



DURO FELGUERA, S.A.

Audit Report on Financial Statements
issued by an Independent Auditor

and

Financial Statements and Management Report
for the year ended 31 December 2022

This version of our report is a free translation from the original, which is prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

This version of our report is a free translation from the original, which is prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

To the shareholders of Duro Felguera, S.A.:

Report on the financial statements

Opinion

We have audited the financial statements of Duro Felguera, S.A. (the Company), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss, the statement of changes in equity, the statement of cash flows, and the notes thereto, for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting framework applicable in Spain (identified in Note 3 to the accompanying financial statements) and, in particular, the accounting principles and policies set forth therein.

Basis for opinion

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

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the 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 regulations.

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

Material uncertainty related to going concern

We draw attention to the disclosures in Notes 2.1.1 and 2.1.2, in which the directors note that the international economic landscape and other factors affected the Company's operations in 2022, its cash flows from operating activities and its cash plan, resulting in deviations from the viability plan that require additional financing. This situation implies a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and its capacity to realise its assets for the amounts recognised and meet its financial obligations. Therefore, the Company continued to search for industrial partners to invest in the Company in order to strengthen its financial position and equity and provide business opportunities and synergies. This culminated in the agreements entered into with Grupo Promotor de Desarrollo e Infraestructura, S.A. de C.V. ("Grupo Prodi") and Mota-Engil México, S.A.P.I. de C.V. ("Mota-Engil México") in February 2023, the execution of which is subject to compliance with certain legal and contractual conditions precedent, which the directors consider will be achieved satisfactorily in the coming weeks. Therefore, the directors of the Company have prepared the accompanying financial statements on a going concern basis, assuming that the Company's equity and financial ability to address the challenges in executing

its viability plan, as amended in March 2023, and the processes explained in Notes 19 and 25 will be strengthened with the inflow of funds from the proposed transactions approved by the Extraordinary General Shareholders' Meeting held on 13 April 2023. Our opinion is not modified in respect of this matter.

Key audit matters

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

In addition to the matter discussed under the Material uncertainty for a going concern section, we determined that the circumstances described below are key audit matters that would require disclosure in our audit report.

Recognition of revenue by reference to the stage of completion

Description

The Company engages mainly in the provision of engineering services through EPC projects in the industrial, energy, minerals handling, logistics and environmental sectors. Its general policy is to recognise revenue from, and profit or loss on, each contract by reference to the estimated stage of completion, calculated on the basis of the proportion that costs incurred in the contract bear to total budgeted costs. Revenue recognised by reference to the stage of completion in 2022 amounted to €31 million, of which part related to completed work pending certification and part to progress billings.

Determining the stage of completion necessarily entails a high degree of complexity and judgement by management in relation to, inter alia, the estimation of the total costs to be incurred in each project, the measurement of work completed in the period (both the allocation of the cost associated with materials and subcontracted work to the project and engineering, manufacturing and assembly hours) and the accounting treatment for contract modifications, all in accordance with the applicable reporting framework.

Accordingly, we determined this situation to be a key matter for our audit.

Procedures applied in the audit

Our audit procedures included obtaining an understanding of the Company's revenue recognition policies and the processes directly related to the regular reviews of contracts carried out by the persons in charge of each area and supervised by Company management considering the related follow-up reports, which include costs incurred, the estimate of costs to be incurred, the estimated percentage of completion and the assessment of the margin, as well as the potential penalties and obligations provided for in the contracts.

Our audit procedures also included performing an itemised in-depth analysis of a sample of projects based on qualitative and quantitative factors, in which we recalculated the stage of completion and evaluated the reasonableness of the hypotheses and assumptions used in determining revenue for the year, as well as identifying the contract price and performance obligations, reviewing the consistency of the estimates made in the previous year with the actual data of the projects in the current year, considering, as appropriate, the impact of Covid-19, and the evaluation of the reasonableness of the costs to be incurred. To perform these procedures, we met with the Company's technical staff and enlisted the support of internal specialists on certain matters.

Lastly, we reviewed the disclosures provided in the accompanying financial statements in relation to these matters. Specifically, Notes 3.16, 10 and 20 contain relevant information on revenue recognition and amounts to be billed or progress billings.

Measurement of non-current investments in group companies and associates

Description	Procedures applied in the audit
<p>The Company has interests in the share capital of Group companies that are not listed on regulated markets, as disclosed in Note 10. It has also granted loans to them, as described in Note 28.</p> <p>Each year, the Company assesses whether there are any indicators of impairment and, where appropriate, estimates the recoverable amount of these ownership interests and loans. The estimation of the recoverable amount of the ownership interests and loans for which it is considered that there are indications of impairment requires the application of significant judgements and estimates, both when determining the valuation method and when establishing the key assumptions for each method. When determining the recoverable amount of its investees, the Company considered the unrealised gains on real estate assets based on reports by an independent expert.</p> <p>Because of these matters and the significance of the investments held, the financing granted to investees and the obligations assumed to provide financial support, we determined the situation described to be a key audit matter.</p>	<p>Our audit procedures to address this matter included reviewing the test carried out by the Company to determine whether there were any indications of impairment. We obtained and analysed the impairment tests performed and other valuation-related evidence gathered by management in relation to the ownership interests that showed indications of impairment, verifying the accuracy of the arithmetical calculations and the appropriateness of the valuation method used in relation to these investments. By doing so, we reviewed the consistency of the financial information used with that contained in the consolidation process, and we obtained the report of the experts engaged to appraise the real estate assets of each investee, evaluating their competence, capability and objectivity, together with the adequacy of their work for use as audit evidence. With the assistance of our internal valuation experts, we analysed and concluded on the reasonableness of the valuation procedures and methodology used by the experts engaged, and, for a sample of assets, on a selective basis, we performed independent alternative analyses.</p> <p>Notes 9, 17 and 28 to the accompanying financial statements contain the disclosures and information relating to these matters.</p>

Contingencies and provisions related to arbitration proceedings and lawsuits and/or negotiations in progress

Description	Procedures applied in the audit
<p>As explained in Note 25, because of its activity, the Company is involved in several arbitration and court proceedings with customers and suppliers, some of which are for significant amounts. These proceedings include counter suits among the parties. As at 31 December 2022, there were receivables amounting to €12.5 million associated with the resolution of arbitration proceedings (Note 10), guarantee deposits amounting to €16 million, and unrecognised contingent assets subject to claims, and liabilities and provisions recognised to cover claims amounting to €65 million (Notes 17 and 25). The Company also has ownership interests in Group companies and jointly controlled entities involved in arbitration proceedings with customers (Note 9).</p> <p>In relation to ongoing proceedings, Company management assesses whether impairment losses should be recognised and whether the claims should be considered as contingent liabilities or require the recognition of provisions and, if so, the amount of the provisions.</p> <p>These matters require Company management to make significant judgements, especially regarding the probability of a future outflow of resources and whether the amount of the obligation can be estimated reliably, which it does primarily based on opinions of external legal advisors engaged for this purpose. Therefore, we determined this to be a key audit matter.</p>	<p>Our audit procedures included, among others, obtaining an understanding of the arbitration and court proceedings in which the Company is involved and any changes during the year, and assessing the judgements made by management based on the opinions of its external and internal legal advisors. To do so, we sent confirmation letters and obtained responses from the lawyers and legal advisers with whom the Company works to analyse the current situation of the proceedings and check their assessment of risks, based on classification as "remote", "possible" or "probable" as required by applicable accounting regulations. In our analysis, we paid particular attention to matters relating to the most significant court proceedings in progress and the other assumptions considered in the calculation of provisions. We also evaluated the information disclosed by management in relation to these proceedings in Notes 10, 17 and 25 to the accompanying financial statements in accordance with applicable regulations and assessed whether it was consistent with the evidence obtained during the performance of our tests, taking into account the existing uncertainty regarding the outcome of the proceedings.</p> <p>Notes 10, 17 and 25 contain the information on provisions and disclosures on contingent liabilities related to arbitration and court proceedings.</p>

