listed on Spain's alternative fixed-income market - MARF. In connection with that programme, on 8 September 2020, the Company entered into a contract under the scope of the state loan guarantee scheme rolled out in response to the economic crisis induced by the pandemic with the aim of issuing commercial paper secured 70% by Spain's official credit institute, Instituto de Crédito Oficial, E.P.E. ("ICO"). At 31 December 2021 the Group had 159,974 thousand euros of commercial paper due within less than one year from the reporting date and 13,755 euros due in 2023. The average interest rate on the commercial paper outstanding at 31 December 2021 was 1.08% (0.63% at year-end 2020). All of the Group's commercial paper is recognised under "Notes and other marketable securities" within non-current and current liabilities on the accompanying consolidated statement of financial position.

In addition, in 2019, the TUBACEX Group registered its "EUR 100,000,000 Senior Unsecured Notes Programme Tubacex, S.A. 2019" on MARF. Under that notes programme, in March 2020 the Group issued 15,000 thousand euros of notes which remained outstanding at 31 December 2021. In July 2020 the Group increased the size of the notes programme to 150 million euros.

In 2015 and 2016 the Group received financing from the European Investment Bank (EIB). The balance outstanding under that loan stood at 32.5 million euros at 31 December 2021 (52 million euros at year-end 2020).

In addition, in December 2018, the Group secured 30 million euros of investment financing from "Compañía Española de Financiación del Desarrollo" ("COFIDES") for financing investment projects. The balance outstanding under that loan stood at 30 million euros at 31 December 2021 (30 million euros at year-end 2020).

Lastly, the Group has 30 million euros of borrowings from Instituto de Crédito Oficial “ICO”. The balance outstanding under that loan stood at 30 million euros at 31 December 2021 (30 million euros at year-end 2020).

The Group is bound by a series of financial covenants as a result of the above borrowing agreements. At the date of authorising these consolidated financial statements for issue, faced by the likelihood of breaching some of those covenants, the Parent had obtained (prior to year-end) waivers from the EIB, COFIDES and ICO.

In 2020, the TUBACEX Group, through its Parent, arranged bilateral loans under a framework agreement with a number of financial institutions totalling 60,500 thousand euros, of which 70% is guaranteed by ICO, as contemplated in Royal Decree-Law 8/2020 (of 17 March 2020) on urgent measures designed to mitigate the economic and social fallout from COVID-19. In December 2020 it arranged a new bilateral loan of 2,700 thousand euros, this time availing of ICO’s Covid-19 Investment Surety Facility. The grace period on those loans was extended in 2021 from 12 to 24 months.

In 2021, Tubacex, S.A. also arranged a new loan in the amount of 20 million euros.

Lastly, the Group has additional loans, arranged in prior years with a number of banks, totalling 48 million euros.

The carrying amount of those loans and other interest-bearing liabilities is a good proxy for their fair value.

The maturity analysis for the Group’s loans and other interest-bearing liabilities showing the remaining contractual maturities at year-end is provided below:

	€ 000	
Maturity	2021	2020
One year	220,192	231,545
Two years	107,309	57,469
Three years	66,428	61,137
Four years	73,975	41,559
Five years	12,802	54,849
Beyond	13,500	37,508
	494,206	484,067

The weighted average interest rate on bank borrowings was approximately EURIBOR + 2% in 2021 (2020: EURIBOR + 1.76%).

In 2020 the Group also renewed previously arranged credit facilities with a limit of 71,260 thousand euros that are 60% secured by ICO. Those refinancings included term extensions from one year to maturities of between two and five years.

Under the Extraordinary Covid-19 Working Capital Facility, in 2020, the Group refinanced a 6,500-thousand-euro credit facility featuring a guarantee from insurer CESCE over 70% of the balance outstanding, extending its maturity from one to three years. Tubacex also arranged a new 5,000-thousand-euro two-year credit facility.

At year-end 2021, the Group had drawn down 69,928 thousand euros under its non-current credit facilities.

It had also drawn down 4,978 thousand euros under current credit facilities.

At 31 December 2021, the Group had undrawn foreign trade finance and credit facilities totalling 9,993 thousand euros and 13,602 thousand euros, respectively (year-end 2020: 12,058 thousand euros and 59,501 thousand euros).

The weighted average interest rate on the Group's credit facilities was approximately EURIBOR + 1.74% in 2021 (2020: EURIBOR + 1.1%).

18. Other financial liabilities

The breakdown of "Other financial liabilities" at year-end:

	€ 000	
	2021	2020
Non-current:		
Repayable long-term loans	232	1,878
Loan from IVF (Basque finance institute)	2,385	3,407
Lease liabilities (IFRS 16)	8,264	7,427
Other (note 14.9)	7,965	7,790
	18,846	20,502
Current:		
Loans other than from banks	16,986	15,000
Other	398	398
	17,384	15,398
	36,230	35,900

The loan extended by Instituto Vasco de Finanzas ("IVF")matures in 2028.

19. Trade and other payables

Trade and other payables break down as follows at year-end:

	€ 000	
	2021	2020
Trade payables	151,221	114,137
Other accounts payable:		
Employee benefits payable	10,301	17,284
Taxes payable (note 21)	11,741	10,464
Other liabilities	32,316	14,569
	54,358	42,317
Current tax liabilities (note 21)	1,191	1,484
	206,770	157,938

The Group has a series of reverse factoring agreements in place with a number of financial institutions. The trade payables whose settlement is managed by those financial institutions are recognised under "Trade and other accounts payable" on the consolidated statement of financial position insofar as the Group has only transferred payment management to those entities, while the Group remains the primary obligor for payment of the debts assumed vis-a-vis its suppliers. At 31 December 2021 the Group had an outstanding balance of 71.8 thousand euros of this form of supply chain financing compared to a limit of 96.5 thousand euros (year-end 2020: drawdown of 56.3 thousand euros and limit of 99.5 thousand euros).

