Audit report on the Consolidated Financial Statements
issued by an Independent Auditor

TUBACEX, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and Management Report
for the year ended
31 December 2022

Building a better
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AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the shareholders of TUBACEX, S.A.:

Audit report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of TUBACEX, S.A. (the parent company) and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2022 the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2022 and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of intangible assets and PP&E

Description

As indicated in notes 7 and 8 of the accompanying consolidated financial statements, the Group carries its "Intangible Assets" and its "Property plant and equipment" at 114,383 and 266,789 thousand euros, respectively, at 31 December 2022.

The Group's management tests its goodwill and intangible assets with indefinite useful lives for impairment annually, and checks for indications of impairment for the rest of its non-financial assets at least at every year-end. If there are indications of impairment, it estimates the recoverable amounts of those assets based on the present value of the future cash flows estimated for the cash-generating units to which the potentially impaired assets have been allocated.

Calculation of the recoverable amount involves making complex estimates, including the use of judgements by Group management to determine the key underlying assumptions.

We considered this to be a key audit matter due to the materiality of the amounts involved and the complexity of the process of estimating the recoverable amounts of the assets in question. The disclosures regarding the measurement rules and key assumptions used to test the Group's non-current, non-financial assets for impairment are provided in notes 3.1, 3.2 ,3.3, 7 and 8 of the accompanying consolidated financial statements.

Our response

In relation to this matter, our audit procedures included the following:

- Understanding the process followed by Group management to check for indications of impairment and determine the recoverable amounts of its intangible assets and property, plant and equipment and evaluating the design and implementation of the relevant controls.

- Analyzing the reasonableness of the allocation of the various assets to the different cash-generating units.

- Revising the model used by Group management to determine the recoverable amounts, in collaboration with our valuation specialists, addressing specifically the mathematical consistency of the model and the reasonableness of the cash flows projections and the discount and long-term growth rates modelled. In performing our review, we interviewed the people in charge of running the model and used vouch-worthy external sources and other information to cross-check the inputs used.

- Performing a sensitivity analysis with respect to the key inputs used to determine the assets' recoverable amount to changes in the relevant assumptions considered.

- Checking that the disclosures made in the consolidated financial statement notes comply with the applicable financial reporting framework.

Recoverability of deferred tax assets

Description

As indicated in note 21.3 of the accompanying consolidated financial statements, at 31 December 2022, the Group recognized 91,966 thousand euros of deferred tax assets corresponding mainly to unused tax losses and unused tax credits.

In keeping with the Group's accounting policy, as outlined in note 3.14 of the accompanying consolidated financial statements, deferred tax assets are recognized to the extent that it is deemed probable that future taxable profit will be available against which the assets may be utilized.

The assessment performed by the Group's management to determine the recoverable amount of its deferred tax assets involves the use of complex judgement in relation to estimated future taxable profit, in turn derived from the Group's financial projections and business plans, factoring in prevailing applicable tax and accounting regulations.

We considered this to be a key audit matter because of the complexity of the judgements involved in projecting the future taxable income of the companies comprising the tax group and due to the materiality of the amount involved.

Our response

In relation to this matter, our audit procedures included the following:

- Understanding the process followed by Group management to analyse the recoverability of its deferred tax assets and evaluating the design and implementation of the relevant controls.
- Assessing the reasonableness of the key assumptions used by Group management to estimate the timeframe over which it expects to be able to utilize its deferred tax assets, focusing on the financial and tax assumptions used to estimate the tax group's future taxable income on the basis of budgets, business performance and historical experience.
- Assessing, in collaboration with our tax experts, the main assumptions made by Group management in relation to applicable tax regulations.
- Testing how sensitive the results are to reasonably possible changes in the key assumptions made.
- Checking that the disclosures made in the consolidated financial statement notes comply with the applicable financial reporting framework

Other information: consolidated management report

Other information refers exclusively to the 2022 consolidated management report, the preparation of which is the responsibility of the parent company's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the consolidated management report, in conformity with prevailing audit regulations in Spain, consists of:

a) Checking only that the consolidated non-financial statement and certain information included in the Corporate Governance Report and in the Board Remuneration Report, to which the Audit Law refers, was provided as stipulated by applicable regulations and, if not, disclose this fact.

b) Assessing and reporting on the consistency of the remaining information included in the consolidated management report with the consolidated financial statements, based on the knowledge of the Group obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the consolidated management report is consistent with that provided in the 2022 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the parent company´s directors and the audit committee for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the parent company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the parent company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the parent company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of TUBACEX, S.A. and subsidiaries for the 2022 financial year, which include the XHTML file containing the consolidated financial statements for the year, and the XBRL files as labeled by the entity, which will form part of the annual financial report.

The directors of TUBACEX S.A. are responsible for submitting the annual financial report for the 2022 financial year, in accordance with the formatting and mark-up requirements set out in Delegated Regulation EU 2019/815 of 17 December 2018 of the European Commission (hereinafter referred to as the ESEF Regulation).

Our responsibility consists of examining the digital files prepared by the directors of the parent company, in accordance with prevailing audit regulations in Spain. These standards require that we plan and perform our audit procedures to obtain reasonable assurance about whether the contents of the consolidated financial statements included in the aforementioned digital files correspond in their entirety to those of the consolidated financial statements that we have audited, and whether the consolidated financial statements and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the ESEF Regulation.

In our opinion, the digital files examined correspond in their entirety to the audited consolidated financial statements, which are presented and have been marked up, in all material respects, in accordance with the ESEF Regulation.

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on February 23, 2023.

Term of engagement

The ordinary general shareholders' meeting held on June 24, 2021, appointed us as auditors for 3 years, commencing on December 31, 2021.

ERNST & YOUNG, S.L.

Alberto Peña Martínez

February 23, 2023

Tubacex, S.A.
and
subsidiaries

Consolidated financial statements for the year ended 31 December 2022 and accompanying Consolidated Management Report

TUBACEX, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022 AND 2021

(Thousands of euros)

ASSETS	Note	31 Dec. 2022	31 Dec. 2021	EQUITY AND LIABILITIES	Note	31 Dec. 2022	31 Dec. 2021
NON-CURRENT ASSETS				**EQUITY**			
Intangible assets	**7**	**114,383**	**114,098**	**Capital and reserves**			
Goodwill		8,131	8,329	Issued capital	14.1	58,040	58,040
Other intangible assets		106,252	105,769	Share premium	14.2	17,108	17,108
Property, plant and equipment	**8**	**266,789**	**278,131**	Revaluation reserve	14.3	3,763	3,763
Investments accounted for using the equity method		**-**	**4**	Other reserves of the parent and entities accounted			
Derivative financial instruments	**10**	**3,257**	**184**	for using the full consolidation and equity methods	14.4	131,687	166,401
Non-current financial assets	**9**	**5,078**	**4,766**	Own shares	14.5	(15,546)	(10,424)
Deferred tax assets	**21.3**	**91,966**	**85,644**	Profit/(loss) for the year attributable to equity holders of the parent		20,234	(32,212)
Total non-current assets		**481,473**	**482,827**	Other equity instruments	14.6	2,334	1,862
						217,620	**204,538**
				Valuation adjustments			
				Translation differences		879	(6,282)
				Hedging transactions		2,980	(842)
					14.7	**3,859**	**(7,124)**
				Equity attributable to equity holders of the parent		**221,479**	**197,414**
				Non-controlling interests	**14.9**	**54,612**	**51,775**
				Total equity		**276,091**	**249,189**
				NON-CURRENT LIABILITIES			
				Non-current provisions	**15**	**8,507**	**2,961**
				Deferred income	**16**	**11,362**	**9,408**
				Non-current financial liabilities		**169,008**	**274,024**
				Bank borrowings	17	154,008	245,259
				Notes and other marketable securities	17	15,000	28,755
				Derivative financial instruments	10	-	10
				Employee benefits	**20**	**9,183**	**9,588**
				Deferred tax liabilities	**21.3**	**23,369**	**23,710**
				Other non-current financial liabilities	**18**	**19,231**	**18,846**
				Total non-current liabilities		**240,660**	**338,537**
				CURRENT LIABILITIES			
CURRENT ASSETS				**Current provisions**	**15**	**4,973**	**8,165**
Inventories	**11**	**378,330**	**313,508**	**Current financial liabilities**		**320,869**	**239,131**
Trade and other receivables	**12**	**115,845**	**84,883**	Notes and other marketable securities	17	178,622	159,974
Trade receivables		89,238	60,164	Bank borrowings	17	114,913	60,218
Other receivables		25,605	24,719	Derivative financial instruments	10	3,769	1,555
Current tax assets	21	1,002	-	Other financial liabilities	18	23,565	17,384
Derivative financial instruments	**10**	**2,808**	**183**	**Trade and other payables**	**19**	**317,186**	**206,770**
Current financial assets	**9**	**11,209**	**17,500**	Trade payables		237,581	151,221
Other current assets		**5,896**	**2,402**	Other accounts payable		78,113	54,358
Cash and cash equivalents	**13**	**164,218**	**140,489**	Current tax liabilities	21	1,492	1,191
Total current assets		**678,306**	**558,965**	**Total current liabilities**		**643,028**	**454,066**
TOTAL ASSETS		**1,159,779**	**1,041,792**	**TOTAL EQUITY AND LIABILITIES**		**1,159,779**	**1,041,792**