Tax contingencies

Description	Procedures applied in the audit
<p>As explained in Note 19, the taxation authorities reviewed the tax treatment applied to certain income tax matters, issuing assessments to the Company and some of its investees in previous tax periods which were partially modified in 2023 and currently amount to €183 million. These cover the tax charge, penalties and interest, and were signed under protest and appealed against by the companies. As at 31 December 2022, there were no tax liabilities recognised in relation to these assessments, and there were withholdings made by the tax authorities amounting to €6 million recognised as collection rights. The Company, together with its investee, has also provided real estate collateral on certain assets and been granted a suspension of its payment obligations for all the proceedings with real estate collateral.</p> <p>Company management has assessed whether these proceedings represent contingencies or whether, on the contrary, a related provision should be recognised. These judgements and estimates are based primarily on the opinions of internal advisors and the external advisors engaged for this purpose.</p> <p>Both the classification and quantification require directors to make significant judgements, especially regarding the probability of a future outflow of resources and whether the amount of the obligation can be estimated reliably. Therefore, we determined this to be a key audit matter.</p>	<p>Our audit procedures included, among others, obtaining and analysing the evaluations made by the Company's internal and external tax advisers and the documentation of any relevant correspondence with the tax authorities regarding the tax litigation currently in progress. We also sent confirmation letters and obtained responses from the tax advisers with whom the Company works, and we involved our internal tax experts in evaluating and examining the assumptions and judgements made by the directors, who took into account the uncertainty existing in relation to the outcome of the matters in question.</p> <p>Lastly, we evaluated the appropriateness of the disclosures provided in relation to these matters in Note 19 to the financial statements.</p>

Emphasis of matter paragraphs

We draw attention to Note 25 to the accompanying financial statements, in which the directors explain the key estimates regarding liabilities and contingencies associated with litigation, arbitration or negotiations, specifically litigation, with counter-claims among the parties involving the Company and some of investees with the Recope (Costa Rica) and Jebel Ali Power Station (Dubai) projects. Contractual termination rulings were given for the two contracts in Costa Rica in 2023, which in the latter case, the customer resumed its lawsuit in 2022 after failure to reach an amicable solution. In this regard, uncertainties exist that could affect the final resolution of these proceedings. Both are in the early stages and have not led to any judgement or ruling. Therefore, the amounts or even the outcome of the legal proceedings cannot be estimated reliably, so the estimates made by the directors could be modified significantly depending on developments. Our opinion is not modified in respect of this matter.

In addition, in Note 25 to the financial statements the directors explain criminal complaint filed in 2017 against Duro Felguera, S.A. and others by Spain's Special Prosecutor's Anti-Corruption and Organised Crime Department (Fiscalía Especial contra la Corrupción y la Criminalidad Organizada) citing the potential existence of an alleged crime of bribery of a foreign authority or public officials, and an alleged crime of money laundering. The proceeding is still in the investigation phase. As explained in that note, the directors state that it is not possible to determine the probability or extent of the potential consequences, which will depend on the outcome of the criminal proceedings, although the Company holds a positive outlook and view based on the internal investigation carried out. Our opinion is not modified in respect of this matter.

Other information: Management report

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

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

- a) Checking only that certain information included in the non-financial statement, certain information in the Annual Corporate Governance Report and the Annual Report on Director Remuneration, as defined in the Audit Law, was provided in the manner as stipulated in the applicable regulations and, if not, disclose this fact.
- b) Assessing and reporting on the consistency of the remaining information included in the management report with the financial statements, based on the knowledge of the Company obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

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

Responsibilities of the directors and the audit committee for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the financial reporting

framework applicable to the Company in Spain, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditor's report. This description, which is on page 10, forms part of our auditor's report.

Report on other legal and regulatory requirements

European Single Electronic Format

We have examined the digital file of the European single electronic format (ESEF) of Duro Felguera, S.A. for the 2022 financial year, consisting of an XHTML file containing the financial statements for the year, which will form part of the annual financial report.

The directors of Duro Felguera, S.A. are responsible for submitting the annual financial report for the 2022 financial year in accordance with the format requirements set out in the European Commission Delegated Regulation (EU) 2019/815, of 17 December 2018 (the "ESEF Regulation").

Our responsibility consists of examining the digital file prepared by the Company's directors 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 financial statements included in the aforementioned digital file correspond in their entirety to those of the financial statements that we have audited, and whether the financial statements and the aforementioned file have been formatted, in all material respects, in accordance with the ESEF Regulation.

In our opinion, the digital file examined corresponds in its entirety to the audited financial statements, which are presented, 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 Company's audit committee on 30 April 2023.

Term of engagement

At the Annual General Meeting held on 29 October 2022, we were appointed auditor for three years, from the year beginning on 1 January 2020.

DELOITTE, S.L.
Registered in R.O.A.C. under no. S0692

Alicia Izaga
Registered in R.O.A.C. under no. 17477

30 April 2023

Appendix I to our auditor's report

In addition to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's responsibilities for the audit of the financial statements

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the use by the directors 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee of the Company regarding, among other matters, the 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 Company's audit committee 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 Company's audit committee, we determine those matters that were of most significance in the audit of the 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.



Duro Felguera, S.A.

Financial Statements for the year ended 31 December 2022
and Management Report for 2022



DURO FELGUERA, S.A.

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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 AND 2021
(€ thousand)

ASSETS	Note	At 31 December		EQUITY AND LIABILITIES	Note	At 31 December	
		2022	2021			2022	2021
NON-CURRENT ASSETS				EQUITY			
Intangible assets	5	2,592	4,539	Capital and reserves		(147,560)	(148,245)
Property, plant and equipment	6	11,756	12,461	Capital	14.a)	4,800	4,800
Investment properties	7	6,850	10,358	Reserves	14.c)	2,688	2,688
Non-current investments in group companies and associates		34,177	35,771	Prior periods' profit and loss	14.d)	(155,733)	(176,730)
Equity instruments	9	34,177	35,771	Profit/(loss) for the year	14.e)	685	20,997
Loans		-	-	Other equity instruments			
Non-current financial assets	8	7,840	8,176	Valuation adjustments	14.f)	2,206	9,215
Equity instruments		7,817	8,154	Available-for-sale financial assets		3,373	3,373
Loans to companies	10	-	-	Other		-	-
Other financial assets	10	23	22	Translation differences		(1,167)	5,842
Deferred tax assets	18	10,004	12,496	Grants, donations and bequests received	15	1,448	1,526
TOTAL NON-CURRENT ASSETS		73,219	83,801	TOTAL EQUITY	14	(143,906)	(137,504)
				NON-CURRENT LIABILITIES			
CURRENT ASSETS				Non-current provisions		27,683	25,703
Inventories	12	2,801	3,509	Long-term employee benefits		428	540
Trade and other receivables	8 and 10	68,813	58,706	Other provisions	17	27,255	25,163
Trade receivables		38,171	25,107	Non-current payables	8 and 16	145,029	154,987
Trade receivables from group companies and associates	28	10,847	9,554	Bonds and other marketable debt securities		11,852	15,987
Other receivables		4,847	5,833	Bank borrowings		13,177	13,000
Personnel		69	181	Other financial liabilities		120,000	126,000
Current tax assets		-	-	Deferred tax liabilities	18	10,687	12,237
Other taxes receivable	18	14,879	18,031	TOTAL NON-CURRENT LIABILITIES		183,399	192,927
Current investments in group companies and associates	8, 10 and 28	122,672	105,241	CURRENT LIABILITIES			
Loans to companies		45,827	42,008	Current provisions	17	120,443	118,021
Other financial assets		76,845	63,233	Current payables	8 and 16	7,428	11,315
Current investments	8 and 10	27,722	29,666	Bank borrowings		64	10,057
Equity instruments		5,320	5,320	Other financial liabilities		7,364	1,258
Loans to companies		1,375	1,943	Current payables to group companies and associates	8, 16 and 28	28,960	33,853
Other financial assets		21,027	22,403	Trade and other payables	8 and 16	116,759	147,541
Prepayments and accrued income		455	622	Suppliers		49,044	82,950
Cash and cash equivalents	8 and 13	17,402	84,608	Suppliers, group companies and associates	28	17,816	17,733
TOTAL CURRENT ASSETS		239,865	282,352	Other payables		2,848	6,214
TOTAL ASSETS		313,084	366,153	Personnel (salaries payable)		1,347	1,593
				Current tax liabilities		18	18
				Other taxes payable	18	4,166	4,343
				Advances from customers		41,520	34,690
				Accruals and deferred income		-	-
				TOTAL CURRENT LIABILITIES		273,591	310,730
				TOTAL EQUITY AND LIABILITIES		313,084	366,153

The accompanying notes 1 to 31 are an integral part of these financial statements.



