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 2023

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, 2023 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, 2023 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 112,561 and 306,670 thousand euros, respectively, at 31 December 2023.

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 2023, the Group recognized 93,558 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 2023 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 2023 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 2023 financial year, which include the XHTML file containing the consolidated financial statements for the year, and the XBRL files as labelled 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 2023 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 28, 2024.

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 28, 2024

Tubacex, S.A. and subsidiaries

Consolidated financial statements for the year ended 31 December 2023 and Consolidated Management Report

TUBACEX, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2023 AND 2022

(€ 000)

ASSETS	Note	31 Dec. 2023	31 Dec. 2022	EQUITY AND LIABILITIES	Note	31 Dec. 2023	31 Dec. 2022
NON-CURRENT ASSETS				**EQUITY**			
Intangible assets	**7**	**112,561**	**114,383**	**Capital and reserves**			
Goodwill		7,765	8,131	Issued capital	14.1	56,947	58,040
Other intangible assets		104,796	106,252	Share premium	14.2	17,108	17,108
Property, plant and equipment	**8**	**306,670**	**266,789**	Revaluation reserve	14.3	3,763	3,763
Derivative financial instruments	**10**	**1,318**	**3,257**	Other reserves of the parent and entities accounted			
Non-current financial assets	**9**	**4,187**	**5,078**	for using the full consolidation and equity methods	14.4	140,974	131,687
Deferred tax assets	**21.3**	**93,558**	**91,966**	Own shares	14.5	(11,674)	(15,546)
Total non-current assets		**518,294**	**481,473**	Profit for the year attributable to equity holders of the parent		36,332	20,234
				Other equity instruments	14.6	2,334	2,334
						245,784	**217,620**
				Valuation adjustments			
				Translation differences		(8,489)	879
				Hedging transactions		2,746	2,980
					14.7	**(5,743)**	**3,859**
				Equity attributable to equity holders of the parent		**240,041**	**221,479**
				Equity attributable to non-controlling interests	**14.9**	**53,595**	**54,612**
				Total equity		**293,636**	**276,091**
				NON-CURRENT LIABILITIES			
				Non-current provisions	**15**	**8,288**	**8,507**
				Deferred income	**16**	**11,831**	**11,362**
				Non-current financial liabilities		**124,256**	**169,008**
				Bank borrowings	17	109,256	154,008
				Notes and other marketable securities	17	15,000	15,000
				Employee benefits	**20**	**7,701**	**9,183**
				Deferred tax liabilities	**21.3**	**23,653**	**23,369**
				Other non-current financial liabilities	**18**	**30,725**	**19,231**
				Total non-current liabilities		**206,454**	**240,660**
				CURRENT LIABILITIES			
CURRENT ASSETS				**Current provisions**	**15**	**521**	**4,973**
Inventories	**11**	**411,129**	**378,330**	**Current financial liabilities**		**355,197**	**320,869**
Trade and other receivables	**12**	**97,111**	**115,845**	Notes and other marketable securities	17	194,137	178,622
Trade receivables		74,219	89,238	Bank borrowings	17	141,325	114,913
Other receivables		22,067	25,605	Derivative financial instruments	10	1,474	3,769
Current tax assets	21	825	1,002	Other financial liabilities	18	18,261	23,565
Derivative financial instruments	**10**	**3,053**	**2,808**	**Trade and other payables**	**19**	**355,648**	**317,186**
Current financial assets	**9**	**19,692**	**11,209**	Trade payables		250,888	237,581
Other current assets		**2,858**	**5,896**	Other accounts payable		104,630	78,113
Cash and cash equivalents	**13**	**159,319**	**164,218**	Current tax liabilities	21	130	1,492
Total current assets		**693,162**	**678,306**	**Total current liabilities**		**711,366**	**643,028**
TOTAL ASSETS		**1,211,456**	**1,159,779**	**TOTAL EQUITY AND LIABILITIES**		**1,211,456**	**1,159,779**

TUBACEX, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR 2023 AND 2022
(€ 000)

	Note	2023	2022
Continuing operations:			
Revenue	6	852,392	714,714
Changes in inventories of finished goods and work in progress		11,263	53,631
Self-constructed assets	3.2	2,044	2,761
Cost of sales	11	(377,873)	(330,488)
Other operating income	23	16,950	12,694
Employee benefits expense	24	(157,094)	(142,405)
Other operating expenses	23	(222,452)	(218,558)
Asset depreciation, amortisation and impairment	7 & 8	(44,491)	(47,897)
Operating profit/(loss)		**80,739**	**44,452**
Finance income	9	1,950	2,610
Finance costs	17	(33,163)	(22,565)
Exchange differences		54	2,369
Net finance cost		**(31,159)**	**(17,586)**
Profit before tax		**49,580**	**26,866**
Income tax	21	(6,764)	(3,846)
Profit for the year from continuing operations		**42,816**	**23,020**
Profit for the year		**42,816**	**23,020**
Attributable to:			
Equity holders of the parent		**36,332**	**20,234**
Equity attributable to non-controlling interests	**14.9**	**6,484**	**2,786**
Earnings/(loss) per share (€)			
- Basic	22.1	0.30	0.17
- Diluted	22.2	0.29	0.16

TUBACEX, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022
(€ 000)

	Note	2023	2022
Profit for the year		**42,816**	**23,020**
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	(1,547)	4,255
Tax effect	Notes 10, 14.7 & 21	371	(1,021)
Translation differences	14.7	(9,368)	7,161
Amounts reclassified to profit or loss for the year			
Cash flow hedging instruments	10 & 14.7	1,240	774
Tax effect	Notes 10, 14.7 & 21	(298)	(186)
Other comprehensive income		**(9,602)**	**10,983**
Total comprehensive income for the year		**33,214**	**34,003**
Attributable to:			
Equity holders of the parent		26,730	31,217
Non-controlling interests		6,484	2,786

TUBACEX, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2023 AND 2022
(€ 000)

	Equity										
	Share 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 31/12/2021	**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 31/12/2022	**58,040**	**17,108**	**3,763**	**131,687**	**(15,546)**	**20,234**	**2,334**	**879**	**2,980**	**54,612**	**276,091**
Total recognised income/(expense)	**-**	**-**	**-**	**-**	**-**	**36,332**	**-**	**(9,368)**	**(234)**	**6,484**	**33,214**
Other changes in equity											
Transfers between equity items	-	-	-	20,234	-	(20,234)	-	-	-	-	-
Share capital reduction (note 14.1)	(1,093)	-	-	(3,565)	4,658	-	-	-	-	-	-
Purchase-sale of own shares (note 14.5)	-	-	-	968	(786)	-	-	-	-	-	182
Dividends (note 14.4)	-	-	-	(8,094)	-	-	-	-	-	-	(8,094)
Acquisition of non-controlling interests (note 2.6)	-	-	-	(90)	-	-	-	-	-	(7,501)	(7,591)
Other changes	-	-	-	(166)	-	-	-	-	-	-	(166)
Balance at 31/12/2023	**56,947**	**17,108**	**3,763**	**140,974**	**(11,674)**	**36,332**	**2,334**	**(8,489)**	**2,746**	**53,595**	**293,636**

TUBACEX, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2023 AND 2022
(€ 000)

	Note	2023	2022
Operating activities			
Profit/(loss) for the year before tax		**49,580**	**26,866**
Adjustments to reconcile profit before tax to net cash flows:			
Asset depreciation and amortisation	7 & 8	44,491	47,897
Net foreign exchange differences		(54)	(2,369)
Changes in provisions	11, 12, 15 & 20	469	5,642
Finance income	9	(1,950)	(2,610)
Finance costs	17	33,163	22,565
		125,699	**97,991**
Changes in working capital			
Inventories	11	(40,015)	(64,822)
Trade and other receivables	12	16,632	(29,961)
Other current assets		(5,445)	2,797
Trade and other payables	19	35,375	110,113
Other non-current assets and liabilities		(3,562)	(5,540)
		2,985	**12,587**
Other cash used in operating activities:			
Interest paid		(31,717)	(22,565)
Income tax collected/(paid)	21	(5,816)	(403)
		(37,533)	**(22,968)**
Net cash from operating activities (I)		**91,151**	**87,610**
Investing activities			
Proceeds from sale of non-current assets	7 & 8	-	1,750
Interest received	9	1,950	2,610
Purchase of property, plant, and equipment	8	(56,375)	(19,458)
Purchase of intangible assets	7	(6,557)	(7,334)
Net cash used in investing activities (II)		**(60,982)**	**(22,432)**
Financing activities			
Acquisition of non-controlling interests	2.6	(7,591)	-
Purchase/sale of own shares	14.5	183	(5,122)
Proceeds from bank borrowings	17	26,411	54,695
Proceeds from other borrowings	17 & 18	15,515	24,829
Repayment of bank borrowings	17	(46,198)	(91,251)
Repayment of other borrowings	17	(15,348)	(21,249)
Dividend payments			
Dividends	14.4	(8,094)	-
Net cash used in financing activities (III)		**(35,122)**	**(38,098)**
Net foreign exchange differences (IV)		**54**	**(3,351)**
Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)		**(4,899)**	**23,729**
Cash and cash equivalents at 1 January	**13**	**164,218**	**140,489**
Cash and cash equivalents at 31 December	**13**	**159,319**	**164,218**

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

Notes to the consolidated financial statements for the year ended 31 December 2023

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 28 February 2024. The Group's 2022 consolidated financial statements were approved at the Parent's Annual General Meeting on 24 May 2023. The Group's consolidated financial statements and the separate financial statements of the entities comprising it for 2023 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 2023 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 material 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 2023 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 2023, 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**
IFRS 17 – Insurance Contracts	1 January 2023
Amendments to IFRS 17 - Insurance contracts - Initial application of IFRS 17 and IFRS 9 - Comparative Information	1 January 2023
Definition of accounting estimates (Amendments to IAS 8)	1 January 2023
Disclosure of accounting policies (Amendments to IAS 1 and the IFRS Practice Statement 2)	1 January 2023
Deferred tax related with assets and liabilities that arise in a single transaction (Amendments to IAS 12)	1 January 2023
International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)	1 January 2023

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 2023***

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**
Presentation of financial statements: Classification of liabilities as current or non-current (Amendments to IAS 1)	19 December 2023	1 January 2024	1 January 2024
Lease liability in a sale and leaseback (Amendments to IFRS 16)	20 November 2023	1 January 2024	1 January 2024
Supplier finance agreements (Amendments to IAS 7 and IFRS 7)	Pending	Pending	1 January 2024
Lack of exchangeability (Amendments to IAS 21)	Pending	Pending	1 January 2025

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 2023 and 2022, including intragroup balances that are eliminated in the consolidated statement of financial position, break down as follows:

	Equivalent in thousands of euros			
	31 December 2023		31 December 2022	
Currency	Assets	Liabilities	Assets	Liabilities
BRL	3,297	2,821	2,448	2,066
THB	15,924	9,168	16,078	10,325
USD	456,220	217,070	392,124	167,966
INR	65,461	17,266	68,011	23,276
NOK	27,140	15,542	10,279	7,225
AED	6,156	1,826	5,805	1,551
Other	21,251	13,273	-	-
Total	**595,449**	**276,966**	**494,745**	**212,409**

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 2023 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. At 31 December 2023, the Group had provided NIOC sureties totalling 49,707 thousand euros (year-end 2022: 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 2023, 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 2022).