TUBACEX, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR 2022 AND 2021
(Thousands of euros)

	Note	2022	2021
Continuing operations:			
Revenue	6	714,714	341,861
Changes in inventories of finished goods and work in progress		53,631	(7,045)
Self-constructed assets	3.2	2,761	1,681
Cost of sales	11	(330,488)	(141,830)
Other operating income	23	12,694	13,284
Employee benefits expense	24	(142,405)	(101,444)
Other operating expenses	23	(218,558)	(93,101)
Asset depreciation, amortisation and impairment	7 & 8	(47,897)	(44,525)
Operating profit/(loss)		**44,452**	**(31,119)**
Finance income	9	2,610	2,341
Finance costs	17	(22,565)	(14,571)
Exchange differences		2,369	927
Net finance cost		**(17,586)**	**(11,303)**
Profit/(loss) before tax		**26,866**	**(42,422)**
Income tax	21	(3,846)	3,488
Profit/(loss) for the year from continuing operations		**23,020**	**(38,934)**
Profit after tax from discontinued operations	2.6	-	**3,733**
Profit/(loss) for the year		**23,020**	**(35,201)**
Attributable to:			
Equity holders of the parent		**20,234**	**(32,212)**
Non-controlling interests	**14.9**	**2,786**	**(2,989)**
Earnings/(loss) per share (€)			
- Basic	22.1	0.17	(0.26)
- Diluted	22.2	0.16	(0.25)
Earnings/(loss) per share from continuing operations (€)			
- Basic	22.1	0.17	(0.29)
- Diluted	22.2	0.16	(0.28)

TUBACEX, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021
(Thousands of euros)

	Note	2022	2021
Profit/(loss) for the year		**23,020**	**(35,201)**
Items that may be reclassified to profit or loss in subsequent years:			
Profit/(loss) recognised directly in equity			
Cash flow hedging instruments	10 & 14.7	4,255	762
Tax effect	Notes 10, 14.7 & 21	(1,021)	(183)
Translation differences	14.7	7,161	1,274
Amounts reclassified to profit or loss for the year			
Cash flow hedging instruments	10 & 14.7	774	(781)
Tax effect	Notes 10, 14.7 & 21	(186)	187
Other comprehensive income		**10,983**	**1,259**
Total comprehensive income for the year		**34,003**	**(33,942)**
Attributable to:			
Equity holders of the parent		31,217	(30,953)
Non-controlling interests		2,786	(2,989)

TUBACEX, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2022 AND 2021
(Thousands of euros)

	Equity attributable to equity holders of the parent										
	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 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)
Cancellation of shares	(1,800)	-	-	(5,167)	6,967	-	-	-	-	-	-
Movement in own shares	-	-	-	(176)	(3,861)	-	-	-	-	-	(4,037)
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**
Total recognised income/(expense)	**-**	**-**	**-**	**-**	**-**	**20,234**	**-**	**7,161**	**3,822**	**2,786**	**34,003**
Other changes in equity											
Transfers between equity items	-	-	-	(32,212)	-	32,212	-	-	-	-	-
Purchase-sale of own shares (note 14.5)	-	-	-	103	(5,122)	-	-	-	-	-	(5,019)
Other changes	-	-	-	(2,133)	-	-	-	-	-	51	(2,082)
Long-term incentive plan (notes 3.12 & 14.6)	-	-	-	(472)	-	-	472	-	-	-	-
Balance at 31 December 2022	**58,040**	**17,108**	**3,763**	**131,687**	**(15,546)**	**20,234**	**2,334**	**879**	**2,980**	**54,612**	**276,091**

TUBACEX, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2022 AND 2021
(Thousands of euros)

	Note	2022	2021
Operating activities			
Profit/(loss) before tax from discontinued operations	2.6	-	3,928
Profit/(loss) before tax from continuing operations		26,866	(38,494)
Profit/(loss) for the year before tax		**26,866**	**(42,422)**
Adjustments for:			
Asset depreciation and amortisation	7 & 8	47,897	44,525
Net foreign exchange differences		(2,369)	(927)
Changes in provisions	11, 12, 15 & 20	5,642	(7,962)
Finance income	9	(2,610)	(2,341)
Finance costs	17	22,565	14,571
		97,991	**5,444**
Changes in working capital			
Inventories	11	(64,822)	(66,646)
Trade and other receivables	12	(29,961)	(10,807)
Other current assets		2,797	13,072
Trade and other payables	19	110,113	55,264
Other non-current assets and liabilities		(5,540)	(5,914)
		12,587	**(15,031)**
Other cash flows from operating activities			
Interest paid		(22,565)	(14,571)
Income tax collected/(paid)	21	(403)	233
		(22,968)	**(14,338)**
Net cash from/(used in) operating activities (I)		**87,610**	**(23,925)**
Investing activities			
Proceeds from sale of non-current assets	7 & 8	1,750	-
Interest received	9	2,610	2,341
Purchase of property, plant, and equipment	8	(19,458)	(18,425)
Purchase of intangible assets	7	(7,334)	(8,309)
Acquisition of non-controlling interests	2.6	-	(8,472)
Business combinations	2.6	-	26,229
Net cash used in investing activities (II)		**(22,432)**	**(6,636)**
Financing activities			
Purchase/sale of own shares	14.5	(5,122)	(4,037)
Proceeds from bank borrowings	17	54,695	47,963
Proceeds from other borrowings	17 & 18	24,829	319,186
Repayment of bank borrowings	17	(91,251)	(29,892)
Repayment of other borrowings	17	(21,249)	(322,170)
Net cash (used in)/from financing activities (III)		**(38,098)**	**11,050**
Net foreign exchange differences (IV)		**(3,351)**	**755**
Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)		**23,729**	**(18,756)**
Cash and cash equivalents at 1 January	**13**	**140,489**	**159,245**
Cash and cash equivalents at 31 December	**13**	**164,218**	**140,489**

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

Notes to the consolidated financial statements for the year ended 31 December 2022

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 instead 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 the manufacture and sale of seamless steel tubing solutions, mainly made from stainless steel.

Tubacex, S.A.'s shares 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 2023. The Group's 2021 consolidated financial statements were approved at the Parent's Annual General Meeting on 26 May 2022. The Group's annual consolidated financial statements and the separate financial statements of the entities comprising it for 2022 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 the 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 2022 were 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 2022 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 prepared these annual consolidated financial statements on a going concern basis.

2.2 Adoption of International Financial Reporting Standards (IFRS)

The following mandatory standards and interpretations took effect in 2022, 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 3 Business Combinations - IAS 16 Property, Plant and Equipment - IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Annual Improvements to IFRS, 2018-2020 Cycle	1 January 2022

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 2022*

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**
IFRS 17 – Insurance Contracts	19 November 2021	1 January 2023	1 January 2023
Amendment to IFRS 17 - Insurance Contracts - Initial application of IFRS 17 and IFRS 9 - Comparative Information	8 September 2022	1 January 2023	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	2 March 2022	1 January 2023	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and the IFRS Practice Statement 2)	2 March 2022	1 January 2023	1 January 2023
Deferred Tax Related with Assets and Liabilities that Arise in a Single Transaction (Amendments to IAS 12)	11 August 2022	1 January 2023	1 January 2023
IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current	Pending	Pending	1 January 2024

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 2022 and 2021, including group balances that are eliminated in the consolidated statement of financial position, break down as follows:

	Equivalent in thousands of euros			
	31 Dec. 2022		31 Dec. 2021	
Currency	Assets	Liabilities	Assets	Liabilities
BRL	2,448	2,066	1,191	1,818
THB	16,078	10,325	13,200	8,803
USD	392,124	167,966	232,351	126,543
INR	68,011	23,276	46,491	10,089
NOK	10,279	7,225	11,561	7,379
AED	5,805	1,551	5,267	1,992
Other	-	-	738	255
Total	**494,745**	**212,409**	**310,799**	**156,624**

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 2022 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 2022, the Group had provided NIOC sureties totalling 49,707 thousand euros (year-end 2021: 49,707 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 2022, 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 2021).

Situation derived from the Covid-19 pandemic and the conflict between Ukraine and Russia

The pandemic induced by COVID-19 did not have a significant direct impact on the Group in 2022 and the level of uncertainty and breadth of implications associated with it dissipated by comparison with 2021. For detailed relevant information about the effects of the pandemic in 2021, the reader is referred to note 2.4 of the Group's consolidated financial statements for the year ended 31 December 2021.

Elsewhere, the conflict between Ukraine and Russia has ushered in uncertainty.

The TUBACEX Group has limited exposure to project execution or pipeline projects in Ukraine, Russia or Belarus. At 31 December 2022, the TUBACEX Group recognised a balance receivable from a customer of Russian nationality in the amount of 6.6 million euros, which is in the process of being collected through a financial institution. The Group received 1.9 million euros in February 2023 and expects to receive the remaining balance during the year.

The Group closed its Russian subsidiary, Tubacex CIS, LLC, in 2022.

The embargoes and sanctions levied against Russia could have an impact on the Group's ability fulfil its execution and maintenance commitments due to limits on imports of parts from Russia.