"Other liabilities" mainly includes down payments received from customers at year-end.

Information on late payments to suppliers. Additional Provision Three - "Disclosure requirements" of Law 31/2014

Below are the disclosures required under final provision two of Law 31/2014, of 3 December 2014, prepared in accordance with the related Resolution issued by the Spanish Audit and Accounting Institute (ICAC) on 29 January 2016:

	2021	2020
Average supplier payment term	83	105
Paid transactions ratio	79	119
Outstanding transactions ratio	189	43
Total payments made	34,694	100,220
Total payments outstanding	1,799	23,135

The data provided in the table above regarding payments to suppliers made by the Parent and its Spanish subsidiaries refer to suppliers which qualify as trade creditors in respect of amounts due in exchange for goods and services supplied, to which end it includes the amounts presented under “Trade and other payables - Trade payables" within current liabilities on the accompanying consolidated statement of financial position.

"Average supplier payment term" is the time taken to pay or the delay in settling trade debt. That term is calculated by dividing the sum of the paid transactions ratio times total payments made plus the outstanding transactions ratio times total payments outstanding by the sum of total payments made and total payments outstanding.

The paid transactions ratio is calculated by dividing the sum of the payments made times the days of payment (the number of calendar days elapsing between the end of the legal deadline for making payment until effective payment for the transactions) by the total amount of payments made.

Lastly, the outstanding transactions ratio is calculated by dividing the sum of the payments outstanding times the days payable outstanding (the number of calendar days elapsing between the end of the legal deadline for making payment until the reporting date) by the total amount of payments outstanding.

The legally stipulated payment term applicable to companies domiciled in Spain according to Law 11/2013, of 26 July 2013, establishing measures to tackle trade supplier non-payment and the transitory provisions stipulated in Law 15/2010, of 5 July 2010, is 30 days (unless the terms in that legislation are met for extending that payment term to 60 days). The Group has rolled out measures with a view to continuing to bring its average payment period within the limits stipulated in applicable legislation.

20. Employee benefits

The reconciliation of the liability recognised for commitments to employees at the beginning and end of 2021 and 2020 is as follows (€ 000):

	Long-term defined benefit remuneration (note 3.11)	Other long-term employee benefits (note 3.11)	Other	Total
Balance at 31 December 2019	6,844	1,965	648	9,457
Unused amounts reversed	-	-	(30)	(30)
Amount recognised as expense during the year (note 24)	812	36	-	848
Benefits paid	(2,266)	(128)	(226)	(2,620)
Balance at 31 December 2020	5,390	1,873	392	7,655
Unused amounts reversed	(15)	-	-	(15)
Amount recognised as expense during the year (note 24)	912	2,604	-	3,516
Benefits paid	(1,464)	(26)	(78)	(1,568)
Balance at 31 December 2021	4,823	4,451	314	9,588

Long-term defined benefit remuneration

This heading includes certain legal obligations to employees of the SBER subgroup that joined that company after 1 January 2003 which will materialise when they retire or leave the company for other reasons contemplated in prevailing labour legislation in Austria.

The total obligation accrued under this defined benefit plan was calculated using accepted actuarial methods and factoring in Austria's most recent mortality assumptions and tables at 3,710 thousand euros at 31 December 2021 (year-end 2020: 4,275 thousand euros).

The discount rate used was 0.95% (2020: 0.7%) and the wage growth assumption was 2.6% (2020: 2.6%).

Other long-term employee benefits

1,624 thousand euros at year-end 2021 and 1,638 thousand euros at year-end 2020 recognised under this heading reflects the estimate of the amounts accrued and payable in the future for a series of long-service awards to employees of the SBER subgroup, payable after 25, 30 and 40 years of service at the firm and consisting of one, two and three months' pay, respectively.

Under certain circumstances it is permitted in Austria for employees who meet a series of requirements to avail of an early retirement scheme. Employees who avail of that scheme work 50% of their working hours until retirement age and receive 75% of the wages corresponding to a full working day, with the additional 25% borne by the Austrian social security authorities.

Lastly, this heading also includes other commitments assumed in keeping with local labour regulations related with employees belonging to the NTS subgroup in the amount of 980 thousand euros.

21. Taxes payable and receivable and tax matters

The Parent's shareholders, at the Annual General Meeting held on 29 May 2013, agreed that it and certain subsidiaries located in the Basque region and subject to that region's corporate income tax regulations would avail of the consolidated tax regime from the year started 1 January 2014 (as provided for in Chapter VI, Title VI of Basque Regional Regulation 37/2013 of 13 December 2013).

The resulting tax group, with number 01/14/A for consolidated filing purposes, is made up of Tubacex, S.A., as tax group parent, and the following Group subsidiaries: Acería de Álava, S.A.U., Tubacex Tubos Inoxidables, S.A.U., Tubacex Taylor Accesorios, S.A.U., Tubacex Service Solutions, S.A.U., Tubacoat, S.L., RTA Red Distribuidora de Tubos y Accesorios, S.A.U., CFT Servicios Inmobiliarios, S.A.U., , Tubacex Advanced Solutions, S.L.U., Tubacex Service Solutions Holding, S.L.U., Tubacex Upstream Technologies, S.A., Tubacex Servicios de Gestión, S.L.U., Tubacex Logistics, S.A. and Tubacex Desarrollos, S.L., the last two having joined the tax group in 2021. Note that Tubos Mecánicos Norte, S.A.U. left the tax group in 2021.