DURO FELGUERA, S.A.

STATEMENT OF PROFIT OR LOSS FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021
(€ thousand)

	Note	Year ended 31 December	
		2022	2021
<u>CONTINUING OPERATIONS</u>			
Revenue	20	35,944	25,752
Sales		30,717	21,481
Services rendered		5,227	4,271
Self-constructed assets		-	-
Cost of sales		(8,971)	(4,221)
Raw materials and other consumables used		(5,377)	2,635
Subcontracted work		(3,594)	(6,856)
Other operating income		221	2
Non-trading and other operating income		221	2
Employee benefits expense	20	(26,755)	(22,661)
Salaries and wages		(21,815)	(17,483)
Other employee benefits expense		(4,940)	(5,178)
Other operating expenses		4,950	(10,298)
External services		(14,851)	(18,481)
Taxes		(1,041)	(438)
Losses, impairment and changes in trade provisions	10 and 17	20,842	8,621
Amortisation and depreciation	5, 6 and 7	(2,886)	(2,866)
Release of non-financial capital grants and other	15	104	97
Provision surpluses		-	-
Impairment and gains/(losses) on disposal of assets	5, 6 and 7	(390)	491
Other income/(expense)		385	437
OPERATING PROFIT/(LOSS)		2,602	(13,267)
Finance income		6,749	40,086
Finance costs		(4,738)	(4,002)
Change in fair value of financial instruments		4,136	-
Exchange differences		13,217	11,218
Impairment and gains/(losses) on disposal of financial instruments	8 and 17	(15,480)	(13,010)
NET FINANCE INCOME/(COST)	21	3,884	34,292
PROFIT/(LOSS) BEFORE TAX		6,486	21,025
Income tax expense	19	(5,801)	(28)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		685	20,997
PROFIT/(LOSS) FOR THE YEAR		685	20,997

The accompanying notes 1 to 31 are an integral part of these financial statements.



DURO FELGUERA, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

A) STATEMENT OF TOTAL CHANGES IN EQUITY

(€ thousand)

	Registered capital	Share premium	Reserves	(Own shares and equity holdings)	Prior years' profit and loss	Profit/(loss) for the year	Other equity instruments	Valuation adjustments	Grants, donations and bequests received	TOTAL
BALANCE AT 1 JANUARY 2021	4,800	-	(198)	-	(5,558)	(171,172)	8,093	12,247	1,599	(150,189)
Total recognised income and expense	-	-	-	-	-	20,997	-	(3,032)	(73)	17,892
Capital increases/(reductions)	-	-	-	-	-	-	-	-	-	-
Cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into convertible bonds (Note 16)	-	-	2,886	-	-	-	(8,093)	-	-	(5,207)
Transactions with equity holders or owners	-	-	-	-	-	-	-	-	-	-
Treasury share transactions	-	-	-	-	-	-	-	-	-	-
- Other transactions with equity holders or owners	-	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	-	-	(171,172)	171,172	-	-	-	-
BALANCE AT 31 December 2021	4,800	-	2,688	-	(176,730)	20,997	-	9,215	1,526	(137,504)
BALANCE AT 1 JANUARY 2022	4,800	-	2,688	-	(176,730)	20,997	-	9,215	1,526	(137,504)
Total recognised income and expense	-	-	-	-	-	685	-	(7,009)	(78)	(6,402)
Capital increases/(reductions)	-	-	-	-	-	-	-	-	-	-
Cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into convertible bonds	-	-	-	-	-	-	-	-	-	-
Transactions with equity holders or owners	-	-	-	-	-	-	-	-	-	-
- Treasury share transactions	-	-	-	-	-	-	-	-	-	-
- Other transactions with equity holders or owners	-	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	-	-	20,997	(20,997)	-	-	-	-
BALANCE AT 31 DECEMBER 2022	4,800	-	2,688	-	(155,733)	685	-	2,206	1,448	(143,906)

The accompanying notes 1 to 31 are an integral part of these financial statements.



STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

B) STATEMENT OF RECOGNISED INCOME AND EXPENSE
(€ thousand)

	<u>Note</u>	Year ended 31 December	
		<u>2022</u>	<u>2021</u>
Profit/(loss) for the year	14.e)	<u>685</u>	<u>20,998</u>
Income and expense recognised directly in equity			
Financial assets at fair value	8.1	-	2,589
Cash flow hedges			
Translation differences		(7,009)	(5,622)
Tax effect	18		<u>(647)</u>
Total income and expense recognised directly in equity		<u>(7,009)</u>	<u>(3,680)</u>
Amounts transferred to profit or loss			
Grants, donations and bequests received	15	(104)	(97)
Tax effect	18	<u>26</u>	<u>24</u>
Total amounts transferred to profit or loss		<u>(78)</u>	<u>(73)</u>
TOTAL RECOGNISED INCOME AND EXPENSE		<u>(6,402)</u>	<u>17,245</u>

The accompanying notes 1 to 31 are an integral part of these financial statements.



DURO FELGUERA, S.A.

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021
(€ thousand)

		Year ended 31 December	
	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES	22		
Profit/(loss) for the year before tax		6,486	21,026
Adjustments for:		(10,592)	(29,418)
Working capital changes		(36,120)	(27,167)
Other cash flows from operating activities		2,455	(8,003)
		<u>(37,771)</u>	<u>(43,562)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	23		
Payments for investments		(26,106)	(447)
Proceeds from sale of investments		12,553	8,681
Other cash flows from investing activities		-	-
		<u>(13,553)</u>	<u>8,234</u>
CASH FLOWS FROM FINANCING ACTIVITIES	24		
Proceeds from and payments for equity instruments		-	-
Proceeds from and payments for financial liability instruments		(15,881)	110,370
Dividends and interest on other equity instruments paid		-	-
		<u>(15,881)</u>	<u>110,370</u>
Profit/(loss) on exchange differences in cash and cash equivalents			
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(67,205)</u>	<u>75,042</u>
Cash and cash equivalents at the beginning of the year	13	84,607	9,565
Cash and cash equivalents at the end of the year	13	<u>17,402</u>	<u>84,607</u>

The accompanying notes 1 to 31 are an integral part of these financial statements.



DURO FELGUERA, S.A.

NOTES TO THE 2022 FINANCIAL STATEMENTS
(€ thousand)

1. General information

Duro Felguera, S.A. (the "Company"), parent of the Duro Felguera Group (the "Group"), was incorporated in La Felguera (Asturias) on 22 April 1900 for an indefinite period as a public limited company (sociedad anónima) under the name Sociedad Metalúrgica Duro Felguera, S.A. It changed its name on 25 June 1999 to Grupo Duro Felguera, S.A. and then again on 26 April 2001 to its current name. The Company's registered office and headquarters are located in Parque Científico Tecnológico, calle Ada Byron 90, Gijón.

The Company engages in the construction, manufacture and assembly in the metal, boiler-making, smelting and capital goods industries under turnkey contracts, and the provision of marketing, distribution, construction and installation services involving energy from solid and liquid fuels. It also engages in the promotion and creation of industrial, commercial and service companies, and their extension, development and modernisation in Spain and abroad, within the activities that make up its corporate objects, as well as the acquisition, holding and utilisation of fixed and variable interest securities in all kinds of companies and entities.