In terms of the supply chain, the biggest risk to materialise has been the surge in prices, especially energy prices. Energy prices have risen dramatically for European producers on the back of limits on Russian oil and gas supplies. By the same token, the prices of all materials that require a lot of energy to produce have increased. Those developments, coupled with other classes of sanctions, have combined to drive an increase in production costs that needs to be negotiated with suppliers and end customers.

The above-mentioned supply chain risks came on top of the instability already existing in the commodities markets, exacerbated by the COVID-19 pandemic.

In addition, interest rates have been increased in a bid to contain the financial markets. The impact on the Group has been limited thanks to the deleveraging that materialised in 2022, coupled with the fact that most of its long-term debt carries fixed rates.

Based on the information available, the Parent's directors have assessed the current situation and main risks, flagging the following aspects:

Operating risk

Group revenue amounted to 715 million euros in 2022, growth of 109% from 2021, due mainly to the issues encountered in 2021 due to the idling of two of the Group's subsidiaries, as well as delays in growth projects in the energy sector. The Group has taken steps, initiated in 2020 and 2021, on the sales and cost fronts to minimise the impacts of the pandemic and other sector circumstances. To that end, in 2022, it signed significant binding and multi-year contracts that foreshadow a very different experience in 2023 and beyond.

Liquidity risk

As indicated in these notes, 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, in 2020, the Group 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 2022 the Group presented solid liquidity and solvency: 164 million euros of cash and short-term financial assets and undrawn credit facilities put the Group's liquidity at over 190 million euros; over 64% all borrowings are non-current, up from approximately 50% at year-end 2021.

That liquidity position not only enables the Group to remain fully operational but also positions it to stage a recovery as soon as global market circumstances permit.

Asset and liability valuation risk

None of the significant projects included in the Group's orderbook has been cancelled, while very significant framework agreements and multi-year contracts 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 either the fallout from the pandemic or its exposure to the war in Ukraine, such that the directors have not identified the need to reduce the carrying amount of any of those assets.

In parallel, the Group unveiled a new Strategic Plan in 2022 in light of the evident shift in the energy market. The Group has the opportunity to play a key role in the unfolding transition to cleaner energies. All energy generation, transmission and storage processes require materials that are highly resistant to temperatures, corrosion and pressure. The Group remains strongly committed to its R&D effort and leveraging its experience and know-how around the most advanced materials.

Lastly, the Parent's directors continue to assess and implement additional measures for adapting the Group's operations and taking the right steps as the situations causing uncertainty unfold. Nevertheless, the recovery underway since the end of 2021 and for all of 2022 is tangible and expected to continue in 2023 and beyond.

Climate change risks

In 2021, the Group incorporated climate and transition risks into its global risk model. It assesses its climate risks in qualitative terms in accordance with the TCFD criteria, evaluating physical risks as a result of the effects of climate change on its activities separately from transition risks deriving from the economy's transition to a low carbon model.

Those risks were analysed over three time horizons: the short (2025), medium (2030) and long-term (2050). For each class of risk the Group identified the possible sources, assessing their probability of occurrence, potential impact on the business and materialisation timeframe. Those risks are not expected to have a material impact on these consolidated financial statements.

The 2022 non-financial statement, which is part of the accompanying Management Report, outlines the Group's climate risks in greater detail.

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 2022 with those of 2021, 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 2022 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 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 (note 9).

Discontinued operations

None of the Group's operations were classified as discontinued in 2022. In 2021, however, the following transaction resulted in the classification of one of its business segments as a discontinued operation:

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 included contingent consideration as the Group stood to collect up to 1.5 million euros depending on the delivery of certain ratios over the next three years. At 31 December 2022, the Group recognised an asset in the amount of 1 million euros based on its updated collection expectations (it did not recognise any asset in that respect at 31 December 2021).

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

As a result, the earnings of the carbon segment were reclassified within discontinued operations.

That subgroup's earnings performance in 2021 was as follows:

(Thousands of euros)	2021
Revenue	23,129
Operating expenses	(19,290)
Finance income	89
Profit/(loss) before tax	**3,928**
Income tax	(195)
Profit/(loss) after tax for the year from discontinued operations	**3,733**

The net cash flows attributable to discontinued operations:

(Thousands of euros)	2021
Operating activities	8,381
Investing activities	(1,445)
Financing activities	(3,460)
Net increase in cash and cash equivalents	**3,476**

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**

Changes in the consolidation scope in 2022

The most significant changes to the consolidation scope in 2022 were as follows:

Hyvalue Gasteiz IET, S.L.U.

On 4 April 2022, Hyvalue Tubacex Iet, S.L. incorporated Hyvalue Gasteiz Iet, S.L. with initial capital of 4 thousand euros.

Amega West USA INC - Atlantic Supplies INC.

On 16 February 2022, NTS Amega West Inc. and Atlantic Marine Supplies Inc. set up a joint venture in Guyana, NTS Amega Atlantic Inc., to jointly carry out a project in light of the scale of the oil and gas reserves to be developed and operated. The new company has 1,000 shares and total share capital of 2,233 thousand euros. The Group holds 66% of those shares.

Those companies were not consolidated in 2022 on account of the scant materiality of their activity.

Changes in the consolidation scope in 2021

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

Tubacex Tubes and Pipes 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), was 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), was 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 amounted to 10 thousand euros and was paid in by year-end.

Other commitments

NTS Saudi

During the first half of 2022, the TUBACEX Group signed an agreement for the acquisition of the non-controlling interests in NTS Saudi Co. Ltd. with a view to increasing its ownership interest from 51% to 100%. The transaction had yet to materialise at 31 December 2022; it is expected to close in the first quarter of 2023, once all the stipulated conditions precedent have been met. The cost of the transaction is estimated at 5.5 million 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 2022 or 2021.

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; (ii) the amount of any non-controlling interest; 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 2022 consolidated financial statements.

3. Accounting policies and measurement standards

The main measurement standards used by the Group to prepare the consolidated financial statements at 31 December 2022 and 2021 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 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 get an asset ready 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 2022, the Group capitalised staff costs totalling 2,761 thousand euros, related mainly to hours worked by its engineers; that balance was recognised under "Self-constructed assets" (2021: 1,681 thousand euros). Of that sum, 2,462 thousand euros is recognised under "Intangible assets" (2021: 1,378 thousand euros) (note 7), and 299 thousand euros is recognised under "Property plant and equipment"(2021: 303 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 2022 or 2021.

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 them ready 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 2022 or 2021.

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 shorter 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 2022, the Group recognised impairment allowances against account receivable in the amount of 1,667 thousand euros and reverted 3,133 thousand euros of existing provisions (2021: additional allowances of 3,245 thousand euros and utilisation of 300 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 2022, the Group had derecognised 129,282 thousand euros of trade receivables on that basis (year-end 2021: 56,502 thousand euros). At 31 December 2022, the Group had 28,230 thousand euros of receivables discounting facilities available for drawdown (year-end 2021: 36,878 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 2022, the Group had transferred assets yet retained substantially all the risks and rewards of their ownership in the amount of 8,279 thousand euros (year-end 2021: 4,807 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. 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 risks derive 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 is 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 2022 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 15,546 thousand euros (year-end 2021: 10,424 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 calculated as follows:

- Raw materials and goods held for conversion: replacement price. Notwithstanding the foregoing, the Group does not recognise an impairment allowance if it expects that 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) Non-repayable grants, donations and bequests received: 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) Repayable grants: 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 the statement of profit or loss 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 they are 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 2022, those commitments were measured at 4,178 thousand euros (year-end 2021: 4,823 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 3.13 and 10.4) for the members of the TUBACEX Group’s senior management team and its CEO, payment of which will depend on value generation by the Group measured as a function of certain metrics including EBITDA, net debt and dividend payments. In 2022, the Group recognised a provision of 1,789 thousand euros under “Employee benefits expense” in connection with that plan. It did not recognise any amount in 2021 as the established targets were not met (note 20).

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

The tax authorities of Alava, Spain were notified on 26 December 2013 that the Parent and certain subsidiaries located in the Basque region and subject to that region's corporate income tax regulations planned 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 Advanced 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 (€ 000):

	2022
Dividends	8,094
Reserves	744
Total	**8,838**

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 2022, had the euro been 5% weaker against the US dollar, all other variables remaining constant, the Group's after-tax profit would have been 11,449 thousand euros lower (2021: lower by 2,304 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 2022 and 2021.

For financial reporting purposes, the Group's management designates external forward currency agreements 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 2022, the Group had 224,158 euros of net assets denominated in dollars (year-end 2021: 232,350 thousand euros) and 44,735 thousand euros of net asset denominated in Indian rupees (year-end 2021: 48,270 thousand euros) (note 2.3).

a.2) Commodity and energy price risk

One of the key aims of the Group's business plan is to reduce the impact of commodity and energy 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.

As for its energy purchases, the Group has a number of mechanisms for mitigating market variability, such as the sharp volatility encountered in 2022. Specifically, it has been purchasing volumes forward under fixed-price agreements, which cover between 42% and 51% of the energy the Group expects to consume in 2023.