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 2023 with those of 2022, the reader should consider the impact of the 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 2023 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 the Indian subsidiaries, 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).

Changes in the consolidation scope in 2023

The most significant changes to the consolidation scope in 2023 were as follows:

NTS Saudi

Under the scope of a purchase agreement with the non-controlling shareholder signed in the first half of 2022, on 3 March 2023, the Group took a 100% ownership interest in NTS Saudi Co. Ltd., acquiring the 49% it did not already own on that date for 5,462 thousand euros. The effects of this transaction with non-controlling interests were recognised against Group equity in the amount of 595 thousand euros.

Tubacex Awaji Thailand, Ltd

Under the scope of a purchase agreement with the non-controlling shareholder signed in September 2023, the Group took a 100% ownership interest in Tubacex Awaji Thailand Limited, acquiring the 40% it did not already own on that date for 2,129 thousand euros. The effects of this transaction with non-controlling interests were recognised with a credit to Group equity in the amount of 505 thousand euros.

Tubacex Upstream Oil and Natural Gas Well Equipment Trading – Sole Proprietorship L.L.

On 9 January 2023, Tubacex Middle East Holding incorporated Tubacex Upstream Oil and Natural Gas Well Equipment Trading – Sole Proprietorship L.L. in the United Arab Emirates with initial capital of 13 thousand euros.

Tubacex Upstream Seamless Pipes

On 17 February 2023, Tubacex Upstream Oil and Natural Gas Well Equipment Trading – Sole Proprietorship L.L. incorporated Tubacex Upstream Seamless Pipes in the United Arab Emirates with initial capital of 65 thousand euros.

Steinvsik Production AS

On 8 March 2023, Group company PROMET AS acquired 80% of Steinvsik Production AS, of Norway, for 885 thousand euros. The net assets consolidated by the Group on the acquisition date amounted to 565 thousand euros.

Tubacex Service Solutions Asia PTE LTD

On 15 November 2023, Tubacex Service Solutions India Private Limited incorporated Tubacex Service Solutions Asia Pte. LTD. with initial capital of 17 thousand euros.

Tbx Newco Spain, Sociedad Limitada

Tubacex, S.A incorporated Tbx Newco, Sociedad Limitada on 5 December 2023, with share capital of 3 thousand euros.

Tubacex Spain Assets, Sociedad Limitada

Tbx Newco, Sociedad Limitada incorporated Tbx Spain Assets, Sociedad Limitada, on 20 December 2023 with initial capital of 3 thousand euros.

Changes in the consolidation scope in 2022

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

Hyvalue Gazteiz IET, S.L.U.

On 4 April 2022, HYVALUE TUBACEX IET, S.L. incorporated HYVALUE GASTEIZ IET, S.L. (Spain) with initial capital of 4 thousand euros.

Amega West USA INC. - Atlantic Marine Supplies INC.

On 16 February 2022, NTS AMEGA WEST INC. and ATLANTIC MARINE SUPPLIES INC. set up a joint venture in Guyana 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. Tubacex holds 66% of those shares.

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.

The subsidiaries and associates not consolidated in these financial statements for 2023 are Fundación EIC Energy Advanced Engineering, Hyvalue Tubacex IET, S.L., Hyvalue Gazteiz IET, S.L.U., Fundación Tubacex, Amega West USA INC.-Atlantic Marine Supplies INC., Tubacex Spain Assets, S.L., Tubacex Service Solutions Asia PTE LTD and Tbx Newco Spain, S.L., based on the Tubacex Group's belief that these investees are scantly material in relation to these annual consolidated financial statements as a whole and that their non-consolidation not does affect fair presentation. The assets and liabilities not consolidated are not material and the Group has not extended these companies any guarantees. These investees' registered offices and businesses are itemised in Appendix I, along with the Group's ownership interests.

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 2023 or 2022.

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 are recognised under "Equity - Non-controlling interests".

3. Accounting policies and measurement standards

The main measurement standards used by the Group to prepare the consolidated financial statements at 31 December 2023 and 2022 are as follows:

3.1 Intangible assets

Goodwill

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 have 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 one trademark and an agreement with a strategic customer of one of its subsidiaries, IBF SpA, which were recognised at fair value 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 the trademarks have indefinite useful lives and tests 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 2023, the Group capitalised staff costs totalling 2,044 thousand euros, related mainly to hours worked by its engineers; that balance was recognised under “Self-constructed assets” (2022: 2,761 thousand euros). Of that sum, 1,267 thousand euros was recognised under “Intangible assets” (2022: 2,462 thousand euros) (note 7), and 777 thousand euros was recognised under “Property plant and equipment”(2022: 299 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, 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 2023 or 2022.

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 2023 or 2022.

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 2023, the Group recognised impairment allowances against account receivable in the amount of 3,130 thousand euros and reverted 1,206 thousand euros of existing provisions (2022: additional allowances of 1,667 thousand euros and reversal of 3,133 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 receivables discounting 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 2023, the Group had derecognised 112,221 thousand euros of trade receivables on that basis (year-end 2022: 129,282 thousand euros). At 31 December 2023, the Group had 29,464 thousand euros of receivables discounting facilities available for drawdown (year-end 2022: 28,230 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 discounting, 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 2023, the Group had transferred assets yet retained substantially all the risks and rewards of their ownership in the amount of 27,046 thousand euros (year-end 2022: 8,279 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 2023 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 11,674 thousand euros (year-end 2022: 15,546 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 their cost of production;

- 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: These grants are accounted for as liabilities as long as they qualify for repayment.

3) Grants related to income: 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 2023, those commitments were measured at 4,323 thousand euros (year-end 2022: 4,178 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, an incentive plan (in addition to the share-based payments outlined in notes 3.12 and 14.6), payable in 2024, 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. At 31 December 2023, the Group has recognised a provision of 5,228 thousand euros in this respect under "Employee benefits payable" within current liabilities, on account of its maturity (note 19) (year-end 2022: a provision of 1,789 thousand euros under "Non-current provisions" (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. Tubacex Logistics, S.A., Tubacex Desarrollos, S.L., Tubacex Innovación, S.L, Tubacex Spain Assets, S.L. and Tubacex Newco Spain, S.L. joined the Tax Group in 2023.

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):

	2023
Dividends	14,533
Reserves	732
Total	**15,265**

5. Financial risk management policy

In 2023, the Board of Directors of Tubacex, S.A. updated its general risk and control policy, which it has duly published on the Company's website. That policy includes the basic principles and general framework for managing and controlling the risks of all classes to which the Tubacex Group is exposed.

That policy identifies the key risk factors, noting that their significance could change depending on business conditions and developments, specifically itemising the following:

a) Business risks

b) Market risks

c) Operational, technological, environmental, social and legal risks

d) Corporate governance, ethics and compliance risks

e) Credit risk

f) Strategy and innovation risks

g) Regulatory and political risks

h) Reputation risks

The Tubacex Group's activities expose it to various types of financial risks that are categorised within market risk. The most significant of those risks are: commodity and energy price risk, credit risk, liquidity risk, foreign exchange risk, cash flow interest rate risk and fair value interest rate risk.

The current climate of global financial market volatility, coupled with the scale of the Tubacex Group, expose the Group to potentially destabilising, exogenous financial risks that require specific control mechanisms.

The Group's financial risk management tasks are based on identifying, analysing and monitoring the types of market fluctuations that could affect its business and earnings performance. The goal is to define systematic measurement, control and monitoring processes to minimise potential adverse consequences and structurally reduce earnings volatility. To address certain risks, the Group uses or may use financial instruments.

Below is an account of the most significant financial risks:

a. 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 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 intense market volatility encountered in 2022 and 2023. Specifically, the Tubacex Group has locked in long-term agreements for the supply of electricity and gas that ensure it procures energy generated from renewable sources, while minimising exposure to market volatility, so enabling the Group to ensure transformation cost stability for its long-term contracts. As at 1 January 2024, the Tubacex Group had offtake agreements to 2026 for the purchase of 230 GWh of electricity and 73 GWh of natural gas, which it will recognise in the consolidated statement of profit or loss as it consumes the energy so purchased.

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 2023, had nickel prices been 10% higher or lower, the Group's cost of sales would have been approximately 9,513 thousand higher or lower, respectively (2022: approximately 6,514 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 24,463 thousand euros higher or lower, respectively (2022: approximately 8,690 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.

b. 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 2023, 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 82,550 thousand euros (year-end 2022: 95,646 thousand euros). The Group has written 8,331 thousand euros of those receivables down for impairment (year-end 2022: 6,407 thousand euros) (note 12). The balance of receivables that were past due at 31 December 2023 amounted to approximately 9,875 thousand euros (year-end 2022: 21,733 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.

c. 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.

d. Foreign exchange 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 2023, had the euro been 5% weaker against the US dollar, all other variables remaining constant, the Group’s after-tax profit would have been 9,062 thousand euros lower (2022: lower by 11,449 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. 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 2023 and 2022.

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 2023, the Group had 239,150 euros of net assets denominated in US dollars (year-end 2022: 224,158 thousand euros) and 48,195 thousand euros of net asset denominated in Indian rupees (year-end 2022: 44,735 thousand euros) (note 2.3).

e. Cash flow interest rate risk 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 loans and other liabilities stood at 459,718 thousand euros at 31 December 2023 (year-end 2022: 462,543 thousand euros). In 2023, short-term bank financing averaged approximately 142 million euros (2022: approximately 109 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 1,561 thousand euros, respectively (2022: 998 thousand euros). The Group also has other financial liabilities totalling 48,986 thousand euros (year-end 2022: 42,796 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.

Fair value hierarchy disclosures

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

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

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

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

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

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

Climate risk factors

The Tubacex Group has incorporated climate and transition risks into its global risk model. It assesses its climate risks in accordance with the recommendations issued by Task Force on Climate-Related Financial Disclosures (TCFD), evaluating its physical risks (acute and chronic) 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.

The risks are analysed over three different time horizons - short term (2025), medium term (2030) and long term (2050) - identifying their possible sources and assessing their probability of occurrence, the potential impact on the Group's business and when they are likely to materialise.

To assess transition risks, the Group based its analysis on the IEA scenarios (the Announced Pledges Scenario (APS); the Stated Policies Scenario (STEPS); the sustainable development scenario (SDS); and the Net Zero Emissions by 2050 Scenario (NZE)), as well as its own models and estimates for the outlook for non-energy sector. For physical risk measurement purposes, it used the RCP 4.5 and 8.5 emissions scenarios. For more detailed information about the Group's risks and its approach to managing them, refer to section 5.3.1.3. of its Sustainability Report.

Geopolitical factors

In 2023, none of the ongoing geopolitical conflicts, including those in Ukraine and the Middle East, had a significant impact on the Group's business. Nor did the economic fallout from those conflicts affect the accompanying financial statements.