21.1 Current tax receivable from | payable to the authorities

The breakdown of current tax receivable from and payable to the tax authorities at year-end:

	€ 000	
	2021	2020
VAT receivable (note 12)	7,114	7,699
Other receivables (note 12)	7,789	6,237
Current tax assets	-	611
Total tax receivable	14,903	14,547
VAT payable	8,257	5,208
Social security payable	1,231	2,325
Personal income tax payable	1,848	2,000
Other accounts payable	405	931
Corporate income tax payable	1,191	1,484
Total tax payable (note 19)	12,932	11,948

21.2 ***Reconciliation of accounting profit/(loss) to taxable income (tax loss)***

The breakdown of the Group's tax income/(tax expense) in 2021 and 2020:

	€ 000	
	2021	2020 (*)
Current tax	(1,682)	747
Deferred tax:		
Creation and reversal of temporary differences	5,116	785
	3,488	1,532

(*) Restated (note 2.6)

Accounting profit/(loss) (before tax) reconciles to tax expense/(income) as follows:

	€ 000	
	2021	2020 (*)
Profit/(loss) before tax	(42,422)	(27,916)
Income tax at average tax rate	(10,181)	(6,700)
Permanent differences and consolidation adjustments	7,900	(2,515)
Effect of different tax rates levied on certain subsidiaries	7,415	7,093
Recognition of deferred tax assets in respect of unused tax credits and restatement of deductions	(16,303)	-
Reversal of temporary differences	9,209	-
Tax credits and relief in the current year	-	(506)
Restatements	(1,528)	1,096
Total consolidated tax expense/(income) recognised	(3,488)	(1,532)

(*) Restated (note 2.6)

The nature of the tax credits recognised in 2020:

	€ 000	
	2021	2020
Investment in new fixed assets and R&D activities	-	506
	-	506

21.3 Deferred tax assets and liabilities

The breakdown of the Group's deferred tax assets and liabilities at year-end:

	€ 000			
	Assets		Liabilities	
	2021	2020	2021	2020
Provisions and other items	8,458	14,593	(17,402)	(12,140)
Unused tax losses	59,622	34,285	-	(554)
Unused tax credits	17,515	26,649	-	-
Asset revaluations (note 2.6)	-	-	(6,308)	(7,942)
	85,596	75,527	(23,710)	(20,636)
Derivative financial instruments	48	91	-	-
	85,644	75,618	(23,710)	(20,636)

The Group considered the following matters when recognising deferred tax assets:

- The Group believes it is highly probably that in the future it will generate sufficient profits to enable it to utilise the unused tax losses recognised as tax assets, underpinned by its business plan, which calls for growth in productivity, sales volumes and, by extension, core business profitability. The Group plans to continue to execute the strategic investments contemplated in its 2022-2025 Strategic Plan and consolidate its positioning in new, high value-added products in the oil, gas, power generation and nuclear power sectors, guaranteeing a reinforced competitive positioning in the wake of the international crisis.

- The business plans and projections used by the Group to substantiate the recoverability of the deferred tax assets recognised is aligned with the market reality and the Group's specific circumstances. The outlook by business unit for tax purposes is as follows:

    - There is no time limit for utilising the tax credits generated in Austria - in the amount of 25 million euros (17 million euros at year-end 2020); their recoverability is associated with execution of the Industrial Plan.

    - Nor is there a time limit for utilising the tax credits generated in Italy - in the amount of 5 million euros at both year-ends: the Group expects to be able to utilise these credits in the near term in light of the Italian business's track record generating taxable income and the Group's outlook for that business.

    - In 2021, the Group reassessed the tax credits and tax losses of the Alavés group (note 3.14) as a result of which it transferred 9 million euros of unused tax credits to unused tax losses; that transfer did not have any impact on profit or loss.

    - Elsewhere, in keeping with the tax legislation prevailing in the various jurisdictions, following the corporate restructuring of the Austrian subgroup, the Group recognised temporary differences recognised in prior years in the amount of 6 million euros as unused tax losses.

  Based on the above, the Group's management believes the tax assets recognised for unused tax credits can be substantiated and that it will be able to utilise those assets within no more than 10 years and in any event within the stipulated deadlines. The Parent's directors agree with this criterion.

The breakdown of the changes in deferred taxes by class of assets and liabilities which have been recognised against tax income / (expense) in the consolidated statement of profit or loss is as follows:

	€ 000			
	Assets		Liabilities	
	2021	2020	2021	2020
Provisions and other items	(6,135)	(1,878)	(5,262)	(3,536)
Other items	-	27	-	-
Unused tax losses	25,337	1,395	554	(554)
Unused tax credits	(9,134)	864	-	-
Asset revaluations (note 2.6)	-	-	1,634	2,798
Total	10,068	408	(3,074)	1,292

Unused tax losses

Of total unused tax losses, approximately 4 million euros was generated by investees located in Alava, Spain before joining the tax consolidation group and the deadline for the offset is 2040 and 2041. There are also 25 million euros of unused losses at the Austrian subsidiary and 5 million euros at the Italian subsidiary for which there is no deadline for their utilisation under local tax regulations.

Unused tax credits

Of total deferred tax assets for unused tax credits (17,515 thousand euros at year-end 2021):

- 4,174 thousand euros relates to relief from double taxation, of which 555 thousand euros prescribe in 2036.

- 3,017 thousand euros are subject to limits, of which 280 thousand euros prescribe in 2034.
- 9,750 thousand euros are not subject to limits, of which 665 thousand euros prescribe in 2034.

The tax credits generated prior to creation of the tax consolidation group (1 January 2014), which total 3,293 thousand euros, must be utilised individually by each company that generated them.