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 2022, had nickel prices been 10% higher or lower, the Group's cost of sales would have been approximately 6,514 thousand higher or lower, respectively (2021: approximately 1,039 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 8,690 thousand euros higher or lower, respectively (2021: approximately 3,090 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 2022, 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 of 95,646 thousand euros (year-end 2021: 67,272 thousand euros). The Group has written 6,407 thousand euros of those receivables down for impairment (year-end 2021: 7,873 thousand euros) (note 12). The balance of receivables that were past due at 31 December 2022 amounted to approximately 21,733 thousand euros (year-end 2021: 17,253 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 that the Group will settle its corporate income tax bill approximately six months from the reporting date.

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 462,543 thousand euros at 31 December 2022 (year-end 2021: 494,206 thousand euros). In 2022, short-term bank financing averaged approximately 109 million euros (2021: approximately 68.8 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 998 thousand euros, respectively (2021: 607 thousand euros). The Group also has other financial liabilities totalling 42,796 thousand euros (year-end 2021: 36,230 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.

<u>Fair value hierarchy disclosures</u>

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, and following its exit from the carbon segment in 2021 (note 2.6), the Group has identified the following segments:

- Seamless stainless steel tubing
- Specialty steels, components and other

The attendant operating segment disclosures are provided below:

YEAR-END 2022	Specialty steels, components and other	Seamless stainless steel tubing	TOTAL
Segment assets	476,865	682,914	1,159,779
Total segment assets	**476,865**	**682,914**	**1,159,779**
Capital expenditure	6,354	13,105	19,459
Total segment liabilities	**271,970**	**611,718**	**883,688**
Total segment revenue	431,874	282,840	714,714
Inter-segment transactions	(52,990)	52,990	-
Changes in inventories	35,623	18,008	53,631
Cost of sales and other expenses	(367,259)	(308,737)	(675,996)
Depreciation, amortisation and impairment	(21,026)	(26,871)	(47,897)
Operating profit/(loss)	**26,222**	**18,230**	**44,452**
Finance income	-	-	2,610
Finance costs	-	-	(22,565)
Exchange gains/(losses)	-	-	2,369
Segment profit/(loss) before tax	**26,222**	**18,230**	**26,866**

YEAR-END 2021	Specialty steels, components and other	Seamless stainless steel tubing	TOTAL
Segment assets	377,753	664,039	1,041,792
Total segment assets	**377,753**	**664,039**	**1,041,792**
Capital expenditure	6,473	11,952	18,425
Total segment liabilities	**140,796**	**651,807**	**792,603**
Total segment revenue	152,545	189,316	341,861
Inter-segment transactions	33,061	(33,061)	-
Changes in inventories	7,177	(14,221)	(7,044)
Cost of sales and other expenses	(181,211)	(140,201)	(321,412)
Depreciation, amortisation and impairment	(16,912)	(27,612)	(44,524)
Operating profit/(loss)	**(5,340)**	**(25,779)**	**(31,119)**
Finance income	-	-	2,341
Finance costs	-	-	(14,571)
Exchange gains/(losses)	-	-	927
Segment profit/(loss) before tax	**(5,340)**	**(25,779)**	**(42,422)**

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 2022 and 2021 (€ 000):

Geographical area	2022	%	2021	%
Spain	27,197	4%	17,344	5%
Germany	73,612	10%	31,485	9%
Italy	57,541	8%	23,595	7%
Norway	58,000	8%	46,040	13%
UK	32,969	5%	13,294	4%
France	43,686	6%	26,464	8%
Netherlands	18,908	3%	11,240	3%
Russia	11,354	2%	8,158	2%
Austria	14,310	2%	20,067	6%
Rest of Europe	50,809	7%	38,832	11%
Arab Emirates	27,041	4%	10,097	3%
US	159,311	22%	52,069	15%
Brazil	52,097	7%	-	0%
Other	87,879	12%	43,176	13%
Total revenue	**714,714**	**100%**	**341,861**	**100%**

b) The breakdown of net investments in non-current assets by geographical area at year-end 2022 and 2021 (€ 000):

Geographical area	2022	%	2021	%
Spain	161,199	33%	161,550	33%
Rest of Europe	124,064	26%	131,784	27%
India	28,386	6%	25,710	5%
US	107,817	22%	76,899	16%
Thailand	3,911	1%	4,136	1%
Brazil	1,504	0%	229	0%
Dubai	26,862	6%	57,533	12%
Saudi Arabia	6,812	1%	3,955	1%
Singapore	4,146	1%	4,095	1%
Canada	7,189	1%	8,376	2%
Norway	9,413	2%	8,560	2%
Kazakhstan	170	0%	-	-
Total non-current assets	**481,473**	**100%**	**482,827**	**100%**

7. Intangible assets

The reconciliation of the carrying amounts of the various items comprising intangible assets at the beginning and end of 2022 and 2021 (€ 000):

	Goodwill	Other intangible assets	Greenhouse gas emission allowances	Total
Cost:				
Cost at 1 January 2021	**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)
Amounts derecognised	-	(3,648)	-	(3,648)
Translation differences	(1,779)	-	-	(1,779)
Cost at 31 December 2021	**26,504**	**165,607**	**1,058**	**193,169**
Additions	-	7,241	493	7,734
Additions to consolidation scope (note 2.6)	-	-	-	-
Subsidiaries deconsolidated (note 2.6)	-	-	-	-
Amounts derecognised	-	(8,037)	-	(8,037)
Translation differences	(198)	837	-	639
Cost at 31 December 2022	**26,306**	**165,648**	**1,551**	**193,505**
Accumulated amortisation:				
Accumulated amortisation at 1 January 2021	**(1,900)**	**(49,653)**	**-**	**(51,553)**
Charges	-	(7,263)	-	(7,263)
Subsidiaries deconsolidated (note 2.6)	-	312	-	312
Amounts derecognised	-	2,908	-	2,908
Accumulated amortisation at 31 December 2021	**(1,900)**	**(53,696)**	**-**	**(55,596)**
Charges	-	(7,061)	-	(7,061)
Subsidiaries deconsolidated (note 2.6)	-	-	-	-
Amounts derecognised	-	7,010	-	7,010
Accumulated amortisation at 31 December 2022	**(1,900)**	**(53,747)**	**-**	**(55,647)**
Accumulated impairment at 31 December 2021	**(16,275)**	**(7,200)**	**-**	**(23,475)**
Charges	**-**	**-**	**-**	**-**
Accumulated impairment at 31 December 2022	**(16,275)**	**(7,200)**	**-**	**(23,475)**
Carrying amount 31 Dec. 2021	**8,329**	**104,711**	**1,058**	**114,098**
Carrying amount 31 Dec. 2022	**8,131**	**104,701**	**1,551**	**114,383**

The most significant additions recognised in 2022 and 2021 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 2022, the original cost of fully-amortised intangible assets still in use, mainly software, was 28,665 euros (year-end 2021: 22,034 euros).

7.1 Goodwill

Goodwill breaks down as follows:

2022:

	31 Dec. 2021	Translation differences	31 Dec. 2022
Tubacex Tubes and Pipes Pvt Ltd	8,229	(198)	8,031
MIS	100	-	100
Total	**8,329**	**(198)**	**8,131**

2021:

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

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% (2021: 8.1%) and a growth rate in perpetuity of 1.75% (2021: 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 2022.

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 and 2.2 million euros at 31 December 2022, respectively. 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 consolidated financial statements.

At year-end 2022, 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 2023-2026 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 (2021: 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%) (2021: 10.10%).

Based on those tests, the Parent's directors concluded that at 31 December 2022, 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 nine orders that management expected to receive, which the Group recognised at 2.2 million euros at year-end 2022. The Group did not recognise any additional impairment losses in its consolidated statement of profit or loss in 2022 or 2021.

The NTS trademark

In 2019, 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 in 2022 was 5% (3.5% in 2021).

- The cash flows were discounted at rates of between 15.4% and 16% (unchanged from 2021).

Amega West trademarks and customer relationships

As a result of the business combination completed in 2020, 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 modifying the conclusions reached the previous year.

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 in 2022 was 3% (3% in 2021).

- The cash flows were discounted at rates of between 17.2% and 18.4% (unchanged from 2021).

Norwegian Piping (TSS Norway) trademark

As a result of the business combination completed in 2020, 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 2022 without modifying the conclusions reached the previous year-end.

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 five years.

- The royalty rate modelled in 2022 was 3% (3% in 2021).

- The cash flows were discounted at 17.3% (unchanged from 2021).

In the event that the discount rates modelled in the above-listed impairment tests were increased or decreased by 0.5% it would still not be necessary to recognise any impairment losses against those intangible assets.