In 2023, the Group revised the approach taken in prior years so as to layer in new risks and opportunities in addition to those previously identified. It did not identify any additional factors not already disclosed in these consolidated financial statements

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, in 2023, the Group identified the following segments:

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

The attendant operating segment disclosures are provided below:

2023	Specialty steels, components and other	Seamless stainless steel tubing	TOTAL
Segment assets	498,188	713,268	1,211,456
Total segment assets	**498,188**	**713,268**	**1,211,456**
Capital expenditure	63,613	11,800	75,413
Total segment liabilities	**325,529**	**592,291**	**917,820**
Total segment revenue	551,958	300,434	852,392
Inter-segment transactions	(30,621)	30,621	-
Changes in inventories	3,585	7,678	11,263
Cost of sales and other expenses	(446,337)	(292,088)	(738,425)
Depreciation, amortisation and impairment	(19,212)	(25,279)	(44,491)
Operating profit/(loss)	**59,373**	**21,366**	**80,739**
Finance income	-	-	1,950
Finance costs	-	-	(33,163)
Exchange gains/(losses)	-	-	54
Segment profit/(loss) before tax	**59,373**	**21,366**	**49,580**

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**

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 2023 and 2022 (€ 000):

Geographical area	2023	%	2022	%
Spain	27,593	3%	27,197	4%
Germany	76,087	9%	73,612	10%
Italy	55,834	7%	57,541	8%
Norway	52,659	6%	58,000	8%
UK	67,978	8%	32,969	5%
France	33,405	4%	43,686	6%
Netherlands	16,573	2%	18,908	3%
Russia	-	-	11,354	2%
Austria	21,343	3%	14,310	2%
Rest of Europe	30,569	4%	50,809	7%
Arab Emirates	39,236	5%	27,041	4%
US	202,699	24%	159,311	22%
Brazil	120,933	14%	52,097	7%
Other	107,483	13%	87,879	12%
Total revenue	**852,392**	**100%**	**714,714**	**100%**

b) The breakdown of net investments in non-current assets by geographical area at year-end 2023 and 2022 (€ 000):

Geographical area	2023	%	2022	%
Spain	164,202	32%	139,514	29%
Rest of Europe	123,888	24%	124,064	26%
India	25,625	5%	28,386	6%
US	83,641	16%	107,817	22%
Thailand	3,576	1%	3,911	1%
Brazil	1,216	0%	1,504	0%
Arab Emirates	82,019	16%	48,547	10%
Saudi Arabia	6,354	1%	6,812	1%
Singapore	4,209	1%	4,146	1%
Canada	11,469	2%	7,189	1%
Norway	11,726	2%	9,413	2%
Kazakhstan	369	0%	170	0%
Total non-current assets	**518,294**	**100%**	**481,473**	**100%**

7. Intangible assets

The reconciliation of the carrying amounts of the various items comprising intangible assets at the beginning and end of 2023 and 2022 (€ 000):

	Goodwill	Other intangible assets	Greenhouse gas emission allowances	Total
Cost:				
Cost at 1 January 2022	**26,504**	**165,607**	**1,058**	**193,169**
Additions	-	7,241	493	7,734
Amounts derecognised	-	(8,037)	-	(8,037)
Translation differences	(198)	837	-	639
Cost at 31 December 2022	**26,306**	**165,648**	**1,551**	**193,505**
Additions	-	6,471	86	6,557
Amounts derecognised	-	(1,423)	-	(1,423)
Translation differences	(366)	-	-	(366)
Cost at 31 December 2023	**25,940**	**170,696**	**1,637**	**198,273**
Accumulated amortisation:				
Accumulated amortisation at 1 January 2022	**-**	**(53,696)**	**-**	**(53,696)**
Additions	-	(7,061)	-	(7,061)
Amounts derecognised	-	7,010	-	7,010
Accumulated amortisation at 31 December 2022	**-**	**(53,747)**	**-**	**(53,747)**
Additions	-	(7,538)	-	(7,538)
Amounts derecognised	-	948	-	948
Accumulated amortisation at 31 December 2023	**-**	**(60,337)**	**-**	**(60,337)**
Accumulated impairment at 31 December 2022	**(18,175)**	**(7,200)**	**-**	**(25,375)**
Additions	-	-	-	-
Accumulated impairment at 31 December 2023	**(18,175)**	**(7,200)**	**-**	**(25,375)**
Carrying amount 31 Dec. 2022	**8,131**	**104,701**	**1,551**	**114,383**
Carrying amount 31 Dec. 2023	**7,765**	**103,159**	**1,637**	**112,561**

The most significant additions recognised in 2023 and 2022 corresponded to the development of new products and 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 2023, the original cost of fully-amortised intangible assets still in use, mainly software, was 33,800 euros (year-end 2022: 28,665 euros).

7.1 Goodwill

Goodwill breaks down as follows:

2023:

	31 Dec. 2022	Translation differences	31 Dec. 2023
Tubacex Tubes and Pipes Pvt Ltd	8,031	(366)	7,665
MIS	100	-	100
Total	**8,131**	**(366)**	**7,765**

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**

Goodwill allocated to Tubacex Tubes and Pipes Pvt Ltd

In the wake of the acquisition by the 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. Due to translation differences, that balance stood at 7,665 thousand euros at 31 December 2023 (8,031 thousand euros at year-end 2022).

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% in 2023 and 2022 and a growth rate in perpetuity of 1.75% in 2023 and 2022, 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 2023.

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 2023, 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 2023, 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 2024-2027 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 the same as that used by the independent expert when it conducted the purchase price allocation procedure (2022: 0.89%).
- The projected cash flows were discounted at a rate of 9.70% (a weighted average cost of capital of 7.70% plus a risk premium of 2%) (2022: 10.10%).

Based on those tests, the Parent's directors concluded that at 31 December 2023, 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 2023. The Group did not recognise any additional impairment losses in its consolidated statement of profit or loss in 2023 or 2022.

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 10,617 and 41,799 thousand euros, respectively; the fair value of those assets was determined by an independent expert as part of the purchase price allocation process. Recognition of those assets triggered the recognition of a deferred tax liability in order to account for the transaction net of its tax effects.

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

- Sales projections for the next four years.

- The royalty rate modelled was 5% in both 2023 and 2022.

- The cash flows were discounted at rates of between 15.4% and 16% in 2023 and 2022.

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, 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.

As required under applicable accounting standards, the Group has tested the Amega West 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% in 2023 and 2022.

- The cash flows were discounted at rates of between 17.2% and 18.4% in 2023 and 2022.

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.

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

- Sales projections for the next five years.

- The royalty rate modelled was 3% in both 2023 and 2022.

- The cash flows were discounted at 17.3% in 2023 and 2022.

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 2023 and 2022:

	€ 000								
	Land	Buildings	Right-of-use assets - Land and 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 2022	**21,010**	**130,656**	**2,767**	**675,823**	**7,885**	**69,660**	**4,388**	**18,426**	**930,614**
Additions	-	1,363	-	6,300	-	5,560	-	6,235	19,458
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**	**16,127**	**952,491**
Additions	-	137	19,121	38,686	4,917	7,796	-	9,756	80,413
Amounts derecognised	-	(11)	-	(7,257)	-	(3,436)	-	-	(10,705)
Transfers	-	124	-	4,128	-	1,130	-	(5,381)	-
Translation differences	-	-	-	(1,804)	-	(1,776)	-	-	(3,580)
Cost at 31 December 2023	**20,836**	**132,529**	**21,888**	**722,416**	**12,802**	**85,813**	**4,334**	**20,501**	**1,018,619**
Accumulated depreciation:									
Accumulated depreciation at 1 January 2022	-	**(76,127)**	(681)	**(509,880)**	(4,798)	**(60,666)**	-	-	**(652,152)**
Additions	-	(5,636)	(152)	(18,359)	(3,058)	(13,632)	-	-	(40,837)
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)**	**(521,475)**	**(7,856)**	**(76,521)**	**-**	**-**	**(685,373)**
Additions	-	(3,334)	(152)	(23,056)	-	(10,411)	-	-	(36,953)
Amounts derecognised	-	11	-	7,257	-	3,436	-	-	10,704
Accumulated depreciation at 31 December 2023	**-**	**(85,010)**	**(985)**	**(537,274)**	**(7,856)**	**(80,496)**	**-**	**-**	**(712,622)**
Accumulated impairment at 31 December 2022	**-**	**-**	**-**	**-**	**-**	**-**	**(328)**	**-**	**(328)**
(Impairment)/reversal during the year	-	-	-	-	-	-	-	-	-
Amounts derecognised	-	-	-	-	-	-	-	-	-
Accumulated impairment at 31 December 2023	**-**	**-**	**-**	**-**	**-**	**-**	**(328)**	**-**	**(328)**
Carrying amount at 31 December 2022	**20,836**	**50,591**	**1,934**	**167,189**	**29**	**6,078**	**4,006**	**16,126**	**266,789**
Carrying amount at 31 December 2023	**20,836**	**47,519**	**20,904**	**185,142**	**4,946**	**2,816**	**4,006**	**20,501**	**306,670**

In 2023, the biggest investment related to the construction of a new factory underway in Abu Dhabi in connection with the contract with the Abu Dhabi National Oil Company (ADNOC). The Group also continued to adapt its various productive facilities for the growth in demand being observed across various segments of the market.

To that end it agreed to lease a site for 50 years for the purpose of building the above-mentioned factory. Under IFRS 16, that agreement generates a right-of-use asset in the amount of 9,625 thousand euros (note 18).

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

2023

Description	Carrying amount (gross)	Accumulated depreciation	Accumulated impairment losses
Land and buildings	92,188	(37,812)	-
Plant and machinery	376,050	(240,793)	-
Other PP&E	27,673	(13,300)	-
PP&E in progress	13,205	-	-
Total	**509,116**	**(291,905)**	**-**

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)**	**-**

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	
	2023	2022
Buildings	58,213	57,512
Plant and machinery	326,080	325,130
Other fixtures, tools and furniture	13,978	13,541
Other PP&E	26,428	26,843
Total	**424,699**	**423,026**

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 2023 and 2022 (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):

	2023			2022		
Description	Cost	Impairment	Total	Cost	Impairment	Total
Works of art	4,334	(328)	4,006	4,334	(328)	4,006

There was no movement under this heading in 2023 (in 2022, the Group derecognised one work of art).

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 an estimated growth in perpetuity rate of 2%. The cash flow projections were discounted at an after-tax rate of 9.5%, 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 2023 and 2022, the Group ran impairment tests for Tubacex Durant, Inc, whose assets are carried at 43.7 million euros (year-end 2022: 48.7 million euros), arriving at a terminal value equivalent to 83% of the total recoverable amount (2022: 97%).

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 2023 or 2022.

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 2023, 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 in total.

Capital expenditure contracted for the end of the reporting period amounted to 29,666 thousand euros (3,762 thousand euros at year-end 2022).

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:

2023:

	€ 000			
	31 December 2023			
	Fair value through profit or loss	Fair value through OCI	At amortised cost	Total
Equity instruments	3,747	-	-	3,747
Other financial assets	-	-	440	440
Non-current	**3,747**	**-**	**440**	**4,187**
Other financial assets	19,692	-	-	19,692
Current	**19,692**	**-**	**-**	**19,692**
Total	**23,439**	**-**	**440**	**23,879**

2022:

	€ 000			
	31 December 2022			
	Fair value through profit or loss	Fair value through OCU	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**

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 shareholding at year-end:

Company name	%	Carrying amount 2023	Carrying amount 2022	Capital	Profit/(loss)	Capital and reserves
COPROSIDER Srl (*)	39%	39	39	100	528	4,802
Total	**39%**	**39**	**39**	**100**	**528**	**4,802**

(*) Figures as per the financial statements at 31 December 2023.