The Company mainly provides services in Spain, other countries in the euro area, and Latin America.

All of Duro Felguera S.A.'s shares are admitted for listing on the Madrid, Barcelona and Bilbao Stock Exchanges, and on the continuous market.

2. Basis of preparation

2.1 True and fair view

The financial statements have been prepared based on the Company's accounting records and presented in accordance with prevailing commercial law and the Spanish General Accounting Plan (Plan General Contable) approved by Royal Decree 1514/2007, as amended by Royal Decree 1159/2010, to present fairly the Company's equity, financial position and results, and to accurately reflect the cash flows included in the statement of cash flows.

These financial statements were authorised for issue by the Company's directors on 31 March 2023 and reissue on 29 April 2023 to include the update of Note 2.1.2 Assessment of possible uncertainties relating to application of the going concern principle as a result of the resolutions passed at the Extraordinary General Shareholders' Meeting held on 13 April 2023 and other matters explained in Note 31 Events after the reporting period. They will be submitted for approval by shareholders at the Annual General Meeting and are expected to be approved without any changes. The financial statements for 2021 were approved by shareholders at the Annual General Meeting held on 28 June 2022.

All amounts in the financial statements are in thousands of euros (€), rounded to thousands, unless stated otherwise.

2.1.1 Impact of the war in Ukraine and post-Covid situation

In 2022, the armed conflict between Russia and Ukraine had immediate impacts on the world's economy by causing energy prices to soar on the back of rising oil and gas prices.

The global economy is facing a scenario of high inflation, cause at first by the pandemic. However, unfortunately, the war sent energy prices spiralling and bolstered inflation expectations. Widespread industrial supply chain disruptions were exacerbated by the economic sanctions imposed on Russia, with rising commodity prices pushing up prices in the supply chain. The biggest threat to the economy is a slowdown or halt to the global post-Covid economic recovery due to persistent inflation.



DURO FELGUERA, S.A.

NOTES TO THE 2022 FINANCIAL STATEMENTS (€ thousand)

Meanwhile, in the year's second half this situation prompted central banks to embark on a rapid interest-rate tightening campaign, thereby ending the period of low interest rates and applying anti-inflationary monetary policies.

As a result, at year-end 2022, there was still uncertainty over how long the war would last, how intense it would be and what impacts it could have for the medium and long term.

Implications for the Group

Against the current backdrop of uncertainty regarding the impacts of the war on Spain's and the world's economy, the Group has closely monitored the effects and drawn up action plans to minimise the related risks.

Although our contracts with customers do not contain express clauses regarding claims for price increases due to rises in the prices of materials, fuel, energy, etc., laws and/or jurisprudence could result in application of what we call the principle of "unpredictability", i.e., where execution of a contract becomes too onerous for one of the parties due to events that are supervening or extraordinary events and events that were unpredictable at the time of signing of the contract that could require authorisation for the revision of the terms and conditions so as to readjust the contract.

The current situation has jeopardised the energy models of countries that rely heavily on imported gas and the energy price-setting mechanisms. This has prompted several countries to reconsider their energy policies and caused delays in investments in conventional energy projects, which has also delayed order intake.

The war has shown that countries need to include security of supply of energy among their top priorities, thereby speeding up and increasing the importance of the energy transition and of raising awareness about energy storage and efficiency as savings measures. These circumstances were behind the European Union's approval of the REPowerEU plan to rapidly reduce dependence on Russian fossil fuels and fast forward the green transition in Europe, paving the way for the development of renewables and hydrogen that the Group hopes to leverage.

Also because of the war, the Group, with the assistance of external advisors, is constantly assessing developments in international sanctions related to the conflict so it can review the impact on its committed customer base and take timely decisions bearing in mind the prevailing legal framework at any given time.

Although the first half of 2022 featured some delays in order intake, the second half of the year saw a recovery. Therefore, the Group's directors are more upbeat about the prospects for 2023.

Even with the Covid-19 crisis and/or the war in Ukraine, the Group has maintained its portfolio of contract wins in the recent years. None of the EPC (Engineering, Procurement and Construction) projects included in the portfolio have had to be cancelled, except the Iernut project in Romania, which was terminated in 2021 but is expected to be resumed in the first half of 2023. After negotiations with the customer in 2022, a letter of intent (LOI) was signed on 31 December 2022 in which the parties confirmed that no significant disputes were left unsettled and undertook to address, in early January 2023, the unresolved issues regarding modification of the original contract signed on 31 October 2016. Subsequently, in March 2023, the new agreement was formally signed. It is subject to three conditions precedent, which the parties consider will be complied with satisfactorily. These conditions precedent are:

- Approval at the general meeting scheduled for 10 May 2023 by shareholders of Romgaz (the Romanian state-owned enterprise) of the proposed ratification of the agreement included as an item on the meeting agenda.
- Formal approval by Duro Felguera's Board of Directors.
- Approval at the meeting of Romelectro's creditors to the insolvency administrator's proposal to ratify the contract.



DURO FELGUERA, S.A.

NOTES TO THE 2022 FINANCIAL STATEMENTS (€ thousand)

At present, all projects awarded both before and since March 2020 have been rescheduled as needed and are gradually approaching a normal rate of execution, except the Sonelgaz agreement in Djelfa. Execution of this contract has slowed due to strained diplomatic relations between Algeria and Spain and it is currently under negotiation.

2.1.2 Assessment of possible uncertainties relating to application of the going concern principle

As at 31 December 2022, the Company had negative equity (Note 14) and negative working capital.

This was the result of three external crises: the health crisis (the Covid-19-related economic impact throughout 2022), the economic crisis (arising inflation and the higher raw material costs) and the military crisis (invasion of Ukraine, as discussed in the previous note). There was also the diplomatic crisis with Algeria. The Group monitors its actions on an ongoing basis so as to minimise the impact on its cash requirements. It does so by preparing a cash inflow and outflow plan to assess whether it has the necessary financial resources to meet its operational requirements over the next 12 months, taking appropriate steps as needed. The key assumptions underlying the cash inflow and outflow plan approved by the Board of Directors to address this situation are:

- Progress on projects being executed in accordance with the obligations assumed with customers.
- Compliance with the viability plan approved by the Board of Directors in February 2023, which includes updates of the financial assumptions for the 2023-2027 period based on the prevailing geopolitical landscape and the Group's assessment of its business prospects.
- Progress in the backlog being executed in accordance with the obligations assumed with customers.
- Rebound of economic activity and increase in order intake in coming months.
- Optimisation of costs of projects in progress and general expenses.
- Conclusion of customer negotiations, arbitration and litigation processes according to schedule (Notes 19 and 25).
- Compliance with the terms and conditions outlined in the financing raised through the FASEE, from financial institutions and SRP (Sociedad Regional de Promoción del Principado de Asturias, S.A.).

The treasury plan includes raising additional financing and own funds. Therefore, as set out in the viability plan, the Group continues to work on bringing in new reference investors and industrial partners which, through a legal order, must take place within the next six months, as explained in Note 31. The capital increases already approved at the General Meeting include, firstly, a €90 million loan to, following the steps outlined in Note 31, subject to compliance with the legal and contractual terms of the agreements, through a debt-to-equity swap of the part of the first loan not subscribed for by current shareholders, and secondly, a debt-to-equity swap of the second loan through the issuance of new shares, whereby the parent company's equity and cash position would be strengthened by more than €90 million. Moreover, the acquisitions of equity interests in the company by industrial shareholders Grupo Promotor de Desarrollo e Infraestructura, S.A. de C.V. ("Grupo Prodi") and Mota-Engil México, S.A.P.I. de C.V. ("Mota-Engil México") will boost Duro Felguera's international operations, leveraging the Group's broad international experience in attractive markets such as Mexico and its surrounding markets. In particular, it will enhance the Group's positioning in the U.S. Nearshoring programme and other investment projects in that geographical area. Grupo Prodi's and Mota-Engil México's addition will bolster the Group's active presence in existing markets, complementing and reinforcing its business plan, which includes Europe as one of its main targets.