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 2022 and 2021:

	€ 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 2021	**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)
Amounts derecognised	-	(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**
Additions	-	1,363	-	6,300	-	5,560	-	6,235	19,458
Subsidiaries deconsolidated (note 2.6)	-	-	-	-	-	-	-	-	-
Amounts derecognised	-	(1,459)	-	(6,472)	-	(2,178)	(54)	-	(10,163)
Transfers	-	144	-	6,555	-	880	-	(7,579)	-
Translation differences	(174)	1,575	-	6,458	-	5,677	-	(955)	12,581
Cost at 31 December 2022	**20,836**	**132,279**	**2,767**	**688,664**	**7,885**	**79,599**	**4,334**	**16,126**	**952,490**
Accumulated depreciation:									
Accumulated depreciation at 1 January 2021	-	**(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
Amounts derecognised	-	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)**
Charges	-	(5,636)	(152)	(18,359)	(3,058)	(13,632)	-	-	(40,837)
Subsidiaries deconsolidated (note 2.6)	-	-	-	-	-	-	-	-	-
Amounts derecognised	-	1,151	-	6,454	-	2,177	-	-	9,782
Translation differences	-	(1,076)	-	310	-	(1,400)	-	-	(2,166)
Accumulated depreciation at 31 December 2022	-	**(81,688)**	**(833)**	**(518,475)**	**(7,856)**	**(76,521)**	-	-	**(685,373)**
Accumulated impairment at 31 December 2021	-	-	-	-	-	-	**(331)**	-	**(331)**
(Impairment)/reversal during the year	-	-	-	-	-	-	-	-	-
Amounts derecognised	-	-	-	-	-	-	3	-	3
Accumulated impairment at 31 December 2022	-	-	-	-	-	-	**(328)**	-	**(328)**
Carrying amount at 31 December 2021	**21,010**	**54,529**	**2,086**	**165,943**	**3,087**	**8,994**	**4,057**	**18,425**	**278,131**
Carrying amount at 31 December 2022	**20,836**	**50,591**	**1,934**	**167,189**	**29**	**6,078**	**4,006**	**16,126**	**266,789**

The Group's capital expenditure in 2022 centred on adapting the productive facilities for rising demand in different regions and technologies, particularly in Austria and India.

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

2022

Description	Carrying amount (gross)	Accumulated depreciation	Accumulated impairment losses
Land and buildings	101,235	(37,516)	-
Plant and machinery	309,428	(244,005)	-
Other PP&E	50,036	(5,663)	-
PP&E in progress	8,008	-	-
Total	**468,707**	**(287,184)**	**-**

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)**	**-**

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	
	2022	2021
Buildings	57,512	54,064
Plant and machinery	325,130	326,872
Other fixtures, tools and furniture	13,541	15,969
Other PP&E	26,843	26,697
Total	**423,026**	**423,602**

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 2022 and 2021 (the last such appraisal was conducted in 2022). 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	2022			2021		
	Cost	Impairment	Total	Cost	Impairment	Total
Works of art	4,333	(328)	4,005	4,388	(331)	4,057

The Group derecognised one work of art in 2022 (there were no movements under this heading in 2021).

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.

In 2022, the Group conducted impairment tests for Tubacex Durant, Inc, where the terminal value represents 97% of the total recoverable amount. In 2021, it conducted tests for Tubacex Tubos Inoxidables, S.A.U. and Acería de Álava, S.A., where the terminal value represented 0% of the total recoverable amount; for IBF SpA., where the terminal value represented 68% of the total recoverable amount; and for Tubacex Tubes and Pipes Pvt Ltd, where the terminal value represented 49% of the total recoverable amount.

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

Other disclosures

The directors believe there were no indications that the rest of the Group's assets were impaired at either 31 December 2022 or 2021.

No material amounts recognised under "Trade and other accounts payable" in the accompanying consolidated statement of financial position were pending payment to fixed-asset suppliers at either year-end (note 19).

At 31 December 2022, the Group had capital commitments under multi-year agreements executed at the end of 2021. Specifically, it was committed to building a facility associated with the contract in Abu Dhabi for 86 million euros.

Capital expenditure contracted for the end of the reporting period amounted to 3,762 thousand euros (4,400 thousand euros at year-end 2021).

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. Financial assets

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

2022:

	€ 000			
	31 Dec. 2022			
	Fair value through profit or loss	Fair value through other comprehensive income	At amortised cost	Total
Equity instruments	4,462	-	-	4,462
Other financial assets	-	-	616	616
Non-current	**4,462**	**-**	**616**	**5,078**
Other financial assets	10,564	-	645	11,209
Current	**10,564**	**-**	**645**	**11,209**
Total	**15,026**	**-**	**1,261**	**16,287**

2021:

	€ 000			
	31 Dec. 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**

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 resulting balances at year-end:

Company name	%	Carrying amount 2022	Carrying amount 2021	Issued	Profit/ (loss)	Capital and reserves
COPROSIDER Srl (*)	39%	39	39	100	400	4,674
Total	**39%**	**39**	**39**	**100**	**400**	**4,674**

(*) Figures as per the financial statements at 31 December 2022.

"Current financial assets" includes a loan extended to Coprosider Srl in the amount of 644 thousand euros (year-end 2021: 644 thousand euros) (note 25).

The Company has invested some of its surplus cash in investment funds, in the amount of 10,564 thousand euros at 31 December 2022 (16,855 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 308 thousand euros in 2022; that income is recognised within "Finance income" in the accompanying consolidated statement of profit or loss (2021: 433 thousand euros).

10. Derivative financial instruments

The breakdown of the Company's derivative financial instruments at year-end:

2022:

	Notional amount		€ 000			
			Assets		Liabilities	
	Amount in '000	Unit	Non-current	Current	Non-current	Current
Derivatives held for trading						
Forward sale of USD	39,730	USD	-	195	-	(979)
Forward sale of GBP	2,553	GBP	-	-	-	(70)
Forward purchase of USD	53,225	USD	-	-	-	(1,487)
			-	**195**	**-**	**(2,536)**
Hedging derivatives						
Cash flow hedges						
Interest-rate swaps	64,447	EUR	3,257	1,229	-	-
Forward sale of USD	32,367	USD	-	735	-	(40)
Forward purchase of USD	1,851	USD	-	-	-	(59)
Forward sale of GBP	145	GBP	-	-	-	(4)
Purchase/sale of commodities		EUR	-	649	-	(1,130)
			3,257	**2,613**	**-**	**(1,233)**
			3,257	**2,808**	**-**	**(3,769)**

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)**

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 2022, the Group had forward currency sale contracts not accounted for as hedges in the amount of 39,572 thousand euros (year-end 2021: 8,013 thousand euros). The notional amount of forward currency contracts held for trading stood at 39,730 thousand US dollars (year-end 2021: 6,003 thousand US dollars) and 2,553 thousand pounds sterling (year-end 2021: 2,470 thousand pounds sterling). Despite not being designated as hedges, in all instances, 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			
	2022		2021	
	USD	GBP	USD	GBP
Within one year	36,678	2,894	5,129	2,884

Elsewhere, at year-end 2022, the Group had written forward currency purchase contracts held for trading over a notional amount of 51,374 thousand euros (year-end 2021: 17,005 thousand euros). Those contracts were written over a notional amount of 53,225 thousand US dollars (year-end 2021: 19,440 thousand US dollars). Despite not being designated as hedges, in all instances, 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	
	2022	2021
Within one year	51,374	17,005

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 2022, the Group recognised a derivative on the asset side of its consolidated statement of financial position of 649 thousand euros under "Derivative financial instruments" (an asset of 45 thousand euros at year-end 2021), the associated deferred tax liability of 156 thousand euros under "Deferred tax liabilities" (a deferred tax liability of 11 thousand euros at year-end 2021) and the corresponding positive impact on equity of 493 thousand, which was recognised within "Valuation adjustments - Hedging transactions" (positive impact of 34 thousand euros at year-end 2021).

In parallel, the Group also recognised a derivative on the liability side of 1,130 thousand euros under "Derivative financial instruments", the associated deferred asset of 271 thousand euros under "Deferred tax assets" and the corresponding negative impact on equity of 859 thousand, under "Valuation adjustments - Hedging transactions ".

The fair values of those nickel price swaps was estimated using discounted cash flow analysis modelling the difference between market prices gleaned from public information sources as of 31 December and the fixed prices locked in under the various contracts.

10.3 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:

2022:

Notional amount € 000	Start date	End date	Interest rate
1,125	04/06/2019	29/05/2024	0.09%
26,000	20/06/2022	20/06/2027	-0.03%
27,500	20/01/2020	20/01/2028	0.30%
5,833	05/06/2020	21/04/2025	0.00%
2,408	21/10/2020	21/10/2026	0.00%
1,601	04/01/2021	30/11/2026	0.25%

2021:

Notional amount € 000	Start date	End date	Interest rate
1,875	04/06/2019	29/05/2024	0.09%
26,000	20/06/2022	20/06/2027	-0.03%
30,000	20/01/2020	20/01/2028	0.30%
7,500	05/06/2020	21/04/2025	0.00%
3,000	21/10/2020	21/10/2026	0.00%
2,000	04/01/2021	30/11/2026	0.25%

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)	
	2022	2021
Interest rate swaps:		
- Finance income/(cost)	(68)	(190)
Foreign currency hedges:		
- Exchange gains/(losses)	(706)	971
	(774)	**781**

The interest expense generated by the interest rate swaps that expired in 2022 was 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 2022 and 2021 is as follows:

	€ 000	
	2022	2021
Raw materials and other consumables	129,625	137,106
Work in progress and semi-finished goods	91,666	76,989
Finished goods	189,708	126,214
Advances to suppliers	2,075	4,263
Impairment	(34,744)	(31,064)
	378,330	**313,508**

The raw materials, other consumables and goods for resale recognised as an expense in 2022 and 2021:

	€ 000	
	2022	2021
Raw materials, other consumables and goods for resale used		
Net purchases	319,699	154,425
Change in inventories	10,789	(12,595)
	330,488	**141,830**