The Company has invested some of its surplus cash in investment funds, in the amount of 19,692 thousand euros at 31 December 2023 (10,564 thousand euros at year-end 2022), which are recognised under “Current financial assets”; those assets generated a gain as a result of movements in their fair value of 270 thousand euros in 2023; that income is recognised within “Finance income” in the accompanying consolidated statement of profit or loss (2022: a loss of 308 thousand euros recognised under “Finance costs”).

10. Derivative financial instruments

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

2023:

	Notional amount		€ 000			
			Assets		Liabilities	
	Amount in '000	Unit	Non-current	Current	Non-current	Current
Derivatives held for trading						
Forward sale of USD	29,861	USD	-	477	-	(67)
Forward sale of GBP	3,808	GBP	-	-	-	(56)
Forward purchase of USD	59,568	USD	-	-	-	(1,214)
			-	**477**	**-**	**(1,337)**
Hedging derivatives						
Cash flow hedges						
Interest rate swaps	50,719	EUR	1,318	1,507	-	-
Forward sale of USD	25,553	USD	-	555	-	-
Purchase/sale of commodities		EUR	-	514	-	(137)
			1,318	**2,576**	**-**	**(137)**
			1,318	**3,053**	**-**	**(1,474)**

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)**

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 2023, the Group had forward currency sale contracts not accounted for as hedges in the amount of 31,700 thousand euros (year-end 2022: 39,572 thousand euros). The notional amount of forward currency contracts held for trading stood at 29,861 thousand US dollars (year-end 2022: 39,730 thousand US dollars) and 3,808 thousand pounds sterling (year-end 2022: 2,553 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			
	2023		2022	
	USD	GBP	USD	GBP
Within one year	27,334	4,366	36,678	2,894

Elsewhere, at year-end 2023, the Group had written forward currency purchase contracts held for trading over a notional amount of 54,961 thousand euros (year-end 2022: 51,374 thousand euros). Those contracts were written over a notional amount of 59,568 thousand US dollars (year-end 2022: 53,225 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	
	2023	2022
Within one year	54,961	51,374

At 31 December 2023, the Group had currency sale agreements designated as cash flow hedges in the amount of 23,616 thousand euros (year-end 2022: 30,539 thousand euros). The notional amount covered by those hedges was 25,553 thousand US dollars (year-end 2022: 32,367 US dollars). Under the applicable cash flow hedge accounting rules, the entire change in the fair value of those qualifying derivatives is recognised in equity, as the forecast sales hedged had not been recognised for accounting purposes by year-end.

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 2023, the Group recognised a derivative on the asset side of its consolidated statement of financial position of 514 thousand euros under "Derivative financial instruments" (an asset of 649 thousand euros at year-end 2022), the associated deferred tax liability of 123 thousand euros under "Deferred tax liabilities" (a deferred tax liability of 156 thousand euros at year-end 2022) and the corresponding positive impact on equity of 391 thousand euros, which was recognised within "Valuation adjustments - Hedging transactions" (positive impact of 493 thousand euros at year-end 2022).

In parallel, the Group also recognised a derivative on the liability side of 137 thousand euros under "Derivative financial instruments", the associated deferred asset of 33 thousand euros under "Deferred tax assets" and the corresponding negative impact on equity of 104 thousand, under "Valuation adjustments - Hedging transactions ".

The fair value 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:

2023:

Notional amount € 000	Start date	End date	Interest rate
375	4 June 2019	29 May 2024	0.09%
21,500	20 June 2022	20 June 2027	-0.03%
22,500	20 January 2020	20 January 2028	0.30%
3,333	5 June 2020	21 April 2025	0.00%
1,812	21 October 2020	21 October 2026	0.00%
1,198	4 January 2021	30 November 2026	0.25%

2022:

Notional amount € 000	Start date	End date	Interest rate
1,125	4 June 2019	29 May 2024	0.09%
26,000	20 June 2022	20 June 2027	-0.03%
27,500	20 January 2020	20 January 2028	0.30%
5,833	5 June 2020	21 April 2025	0.00%
2,408	21 October 2020	21 October 2026	0.00%
1,601	4 January 2021	30 November 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 have been recognised:

	€ 000	
	Profit/(loss)	
	2023	2022
Interest rate swaps:		
- Finance income/(cost)	1,821	(68)
Foreign currency hedges:		
- Exchange gains/(losses)	(3,061)	(706)
	(1,240)	**(774)**

The interest income generated by the interest rate swaps that expired in 2023 was recognised under “Finance income” 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. <u>Inventories</u>

The breakdown of this consolidated statement of financial position heading at the end of 2023 and 2022 is as follows:

	€ 000	
	2023	2022
Raw materials and other consumables	142,288	129,625
Work in progress and semi-finished goods	121,139	91,666
Finished goods	184,081	189,708
Advances to suppliers	1,581	2,075
Impairment	(37,960)	(34,744)
	411,129	**378,330**

The raw materials, other consumables and goods for resale recognised as an expense in 2023 and 2022:

	€ 000	
	2023	2022
Raw materials, other consumables and goods for resale used		
Net purchases	390,089	319,699
Change in inventories	(12,216)	10,789
	377,873	**330,488**

The movement in the allowance for impairment of inventories in 2023 and 2022 is shown below (€ 000):

2023:

	Opening balance	Additions	Unused amounts reversed	Closing balance
Goods for resale, raw materials and goods held for conversion	18,351	2,441	(1,994)	18,798
Work in progress	2,367	2,703	(2,892)	2,178
Finished goods	14,026	7,689	(4,731)	16,984
Impairment of inventories	**34,744**	**12,833**	**(9,617)**	**37,960**

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**

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

Currency	€ 000	
	2023	2022
USD	232,905	117,525
INR	40,190	45,411
THB	3,729	4,265

12. Trade and other receivables

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

	€ 000	
	2023	2022
Trade receivables	82,364	92,825
Trade receivables, related parties (note 25)	186	2,821
Miscellaneous receivables	10,623	12,795
Receivable from government agencies (note 21)	11,444	12,809
Current tax assets (note 21)	825	1,002
	105,442	**122,252**
Less: impairment	(8,331)	(6,407)
Total trade and other receivables	**97,111**	**115,845**

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

	€ 000	
	2023	2022
Balance at 1 January	6,407	7,873
Additions (notes 3.5 and 23)	3,130	1,667
Unused amounts reversed (notes 3.5 and 23)	(1,206)	(3,133)
Balance at 31 December	**8,331**	**6,407**

13. Cash and cash equivalents

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

	€ 000	
	2023	2022
Cash at bank and in hand	159,319	164,218
	159,319	**164,218**

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, 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.

On 24 May 2023, the Parent's shareholders agreed in general meeting to reduce the Company's share capital by 1,093 thousand euros by means of the cancellation of 2,429,531 own shares (equivalent to 1.88% of share capital), delegating execution of the resolution in the Board of Directors. The Board of Directors voted to execute that capital decrease at a meeting held on 22 June 2023.

Consequently, at 31 December 2023, the Company's share capital consisted of 126,549,251 fully-paid shares, each with a par value of 0.45 euros. All of the shares carry identical voting and dividend rights except for the own shares held as treasury stock: voting rights on those shares are suspended and dividend entitlements are divided proportionately among the rest of the Company's shares.

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

There are no restrictions on the transfer of the shares.

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

14.2 Share premium

This reserve is freely distributable.

14.3 Revaluation reserves

The 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	
	2023	2022
Reserves in the parent company	74,366	48,321
Reserves in fully-consolidated companies	66,608	83,366
Total other reserves	**140,974**	**131,687**

Legal reserve:

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

That reserve was fully endowed at both year-ends.

Other parent company reserves:

These are voluntary, unrestricted reserves.

Dividends:

On 24 May 2023, the Parent's shareholders agreed in general meeting to pay out a dividend from 2022 earnings of 8,094 thousand euros, which it paid in June 2023.

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:

2023:

	No. of shares 31 Dec. 2023	Par value (€ 000)	Average purchase price (€)	Total purchase cost at 31 Dec. 2023 (€ 000)
Own shares at year-end 2023	5,745,308	2,585	2.032	11,674

2022:

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

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 1,084,779 own shares at an average price of 2.73 euros per share and sold 1,140,626 shares at an average price of 1.91 euros per share between 1 January 2023 and 31 December 2023.

The reconciliation of the opening and year-end own share balances in 2023 and 2022:

2023:

	31 Dec. 2022	Purchases	(Sales)	Shares cancelled	31 Dec. 2023
Own shares	15,546	2,964	(2,178)	(4,658)	11,674

2022:

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

The Group recognised the gain on the sale of own shares, in the amount of 968 thousand euros (2022: gain of 103 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 10 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 nine members of the senior management team (2022: nine 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 2023, 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 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 2022: 2,334 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. There were no movements in 2023 as the plan finalised in 2022. In 2022, the plan accounting implied the recognition of a 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 2022 with a credit to "Other equity instruments" in equity.

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 2023 and 2022:

	€ 000			
	Translation differences	Cash flow hedges	Tax effect	Net amount
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**
Income and expense generated during the year	(9,368)	(1,547)	371	(10,544)
Amounts reclassified to profit or loss	-	1,240	(298)	942
Balance at 31 December 2023	**(8,489)**	**3,484**	**(738)**	**(5,743)**

Translation differences:

Depreciation of the US dollar and Indian rupee in 2023 had the effect of devaluing the net assets denominated in those currencies with a negative impact on equity of 9,368 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 2023 and 2022:

	€ 000	
	2023	2022
Total bank borrowings (note 17)	459,718	462,543
Less: cash, cash equivalents and current financial assets (notes 9 & 13)	(179,011)	(175,427)
Net debt	**280,707**	**287,116**
Equity	**293,636**	**276,091**
Leverage ratio	**96%**	**104%**

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 2023 and 2022 by component of equity:

	€ 000
Balance at 31/12/2021	**51,775**
Recognised income and expense	
Profit for the year	2,786
Other	51
Balance at 31/12/2022	**54,612**
Recognised income and expense	
Profit for the year	6,484
Other	90
Acquisition of non-controlling interests (note 2.6)	(7,591)
Balance at 31/12/2023	**53,595**

The movement in 2023 relates mainly to: (i) the buyout of the non-controlling interests in NTS Saudi Company LTD, whereby the Group increased its ownership interest from 49% to 100%; and (ii) the buyout of the non-controlling interests in Awaji Thailand, LTD, whereby the Group increased its shareholding from 60% to 100% (note 2.6).

The breakdown of the Group's non-controlling interests by subsidiary at year-end is provided below:

	€ 000	
	2023	2022
Tubacex Services, S.L.	3,032	3,023
Tubacex Logistics, S.A.	259	192
Tubacex Services Solutions Middle East, FZCO	2,008	1,851
Tubacex Awaji Thailand, Ltd	-	2,276
NTS AW	20,283	15,195
NTS Middle East, FZCO	28,013	32,075
Total	**53,595**	**54,612**

15. Provisions

Non-current provisions

Other liabilities

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 2023 totalled 6,933 thousand euros (year-end 2022: 7,114 thousand euros), a figure the directors deem adequate.