As described in Note 20.c), the Company has initiated a process to adapt its capabilities to its current needs, resulting in a reduction in general expenses.



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The Company's directors are confident that the gradual recovery in activity, increased order intake and growth in the portfolio of customers, along with the execution of the capital increase, with subscription assured by the new investors, will strengthen the Group's financial position and equity. As at the date of authorisation for issue of these financial statements, the Company is in the process of completing the legal and contractual conditions set out in the agreements for the acquisitions of interests by the new investors. At the Extraordinary General Shareholders' Meeting held on 13 April 2023, majority approval by 98% of shareholders present or represented was given to carry out two capital increases up to €90,000,000 plus interest through the issuance of up to 117,478,135 new shares. The Company expects to secure the authorisations it needs over the coming months and within the legally stipulated six-month period. It is acting quickly and this, coupled with the other issues explained previously, will ensure its ability to meet its obligations and continue its business operations normally.

In the going-concern assessment, the directors considered that as at 31 December 2022, by law the losses reported for 2020 and 2021 through 2024 were not included in application of article 363.1.e) of the Consolidated Text of the Spanish Corporate Enterprises Act (Texto Refundido de la Ley de Sociedades de Capital) as amended by Royal Decree Law 20/2022, of 27 December, on measures to address the economic and social consequences of the war in Ukraine.

On the basis of all of the foregoing, the Company's directors have prepared these consolidated financial statements on a going concern basis.

2.2 Accounting policies

The accompanying financial statements have been prepared using the generally accepted accounting principles and measurement bases described in Note 3. All mandatory accounting standards that could have a significant effect on the financial statements were applied.

2.3 Comparative information

In accordance with company law, for comparative purposes the Company presents for each item of the statement of financial position, the statement of profit or loss, the statement of changes in equity and the statement of cash flows, in addition to the figures for 2022, those for the previous period.

Quantitative information for the previous year is also included in the notes to the financial statements unless an accounting standard specifically states that this is not required.

2.4 Aggregation of items

For an easier understanding of the statement of financial position and statement of profit or loss, certain items have been aggregated with other items, with the required disclosures presented in the corresponding notes.

2.5 Consolidated financial statements

The Company is the parent of a group of companies in accordance with Royal decree 1159/2010 and, therefore, is required to present consolidated financial statements.

For reasons of clarity, the directors have elected to present the consolidated financial statements separately. The consolidated financial statements were authorised for issue by the parent company's directors on 31 March 2023 and reissue on 28 April 2023 to include the update of Note 2.1.2 Assessment of possible uncertainties relating to application of the going concern principle as a result of the resolutions passed at the Extraordinary General Shareholders' Meeting held on 13 April 2023 and other matters explained in Note 31 Events after the reporting period. They will be placed on file with the Asturias Companies Register.

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NOTES TO THE 2022 FINANCIAL STATEMENTS
(€ thousand)

2.6 Accounting estimates and judgements

The preparation of the financial statements requires management to make assumptions and estimates that may affect the accounting policies adopted and the amounts of assets, liabilities, revenues and expenses, and the accompanying disclosures. The estimates and assumptions are based, among other things, on historical experience and other circumstances considered to be reasonable at the reporting date, the result of which forms the basis of judgement about the carrying amounts of assets and liabilities that cannot be readily determined in any other way. Actual results may differ from estimated results. These estimates and judgements are assessed on an ongoing basis.

Some accounting estimates are considered significant if the nature of the estimates and assumptions is material and if the impact on financial position or operating performance is material. The main estimates made by the Company are addressed below.

1. Impairment losses on certain intangible assets, property, plant and equipment, and investment properties

Estimated impairment losses on real estate assets

The Company receives independent valuations of its investment property, and the land and buildings it owns for the production centres and offices in Gijón (classified as property, plant and equipment) at least annually. It recognises impairment losses when the estimated fair value is less than carrying amount, in line with the accounting policy described in Note 3.4. The Company recognised an impairment loss of €4,750 thousand in the 2020 statement of profit or loss. There was no significant change in the balance in 2022.

The estimate of fair value was performed by an expert in compliance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC). The sales comparison method was used for the appraisal of most of the assets except for one, where the dynamic residual method was chosen because of the lack of reliable comparables.

To determine the fair value of the identified assets, quoted prices on the most significant active markets were used as a basis in each case. Where the active markets are not relevant or it is considered that there is no active market for the identified assets, the following was used:

- the price of the most recent transaction in the market, assuming that there has not been a significant change in the economic circumstances between the date of the transaction and the reporting date;
- market prices for similar assets with adjustment to reflect differences;
- industry benchmarks; and
- Covid-19-related adjustments.

For the asset where the dynamic residual method was applied, the valuation was based on the residual value principle. Under this principle, the value is the difference between the total value of the asset and the values attributable to the rest of the factors.

The dynamic residual or cash flow method consists of estimating the value of the asset minus the development costs still to be incurred for each asset, depending on its stage of completion (such costs therefore include any planning costs, construction costs, fees, duties, sales costs, etc.), and the developer's margin in order to estimate the residual value. The sources of income and costs are spread out in time to reflect the development timelines and sales estimated by the appraiser. The discount rate used is the rate that represents the average annual return on the project, adjusted for the property's intrinsic characteristics and risks, without factoring in external borrowings, that a developer would obtain on a development of similar characteristics to that being analysed. The discount rate is arrived at by adding the risk-free rate and the risk premium (determined by assessing the development's risk in light of the nature of the property to be developed or under development, its location, liquidity, execution timeline and the investment required).



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(€ thousand)

The discount rates used for one of the assets valued under the dynamic residual method was approximately 7.5%.

The fair values of those assets at 31 December and the impairment losses recognised on those assets whose carrying amount was below cost are disclosed in Notes 6 and 7.

2. The useful life of intangible assets, property, plant, and equipment and investment properties.

Company management determines the estimated useful lives and related depreciation and amortisation expenses for its property, plant and equipment, and intangible assets. The useful lives of the assets are estimated in relation to the period in which the assets will generate economic benefits. The useful lives considered by the Company are disclosed in Notes 3.1, 3.2 and 3.3.

The Company reviews the useful lives of the assets at the end of each financial year. If the estimates differ from those made previously, the effect of the change is recognised prospectively, from the year in which the change was made.

3. The fair value of certain financial instruments

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques.

As explained in Note 3.5, for equity investments in Group companies, the impairment loss is measured as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the present value of future cash flows from the investment. When estimating these investments, the investee's equity is taken into consideration, corrected for any unrealised gains existing at the measurement date, unless better evidence of the recoverable amount of the investment is available.

In 2022, in relation to Epicom, S.A., as disclosed in Note 8, the Company has classified the interest retained in Epicom, S.A. as a current asset after the disposal of the other 40%; i.e., a current financial instrument at fair value. Fair value was determined using the price of the call option granted to the third-party acquirer (Note 31) as that price was consistent with the price at which 40% of the company was sold in the same financial period.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques.

The Company also has a stake in Ausenco, Ltd, a company over which it has no control. Given the limited amount of updated information available to the Company on this investment, the Company measured the investment based on an assessment of the likely trend in value taking the latest available appraisal carried out in March 2020 by an independent expert based on the performance of comparable listed companies from December 2020 to December 2022, complemented by an assessment of potential impairment based on the trend in value to December 2022 and obtained in the latest audited financial statements for 2021 to verify alignment with trends of listed peers. A series of listed companies in the same industry operating in the geographical areas of Australia, Canada, the US and Europe were selected. Their revenue, EBITDA and market capitalisations were analysed to determine an outlook for the trend in Ausenco, Ltd's valuation, adjusted with audited financial information of the company as at 31 December 2021. Based on the exercise performed, the Company considers that there are no indications of impairment, rather that there has been a recovery in value. As the underlying carrying amount of the investment according to the 2021 audited financial statements is below the amount recognised, the amount recognised in 2021 was maintained.