The movement in the allowance for impairment of inventories in 2022 and 2021 is shown below (€ 000):

2022:

	Opening balance	Additions	Unused amounts reversed	Closing balance
Goods for resale, raw materials and goods held for conversion	14,616	5,647	(1,912)	18,351
Work in progress	1,318	1,049	-	2,367
Finished goods	15,130	4,329	(5,431)	14,026
Impairment of inventories	**31,064**	**11,025**	**(7,343)**	**34,744**

2021:

	Opening balance	Additions	Unused amounts reversed	Closing balance
Goods for resale, raw materials and goods held for conversion	18,092	-	(3,476)	14,616
Work in progress	3,111	-	(1,793)	1,318
Finished goods	9,295	5,835	-	15,130
Impairment of inventories	**30,498**	**5,835**	**(5,269)**	**31,064**

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

Currency	€ 000	
	2022	2021
USD	117,525	75,725
INR	45,411	28,531
THB	4,265	1,703

12. Trade and other receivables

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

	€ 000	
	2022	2021
Trade receivables	95,646	67,262
Trade receivables, related parties (note 25)	-	765
Miscellaneous receivables	12,795	9,816
Taxes receivable (note 21)	12,809	14,903
Current tax assets (note 21)	1,002	-
	122,252	**92,756**
Less: impairment	(6,407)	(7,873)
Total trade and other receivables	**115,845**	**84,883**

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

	€ 000	
	2022	2021
Balance at 1 January	7,873	4,928
Additions (notes 3.5 and 23)	1,667	3,245
Unused amounts reversed (notes 3.5 and 23)	(3,133)	-
Utilised	-	(300)
Balance at 31 December	**6,407**	**7,873**

13. Cash and cash equivalents

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

	€ 000	
	2022	2021
Cash at bank and in hand	164,218	140,489
	164,218	**140,489**

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

At year-end 2022 and 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.

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 that transaction on 22 July 2021.

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 Group's revaluation reserve stood at 3,763 thousand euros at both year-ends.

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	
	2022	2021
Reserves in the parent company	48,321	32,621
Reserves in fully-consolidated companies	83,366	133,780
Total other reserves	**131,687**	**166,401**

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 the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

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:

2022:

	No. of shares 31 Dec. 2022	Par value (€ 000)	Average purchase price (€)	Total purchase price (€ 000)
Own shares at year-end 2022	8,240,686	3,708	1.88	15,546

2021:

	No. of shares 31 Dec. 2021	Par value (€ 000)	Average purchase price (€)	Total purchase price (€ 000)
Own shares at year-end 2021	5,801,630	2,611	1.80	10,424

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 3,144,090 own shares at an average price of 2.04 euros per share and sold 699,278 shares at an average price of 1.81 euros per share between 1 January 2022 and 31 December 2022.

The reconciliation of the opening and year-end own share balances in 2022 and 2021:

2022:

	31 Dec. 2021	Purchases	(Sales)	Shares cancelled	31 Dec. 2022
Own shares	10,424	6,416	(1,294)	-	15,546

2021:

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

The Group recognised the consideration received on the sale of own shares, in the amount of 103 thousand euros (2021: 176 thousand euros), directly in equity, with a credit to “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 9 members of the senior management team (2021: 10 members).

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 management 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 2022, 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 2,334 thousand euros (year-end 2021: 1,862 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 2022 with a credit to "Other equity instruments" in equity, likewise at 31 December 2022 (charge of 472 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 2021 with a credit to "Other equity instruments" in equity, likewise at 31 December 2021).

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 2022 and 2021:

	€ 000			
	Translation differences	Cash flow hedges	Tax effect	Net amount
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)**
Income and expense generated during the year	7,161	4,255	(1,021)	10,395
Amounts reclassified to profit or loss	-	774	(186)	588
Balance at 31 December 2022	**879**	**3,791**	**(811)**	**3,859**

Translation differences:

Appreciation of the US dollar and Indian rupee in 2022 had the effect of revaluing the value of the net assets denominated in those currencies with an impact on equity of 7,161 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 2022 and 2021:

	€ 000	
	2022	2021
Total bank borrowings (note 17)	462,543	494,206
Less: cash, cash equivalents and current financial assets (notes 9 & 13)	(175,427)	(157,989)
Net debt	**287,116**	**336,217**
Equity	**276,091**	**249,189**
Leverage ratio	**104%**	**135%**

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 2022 and 2021 by component of equity:

	€ 000
Balance at 31 December 2020	**57,582**
Recognised income and expense	
Loss for the year	(2,989)
Acquisition of non-controlling interests (note 2.6)	(2,818)
Balance at 31 December 2021	**51,775**
Recognised income and expense	
Profit for the year	2,786
Other	51
Balance at 31 December 2022	**54,612**

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).

15. Provisions

Non-current provisions

Other obligations

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 amounts provided for at 31 December 2022 totalled 8,507 thousand euros (year-end 2021: 1,650 thousand euros), a figure the directors deem adequate.

Provision for environmental damages

This heading likewise includes provisions for potential environmental damages in the amount of 1,393 thousand euros (921 thousand euros at year-end 2021) (note 28).

Current provisions

The reconciliation of current provisions at the beginning and end of 2022 and 2021 (€ 000):

	Current provisions
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**
Charges	2,056
Subsidiaries deconsolidated (note 2.6)	-
Amounts utilised	(5,248)
Unused amounts reversed	-
Balance at 31 December 2022	**4,973**

Guarantees extended

The Group has extended bank sureties to guarantee its performance under certain contracts obtained in the ordinary course of business totalling 74,380 thousand euros (year-end 2021: 87,185 thousand euros). Of the total extended at 31 December 2022, 49,707 thousand euros corresponded to the contract in Iran (year-end 2021: 49,707 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. <u>Deferred income</u>

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 1,402 thousand euros in profit or loss, the Group continued to recognise 6,019 thousand corresponding to the contribution made by USBCDC to the Fund, net of fees, at 31 December 2022 (year-end 2020: 5,945 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 2022 and 2021 is as follows:

	€ 000	
	2022	2021
Non-current:		
Bank borrowings	123,914	175,331
Notes and other marketable securities	15,000	28,755
Non-current credit facilities	30,094	69,928
	169,008	**274,014**
Current:		
Notes and other marketable securities	178,622	159,974
European Investment Bank	8,125	8,125
Current credit facilities	46,665	4,978
Current portion of non-current loans	44,939	40,158
Trade finance (note 3.5)	12,618	4,807
Interest	2,566	2,150
	293,535	**220,192**

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. The commercial paper outstanding under that programme stood at 178,622 thousand euros at year-end (159,974 thousand euros at 31 December 2021) and was all due within one year. The average interest rate on the commercial paper outstanding at 31 December 2022 was 1.28% (1.08% at year-end 2021). All of the Group's commercial paper is recognised under "Notes and other marketable securities" within current liabilities on the accompanying consolidated statement of financial position.

In addition, and again as in prior years, the TUBACEX Group, through its Parent, renewed its "EUR 100,000,000 Senior Unsecured Notes Programme Tubacex, S.A. 2019" with a limit of 150 million euros. The balance outstanding under that programme stood at 15,000 thousand euros at both year-end 2022 and 2021 and the notes are due in 2025.

In 2015 and 2016, the Group received financing from the European Investment Bank (EIB). The balance outstanding under that loan stood at 23.2 million euros at 31 December 2022 (32.5 million euros at year-end 2021).

In addition, in December 2018, the Group secured 30 million euros of investment financing from COFIDIS, a state-owned entity whose mission is to finance investment projects in emerging or developing countries. The balance outstanding under that loan stood at 28.1 million euros at 31 December 2022 (30 million euros at year-end 2021).

Lastly, the Group arranged 30 million euros of borrowings with ICO in 2019. The balance outstanding under that loan stood at 26 million euros at 31 December 2022 (30 million euros at year-end 2021).

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 prospect of breaching one of those covenants, the Parent had obtained (prior to year-end) waivers from the EIB, COFIDIS and ICO.

In 2020, the TUBACEX Group, through its Parent, arranged bilateral loans with a number of financial institutions totalling 63,200 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. The balance outstanding under those loans stood at 49,775 thousand euros at 31 December 2022 (63,200 thousand euros at year-end 2021).

In 2021, Tubacex, S.A. also arranged a new loan in the amount of 20,000 thousand euros.

Lastly, the Group has additional loans, arranged in prior years with a number of banks, totalling 29,903 thousand 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	2022	2021
One year	293,535	220,192
Two years	67,153	107,309
Three years	74,901	66,428
Four years	12,807	73,975
Five years	11,000	12,802
Other	3,142	13,500
	462,543	**494,206**

The weighted average interest rate on bank borrowings was approximately EURIBOR + 2.18% in 2022 (2021: EURIBOR + 2%).

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 three and five years.

Under the Extraordinary Covid-19 Working Capital Facility, in 2020, the Group refinanced a 6,500-thousand-euro facility featuring a guarantee from insurer CESCE over 70% of the balance outstanding, extending its maturity from one to three years. The Tubacex Group also arranged a new 5,000-thousand-euro two-year credit facility in 2021.

At year-end 2022, the Group had drawn down 76,759 thousand euros under its credit facilities, of which 30,094 thousand euros are non-current borrowings.