Provision for environmental damages

Non-current provisions likewise include provisions for potential environmental damages in the amount of 1,355 thousand euros (1,393 thousand euros at year-end 2022) (note 28).

Current provisions

The reconciliation of current provisions at the beginning and end of 2023 and 2022 (€ 000):

	Current provisions
Balance at 31/12/2021	**8,165**
Additions/(reversals), net	(3,193)
Balance at 31/12/2022	**4,973**
Additions/(reversals), net	(4,452)
Balance at 31/12/2023	**521**

Guarantees extended

The Group has extended bank sureties to guarantee its performance under certain contracts obtained in the ordinary course of business totalling 80,383 thousand euros (year-end 2022: 74,380 thousand euros). Of the total extended at 31 December 2023, 49,707 thousand euros corresponded to the contract in Iran (year-end 2022: 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. Deferred income

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

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

As a result, having recognised the sum of 981 thousand euros in profit or loss, the Group continued to recognise 5,038 thousand euros corresponding to the contribution made by USBCDC to the Fund, net of fees, at 31 December 2023 (year-end 2022: 6,019 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 2023 and 2022 is as follows:

	€ 000	
	2023	2022
Non-current:		
Bank borrowings	109,213	123,914
Notes and other marketable securities	15,000	15,000
Non-current credit facilities	43	30,094
	124,256	**169,008**
Current:		
Notes and other marketable securities	194,137	178,622
European Investment Bank	8,125	8,125
Current credit facilities	3,869	46,665
Current portion of non-current loans	71,705	44,939
Trade finance (note 3.5)	53,614	12,618
Interest	4,012	2,566
	335,462	**293,535**
Total	**459,718**	**462,543**

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 194,137 thousand euros at year-end (178,622 thousand euros at 31 December 2022) and was all due within one year. The average interest rate on the commercial paper outstanding at 31 December 2023 was 5.4% (2.8% at year-end 2022). 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 2023 and 2022 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 15 million euros at 31 December 2023 (23.2 million euros at year-end 2022).

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 23.1 million euros at 31 December 2023 (28.1 million euros at year-end 2022).

Lastly, the Group arranged 30 million euros of borrowings with ICO, Spain's official credit institute, in 2019. The balance outstanding under that loan stood at 21.5 million euros at 31 December 2023 (26 million euros at year-end 2022).

The Group is bound by a series of financial covenants as a result of the above borrowing agreements. Prior to year-end, anticipating the prospect of not complying with one of its covenants in two of its loan agreements, the Parent obtained waivers from both 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 29,226 thousand euros at 31 December 2023 (49,775 thousand euros at year-end 2022).

In 2021, Tubacex, S.A. also arranged a new loan in the amount of 20,000 thousand euros due 18 January 2024. At the date of authorising these consolidated financial statements for issue, that loan had been extended by 12 months.

In 2023, the Tubacex Group arranged 48,250 thousand euros of new loans. Through its Parent, it also arranged bilateral loans under a framework agreement with different financial institutions with an aggregate limit of 53,000 thousand euros to finance capital expenditure. Those loans are available for drawdown for 24 months and the balance drawn at 31 December 2023 stood at 37,683 thousand euros.

Lastly, the Group has additional loans, arranged in prior years with a number of banks, totalling 16,570 thousand euros.

The carrying amount of those loans and other interest-bearing liabilities is a good proxy for their fair value. Fixed-rate loans account for approximately 15% of total borrowings and fall due by no later than 2025.

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	2023	2022
One year	335,462	293,535
Two years	55,642	67,153
Three years	29,462	74,901
Four years	25,365	12,807
Five years	12,039	11,000
Beyond	1,748	3,142
	459,718	**462,543**

The weighted average interest rate on bank borrowings was approximately Euribor + 1.81% in 2023 (2022: Euribor + 2.18%).

In 2023, the limit on the Group's credit facilities was 90,137 thousand euros, of which 39,400 thousand euros matures between 2025 and 2026.

At year-end 2023, the balance drawn down against current credit facilities totalled 3,869 thousand euros.

At 31 December 2023, the Group had undrawn trade finance and credit facilities totalling 7,861 thousand euros and 86,225 thousand euros, respectively (year-end 2022: 4,682 thousand euros and 13,623 thousand euros).

The weighted average interest rate on the Group's credit facilities was approximately Euribor + 1.75% in 2023 (2022: Euribor + 1.78%).

18. <u>Other financial liabilities</u>

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

	€ 000	
	2023	2022
Non-current:		
Repayable long-term loans	798	984
Loan from IVF (Basque finance institute)	987	1,603
Lease liabilities (IFRS 16)	27,760	12,930
Other	1,180	3,715
	30,725	**19,231**
Current:		
Loans other than from banks	17,863	23,167
Other	398	398
	18,261	**23,565**
	48,986	**42,796**

The loan extended by IVF matures in 2028.

The increase in finance lease liabilities is mainly attributable to the lease arranged in 2023 over land for the new factory being built in Abu Dhabi (note 8).

19. Trade and other payables

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

	€ 000	
	2023	2022
Trade payables	**250,888**	**237,581**
Other accounts payable:		
Employee benefits payable	19,865	12,233
Payable to government agencies (note 21)	28,491	17,887
Other liabilities	56,274	47,993
	104,630	**78,113**
Current tax liabilities (note 21)	130	1,492
	355,648	**317,186**

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 2023, the Group had an outstanding balance of 154 million euros of this form of supply chain financing, compared to a limit of 184 thousand euros (year-end 2022: drawdown of 138 million euros and limit of 141 million euros).

"Other liabilities" mainly includes balances due to fixed-asset suppliers and 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:

	2023	2022
Days		
Average supplier payment term	111	94
Paid transactions ratio	116	107
Outstanding transactions ratio	75	51
€ 000		
Total payments made	339,292	331,862
Total payments outstanding	63,102	93,020
No. of invoices paid within the legally stipulated deadline	5,009	10,389
Percentage of total issued invoices	29%	49%
Amount paid within the legally stipulated deadline (€ 000)	477,388	76,487
Percentage of the total monetary sum paid to the Company's suppliers	23%	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 2023 and 2022 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 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**
Unused amounts reversed	(67)	-	-	(67)
Amount recognised as expense during the year (note 24)	1,232	-	266	1,498
Benefits paid	(1,021)	(21)	(82)	(1,124)
Transfers	-	(1,789)	-	(1,789)
Balance at 31 December 2023	**4,322**	**2,658**	**721**	**7,701**

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 3,611 thousand euros at 31 December 2023 (year-end 2022: 3,397 thousand euros).

The discount rate used was 3.5% (2022: 3.25%) and the wage growth assumption was 3.25% (2022: 3.5%).

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 at 31 December 2023 it recognised a provision in the amount of 5,228 thousand euros (year-end 2022: 1,789 thousand euros), which has been reclassified to current employee benefits payable on account of its short-term maturity.

Other long-term employee benefits

This heading includes 1,477 thousand euros at year-end 2023 (1,498 thousand euros at year-end 2022) 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 1,016 thousand euros (year-end 2022: 856 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. Tubacex Spain Assets, S.L. and Tubacex Newco Spain, S.L. joined the Tax Group in 2023. No companies left the Tax Group in 2023.

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	
	2023	2022
VAT receivable (note 12)	8,039	7,945
Other receivables (note 12)	3,405	4,864
Current tax assets (note 12)	825	1,002
Deferred tax assets	93,558	91,966
Total tax receivable	**105,827**	**105,778**
Current tax liabilities	(130)	(1,492)
VAT payable	(14,692)	(7,924)
Social security payable	(2,102)	(1,911)
Personal income tax payable	(3,182)	(2,675)
Other accounts payable	(8,515)	(5,377)
Deferred tax liabilities	(23,653)	(23,369)
Total tax payable (note 19)	**(52,274)**	**(42,748)**

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

The breakdown of the Group's tax expense/(tax income) in 2023 and 2022:

	€ 000	
	2023	2022
Current tax	5,634	7,407
Deferred tax:		-
Origination and reversal of temporary differences	1,130	(3,561)
	6,764	**3,846**

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

	€ 000	
	2023	2022
Consolidated profit/(loss) before tax	49,580	26,866
Income tax at average tax rate	11,899	6,448
Permanent differences and consolidation adjustments	2,452	2,434
Effect of different tax rates levied on certain subsidiaries	(5,627)	959
Recognition of deferred tax assets in respect of unused tax credits and restatement of deductions	(3,126)	(2,745)
Reversal of temporary differences	1,130	(3,561)
Restatements	37	311
Total consolidated tax expense/(income) recognised	**6,764**	**3,846**

21.3 Deferred tax assets and liabilities

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

	€ 000			
	Assets		Liabilities	
	2023	2022	2023	2022
Provisions and other items	9,956	12,038	(17,563)	(17,822)
Unused tax losses	61,803	62,641	-	-
Unused tax credits	21,206	17,241	-	-
Asset revaluations (note 2.6)	-	-	(5,443)	(5,547)
	92,965	91,921	(23,006)	(23,369)
Derivative financial instruments	594	45	(647)	-
	93,558	**91,966**	**(23,653)**	**(23,369)**

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 2024-2027 Strategic Plan and consolidate its positioning in new, high value-added products in the oil, gas, power generation and nuclear power sectors, guaranteeing 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 are 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 23 million euros (22 million euros at year-end 2022); 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 8 million euros (7 million euros at year-end 2022): the Group expects to be able to utilise these credits within a period of 10 years in light of the Italian business's track record generating taxable income and the Group's outlook for that business.

    - In 2023, the Group reassessed the unused tax losses and credits recognised by the Tax Group (note 3.14), as a result of which it capitalised a further 223 thousand euros of tax losses and 162 thousand euros of tax credits.

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	
	2023	2022	2023	2022
Provisions and other items	(2,083)	3,580	261	(420)
Unused tax losses	(838)	3,019	-	-
Unused tax credits	3,964	(274)	-	-
Consolidated asset revaluations (note 2.6)	-	-	104	761
Total	**1,043**	**6,325**	**365**	**341**
Derivative financial instruments/Other	549	**-**	**(647)**	**-**
	1,592	**6,325**	**(282)**	**341**

Unused tax losses

Of the total unused tax losses, approximately 24 million euros were generated by companies comprising the Tax Group. The rights to utilise the tax losses expire between 2039 and 2051, depending on their year of generation.

There are also 22 million euros of unused losses at the Austrian subsidiary and 4 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, in the amount of 21.2 million euros at year-end:

- 4.7 million euros relate to double taxation relief generated by the Tax Group. That tax relief must be utilised between 2036 and 2043, depending on the year the tax credits were generated.

- 12.7 million euros relate to tax credits with deduction limits of 35% and of 70% generated by the Tax Group. That tax relief must be utilised between 2032 and 2053, depending on the year the tax credits were generated.

The total amount of current and deferred taxes recognised directly in other comprehensive income in 2023 and 2022 is shown below:

	€ 000	
	2023	2022
Cash flow hedges (note 10)	73	(1,207)

21.4 Deferred tax assets not capitalised

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, in Spain, tax returns cannot be considered final until they have been inspected by the tax authorities, or until the four-year inspection period has elapsed (five years in the case of entities subject to inspection by the Alava authorities). At year-end 2023, the entities subject to inspection by the Alava authorities had their returns for 2018 on open to inspection, specifically their corporate income tax returns, along with their returns for the last five years for VAT, resident income tax withholdings and all other applicable taxes. In addition, the tax authorities are entitled to inspect any tax credits and tax losses generated in prior years when they are utilised in any of the years open to inspection. In the case of the Spanish entities that are not subject to inspection by the Alava authorities, the related prescription period is four years rather than five.