The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Company



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(€ thousand)

for similar financial instruments. The method and main assumptions used to measure convertible bonds are disclosed in Note 16.

4. Calculation of provisions

Warranty claims

The Company provides warranties of between one and two years for its projects, mainly in the turnkey project business line. Management estimates the related provision for future warranty claims based on its experience and the degree of complexity of the product, its experience with respect to the customer's quality expectations, and the country risk of the country where the project is carried out. The amount of the provision for warranties at 31 December 2022 stood at €4,224 thousand (Note 17).

Factors that could affect the information used to estimate claims include counter-guarantees covering work performed by partner companies.

Litigation

The Company sets aside, based on the estimates of its legal advisors, sufficient provisions to cover the forecast outflows of cash which may arise from litigation with the various social agents for the amounts claimed, discounted where they are expected to exceed one year. The Company's provisions and contingent liabilities at 31 December 2022 are disclosed in Notes 17 and 25. Due to the complexities involved in these proceedings, there is a high level of uncertainty regarding the probability and outcome of rulings and the quantification of the potential financial consequences.

Actuarial liabilities

The Company has obligations with current and former employees for length-of-service awards, coal vouchers and other commitments, which require the use of actuarial valuations to calculate the amounts. The Company engaged an independent expert to calculate the liabilities for these employee obligations recognised at year-end and the main assumptions used in the measurement.

5. The calculation of the stage of completion for revenue recognition based on estimated costs of the related projects and their modifications.

The Company uses the input or effort method to recognise income, as the risks and rewards of the asset are transferred to the customer. This method most faithfully represents the transfer of the asset, as there is a direct relationship between the inputs (costs incurred in relation to the total or projected costs of satisfying the performance obligation) and the transfer of control of the goods or services to the customer. This revenue recognition method is applied only when the outcome of the contract can be estimated reliably and it is probable that the contract will be profitable. When the outcome of the contract cannot be estimated reliably, contract revenue is recognised only to the extent of the recovery of the costs. When it is probable that contract costs will exceed contract revenue, the loss is recognised as an expense immediately. In using this method, the Company makes significant estimates regarding the total costs necessary to fulfil the contract. These estimates are reviewed and assessed regularly in order to verify if a loss has been generated and if that method can continue to be applied, or it is necessary to re-estimate the expected margin on the project.

During the project, the Company also estimates the probable contingencies related to the increase in the total estimated cost and adjusts the revenue recognition accordingly.



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Revenue from variable consideration, claims and disputes

The Company did not recognise revenue from contract modifications/claims or disputes that were not approved by the customer or that had not been measured, except the variable consideration from the Aconcagua project to the extent that it is highly probable that a significant reversal in the amount will not occur, with an expert report confirming compliance with the parameters set out in the contract that support its accrual (Note 25), and a €6 million claim from the Djelfa project customer following acceptance, by signing a protocol, of that amount by the customer, which is still pending formalisation in an addendum to the contract (Note 25).

6. The assessment of the probability of having future taxable profits for the recovery of deferred tax assets and the recoverability of income taxes from non-residents and other taxes levied in other countries.

Regarding recognised deferred tax assets, as explained in Note 3.12 deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In this respect, considering the Company's financial performance in recent years and that of the companies comprising the tax group, it recognised assets up to the amount of the deferred tax liabilities recognised.

For the recoverability of non-resident income and other taxes levied in other countries, the Company recognises the corresponding impairments when they are not directly recoverable or when there are no projects in the pipeline in the country where they have been levied to allow them to be recovered.

7. Impairment of receivables

The Company estimates the collectability of outstanding receivables from customers on projects where there are open disputes or ongoing litigation arising from disagreements about the work carried out or breaches of contractual clauses linked to the performance of the assets delivered to customers.

In line with the policy described in Note 3.5, at least at the end of the reporting period, the Company recognises any necessary impairment loss when there is objective evidence that all the amounts receivable will not be received.

These estimates were made on the basis of the best information available, at the date of preparation of these financial statements, about the events analysed. However, events may take place in the future that make it necessary to revise these estimates (upwards or downwards). This would be done prospectively, with the impact of the change in estimates recognised in the statement of profit or loss.

3. Accounting policies

- 3.1. Intangible assets

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.



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Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Expenditure on an intangible item that was initially recognised as an expense is not recognised as an intangible asset at a later date.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years, except ERP, which the Company amortises over a period of eight years given the importance of the investment undertaken in previous years and as the useful life is clearly greater than three years.

3.2. Property, plant and equipment

Elements of property, plant and equipment are measured at the purchase price or production costs, less accumulated depreciation and any accumulated impairment losses recognised.

Costs incurred to renovate, enlarge or improve items of property, plant and equipment which increase capacity or productivity or extend the useful life of the asset are capitalised as part of the cost of the related asset, provided that the carrying amount of the items that are replaced and derecognised is known or can be estimated.

The cost of major repairs is capitalised and depreciated over the estimated useful life, while recurring maintenance expenses are charged to the statement of profit or loss during the reporting period in which they are incurred.

Property, plant and equipment, excluding land, are depreciated on a systematic basis over the estimated useful life of the assets, taking into account the impairment normally incurred due to operational wear and tear. The estimated useful lives are as follows:

	<u>Years of estimated useful life</u>
Buildings	7 to 50
Technical installations and machinery	4 to 33
Other installations, equipment and furniture	3 to 20
Other property, plant and equipment	3 to 20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

When the carrying amount of an asset exceeds its recoverable amount, the amount of the asset is immediately written down to its recoverable amount (Note 3.4).

Self-constructed property, plant and equipment are measured at production cost and the cost is recognised as revenue in the statement of profit or loss.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and are recognised in the statement of profit or loss.

3.3. Investment properties

Investment properties consist of land or buildings owned by the company for long-term capital appreciation and are not occupied by the Company.

Items under this heading are stated at acquisition cost. After initial recognition, these assets are stated at acquisition cost less accumulated depreciation and any accumulated impairment losses recognised (Note 3.4).

Investment property is depreciated on a straight-line basis over the estimated useful lives of the properties (7 to 66 years).



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3.4. Impairment of non-financial assets

Assets that have an indefinite useful life or assets not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment losses, assets are grouped together at the lowest levels for which there are largely independent cash inflows (cash-generating units).

Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date. The criteria explained in Note 2.6.1 are used for real estate assets.

3.5. Financial assets

The Company classifies its financial assets in the following categories: loans and receivables, held-to-maturity investments, equity investments in Group companies, jointly controlled entities and associates, and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and reviews the classification at each reporting date.

a. Financial assets at amortised cost: this category includes financial assets, even if they are admitted to trading on an exchange, if the Company holds the investment in order to collect contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In general, this category includes:

- i) Trade receivables: arising on the sale of goods and rendering of services in the course of trade operations with deferred payment, and
- ii) Non-trade receivables: arising from loans or credit transactions granted by the Company with fixed or determinable payments.

b. Financial assets at fair value through equity: this category includes 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 and are not held for trading or eligible for classification in the preceding category. Also included in this category are investments in equity that are classified irrevocably at initial recognition by the Company that are neither held for trading or should be measured at cost.

c. Financial assets at cost: this category includes the following investments: (a) equity instruments of Group companies, jointly controlled entities and associates; (b) equity instruments whose fair value cannot be determined reliably, and derivatives in which the underlyings are these investments; (c) hybrid financial assets whose fair value cannot be estimated reliably, except those that qualify for measurement at amortised cost; (d) contributions made under unincorporated joint venture or similar agreements; (e) profit participating loans with contingent interest payments; and (f) financial assets that should be classified in the following category but their fair value cannot be estimated reliably.

Companies over which the Company has control are considered Group companies, while associates are companies over which the Company has significant influence. Jointly controlled entities include companies over which the Company, through an arrangement, has joint control with one or more venturers.

d. Financial assets at fair value through profit or loss: includes financial assets held for trading and those not classified in any of the previous categories. This category also includes financial assets designated optionally by the Company at initial recognition that otherwise would be included in



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another category as by doing so it eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise.