The total amount of current and deferred taxes recognised directly in other comprehensive income in 2021 and 2020 is shown below:

	€ 000	
	2021	2020
Cash-flow hedges (note 10)	4	431

21.4 Deferred tax assets not recognised

Taking a conservative approach, considering applicable accounting rules and the significant volume of tax assets capitalised in prior years, the Group has not recognised certain deferred tax assets on the accompanying consolidated statement of financial position.

21.5 Years open to inspection and tax inspections

In accordance with prevailing tax legislation, tax returns cannot be considered final until they have been inspected by the tax authorities, or until the four-year inspection period has elapsed. At year-end 2021, part of the Group had its returns for 2016 on open to inspection, specifically its corporate income tax, VAT and resident income tax withholding returns, along with its returns for the last four years for all other applicable taxes. In addition, the tax authorities are entitled to inspect any tax credits and tax losses generate in prior years - up to a limit of 10 years - when they are utilised in any of the year open to inspection.

The Parent's directors consider that all applicable taxes have been duly paid so that even in the event of discrepancies in the interpretation of prevailing tax legislation with respect to the treatment applied, the resulting potential tax liabilities, if any, would not have a material impact on the accompanying consolidated financial statements.

The Parent's directors don't anticipate the accrual of material additional liabilities other than those already provided for as a result of any review by the tax authorities of the years open to inspection. As prescribed in additional provision nine of Royal Decree-Law 11/2020 (of 31 March 2020) and additional provision one of Royal Decree-Law 15/2020 (of 21 April 2020) , the period elapsing between 14 March and 30 May 2021 will not compute for the purposes of the prescription deadlines stipulated in Spain's General Tax Act (Law 58/2003, of 17 December 2003), so that the usual prescription periods will be extended by 78 additional days.

22. Earnings per share

22.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Parent by the weighted average number of shares in issue, excluding treasury shares, during the period.

	2021	2020
Profit/(loss) attributable to equity holders of the Parent	(32,212)	(25,303)
Average number of shares outstanding	123,177,152	127,608,589
Basic earnings per share (€)	(0.2615)	(0.1982)

The average number of ordinary shares was calculated as follows:

	2021	2020
Ordinary shares outstanding (note 14.1)	128,978,782	132,978,782
Average own shares (note 14.5)	(5,801,630)	(5,370,193)
Average number of shares outstanding	123,177,152	127,608,589

22.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	2021	2020
Profit/(loss) attributable to equity holders of the Parent	(32,212)	(25,303)
Average number of shares outstanding	126,577,152	131,008,589
Diluted earnings per share (€)	(0.2545)	(0.1931)

The average number of ordinary shares was calculated as follows:

	2021	2020
Ordinary shares outstanding (note 14.1)	128,978,782	132,978,782
Average own shares (note 14.5)	(5,801,630)	(5,370,193)
Effect of stock option plans (note 14.6)	3,400,000	3,400,000
Average number of shares outstanding	126,577,152	131,008,589

23. Other operating income and other operating expenses

"Other operating income" in the consolidated statement of profit or loss breaks down as follows in 2021 and 2020:

	€ 000	
	2021	2020
Grants related to income	10,750	6,937
Other income	2,534	4,032
	13,284	10,969

"Other operating expenses" breaks down as follows in 2021 and 2020:

	€ 000	
	2021	2020
Operating lease expense	2,579	1,828
Repairs and upkeep	24,496	27,052
Independent professional services	5,589	6,825
Transportation	9,588	10,794
Insurance premiums	2,238	2,509
Utilities	27,743	14,353
Other expenses	16,921	20,085
Taxes other than income tax	702	448
Change in impairment allowance for trade receivables (note 3.5)	3,245	876
	93,101	84,770

24. Employee benefits expense

The breakdown of this heading in 2021 and 2020:

	€ 000	
	2021	2020
Salaries, wages and similar	75,778	93,104
Contributions to pension plans	1,060	2,736
Social Security	19,161	30,437
Other benefit expense	5,445	3,924
	101,444	130,201

The Group's average headcount by job category in 2021 and 2020 was as follows:

Categories	2021	2020
Senior management	10	10
Middle managers and supervisors	381	362
Experts and professionals	405	446
Operations staff	1,398	1,562
Total	2,194	2,380

The average headcount in 2021, without including the effect of the furlough scheme, was 2,346 employees. A number of workforce restructuring plans that were pending execution at year-end 2020 were completed in 2021.

The above average headcounts factor in everyone who has or had an employment relationship with the Group during the year weighted for the length of time for which they provided their services. The employees affected by the furlough scheme were weighted for the effective length of time worked.

The breakdown of the year-end headcount by job category and gender:

	2021		2020	
Categories	Men	Women	Men	Women
Senior management	10	-	10	-
Middle managers and supervisors	328	62	353	63
Experts and professionals	229	149	263	187
Operations staff	1,446	122	1,565	109
Total	2,013	333	2,191	359

The Parent's Board of Directors was made up of three women and eight men at 31 December 2021 (four women and eight men at year-end 2020).

The TUBACEX Group employed a total of 19 people with disabilities in 2021 (2020: 20).