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 do not 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.

21.6 Pillar Two

On 15 December 2022, the European Union’s Economic and Financial Affairs Council (ECOFIN) approved Council Directive (EU) 2022/2523 of 14 December 2022, commonly known as the Pillar Two Directive. The goal is to ensure a global minimum level of taxation of 15% for multinational enterprise groups and large-scale domestic groups in the European Union. Approval of the Directive puts the onus on the various member states to transpose it into national law.

On 19 December 2023, the Spanish government approved draft legislation transposing the Pillar Two Directive, which was published in the official state journal on 20 December 2023. Although it is likely that the definitive legislation transposing the Directive will be enacted in 2024, at the date of authorising these consolidated financial statements for issue, that legislation had not yet been enacted and no date has been set for doing so.

Regardless, article 47 of the Pillar Two Directive contemplates transition rules. Specifically, article 47 stipulates that calculation of the tax rate for a jurisdiction in the “transition year”, understood as the first fiscal year in which an MNE group or a large-scale domestic group falls within the scope of the Directive, and for each subsequent fiscal year, will take into account all the deferred tax assets and deferred tax liabilities reflected or disclosed in the financial statements of all the constituent entities in the jurisdiction in question at the start of the relevant transition year. The transition rules contemplated in the Directive are contemplated in the draft legislation approved by the Spanish Cabinet, specifically in article 53 thereof.

It is expected that Tubacex, S.A. and all of its subsidiaries that qualify as constituent entities under Pillar Two will fall within the scope of the Pillar Two Directive in the near future.

22. Earnings per share

22.1 Basic earnings per share

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

	2023	2022
Profit/(loss) attributable to equity holders of the parent (€ 000)	36,332	20,234
Average number of shares outstanding	120,803,943	120,738,096
Basic earnings per share (€)	0.3008	0.1676

The average number of ordinary shares was calculated as follows:

	2023	2022
Ordinary shares outstanding (note 14.1)	126,549,251	128,978,782
Average own shares (note 14.5)	(5,745,308)	(8,240,686)
Average number of shares outstanding	**120,803,943**	**120,738,096**

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.

	2023	2022
Profit/(loss) attributable to equity holders of the parent (€ 000)	36,332	20,234
Average number of shares outstanding	124,203,943	124,138,096
Diluted earnings per share (€)	0.2925	0.1630

The average number of ordinary shares was calculated as follows:

	2023	2022
Ordinary shares outstanding (note 14.1)	126,549,251	128,978,782
Average own shares (note 14.5)	(5,745,308)	(8,240,686)
Effect of stock option plans (note 14.6)	3,400,000	3,400,000
Average number of shares outstanding	**124,203,943**	**124,138,096**

23. Other operating income and other operating expenses

"Other operating income" in the consolidated statement of profit or loss breaks down as follows in 2023 and 2022:

	€ 000	
	2023	2022
Grants related to income	6,664	5,952
Other income	10,286	6,742
	16,950	**12,694**

The breakdown of "Other operating expenses" in 2023 and 2022 is provided below:

	€ 000	
	2023	2022
Research and development costs	543	534
Operating lease expense	2,063	3,227
Repairs and upkeep	18,233	17,926
Independent professional services	15,548	12,030
Transportation	15,601	16,806
Insurance premiums	4,321	3,248
Utilities	61,364	62,925
Other expenses	101,886	101,936
Taxes other than income tax	968	1,393
Change in impairment allowance for trade receivables (note 3.5)	1,924	(1,466)
	222,452	**218,558**

24. Employee benefits expense

The breakdown for 2023 and 2022:

	€ 000	
	2023	2022
Wages and salaries and similar	124,382	113,470
Contributions to pension plans	2,128	2,056
Social security	24,619	21,304
Other benefit expense	5,965	5,575
	157,094	**142,405**

The Group's average headcount by job category in 2023 and 2022 was as follows:

Category	2023	2022
Senior management	11	10
Middle managers and supervisors	399	361
Experts and professionals	435	406
Operations staff	1,659	1,583
Total	**2,504**	**2,360**

The average headcount in 2023, without including the effect of the furlough schemes, was 2,513 (2022: an average of 2,377 employees).

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 furlough schemes were weighted for the effective length of time worked.

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

Category	2023		2022	
	Men	Women	Men	Women
Senior management	10	1	9	-
Middle managers and supervisors	341	69	293	56
Experts and professionals	268	196	284	171
Operations staff	1,587	131	1,545	130
Total	**2,206**	**397**	**2,131**	**357**

The Parent's Board of Directors was made up of four women and seven men at 31 December 2023 (four women and seven men at year-end 2022).

The Tubacex Group employed a total of 19 people with disabilities in 2023 (2022: 20).

25. Related party transactions and balances

Related-party transactions

The transactions performed with related parties in 2023 and 2022, the effects of which have been eliminated upon consolidation:

2023:

€ 000	Revenue	Cost of sales	Other income	Other operating expenses	Finance costs	Finance income
Coprosider S.R.L.	98	-	-	-	-	13
	98	**-**	**-**	**-**	**-**	**13**

2022:

€ 000	Revenue	Cost of sales	Other income	Other operating expenses	Finance costs	Finance income
Awaji Material Co., Ltd.	6,059	-	-	-	-	-
Coprosider S.R.L.	-	3	-	-	-	3
	6,059	**3**	**-**	**-**	**-**	**3**

As a result of the transaction outlined in note 2.6, Awaji Material Co., Ltd. ceased to be a related party in 2023.

Related-party balances

The breakdown of balances outstanding with related parties at year-end 2023 and 2022 (€ 000):

2023:

	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 S.R.L.	-	644	49	(12)
Fundación Tubacex	-	-	96	-
	-	**644**	**145**	**(12)**

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 S.R.L	-	644	3	-
Awaji Material Co., Ltd.	-	-	2,568	(65)
Fundación Tubacex	3	-	250	(1)
	3	**644**	**2,821**	**(66)**

Related-party transactions

In 2023, transactions with related parties totalled 135 thousand euros (2022: 324 thousand euros).

26. Key management personnel remuneration

The remuneration accrued by key management personnel in 2023 and 2022 is shown below:

	€ 000	
	2023	2022
Short-term employee benefits - KMP	3,114	2,684
Post-employment benefits	126	99
	3,240	**2,783**

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.

In 2023, the Group's key management personnel accrued 3,517 thousand euros under multi-year compensation schemes (2022: 1,789 thousand euros).

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 1,037 thousand euros of fixed fees for attending its meetings in 2023 (2022: 930 thousand euros).

Those amounts do not include the additional remuneration accrued by the directors who discharge executive duties: in 2023, that remuneration amounted to 676 thousand euros (2022: 662 thousand euros) plus 32 thousand euros of post-employment benefits (mainly contributions to a defined benefit plan) (2022: 32 thousand euros) and 55 thousand euros in relation to other items (2022: 55 thousand euros).

In addition, at year-end 2023, the Group accrued remuneration for its CEO under a multi-year incentive plan in the amount of 1,954 thousand euros.

Note lastly, that in 2023, as was the case in 2022, 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 2023, the Group accrued 51 thousand euros of director and officer liability insurance premiums (2022: 52 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 2023.

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

At year-end 2023, 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 those laws and has designed and implemented procedures for encouraging and guaranteeing due compliance.

In 2023, the Group incurred capital expenditure of an environmental nature of approximately 1,757 thousand euros (2022: 1,319 thousand euros) and expenses of an environmental nature of 3,202 thousand euros (2022: 1,637 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 2023 or 2022.

At 31 December 2023, except for a provision of 1,355 thousand euros recognised under "Non-current provisions" in the accompanying statement of financial position (year-end 2022: 1,393 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 those auditors by means of control, common ownership or management (again, irrespective of when they were invoiced) in 2023 and 2022 were as follows (€ 000):

	2023	2022
Audit services	469	397
Other assurance services	40	43
Total audit and related services	**509**	**440**
Tax advisory services	70	45
Other services	175	100
Total other services	**245**	**145**

In addition, other auditors invoiced the Group 544 thousand euros (2022: 305 thousand euros) for audit services, 51 thousand euros for tax advisory services (2022: 55 thousand euros) and 127 thousand euros for other services (2022: 157 thousand euros).

30. Events after the reporting date

There have been no developments since 31 December 2023 with a significant impact on the annual consolidated financial statements of the Tubacex Group.