Initial measurement

Generally, financial assets are initially measured at the fair value of the consideration given plus directly attributable transaction costs. However, transaction costs that are directly attributable to assets measured at fair value through profit or loss are recognised in profit or loss.

In addition, for equity investments in Group companies that provide control over the subsidiary, fees paid to legal advisors or other professional involved in the acquisition of the investment are recognised directly in profit or loss.

Subsequent measurement

Financial assets at amortised cost are subsequently measured at amortised cost, with accrued interest recognised in profit or loss using the effective interest rate method.

Financial assets at fair value through equity are subsequently measured at fair value, without deducting any transaction costs incurred on disposal. Changes in fair value are recognised directly in equity until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously deferred in equity is taken to profit or loss.

Financial assets at fair value through profit or loss are subsequently measured at fair value, with any changes in fair value recognised in profit or loss-

Investments classified in c) above are subsequently measured at cost, less any accumulated impairment. Impairment losses are calculated as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless better evidence of the recoverable amount of the investment in equity instruments is available, the investee's equity is taken into consideration, corrected for any unrealised gains existing at the measurement date, net of the related tax effect.

Impairment

At least at each reporting date the Company "tests financial assets not measured at fair value through profit or loss " for impairment, any with changes recognised in profit or loss. Objective evidence of impairment is considered to exist if the recoverable amount of the financial asset is less than its carrying amount. In any case, for equity instruments at fair value through equity, impairment is presumed to exist after a decline of a year and a half and 40% of its quoted price with no recovery in value. Impairment losses are recognised in profit or loss.

These investments are carried at cost less accumulated any accumulated impairment. When an investment is newly classified as an investment in a group company, jointly controlled entity or associate, the cost is deemed to be the investment's recognised carrying amount immediately prior to the company being classified as such. Where applicable, prior valuation adjustments related to the investment recognised directly in equity remain in equity until the investment is either sold or impaired.

If there is objective evidence that the carrying amount of these investments may not be recoverable, the Company recognises the corresponding impairment losses, calculated as the difference between the investment's carrying amount and recoverable amount, deemed to be the higher of fair value less costs to sell and the present value of projected cash flows from the investment. When estimating impairment, the investee's equity is taken into consideration, corrected for any unrealised gains existing at the measurement date, as explained in Note 2.6.3, unless better evidence of the recoverable amount of the investment is available. Impairments, and reversals thereof, are recognised in the statement of profit or loss for the reporting period in which they occur. If the investee's equity is negative, a provision for liabilities and charges is recognised to the extent that



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there are firm commitments to restore equity or provide additional financial support (Notes 9 and 17).

Regarding valuation allowances for trade and other receivables, the Company calculates the corresponding amount, if any, on the basis of an individualised assessment of past-due and outstanding balances, taking into account the age of the debt, the customer relationship and the customer's financial position (Note 10).

Derecognition of financial assets

The Company derecognises financial assets when the contractual rights to the cash flows from the financial asset expire or have been transferred, provided that substantially all the risks and rewards of ownership have been transferred, such as in binding agreements for sales of assets, transfers of trade receivables in factoring transactions in which the Company retain no credit or interest rate risk, sales of financial assets with an agreement to repurchase them at fair value and securitisations of financial assets whereby the transferee neither retains any subordinated financing nor extends any type of guarantee or incurs any other type of risk.

The Company does not derecognise financial assets in transfers whereby it retains substantially all the risks and rewards of ownership. These include discounted bills, factoring with recourse, sales of financial assets with an agreement to repurchase them at a fixed price or at the sales price plus interest, and securitisations of financial assets whereby the transferor retains subordinated financing or another type of guarantee that absorbs substantially all expected losses. The Company recognises a financial liability for the amount of the consideration received.

Effects of consolidation

As explained in Note 9, the Company has majority interests in the share capital of certain companies. The operations of the Company and of the Group companies of which it is parent are managed on a consolidated basis, even though the related effect on equity and profit or loss of the companies is attributed individually. Accordingly, these financial statements do not reflect changes in equity and financial position that would arise from consolidating the equity investments in Group companies and associates or the share of profit or loss of transactions carried out by the Company and by them. These changes are, however, reflected in the consolidated financial statements for 2022 prepared by the Group.

3.6. Inventories

Inventories of work in progress relate to the costs incurred by the Company with respect to works/services that are currently being executed and whose revenue has yet to be received. They are stated at the acquisition price or production cost. Management does not consider there to be any risk in invoicing such costs incurred to customers because they relate to the performance of a service that has already been rendered to the customer under the relevant contract/order.

3.7. Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value and subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the type of hedge. The Company designates certain derivatives as:

Cash flow hedges:

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised temporarily in equity and taken to profit or loss in the reporting period or periods in which the forecast hedge transaction affects profit or loss, except where the hedge relates to a forecast transaction that requires recognition of a non-financial asset or liability. In this case, the amounts recognised in equity are included in the cost of the asset or liability when it is acquired or assumed.



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The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

For derivatives not qualifying for hedge accounting, any gains or losses in fair value are recognised immediately in profit or loss. The Company was not party to any derivative instrument contracts at the year-end.

3.8. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

3.9. Equity

Share capital is represented by ordinary shares.

The costs of issuing new shares or options are taken directly to equity as a reduction in reserves.

If the Company purchases own shares, the consideration paid, including any directly attributable incremental costs, is deducted from equity until the shares are redeemed, reissued or sold. Where these shares are sold or subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity.

3.10. Financial liabilities

Debts and payables

Financial liabilities and equity instruments are classified in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the net assets of the Company.

The Company's financial liabilities are mainly held-to-maturity financial liabilities, which are measured at amortised cost.

To determine whether a financial instrument is an equity instrument rather than a financial liability, the Group tests whether prerequisites (a) and (b) (see below) for eligibility as an equity instrument are met:

(a) The instrument includes no contractual obligation:

(i) to deliver cash or another financial asset to another entity; or

(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

(b) If the instrument will or may be settled in the issuer's own equity instruments, it is:

(i) a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or

(ii) a derivative that will be settled exclusively by the issuer via the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the issuer's own equity instruments do not include instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

A contractual obligation, including one arising from a derivative financial instrument, that will or may result in the future receipt or delivery of the issuer's own equity instruments, but does not meet conditions (a) and (b) above, is not an equity instrument.



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Therefore, bonds and similar instruments that include conversion clauses that stipulate an exchange ratio that obliges the issuer to deliver a variable number of own shares are accounted for as financial liabilities.

The difference between the initially recognised fair value and the new fair value derived from the reclassification of an equity instrument as a financial liability is recognised in equity.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below.

a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the required criteria are satisfied.

b) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Finance costs" in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

The profit participating loans received, which are classified within debts and payables, are subsequently measured at amortised cost provided the contractual terms and conditions permit the reliable estimation of the instrument's cash flows. However, in contracts in which the payment of interest is contingent in nature, either because the agreement stipulates a fixed or floating rate of interest conditional upon delivery of a specific milestone at the borrower, such as the generation of



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a profit, or interest payments that are calculated exclusively by reference to the borrower's business performance, the economic substance of the transaction is similar to that of unincorporated joint venture agreements (contratos de cuentas en participación). In those instances the borrower measures the loan at cost plus any interest payable to the lender in keeping with the contractually agreed terms and conditions. Transaction costs are recognised in profit or loss on a straight-line basis over the life of the profit participating loan.

c) Trade payables

Trade payables do not accrue interest and are recognised at their nominal amount.