At 31 December 2022, the Group had undrawn trade finance and credit facilities totalling 4,682 thousand euros and 13,623 thousand euros, respectively (year-end 2021: 9,993 thousand euros and 13,602 thousand euros).

The weighted average interest rate on the Group's credit facilities was approximately EURIBOR + 1.78% in 2022 (2021: EURIBOR + 1.74%).

18. Other financial liabilities

The breakdown of “Other financial liabilities” at year-end:

	€ 000	
	2022	2021
Non-current:		
Repayable long-term loans	984	582
Loan from IVF (Basque finance institute)	1,603	2,211
Lease liabilities (IFRS 16)	12,930	12,349
Other	3,715	3,704
	19,231	**18,846**
Current:		
Loans other than from banks	23,167	16,986
Other	398	398
	23,565	**17,384**
	42,796	**36,230**

The loan extended by IVF matures in 2028.

19. Trade and other payables

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

	€ 000	
	2022	2021
Trade payables	**237,581**	**151,221**
Other accounts payable:		
Employee benefits payable	12,233	10,301
Taxes payable (note 21)	17,887	11,741
Other liabilities	47,993	32,316
	78,113	**54,358**
Current tax liabilities (note 21)	1,492	1,191
	317,186	**206,770**

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 2022, the Group had an outstanding balance of 138 million euros of this form of supply chain financing compared to a limit of 141 thousand euros (year-end 2021: drawdown of 71.8 million euros and limit of 96.5 million 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:

	2022	2021
Days		
Average supplier payment term	94	83
Paid transactions ratio	107	79
Outstanding transactions ratio	51	189
€ 000		
Total payments made	331,862	34,694
Total payments outstanding	93,020	1,799
No. of invoices paid within the legally stipulated deadline	10,389	
Percentage of total issued invoices	49%	
Amount paid within the legally stipulated deadline (€ 000)	76,487	
Percentage of the total monetary sum paid to the Group's suppliers	23%	

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 2022 and 2021 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 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**
Unused amounts reversed	(293)	(1,645)	-	(1,938)
Amount recognised as expense during the year (note 24)	1,123	1,789	269	3,180
Benefits paid	(1,475)	(127)	(45)	(1,647)
Balance at 31 December 2022	**4,178**	**4,468**	**537**	**9,183**

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 3,397 thousand euros at 31 December 2022 (year-end 2021: 3,710 thousand euros).

The discount rate used was 3.25% (2021: 0.95%) and the wage growth assumption was 3.5% (2021: 2.6%).

As disclosed in note 3.11, the Group has approved a series of incentives, payable in 2024, for the members of its senior management team and its CEO depending on delivery of a range of targets which the Group expects to be attained, to which end it has recognised a provision in the amount of 1,789 thousand euros (no provision at year-end 2021, as the Group did not attain the established targets that year).

Other long-term employee benefits

This heading includes 1,498 thousand euros at year-end 2022 (1,624 thousand euros at year-end 2021) in respect of the estimated amount 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 856 thousand euros (year-end 2021: 980 thousand euros).

21. Taxes receivable and payable 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	
	2022	2021
VAT receivable (note 12)	7,945	7,114
Other receivables (note 12)	4,864	7,789
Current tax assets	1,002	-
Total accounts receivable	**13,812**	**14,903**
Current tax liabilities	1,492	1,191
VAT payable	7,924	8,257
Social security payable	1,911	1,231
Personal income tax payable	2,675	1,848
Other accounts payable	5,377	405
Total tax payable (note 19)	**19,379**	**12,932**

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

The breakdown of the Group’s tax expense/(tax income) in 2022 and 2021:

	€ 000	
	2022	2021
Current tax	7,407	1,682
Deferred tax:	-	-
Origination and reversal of temporary differences	(3,561)	(5,116)
	3,846	**(3,488)**

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

	€ 000	
	2022	2021
Consolidated profit/(loss) before tax	26,866	(42,422)
Income tax at average tax rate	6,448	(10,181)
Permanent differences and consolidation adjustments	2,434	7,900
Effect of different tax rates levied on certain subsidiaries	959	7,415
Recognition of deferred tax assets in respect of unused tax credits and restatement of deductions	(2,745)	(16,303)
Reversal of temporary differences	(3,561)	9,209
Restatements	311	(1,528)
Total consolidated tax expense/(income) recognised	**3,846**	**(3,488)**

21.3 Deferred tax assets and liabilities

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

	€ 000			
	Assets		Liabilities	
	2022	2021	2022	2021
Provisions and other items	12,038	8,458	(17,822)	(17,402)
Unused tax losses	62,641	59,622	-	-
Unused tax credits	17,241	17,515	-	-
Asset revaluations (note 2.6)	-	-	(5,547)	(6,308)
	91,921	85,596	(23,369)	(23,710)
Derivative financial instruments	45	48	-	-
	91,966	**85,644**	**(23,369)**	**(23,710)**

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 22 million euros (25 million euros at year-end 2021); 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 7 million euros (5 million euros at year-end 2021): 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 that year.

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	
	2022	2021	2022	2021
Provisions and other items	3,580	(6,135)	(420)	(5,262)
Unused tax losses	3,019	25,337	-	554
Unused tax credits	(274)	(9,134)	-	-
Consolidated asset revaluations (note 2.6)	-	-	761	1,634
Total	**6,325**	**10,068**	**341**	**(3,074)**

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 22 million euros of unused losses at the Austrian subsidiary and 7 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 (17,241 thousand euros at year-end 2022):

- 4,733 thousand euros relates to relief from double taxation, of which 555 thousand euros prescribe in 2036.

- 12,508 thousand euros include relief with and without limits, of which 126 thousand euros prescribe in 2034.

The tax credits generated prior to creation of the tax consolidation group (1 January 2014), which total 7,042 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 2022 and 2021 is shown below:

	€ 000	
	2022	2021
Cash flow hedges (note 10)	(1,207)	4

21.4 Deferred tax assets not recognised

The Group has not recognised certain deferred tax assets on the accompanying consolidated statement of financial position as it believes it is not probable it will be able to utilise them within the above-mentioned timeframes.

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 2022, part of the Group had its returns for 2017 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. <u>Earnings per share</u>

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.

	2022	2021
Profit/(loss) attributable to equity holders of the Parent	20,234	(32,212)
Average number of shares outstanding	120,738,096	123,177,152
Basic earnings per share (€)	0.1676	(0.2615)

The average number of ordinary shares was calculated as follows:

	2022	2021
Ordinary shares outstanding (note 14.1)	128,978,782	128,978,782
Average own shares (note 14.5)	(8,240,686)	(5,801,630)
Average number of shares outstanding	**120,738,096**	**123,177,152**

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.

	2022	2021
Profit/(loss) attributable to equity holders of the Parent	20,234	(32,212)
Average number of shares outstanding	124,138,096	126,577,152
Diluted earnings per share (€)	0.1630	(0.2545)

The average number of ordinary shares was calculated as follows:

	2022	2021
Ordinary shares outstanding (note 14.1)	128,978,782	128,978,782
Average own shares (note 14.5)	(8,240,686)	(5,801,630)
Effect of stock option plans (note 14.6)	3,400,000	3,400,000
Average number of shares outstanding	**124,138,096**	**126,577,152**

23. Other operating income and other operating expenses

"Other operating income" in the consolidated statement of profit or loss breaks down as follows in 2022 and 2021:

	€ 000	
	2022	2021
Grants related to income	5,952	10,750
Other income	6,742	2,534
	12,694	**13,284**

“Other operating expenses” breaks down as follows in 2022 and 2021:

	€ 000	
	2022	2021
Research and development costs	534	-
Operating lease expense	6,443	2,579
Repairs and upkeep	17,926	24,496
Independent professional services	12,030	5,589
Transportation	16,806	9,588
Insurance premiums	3,248	2,238
Utilities	62,925	27,743
Other expenses	93,845	16,921
Taxes other than income tax	6,267	702
Change in impairment allowance for trade receivables (note 3.5)	(1,466)	3,245
	218,558	**93,101**

The increase in this heading by comparison with 2021 stems mainly from the increase in energy costs, raw material prices and the Group’s business volumes (note 2.4).

24. Employee benefits expense

The reconciliation of the opening and closing balances under this heading in 2022 and 2021:

	€ 000	
	2022	2021
Wages and salaries	113,470	75,778
Contributions to pension plans	2,056	1,060
Social security	21,304	19,161
Other benefit expense	5,575	5,445
	142,405	**101,444**

The Group’s average headcount by job category in 2022 and 2021 was as follows:

Category	2022	2021
Senior management	10	10
Middle managers and supervisors	361	381
Experts and professionals	406	405
Operations staff	1,583	1,398
Total	**2,360**	**2,194**

The average headcount in 2022, without including the effect of the furlough scheme, was 2,377 employees (2021: an average of 2,346 employees). A number of workforce restructuring plans that were pending execution at year-end 2021 were completed in 2022.

The above average headcounts factor in everyone who has or had an employment relationship with the Company during the year weighted by 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:

Category	2022		2021	
	Men	Women	Men	Women
Senior management	9	-	10	-
Middle managers and supervisors	293	56	328	62
Experts and professionals	284	171	229	149
Operations staff	1,545	130	1,446	122
Total	**2,131**	**357**	**2,013**	**333**

The Parent's Board of Directors was made up of four women and seven men at 31 December 2022 (three women and eight men at year-end 2021).