18. Translation

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

TUBACEX, S.A. AND SUBSIDIARIES

INFORMATION REGARDING GROUP SUBSIDIARIES DURING THE YEAR ENDED 31 DECEMBER 2023

				Shareholding, %			€ 000					
Company	Registered office	Business	Auditor	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.	Alava (Spain)	Steel manufacturing	EY	100	-	100	7,300	26,168	4,826	-	8,593	38,294
Tubacex Services Solutions Holding S.L.U.	Alava (Spain)	Sale of tubing		100	-	100	31,183	6,891	563	-	(15)	38,637
Tubacex Services Solutions, S.A.U.	Alava (Spain)	Sale of tubing	EY	-	100	100	1,142	9,877	517	-	1,444	11,536
Tubacex Services Solutions France, S.A.S.	Soissons (France)	Sale of tubing	EY	-	100	100	500	6,545	1,470	-	2,123	8,515
Tubacex India Pvt Ltd	India	Sales	N/A	-	100	100	564	18	456	-	784	1,038
Tubacex Services Solutions Do Brasil Participacoes Ltda	Sao Paulo (Brazil)	Sale of tubing	N/A	-	100	100	2,083	(1,421)	(186)	-	(202)	476
Tubacex Services Solutions Austria Gmbh	Ternitz (Austria)	Sale of tubing	N/A	-	100	100	35	3,139	4,190	-	4,545	7,363
Tubacex Service Solutions Middle East, FZCO	Dubai (United Arab Emirates)	Sale of tubing	N/A	-	100	100	2,948	1,063	319	-	353	4,330
CFT Servicios Inmobiliarios, S.A.U.	Alava (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.)	Alava (Spain)	Sale of tubing	N/A	100	-	100	76	1,880	142	-	(2)	2,098
Schoeller – Bleckmann Edelstahlrohr Inmobilien, AG	Ternitz (Austria)	Real estate	EY	100	-	100	70	61,936	134	-	59	62,140
Schoeller – Bleckmann Edelstahlrohr GmbH (Subgroup)	Ternitz (Austria)	Manufacture and sale of tubing	EY	100	-	100	3,500	42,503	(2,641)	-	564	43,362
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	185	-	220	370
Schoeller – Bleckmann Tube France	Paris (France)	Sale of tubing	EY	100	-	100	38	102	(41)	-	(41)	99
Tubacex Taylor Accesorios, S.A.U.	Alava (Spain)	Manufacture of fittings	EY	100	-	100	8,891	1,394	84	-	130	10,369
Tubacex Tubos Inoxidables, S.A.U.	Alava (Spain)	Manufacture and sale of tubing	EY	100	-	100	15,028	(217)	8,108	-	9,241	22,918
Tubacex Innovación AIE	Vizcaya (Spain)	Innovation	N/A	92	8	100	6	808	205	-	262	1,019
Tubacoat, S.L.	Vizcaya (Spain)	Industrial development and sale of long steel products	N/A	100	-	100	60	963	(252)	-	(330)	771
Tubacex Services, S.L.	Cantabria (Spain)	Manufacture and sale of special size steel tubing	EY	81	-	81	3,704	302	49	-	246	4,055
Tubacex Middle East Holding, S.L.	Cantabria (Spain)	Holding company	N/A	100	-	100	3	7	(146)	-	(5)	(136)
IBF SpA (Subgroup)	Italy	Manufacture of high-end fittings	EY	100	-	100	15,000	9,751	1,027	-	2,273	25,778
Tubacex Awaji Thailand, LTD	Thailand	Manufacture of fittings	Audit House corp., Ltd.	100	-	100	Included in the “IBF SpA” Subgroup					
Tubacex Tubes and Pipes Pvt Ltd	India	Manufacture and sale of special size steel tubing	Deloitte	100	-	100	1,413	40,709	5,035	-	6,322	47,157
Fundación Tubacex	Vizcaya (Spain)	Philanthropy	N/A	100	-	100	500	(134)	310	-	310	326
Tubacex Upstream Technologies S.A.	Vizcaya (Spain)	Manufacture and sale of special size steel tubing	Deloitte	100	-	100	1,000	17,337	11,868	-	18,913	30,205
NTS Middle East, FZCO	Dubai (United Arab Emirates)	Mechanical repair of drilling tools	Grant Thornton LLp	-	51	51	142	43,787	190	-	1,302	44,119
Promet As	Tananger (Norway)	Precision engineering	Grant Thornton LLp	-	34	34						
Steinsvik Production As	Forresfjorden (Norway)	Production and repair of industrial products		-	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	-	100	100	Included in the “NTS Middle East FZCO” Subgroup					
NTS Amega West USA, INC	Delaware (US)	Manufacture and rental of tubing industry equipment	Grant Thornton LLp	-	49	49	Included in the “NTS Middle East FZCO” Subgroup					
NTS Rocket Canada, LTD	Singapore (Singapore)	Manufacture and rental of tubing industry equipment	Grant Thornton LLp	-	49	49	Included in the “NTS Middle East FZCO” Subgroup					
NTS Rocket Pte, Ltd	Alberta (Canada)	Manufacture and rental of tubing industry equipment	Grant Thornton LLp	-	49	49	Included in the “NTS Middle East FZCO” Subgroup					
Tubacex Advance Solutions S.L.	Vizcaya (Spain)	Sale of tubing	N/A	100	-	100	3	1,008	(4)	-	(5)	1,007
Tubacex Norway	Norway	Sale of tubing	N/A	-	100	100	23	2,616	1,072	-	1,602	3,712
Tubacex Europe, B.V	Netherlands	Sale of tubing		100	-	100	16	297	6	-	6	319
Tubacex Logistics, S.A.	Leioa (Vizcaya)	Transport and logistics	N/A	75	-	75	72	718	245	-	323	1,035
Tubacex Italy	Milan (Italy)	Sale of tubing	N/A	100	-	100	-	197	17	-	17	214
Tubacex Servicios de Gestión S.L.U.	Vizcaya (Spain)	Advisory and consultancy	N/A	100	-	100	3	788	(123)	-	(288)	668
Fundación EIC Energy Advanced Engineering	Vizcaya (Spain)	Technology project development	N/A	25	-	25	30	2	(6)	-	(6)	26
Tubacex US Holding, Inc	Delaware (US)	Holding company	N/A	100	-	100	-	49,317	(178)	-	(178)	49,139
Salem Tube, Inc	Pennsylvania (US)	Tube manufacturing	Grossman Yanak & Ford	-	100	100	18,093	26,999	2,673	-	3,684	47,765
Tubacex America Inc	Houston (USA)	Sale of tubing	Grossman Yanak & Ford	-	100	100	1	13,118	2,949	-	3,610	16,068
Tubacex Durant, Inc	Delaware (US)	Tube manufacturing	Grossman Yanak & Ford	-	100	100	-	9,555	(2,252)	-	(2,718)	7,302
Hyvalue Tubacex IET, S.L.	Vizcaya (Spain)	Project development and sale	N/A	100	-	100	4	(24)	(12)	-	(12)	(32)
Hyvalue Gastiez, S.L.U. (formerly, Hyvalue Gasteiz IET S.L.)	Alava (Spain)	Waste recovery and resale	N/A	-	100	100	4	(2)	(11)		(11)	(9)
Tubacex Desarrollos, S.L.U.	Vizcaya (Spain)	R&D	N/A	100	-	100	3	(5)	(8)	-	(1)	(10)
Tubacex IBF Kazajistan, S.R.L.	Atyrau (Kazakhstan)	Manufacture and distribution of tubing	N/A	100	-	100	10	96	1,427	-	1,427	1,533
Tbx Upstream Seamless Pipes	Abu Dhabi (United Arab Emirates)	Manufacture and sale of special size steel tubing	N/A	-	100	100	64	10,888	(265)	-	(338)	10,688
Tbx Upstream Oil and Natural Gas Well Equipment Trading	Abu Dhabi (United Arab Emirates)	Sale of special size steel tubing	N/A	-	100	100	13	11,710	49	-	48	11,771
Tubacex North Asia	Shanghai (China)	Consultancy	N/A	100	-	100	147	295	78	-	77	519
Tubacex Spain Assets, S.L.	Alava (Spain)	Manufacture and sale of special size steel tubing	N/A	100	-	100	3	-	-	-	-	3
Tubacex Service Solutions Asia PTE LTD	Singapore (Singapore)	Distribution and sale of special size steel tubing	N/A	-	100	100	18	-	-	-	-	18
Tbx Newco Spain, S.L.	Vizcaya (Spain)	Holding company activities	N/A	100	-	100	3	-	-	-	-	3

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 2022

				Shareholding, %			€ 000					
Company	Registered office	Business	Auditor	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.	Alava (Spain)	Steel manufacturing	EY	100	-	100	7,300	46,312	(6,737)	-	(5,021)	46,875
Tubacex Services Solutions Holding S.L.U.	Alava (Spain)	Sale of tubing		100	-	100	31,183	18,847	4,124	-	958	53,774
Tubacex Services Solutions, S.A.U.	Alava (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 Services Solutions 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.	Alava (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.)	Alava (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.	Alava (Spain)	Manufacture of fittings	EY	100	-	100	8,891	1,273	121	-	42	10,285
Tubacex Tubos Inoxidables, S.A.U.	Alava (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 Technologies 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
comprising the Tubacex Group

Consolidated management report
for the year ended
31 December 2023

The Tubacex Group has been navigating a protracted crisis in the sectors that are key to its sales since 2014, a situation which was exacerbated in 2020 and 2021 by the COVID-19 pandemic and subsequent crisis. However, in 2022, despite ongoing uncertainty and volatility, the Group experienced very significant earnings momentum thanks to growth across its markets, its ability to pass the effects of inflation through to its end prices and the restructuring work undertaken during the years of crisis. That year, the Group not only reported its strongest set of earnings in 14 years, it headed into 2023 with a business pipeline of over 1.6 billion euros, a record high, leaving it very optimistic for the year ahead.

In 2023, the global economy slowed, with growth prospects deteriorating across the board. Last year was also marked by grave geopolitical uncertainty, shaped by the war between Russia and Ukraine, the conflict in Gaza and instability in the Red Sea, among other developments. Despite that backdrop, however, the Tubacex Group reported record levels of revenue, EBITDA and margins in 2023. The Group’s strong positioning with strategic customers, the efforts made in recent years to pare back costs and healthy momentum in the energy market, where, after many years of crisis, energy security re-emerged as a priority in the wake of the intensification in geopolitical uncertainty, facilitated this record set of earnings.

The ability to achieve such results in the current macroeconomic and geopolitical environment underscores the merit of the Tubacex Group’s strategic approach and its role as a key player in the energy transition and also in ensuring the supply of energy.

1. GROUP BUSINESS PERFORMANCE IN 2023

To provide a detailed analysis of the trend in the Group's key business variables in 2023, we analyse the changes in the main headings of the consolidated statement of profit or loss along with the most significant developments derived from its financial, commercial and industrial activities.

1.1 Analysis of the trend in the Group’s statement of profit or loss.
1.2 Financial activity.
1.3 Commercial activity.
1.4 Industrial activity.

1.1 Analysis of the trend in the Group's statement of profit or loss.

Below we compare the main headings of the consolidated statements of profit or loss for 2023 and 2022 (€ m):

	2022	%	2023	%
Revenue	*714.71*	*100.00*	*852.39*	*100.00*
Other income	*15.46*	*2.16*	*18.99*	*2.23*
Change in inventories	*53.63*	*7.50*	*11.26*	*1.32*
Total operating income	***783.80***	***109.67***	***882.65***	***103.55***
Cost of sales	*-330.49*	*-46.24*	*-377.87*	*-44.33*
Employee benefits expense	*-142.41*	*-19.92*	*-157.09*	*-18.43*
External and operating expenses	*-218.56*	*-30.58*	*-222.45*	*-26.10*
EBITDA	***92.34***	***12.92***	***125.23***	***14.69***
Depreciation and amortisation	*-47.90*	*-6.70*	*-44.49*	*-5.22*
EBIT	***44.45***	***6.22***	***80.74***	***9.47***
Net finance expense	***-19.96***	***-2.79***	***-31.21***	***-3.66***
Exchange gains/(losses)	***2.37***	***0.33***	***0.05***	***0.01***
Profit from ordinary activities	***26.86***	***3.76***	***49.58***	***5.82***
Income tax	*-3.85*	*-0.54*	*-6.76*	*-0.79*
Profit for the year from continuing operations	***23.02***	***3.22***	***42.82***	***5.02***
Profit after tax from discontinued operations	*0.0*	*0.00*	*0.0*	*0.00*
Profit for the year	***23.02***	***3.22***	***42.82***	***5.02***
Equity attributable to non-controlling interests	*-2.79*	*-0.39*	*-6.50*	*-0.76*
Profit attributable to equity holders of the parent	***20.23***	***2.83***	***36.31***	***7.26***

Here we look at the trend in the most important headings of the consolidated statement of profit or loss:

- Revenue increased by 19.3% from 2022 as a result of execution of the significant orderbook with which the Group started the year, diversification by sector and strong positioning with strategic customers.

- Cost of goods represented 43.8% of revenue (net sales and change in inventories), compared to 43.0% in 2022, reflecting a better product mix.

- The Group's average headcount increased by 144 from 2,360 in 2022 to 2,504 in 2023 as a result of its international growth strategy.

- "Other operating expenses" amounted to 25.8% of revenue (net sales and change in inventories), compared to 28.4% in 2022, evidencing the Group's efforts to control its costs.

- Group net debt decreased by 6.4 million euros to 280.7 million euros, and leverage (net debt-to-EBITDA) declined to 2.2x, from 3.1x at year-end 2022.