25. Related-party transactions and balances

Related-party transactions

The transactions performed with related parties in 2021 and 2020, the effects of which have been eliminated upon consolidation:

2021:

€ 000	Revenue	Cost of sales	Other income	Other operating expenses	Finance costs
Coprosider	16	20	-	-	3
	16	20	-	-	3

2020:

€ 000	Revenue	Cost of sales	Other income	Other operating expenses	Finance costs
CFF SRL	20	56	-	-	-
Coprosider	365	3	2	1	5
	385	59	2	1	5

Related-party balances

The breakdown of balances outstanding with related parties at year-end 2021 and 2020 (€ 000):

2021:

	Receivable			Payable
	Current loans (note 9)	Other non-current financial assets (note 9)	Trade and other receivables (note 12)	Trade and other payables (note 19)
Coprosider	-	644	-	-
SBTechnisches	-	-	-	(12)
Awaji Materia	-	70	260	-
Fundación Tubacex	645	-	-	-
Other	-	-	123	
	645	714	383	(12)

2020:

	Receivable			Payable
	Current loans (note 9)	Other non-current financial assets (note 9)	Trade and other receivables (note 12)	Trade and other payables (note 19)
CFF SRL	-	-	-	(8)
Coprosider	-	644	3	(11)
SBTechnisches	-	70	260	-
Awaji Materia	908	-	-	-
Fundación Tubacex	-	-	196	-
Other	-	-	95	-
	908	714	554	(19)

Related-party transactions

In 2021, transactions with related parties totalled 439 thousand euros (2020: 248 thousand euros).

26. Key management personnel remuneration

The remuneration accrued by key management personnel in 2021 and 2020 is shown below:

	€ 000	
	2021	2020
Short-term employee benefits - KMP	1,859	1,763
Post-employment benefits	111	111
	1,970	1,874

The Group had not extended any loans or advances to any of its key management personnel at either year-end. "Post-employment benefits" in the table above corresponds basically to contributions made to a defined benefit plan.

27. Disclosures relating to the Parent's directors

27.1 Parent directors - Remuneration and year-end balances

The members of the Board of Directors received 838 thousand euros of fixed fees for attending its meetings in 2021 (2021: 837 thousand euros).

Those amounts do not include the additional remuneration accrued by the directors who discharge executive duties: in 2021 that remuneration amounted to 518 thousand euros (2020: 624 thousand euros) plus 37 thousand euros of post-employment benefits (mainly contributions to a defined benefit plan) (2020: 42 thousand euros) and 55 thousand euros in relation to other items.

Lastly, in 2021, as was the case in 2020, the members of the Board of Directors did not accrue any remuneration for sitting on or attending the meetings of the boards of other members of the consolidated group.

The Group had not extended any loans or advances to any of the Parent's directors at either year-end.

The Group had no pension plan or life insurance commitments to former or serving members of the Parent's Board of Directors nor had it given any guarantees on their behalf at either reporting date.

In 2021 the Group accrued 59 thousand euros of director and officer liability insurance premiums (2020: 31 thousand euros).

27.2 Transactions outside the ordinary course of business or on terms other than on arm's length performed between the Group and the Parent's directors

None of the directors of the Parent transacted with the Parent or any of its Group companies outside the ordinary course of business or other than on an arm's length basis in 2021.

27.3 Shareholdings and positions held by directors of the Parent and their related parties at other companies

At year-end 2021, none of the members of the Parent's Board of Directors nor any of their related parties, as defined in Spain's Corporate Enterprises Act, had relationships with other companies whose business activities could imply a conflict of interest for them or for Tubacex, given that none of the notices required under article 229 of that Act have been provided to the Board of Directors or the rest of its members, which is why there are no related disclosures in these consolidated financial statements.

28. Environmental disclosures

The Group's operations are governed by environmental protection and occupational health and safety regulations. The Group believes that it complies substantially with these laws, to which end it has designed and implemented procedures for encouraging and guaranteeing due compliance.

In 2021, the Group incurred capital expenditure of an environmental nature of approximately 1,491 thousand euros (2020: 1,598 thousand euros) and expenses of an environmental nature of 693 thousand euros (2020: 999 thousand euros), which was mainly spent on the removal of acids and on repair and conservation work and advisory and audit services provided by independent professionals.

The Group did not receive any grants of an environmental nature in 2021 or 2020.

At 31 December 2021, except for a provision of 671 thousand euros recognised under "Non-current provisions" in the accompanying statement of financial position (year-end 2020: 574 thousand euros) related to a subsidiary domiciled in the US to cover water pollution exposure (note 17), which was measured by an independent expert, the Group has not recognised any provisions for environmental risks as the Parent's directors believe there are no material contingencies related to possible lawsuits, damages or other claims.

29. Audit fees

The fees accrued (irrespective of when they were invoiced) for financial statement audit services and other services by the auditor of the Group's consolidated financial statements and the fees for services invoiced by the auditors of the separate financial statements of the entities included in the consolidation group and by entities related to them by means of control, common ownership or management (again, irrespective of when they were invoiced) in 2021 and 2020 were as follows (€ 000):

	2021	2020
Audit services	397	526
Other assurance services	39	69
Total audit and related services	436	595
Tax advisory services	18	248
Other services	61	4
Total other services	79	252

In addition, other auditors invoiced the Group 385 thousand euros (2020: 168 thousand euros) for audit services, 50 thousand euros for tax advisory services (2020: 39 thousand euros) and 101 thousand euros for other services (2020: 79 thousand euros).

30. Events after the reporting date

There have been no developments since 31 December 2021 with a significant impact on the annual consolidated financial statements of the TUBACEX Group.