The TUBACEX Group employed a total of 20 people with disabilities in 2022 (2021: 19).

25. Related party transactions and balances

Related-party transactions

The transactions performed with related parties in 2022 and 2021, the effects of which have been eliminated upon consolidation:

2022:

€ 000	Revenue	Cost of sales	Other income	Other operating expenses	Finance costs	Finance income
Awaji Material	6,059	-	-	-	-	-
Coprosider	-	3	-	-	-	3
	6,059	**3**	**-**	**-**	**-**	**3**

2021:

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

Related-party balances

The breakdown of balances outstanding with related parties at year-end 2022 and 2021 (€ 000):

2022:

	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	3	-
SBTechnisches	-	-	-	-
Awaji Material	-	-	2,568	(65)
Fundación Tubacex	3	-	250	(1)
	3	**644**	**2,821**	**(66)**

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	-	(12)
SBTechnisches	-	70	260	-
Awaji Material	645	-	-	-
Fundación Tubacex	-	-	123	-
	645	**714**	**383**	**(12)**

Related-party transactions

In 2022, transactions with related parties totalled 324 thousand euros (2021: 439 thousand euros).

26. Key management personnel remuneration

The remuneration accrued by key management personnel in 2022 and 2021 is shown below:

	€ 000	
	2022	2021
Short-term employee benefits - KMP	2,684	1,859
Post-employment benefits	99	111
	2,783	**1,970**

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 930 thousand euros of fixed fees for attending its meetings in 2022 (2021: 834 thousand euros).

Those amounts do not include the additional remuneration accrued by the directors who discharge executive duties: in 2022, that remuneration amounted to 662 thousand euros (2021: 518 thousand euros) plus 32 thousand euros of post-employment benefits (mainly contributions to a defined benefit plan) (2021: 37 thousand euros) and 55 thousand euros in relation to other items (in both years).

Lastly, in 2022, as was the case in 2021, 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 2022, the Group accrued 52 thousand euros of director and officer liability insurance premiums (2021: 59 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 2022.

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

At year-end 2022, 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 2022, the Group incurred capital expenditure of an environmental nature of approximately 1,319 thousand euros (2021: 1,491 thousand euros) and expenses of an environmental nature of 1,637 thousand euros (2021: 693 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 2022 or 2021.

At 31 December 2022, except for a provision of 1,393 thousand euros recognised under “Non-current provisions” in the accompanying statement of financial position (year-end 2021: 921 thousand euros) related to a subsidiary domiciled in the US to cover water pollution exposure (note 15), 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 2022 and 2021 were as follows (€ 000):

	2022	2021
Audit services	397	397
Other assurance services	43	39
Total audit and related services	**440**	**436**
Tax advisory services	45	18
Other services	100	61
Total other services	**145**	**79**

In addition, other auditors invoiced the Group 235 thousand euros (2021: 385 thousand euros) for audit services, 55 thousand euros for tax advisory services (2021: 50 thousand euros) and 157 thousand euros for other services (2021: 101 thousand euros).

30. Events after the reporting date

On 17 February 2022, against the backdrop of the Group’s strategic commitment to delivering its sustainability targets, the Parent registered a supplement to the Base Prospectus for its 200-million-euro commercial paper programme with Spain’s alternative fixed income market, MARF, tying the terms and conditions of that programme to delivery of certain sustainability targets including waste recycling and health and safety related goals.

There have been no other developments since 31 December 2022 with a significant impact on the annual consolidated financial statements of the TUBACEX Group.

31. Translation

Translation of consolidated financial statements originally 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 2022

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	46,312	(6,737)	-	(5,021)	46,875
Tubacex Services Solutions Holding S.L.U.	Álava (Spain)	Sale of tubing		100	-	100	31,183	18,847	4,124	-	958	53,774
Tubacex Services Solutions, S.A.U.	Álava (Spain)	Sale of tubing	EY	-	100	100	1,142	9,615	7,451	-	10,082	18,208
Tubacex Services Solutions France, S.A.S.	Soissons (France)	Sale of tubing	EY	-	100	100	500	4,828	1,819	-	2,451	7,147
Tubacex India Pvt Ltd	India	Sales	N/A	-	100	100	564	3	114	-	387	681
Tubacex Services Solutions Do Brasil Participacoes Ltda	Sao Paulo (Brazil)	Sale of tubing	N/A	-	100	100	2,083	(1,341)	(360)	-	(325)	382
Tubacex Services Solutions Austria Gmbh	Ternitz (Austria)	Sale of tubing	N/A	-	100	100	35	854	2,652	-	3,157	3,541
Tubacex Service Solutions Middle East, FZCO	Dubai (United Arab Emirates)	Sale of tubing	N/A	-	51	100	2,948	1,036	270	-	300	4,254
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	5,185	195	-	128	5,456
Schoeller – Bleckmann Edelstahlrohr Inmobilien, AG	Ternitz (Austria)	Real estate	EY	100	-	100	70	4,729	1,201	-	51	6,000
Schoeller – Bleckmann Edelstahlrohr GmbH (Subgroup)	Ternitz (Austria)	Manufacture and sale of tubing	EY	100	-	100	3,500	44,306	(1,802)	-	1,888	46,004
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	159	195	-	223	380
Schoeller – Bleckmann Tube France	Paris (France)	Sale of tubing	EY	100	-	100	38	101	-	-	2	139
Tubacex Taylor Accesorios, S.A.U.	Álava (Spain)	Manufacture of fittings	EY	100	-	100	8,891	1,273	121	-	42	10,285
Tubacex Tubos Inoxidables, S.A.U.	Álava (Spain)	Manufacture and sale of tubing	EY	100	-	100	15,028	(1,745)	3,013	-	4,586	16,296
Tubacex Innovación AIE	Vizcaya (Spain)	Innovation	N/A	92	8	100	6	757	51	-	258	814
Tubacoat, S.L.	Vizcaya (Spain)	Industrial development and sale of long steel products	N/A	100	-	100	60	940	12	-	87	1,012
Tubacex Services, S.L.	Cantabria (Spain)	Manufacture and sale of special size steel tubing	EY	81	-	81	3,704	331	17	-	101	4,051
Tubacex Middle East Holding, S.L.	Cantabria (Spain)	Holding company	N/A	100	-	100	3	2	(5)	-	(5)	-
IBF SpA (Subgroup)	Italy	Manufacture of high-end fittings	EY	100	-	100	15,000	8,544	1,348	-	2,152	24,892
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	36,917	5,724	-	7,022	44,055
Fundación Tubacex	Vizcaya (Spain)	Philanthropy	N/A	100	-	100	500	(719)	235	-	235	16
Tubacex Upstream Techonologies S.A.	Vizcaya (Spain)	Manufacture and sale of special size steel tubing	Deloitte	100	-	100	1,000	15,506	2,040	-	4,216	18,545
NTS Middle East, FZCO	Dubai (United Arab Emirates)	Mechanical repair of drilling tools	Grant Thornton LLp	-	51	51	142	47,305	1,108	-	1,088	48,556
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	499	(3)	-	(5)	499
Tubacex Norway	Norway	Sale of tubing	N/A	-	100	100	23	2,028	1,004	-	1,317	3,055
Tubacex Europe, B.V	Netherlands	Sale of tubing		100	-	100	16	276	-	-	-	292
Tubacex Logistics, S.A.	Leioa (Vizcaya)	Transport and logistics	N/A	75	-	75	72	639	80	-	99	791
Tubacex Italy	Milan (Italy)	Sale of tubing	N/A	100	-	100	-	196	14	-	14	210
Tubacex Servicios de Gestión S.L.U.	Vizcaya (Spain)	Advisory and consultancy	N/A	100	-	100	3	1,060	(272)	-	(230)	791
Fundación EIC Energy Advanced Engineering	Vizcaya (Spain)	Technology project development	N/A	25	-	25	30	7	(6)	-	(6)	31
Tubacex US Holding, Inc	Delaware (US)	Holding company	N/A	100	-	100	-	49,446	(36)	-	(36)	49,410
Salem Tube, Inc	Pennsylvania (US)	Tube manufacturing	Grossman Yanak & Ford	-	100	100	18,092	26,768	4,048	-	5,470	48,909
Tubacex America Inc	Houston (USA)	Sale of tubing	Grossman Yanak & Ford	-	100	100	-	10,718	2,844	-	3,583	13,563
Tubacex Durant, Inc	Delaware (US)	Tube manufacturing	Grossman Yanak & Ford	-	100	100	-	10,592	896	-	(1,010)	9,695
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	2,335	(5)	-	(5)	2,333
Tubacex IBF Kazajistan, S.R.L.	Atyrau (Kazakhstan)	Manufacture and distribution of tubing	N/A	100	-	100	10	-	162	-	162	172

This Appendix is an integral part of note 1 of the accompanying financial statements and should be read in conjunction therewith.
(*) 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 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 Middle 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)	13,156
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	(423)	(296)	-	(296)	(219)
Tubacex Upstream Techonologies S.A.	Vizcaya (Spain)	Manufacture and sale of special size steel tubing	EY	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)	47,084
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	(33)	-	(25)	37
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 (USA)	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)	7,150
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