1.2 Financial activity

Equity stood at 293.6 million euros at year-end, equivalent to 24.2% of total assets (276.1 million euros and 23.8%, respectively, at year-end 2022). Once again, the Group's solid financial position stands out. Tubacex held structurally high volumes of cash at year-end: 179.0 million euros, up from 175.4 million euros at 31 December 2022. Adding in undrawn loans and credit facilities puts the Group's overall liquidity position at over 300 million euros. The Group's policy of keeping cash systematically high assures its solvency in the medium and long term.

The Group's leverage, expressed as net debt-to-EBITDA, declined very significantly to 2.2x, from 3.1x a year earlier, easily delivering its strategic target. Net debt ended 2023 at 280.7 million euros, down 6.4 million euros from year-end 2022. Non-current borrowings accounted for 27.0% of the total at year-end, compared to 36.5% at 31 December 2022, reflecting the start of repayment of long-term loans and credit facilities, as well as the arrangement of non-current loans that were not drawn down in the amount of 37.7 million euros.

Tubacex's share capital consisted of 126,549,251 shares at 31 December 2023, having cancelled 2,429,531 shares during the year.

Tubacex's share price performed extraordinarily well in 2023, gaining 75.2% to end the year at 3.50 euros per share, implying a market cap of 442.9 million euros (257.7 million euros at year-end 2022). As for trading volumes, 43.4 million shares were traded on the regulated market in 2023, compared to 51.2 million in 2022.

Tubacex was included in the IBEX Medium Cap index made up of the 20 Ibex companies with the largest free-float-adjusted market caps after the 35 constituents of the IBEX-35 index.

1.3 Commercial activity

Consolidated revenue from sales amounted to 852.39 million euros in 2023, growth of 19.3% from 2022. The key revenue drivers are outlined in paragraph 1.1 above.
The geographic breakdown of the Group's sales in the last two years (€ m):

	2023	2022	2023/2022
Spain	27.59	27.20	1.5%
Rest of Europe	354.45	361.19	-1.9%
US	202.70	159.31	27.2%
RoW	267.65	167.02	60.3%
Total sales revenue	852.39	714.71	19.3%

In short, 44.8% of the Group's sales went to the European market in 2023, 23.8% to the US and 31.4% to other markets. In 2022, that split was 54.3%, 22.3% and 23.4%, respectively.
The significant share of revenue commanded by Europe reflects the fact that when the Group manufactures facilities in the oil, gas and energy sectors it is common for its engineering service provider or equipment manufacturer customers to be European even though the end product may end up in a different part of the world. The growth in US sales is attributable to growth in the aerospace and aeronautical sectors after a multi-year slump and the full commissioning of activity at Tubacex's new factory in Oklahoma. Within the "Rest of the world" category it is worth highlighting the growth in the upstream oil and gas segments in Brazil and the Middle East.

1.4 Industrial activity

Capital expenditure totalled 56.4 million euros in 2023, compared to 19.4 million euros in 2022.
In 2023, the biggest investment related to the construction of a new factory in Abu Dhabi. The Group also continued to adapt its various productive facilities for the growth in demand being observed across various segments of the market. The investments undertaken in 2022 centred on adapting the productive facilities for rising demand in different regions and technologies, particularly in Austria and India.

2. GROUP SITUATION

Following the crisis of 2020 induced by the pandemic and the ensuing drop in adjudications, the market embarked on a recovery in 2021, which accelerated in 2022 and continued throughout 2023, a year in which the Group reported record earnings.

The recovery has been widespread across all sectors and markets and the Group's diversification has allowed it to take advantage of healthy momentum in each sector. It is worth singling out the strength of the upstream oil & gas sector, which accounted for a significant portion of the Group's earnings in 2023 and is expected to continue to do so in the future thanks to long-term supply agreements locked in. Growth was also noteworthy in the nuclear power sector and the Group's Low Carbon division, fuelled by the energy transition.

The earnings reported in 2023 implied delivery of the strategic targets set for 2025 two years ahead of schedule. As a result, the Tubacex Group has presented a new strategic plan, dubbed NT2 (New Tubacex, Next Transition), to 2027, which leverages the energy transition and the Company's transformation. Under this plan, the Low Carbon business unit is the key growth platform, albeit articulated around existing customers and industrial solutions already created for the capture, storage and use of carbon (CCS) and hydrogen. The targets established under the plan call for revenue of between 1.2 and 1.4 billion euros and EBITDA of over 200 million euros by 2027. As a result, the Group is expecting to achieve exponential growth in the next four years. That growth will be achieved while preserving the financial solidity of recent years. Indeed, the Tubacex Group expects to continue to gradually deleverage throughout the projection period, which, coupled with reinforced cash flow generation, is expected to bring its leverage ratio (net debt-to-EBITDA) below 2x by the end of 2027.

On the sustainability front, the Company's very purpose is to contribute to human progress by fostering responsible business practices. That sustainability thrust is underpinned by four pillars: (i) advancing towards energy neutrality and boosting the circularity of the business; (ii) helping to develop innovative solutions in the energy transition field; (iii) caring for the people and ecosystems in the Group's local communities; and (iv) promoting transparency. In short, the Group is fully committed to progress and the current key trends, articulated around consistent sustainability targets. Framed by its strong commitment to the energy transition, the Group's is set to benefit from better than initially forecast market conditions and growing demand in new markets.

A significant part of its business transition will originate from the newly created Low Carbon unit, which will accompany the Group's existing customers on their energy transition processes and provide a platform for corporate growth. Under the new strategic plan, this unit is destined to become one of the Group's most important businesses, as borne out by a revenue target of 100 million euros for 2027. To drive this activity and deliver the related targets, the Group has for years now been developing advanced materials which have given rise to multiple ad-hoc solutions for the various technologies in the energy mix, focused primarily on the capture, storage and use of carbon (CCS) and hydrogen, placing Tubacex at the forefront of this field and positioning it very prominently in the international sphere.

3. OUTLOOK FOR THE GROUP'S BUSINESSES AND PERFORMANCE

2024 is not without its uncertainties. At the macroeconomic level, the advanced economies and China are expected to slow, with global growth driven by the rest of the emerging economies. The risk that inflation will stay higher for longer than anticipated is pushing back the prospect of interest rate cuts and eroding business and consumer confidence levels. As for geopolitics, the war that broke out in Ukraine in 2022 and the recent escalation of tensions in the Middle East constitute the main sources of uncertainty and risk factors.

However, Tubacex is starting 2024 with an orderbook of 1.4 billion euros, which implies significant visibility. Given the current environment, the Group believes that the first half of 2024 will look a lot like last year, with scope for higher growth in the second half. It also anticipates an order intake that will facilitate strong growth in 2025.

4. ACQUISITION AND DISPOSAL OF OWN SHARES

The Company held 5,745,308 own shares at year-end 2023.

5. PROPOSED APPROPRIATION OF PROFIT

The Board of Directors will submit the following proposal for the appropriation of the profit reported by Tubacex, S.A. at the upcoming Annual General Meeting:

	€ 000
Dividends	14,533
Retained earnings (prior-year losses)	732
Total	15,265

6. FINANCIAL INSTRUMENT DISCLOSURES

Note 10 of the consolidated annual financial statements provides detailed information about the forward contracts written by the Group over foreign currencies and commodities and the interest rate swaps arranged by the Tubacex Group at 31 December 2023.

7. AVERAGE PAYMENT PERIOD

The Tubacex Group's average supplier payment term was 91 days in 2023 (94 days in 2022). The Group has rolled out measures with a view to continuing to bring its average payment period within the limits stipulated in applicable legislation.

8. R&D

The Group did not engage in significant R&D activities in 2023.

9. EVENTS AFTER THE REPORTING PERIOD

There have been no developments since 31 December 2023 with a significant impact on the annual consolidated financial statements of the Tubacex Group.

10. ANNUAL CORPORATE GOVERNANCE REPORT, NON-FINANCIAL STATEMENT AND ANNUAL DIRECTOR REMUNERATION REPORT.

The Annual Corporate Governance Report, the Annual Director Remuneration Report and the non-financial statement, which are part of this management report, are presented in a separate document in xhtml format, which can be accessed via the CNMV's website.

11. ALTERNATIVE PERFORMANCE MEASURES

The definitions used in the management report are defined in Appendix I.

APPENDIX I: ALTERNATIVE PERFORMANCE MEASURES

The European Securities and Markets Authority (ESMA) published its Guidelines on Alternative Performance Measures on its website on 5 October 2015. Those guidelines are binding on all issuers whose securities are admitted to trading on a regulated market and are required to publish regulated information as defined by Directive 2004/109/EC on transparency.

The Tubacex Group presents its results in accordance with generally accepted accounting principles, specifically IFRS. In addition, this report provides certain other financial metrics that are not defined or specified in IFRS, known as alternative performance measures, or APMs, which are used by management to track the Group's performance. The main alternative performance measures used in this report are defined, reconciled and explained below:

Measure	Definition | Rationale
Earnings before interest and tax (EBIT)	Tubacex reports EBIT in its statement of profit or loss as operating profit before deducting interest or tax.
Earnings before interest, tax, depreciation and amortisation (EBITDA)	Tubacex reports EBITDA in its statement of profit or loss as the difference between revenue and operating expenses excluding asset amortisation and depreciation charges, impairment losses on non-current assets or gains/losses on the disposal of non-current assets. EBITDA = EBIT + D&A + Provisions EBITDA provides a measure for analysing the Group's earnings performance before interest and tax payments and is a widely used performance measure among analysts, investors, rating agencies and other types of shareholders. It additionally provides an initial proxy for the cash generated by the Group's operating activities. In fact, Tubacex uses EBITDA as the starting point for calculating its cash flow.
EBITDA MARGIN	Tubacex calculates its EBITDA margin as the ratio between EBITDA and revenue. The EBITDA Margin provides information about the profitability of the Group's operating processes.
EBIT MARGIN	Tubacex calculates its EBIT Margin as the ratio between EBIT and revenue.
NET PROFIT MARGIN	Tubacex calculates its Net Profit Margin as the ratio between net profit and revenue.
PROFIT BEFORE TAX MARGIN	Tubacex calculates its Profit Before Tax Margin as the ratio between profit before tax and revenue.
NET DEBT	Tubacex calculates Net Debt as the difference between gross debt and cash and cash equivalents plus short-term financial investments on the asset side of its statement of financial position. Gross debt is in turn defined as the sum of all current and non-current bank borrowings, issued notes and other marketable securities on the liability side of its statement of financial position. Net debt provides a snapshot of the Group's financial position, solvency and liquidity by relating its cash and cash equivalents to its borrowings. The Net Debt measure is used to calculate widely used metrics such as the ratio of Net Debt-to-EBITDA, which is used extensively in the capital markets to compare difference companies' financial positions.
WORKING CAPITAL	Tubacex calculates Working Capital as the sum of inventories and trade receivables less trade payables.

WORKING CAPITAL OVER REVENUE	Tubacex calculates its Working Capital over Revenue by dividing Working Capital by revenue.
STRUCTURAL NET DEBT	Tubacex calculates Structural Net Debt as the difference between Net Debt and Working Capital. It provides a snapshot of the Group's structural debt, as the strategy of manufacturing mainly to order means that Working Capital is covered by sales.
BOOK-TO-BILL RATIO	Tubacex calculates its Book-to-Bill Ratio by dividing its orderbook for the period by the amount of revenue recognised for that same period. This metric provides an indication of the strength of demand.