31. Explanation added for translation to English

These Financial Statements are presented on IFRS, as adopted by the European Union basis. Certain accounting practices applied by the Group that conform to IFRS may not conform to other generally accepted accounting principles in other countries. Translation from the original issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

TUBACEX, S.A. AND SUBSIDIARIES

INFORMATION REGARDING GROUP SUBSIDIARIES DURING THE YEAR ENDED 31 DECEMBER 2021

Company	Registered office	Business activity	Auditor	Shareholding, %			€ 000					
				Direct	Indirect	Total	Capital (*)	Reserves and other items of equity (*)	Profit/(loss) (*)	Interim dividend (*)	Operating profit/(loss) (*)	Total equity (*)
Acería de Alava, S.A.U.	Álava (Spain)	Steel manufacturing	EY	100	-	100	7,300	52,627	(6,240)	-	(8,568)	53,687
Tubacex Services Solutions Holding S.L.U.	Álava (Spain)	Sale of tubing		100	-	100	31,183	(4,870)	23,664	-	(13)	49,977
Tubacex Services Solutions, S.A.U.	Álava (Spain)	Sale of tubing	EY	-	100	100	1,142	8,635	1,159	-	1,870	10,936
Tubacex Services Solutions France, S.A.S.	Soissons (France)	Sale of tubing	EY	-	100	100	500	4,320	848	-	879	5,668
Tubacex India Pvt Ltd	India	Sales	N/A	-	100	100	564	(44)	68	-	391	588
Tubacex Services Solutions Do Brasil Participacoes Ltda	Sao Paulo (Brazil)	Sale of tubing	N/A	-	100	100	2,083	(1,032)	(430)	-	(107)	621
Tubacex Services Solutions Austria Gmbh	Ternitz (Austria)	Sale of tubing	N/A	-	100	100	35	3,313	502	-	715	3,850
Tubacex Service Solutions Middel East, FZCO	Dubai (United Arab Emirates)	Sale of tubing	N/A	-	51	100	2,948	607	202	-	219	3,757
CFT Servicios Inmobiliarios, S.A.U.	Álava (Spain)	Sale of tubing	N/A	100	-	100	60	1,099	-	-	-	1,159
Red Distribuidora de Tubos y Accesorios, S.A.U. (R.T.A.)	Álava (Spain)	Sale of tubing	N/A	100	-	100	76	5,123	57	-	12	5,256
Schoeller – Bleckmann Edelstahlrohr Inmobilien, AG	Ternitz (Austria)	Real estate	EY	100	-	100	70	4,666	63	-	49	4,799
Schoeller – Bleckmann Edelstahlrohr GmbH (Subgroup)	Ternitz (Austria)	Manufacture and sale of tubing	EY	100	-	100	3,500	43,703	(306)	-	2,222	46,897
Schoeller – Bleckmann Technisches Service GmbH	Ternitz (Austria)	Technical assistance services	EY	-	100	100	Included in the “Schoeller-Bleckmann Edelstahlhohr GmbH” Subgroup					
Schoeller – Bleckmann Technisches Service GmbH & Co. KG	Ternitz (Austria)	Technical assistance services	EY	-	100	100						
Schoeller – Bleckmann Edelstahlrohr Deutschland GmbH	Düsseldorf (Germany)	Sale of tubing	EY	100	-	100	26	153	74	-	88	253
Schoeller – Bleckmann Tube France	Paris (France)	Sale of tubing	EY	100	-	100	38	100	-	-	3	138
Tubacex Taylor Accesorios, S.A.U.	Álava (Spain)	Manufacture of fittings	EY	100	-	100	8,891	1,428	(155)	-	(209)	10,164
Tubacex Tubos Inoxidables, S.A.U.	Álava (Spain)	Manufacture and sale of tubing	EY	100	-	100	15,028	27,109	(28,981)	-	(24,659)	13156
Tubacex Innovación AIE	Vizcaya (Spain)	Innovation	N/A	92	8	100	6	473	284	-	372	763
Tubacoat, S.L.	Vizcaya (Spain)	Industrial development and sale of long steel products	N/A	100	-	100	60	1,377	(429)	-	(538)	1,008
Tubacex Services, S.L.	Cantabria (Spain)	Manufacture and sale of special size steel tubing	EY	81	-	81	3,704	1,313	(1,038)	-	(946)	3,979
Tubacex Middle East Holding, S.L.	Cantabria (Spain)	Holding company	N/A	100	-	100	3	-	.	-	(5,851)	9,549
IBF SpA (Subgroup)	Italy	Manufacture of high-end fittings	EY	100	-	100	15,000	15,176	(7,127)	-	(5,851)	23,049
Tubacex Awaji Thailand, LTD	Thailand	Manufacture of fittings	Audit House corp., Ltd.	-	60	60	Included in the “IBF SpA” Subgroup					
Tubacex Tubes and Pipes Pvt Ltd (*formerly Tubacex Prakash India Pvt Ltd*)	India	Manufacture and sale of special size steel tubing	Deloitte	100	-	100	1,413	37,450	3,320	-	4,880	42,183
Fundación Tubacex	Vizcaya (Spain)	Philanthropy	N/A	100	-	100	500	3,987	600	-	623	4,997
Tubacex Upstream Techonologies S.A.	Vizcaya (Spain)	Manufacture and sale of special size steel tubing	Deloitte	100	-	100	1,000	14,536	(512)	-	299	15,024
NTS Middle East, FZCO	Dubai (United Arab Emirates)	Mechanical repair of drilling tools	Grant Thornton LLp	-	51	51	142	47,890	(948)	-	(723)	47084
Promet As	Tananger (Norway)	Precision engineering	Grant Thornton LLp	-	34	34	Included in the “NTS Middle East FZCO” Subgroup					
NTS Saudi Company LTD	Al Khobar (Saudi Arabia)	Mechanical repair of drilling tools	Grant Thornton LLp	-	49	49	Included in the “NTS Middle East FZCO” Subgroup					
NTS Amega West USA, INC	Delaware (US)	Manufacture and rental of tubing industry equipment	Grant Thornton LLp	-	49	49	Included in the “NTS Middle East FZCO” Subgroup					
NTS Rocket Canada, LTD	Singapore (Singapore)	Manufacture and rental of tubing industry equipment	Grant Thornton LLp	-	49	49	Included in the “NTS Middle East FZCO” Subgroup					
NTS Rocket Pte, Ltd	Alberta (Canada)	Manufacture and rental of tubing industry equipment	Grant Thornton LLp	-	49	49	Included in the “NTS Middle East FZCO” Subgroup					
Tubacex Advance Solutions S.L.	Vizcaya (Spain)	Sale of tubing	N/A	100	-	100	3	500	(1)	-	(3)	502
Tubacex Norway	Norway	Sale of tubing	N/A	-	100	100	22	2,812	92	-	154	2,926
Tubacex Europe, B.V	Netherlands	Sale of tubing		100	-	100	16	269	5	-	(5)	290
Tubacex Logistics, S.A.	Leioa (Vizcaya)	Transport and logistics	N/A	75	-	75	72	707	(68)	-	(85)	711
Tubacex Italy	Milan (Italy)	Sale of tubing	N/A	100	-	100	-	215	16	-	16	231
Tubacex Servicios de Gestión S.L.U.	Vizcaya (Spain)	Advisory and consultancy	N/A	100	-	100	3	1,541	(481)	-	(639)	1,063
Fundación EIC Energy Advanced Engineering	Vizcaya (Spain)	Technology project development	N/A	25	-	25	30	-	40	-	40	70
Tubacex US Holding, Inc	Delaware (US)	Holding company	N/A	100	-	100	0	49,609	(163)	-	(163)	49,446
Salem Tube, Inc	Pennsylvania (US)	Tube manufacturing	Grossman Yanak & Ford	-	100	100	18,092	20,031	3,881	-	4,669	42,004
Tubacex America Inc	Houston (US)	Sale of tubing	Grossman Yanak & Ford	-	100	100	0	6,688	3,445	-	4,299	10,133
Tubacex Durant, Inc	Delaware (US)	Tube manufacturing	Grossman Yanak & Ford	-	100	100	-	8,316	(1,166)	-	(1,419)	7150
Tubacex CIS Limited Liability Company	Moscow (Russia)	Sale of tubing	N/A	100	-	100	127	(65)	(24)	-	(30)	38
Hyvalue Tubacex IET, S.L.	Vizcaya (Spain)	Project development and sale	N/A	100	-	100	4	-	-	-	-	4
Tubacex Desarrollos, S.L.U.	Vizcaya (Spain)	R&D	N/A	100	-	100	3	-	-	-	-	3
Tubacex IBF Kazajistan, S.R.L.	Atyrau (Kazakhstan)	Manufacture and distribution of tubing	N/A	100	-	100	10	-	-	-	-	10

This Appendix is an integral part of note 1 of the accompanying financial statements and should be read in conjunction with them.
(*) The data included in this Appendix were taken from the separate financial statements of the consolidated entities prepared in accordance with the Group's accounting policies.

TUBACEX, S.A. AND SUBSIDIARIES

INFORMATION REGARDING GROUP SUBSIDIARIES DURING THE YEAR ENDED 31 December 2020

Company	Registered office	Business activity	Auditor	Shareholding, %			€ 000					
				Direct	Indirect	Total	Capital (*)	Reserves and other items of equity (*)	Profit/(loss) (*)	Interim dividend (*)	Operating profit/(loss) (*)	Total equity (*)
Acería de Alava, S.A.U.	Álava (Spain)	Steel manufacturing	Deloitte	100	-	100	7,300	55,186	(1,417)	-	(1424)	61,069
Tubacex Services Solutions Holding S.L.U.	Álava (Spain)	Sale of tubing		100	-	100	31,183	4,460	1,242	-	11	36,885
Tubacex Services Solutions, S.A.U.	Álava (Spain)	Sale of tubing	Deloitte	-	100	100	1,142	9,090	6	-	494	10,238
Tubos Mecánicos, S.A.U. (Subgroup)	Barcelona (Spain)	Manufacture and sale of carbon steel tubing	Deloitte		100	100	5,437	29,983	1,559	-	1,418	36,979
Tubos Mecánicos Norte, S.A.U.	Álava (Spain)	Sale of carbon steel tubing	Deloitte	-	100	100	Included in the “Tubos Mecánicos” Subgroup					
Tubacex Services Solutions France, S.A.S.	Soissons (France)	Sale of tubing	Deloitte	-	100	100	500	3,897	600	-	623	4,997
Tubacex India Pvt Ltd	India	Sales	N/A	-	100	100	550	(104)	50	-	593	496
Tubacex Services Solutions Do Brasil Participacoes Ltda	Sao Paulo (Brazil)	Sale of tubing	N/A	-	100	100	1,068	(911)	(241)	-	(238)	(84)
Tubacex Services Solutions Austria Gmbh	Ternitz (Austria)	Sale of tubing	N/A	-	100	100	35	3,114	231	-	446	3,380
Tubacex Service Solutions Middel East, FZCO	Dubai (United Arab Emirates)	Sale of tubing	N/A	-	51	100	2,930	67	276	-	280	3,273
CFT Servicios Inmobiliarios, S.A.U.	Álava (Spain)	Sale of tubing	N/A	100	-	100	60	1,099	-	-	-	1,159
Red Distribuidora de Tubos y Accesorios, S.A.U. (R.T.A.)	Álava (Spain)	Sale of tubing	N/A	100	-	100	76	5,016	107	-	71	5,199
Schoeller – Bleckmann Edelstahlrohr Inmobilien, AG	Ternitz (Austria)	Real estate	Deloitte	100	-	100	70	4,632	33	-	35	4,735
Schoeller – Bleckmann Edelstahlrohr GmbH (Subgroup)	Ternitz (Austria)	Manufacture and sale of tubing	Deloitte	100	-	100	3,500	43,703	(306)	-	2,222	46,897
Schoeller – Bleckmann Technisches Service GmbH	Ternitz (Austria)	Technical assistance services	Deloitte	-	100	100	Included in the “Schoeller-Bleckmann Edelstahlhohr GmbH” Subgroup					
Schoeller – Bleckmann Technisches Service GmbH & Co. KG	Ternitz (Austria)	Technical assistance services	Deloitte	-	100	100						
Schoeller – Bleckmann Edelstahlrohr Deutschland GmbH	Düsseldorf (Germany)	Sale of tubing	Deloitte	100	-	100	26	287	(134)	-	(158)	179
Schoeller – Bleckmann Tube France	Paris (France)	Sale of tubing	Deloitte	100	-	100	36	100	-	-	-	138
Tubacex Taylor Accesorios, S.A.U.	Álava (Spain)	Manufacture of fittings	Deloitte	100	-	100	8,891	1,523	(95)	-	(220)	(10,319)
Tubacex Tubos Inoxidables, S.A.U.	Álava (Spain)	Manufacture and sale of tubing	Deloitte	100	-	100	15,028	39,844	(19,697)	-	(18,408)	35,176
Tubacex Innovación AIE	Vizcaya (Spain)	Innovation	N/A	92	8	100	6	219	254	-	294	479
Tubacoat, S.L.	Vizcaya (Spain)	Industrial development and sale of long steel products	N/A	100	-	100	60	293	(417)	-	(578)	(64)
Tubacex Services, S.L.	Cantabria (Spain)	Manufacture and sale of special size steel tubing	Deloitte	81	-	81	3,704	1,361	(55)	-	45	5,010
Tubacex Middle East Holding, S.L.	Cantabria (Spain)	Holding company	N/A	100	-	100	3	-	-	-	-	3
IBF SpA (Subgroup)	Italy	Manufacture of high-end fittings	Deloitte	100	-	100	15,000	23,262	(8,129)	-	(7,086)	30,133
Tubacex Awaji Thailand, LTD	Thailand	Manufacture of fittings	Audit House corp., Ltd.	-	60	60	Included in the “IBF SpA” Subgroup					
Tubacex Prakash India Pvt Ltd	India	Manufacture and sale of special size steel tubing	Deloitte	68	-	68	1,413	34,704	3,264	-	2,164	39,381
Fundación Tubacex	Vizcaya (Spain)	Philanthropy	N/A	100	-	100	500	3,987	600	-	623	4,997
Tubacex Upstream Techonologies S.A.	Vizcaya (Spain)	Manufacture and sale of special size steel tubing	Deloitte	100	-	100	1,000	7,045	8,295	-	12,093	16,340
NTS Middle East, FZCO	Dubai (United Arab Emirates)	Mechanical repair of drilling tools	Grant Thornton LLp	-	51	51	783	60,959	9,279	-	2,798	71,021
Promet As	Tananger (Norway)	Precision engineering	Grant Thornton LLp	-	34	34	Included in the “NTS Middle East FZCO” Subgroup					
NTS Saudi Company LTD	Al Khobar (Saudi Arabia)	Mechanical repair of drilling tools	Grant Thornton LLp	-	49	49	Included in the “NTS Middle East FZCO” Subgroup					
NTS Amega West USA, INC	Delaware (US)	Manufacture and rental of tubing industry equipment	Grant Thornton LLp	-	49	49	Included in the “NTS Middle East FZCO” Subgroup					
NTS Rocket Canada, LTD	Singapore (Singapore)	Manufacture and rental of tubing industry equipment	Grant Thornton LLp	-	49	49	Included in the “NTS Middle East FZCO” Subgroup					
NTS Rocket Pte, Ltd	Alberta (Canada)	Manufacture and rental of tubing industry equipment	Grant Thornton LLp	-	49	49	Included in the “NTS Middle East FZCO” Subgroup					
Tubacex Advance Solutions S.L.	Vizcaya (Spain)	Sale of tubing	N/A	100	-	100	3	1	(11)	-	(5)	(7)
Tubacex Norway	Norway	Sale of tubing	N/A	-	100	100	10	1,075	1,445	-	1,445	2,530
Tubacex Europe, B.V	Netherlands	Sale of tubing		100	-	100	16	182	40	-	38	238
Tubacex Logistics, S.A.	Leioa (Vizcaya)	Transport and logistics	N/A	75	-	75	72	571	136	-	195	779
Tubacex Italy	Milan (Italy)	Sale of tubing	N/A	100	-	100	-	193	22	-	22	215
Tubacex Servicios de Gestión S.L.U.	Vizcaya (Spain)	Advisory and consultancy	N/A	100	-	100	3	226	185	-	(290)	44
Fundación EIC Energy Advanced Engineering	Vizcaya (Spain)	Technology project development	N/A	25	-	25	30	-	40	-	40	70
Tubacex US Holding, Inc	Delaware (US)	Holding company	N/A	100	-	100				-		
Salem Tube, Inc	Pennsylvania (US)	Tube manufacturing	Grossman Yanak & Ford	-	100	100	18,093	21,887	1,346	-	1,799	41,316
Tubacex America Inc	Houston (US)	Sale of tubing	Grossman Yanak & Ford	-	100	100	1	4,720	978	-	1,257	5,699
Tubacex Durant, Inc	Delaware (US)	Tube manufacturing	Grossman Yanak & Ford	-	100	100	-	4,844	(1,951)	-	(1760)	2,893
Tubacex CIS Limited Liability Company	Moscow (Russia)	Sale of tubing	N/A	100	-	100	84	(27)	(37)	-	(46)	20