The accounting treatment of non-recourse reverse factoring agreements is not explicitly addressed in applicable accounting standards. According to the European Securities and Markets Authority (ESMA), reverse factoring transactions should be analysed in accordance with the economic substance of the agreement between the parties in order to determine whether the trade debt should be classified as a financial liability and whether the cash flows should be classified as cash flows used in financing activities or operating activities on the statement of cash flows. To the extent that the agreements do not produce substantive changes in the trade debt (e.g. changes in the maturity dates, amount or applicable interest rates), the fact that, pursuant to the reverse factoring transaction, the new legal creditor becomes a bank instead of the original commercial creditor does not modify the economic substance of the debt, which is originated by the Group's operating activities. The Group has used that classification policy.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts, net of the associated transaction costs, is recognised in profit or loss.

3.11. Grants received

Repayable grants, donations and bequests are recognised as liabilities until they meet the criteria for classification as non-refundable. Non-refundable grants are accounted for as income directly in equity and allocated to profit or loss on a systematic and rational basis as the expenses related with the grant.

For these purposes, grants are considered non-refundable when they have been awarded through an individual agreement, all the attaching conditions have been met and their receipt is reasonably assured.

Monetary grants are measured at the recognition-date fair value of the consideration awarded, and non-monetary grants at the recognition-date fair value of the item received.

Grants awarded to acquire intangible assets, property, plant and equipment and investment property are recognised as income for the reporting period in proportion with the amortisation or depreciation charges for those assets in that period or when the assets are disposed of, impaired or derecognised. Those awarded to finance specific expenses are recognised as income in the reporting period in which the financed expenses are accrued and those awarded to offset operating losses are recognised as income for the reporting period in which they are awarded, except those earmarked to finance operating losses for future periods, in which case they are recognised as income in those periods.

The Company recognises the amount of the discounting of loans granted mainly by the Ministry of Education and Science, which do not bear any interest (Note 15), under this line item.

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3.12. Current and deferred income tax

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

Current tax assets or liabilities are measured at the amount expected to be paid or recovered from the taxation authorities, using the tax legislation in force at the reporting date.

Deferred tax expense or income relates to the recognition and settlement of deferred tax assets and liabilities. These include temporary differences, identified as the amounts expected to be payable or recoverable arising from the differences between the carrying amounts of assets and liabilities and their tax bases, as well as the carry forward of unused tax losses and unused tax credits. These amounts are measured by applying to the relevant temporary difference or tax credit the tax rate at which they are expected to be realised or settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit nor taxable profit or loss.

Recognised deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments are made where there are doubts as to their future recoverability. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered within the established accounting and tax time limits. In this respect, considering the financial performance of the tax group in recent years, the Company recognised deferred tax assets up to the amount of the deferred tax liabilities recognised by the tax group.

Duro Felguera, S.A. files consolidated tax with certain Group companies (see Note 19).

3.13. Provisions for liabilities and charges and other trade provisions

In preparing the financial statements, the Company's directors made a distinction between:

- a) Provisions: credit balances covering present obligations arising from past events, the settlement of which is likely to cause an outflow of resources of uncertain timing or amount.
- b) Contingent liabilities: possible obligations arising from past events, whose future existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company.

The financial statements include all provisions for which it is considered more likely than not that the corresponding obligation will have to be settled. Contingent liabilities are not recognised in the financial statements, but rather are disclosed, unless the possibility of an outflow of resources is considered to be remote.

The directors consider that there are no significant contingent liabilities for the Company at 31 December 2022 other than those disclosed in Notes 17, 19 and 25.

Company policy is to recognise provisions for probable or certain and quantifiable liabilities arising from ongoing litigation, obligations and outstanding expenses of undetermined amount, security deposits and other similar guarantees borne by the company and based on its best estimate or past experience. Provisions are recognised when the liability or obligation arises with a charge to the relevant heading of the statement of profit or loss based on the nature of the liability or obligation.

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation or transfer it, taking into account the information available on the event and its consequences. Adjustments arising from the discounting of the provision are recognised as a finance expense when accrued.



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Reimbursements receivable from another party on settlement of the obligation are recognised as assets, provided that the reimbursement is virtually certain, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Company is not liable; in this situation, the reimbursement is taken into account for the purpose of estimating the amount of the related provision that should be recognised.

Lastly, contingent assets are only recognised when realisation is virtually certain. However, to the extent that they are probable, contingent assets are disclosed in the notes.

3.14. Employee benefits

a) Length-of-service awards and other employee commitments

The Collective Labour Agreement covering the Company provides for awards for employees that complete 25 and 35 years of service with the Company, in addition to other obligations with employees. To measure these obligations, the Company has applied its best estimates based on an actuarial study performed by an independent third party in which the following assumptions have been applied: mortality table PERM/F 2020 a technical interest rate of 3.75% p.a. (2021: 0.79% p.a.).

b) Coal vouchers

The Company has commitments with certain serving and retired employees that belonged to its discontinued coal activity for the monthly supply of a certain quantity of coal.

Annual coal allowances are calculated based on actuarial studies prepared by an independent actuary and include the following assumptions: mortality tables PERM/F 2020, technical interest rate of 3.75% p.a. (2021: 0.79%) and consumer prices indices reflecting an increase of 1% p.a. (2021: 1%).

c) Profit-sharing and bonus plans

The Company recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obligated or where there is a past practice that has created a constructive obligation.

d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when it recognises costs for a restructuring that implies the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

The Company recognises a restructuring provision at the end of the reporting period in its financial statements if it meets the obligation to have a detailed plan (i.e., that includes the locations, functions/employment positions and number of employees affected) and has raised a valid expectation in those affected that it will carry out the restructuring and start to implement the plan by announcing its main features.

In 2022, the Company took the necessary steps to carry out a workforce reduction plan to adapt its resources to its current levels of activity. On 9 November 2022, the Company reached an agreement with employees' legal representatives. Then, on 23 November 2022, it filed, with the Spanish labour authorities, after approval by the Company's board of directors, the decision to implement a collective redundancy plan for objective economic, productive and organisational purposes and begin the



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gradual termination of employment contracts, over a period of up to 18 months. The economic terms of the plan agreed upon include termination benefits for local posts amounting to 28 days' of salary per year worked, up to a limit of 15 months' of salary, unemployment compensation for dismissals planned after 1 January 2023 and affected by an employee furlough scheme, the cost of the agreement with Social Security for employees over 55 years old with coverage until they reach 63 years of age, and an external outplacement plan. The plan agreed, by majority of those involved in the negotiation, affects up to 180 jobs, of which 101 provided services in the Company. As at the end of 2022, a total of 41 jobs had been terminated through voluntary departures and dismissals under the plan, resulting in an expense of €1,178 thousand. The remaining departures will occur at different times over a period of 18 months. A provision of €1,556 thousand was recognised in profit or loss for 2022 for severance and obligations arising from the termination of jobs until the plan is concluded amount is based on the most likely estimate as at the date of authorisation for issue of these financial statements and included under "Current provisions" in the statement of financial position (Note 17).

3.15. Joint ventures

The Company recognises its share of jointly controlled assets and its proportional share of liabilities incurred jointly, as well as assets used in jointly controlled operations and liabilities incurred in respect of joint ventures.

It recognises in the statement of profit or loss its share of income earned and expenses incurred by the joint venture, as well as expenses relating to its interest in the joint venture.

Any unrealised gains and losses on reciprocal transactions, as well as reciprocal assets, liabilities, income, expenses and cash flows, are eliminated.

a) Accounting of joint ventures

Certain work is completed through the grouping of two or more companies as a temporary joint venture. At the year-end, the Company had interests in several temporary joint ventures (Note 26), the balances of which are included in the Company's accounting records in proportion to its share in them, in accordance with generally accepted accounting principles.

To recognise the profit/(loss) on the work carried out through the temporary joint ventures with other companies, the Company applies the same criteria it applies to its own work, as explained in the section on revenue recognition.

b) Integration of branches

The financial statements of the Company's branches in Mexico, Italy, Venezuela, Egypt, India, Algeria, Belarus, Mauritania, Peru, Canada, Romania and Dubai, named Duro Felguera S.A., Sucursal México, Duro Felguera, S.A., Stabile Organizzazione in Italia, Felguera Parques y Minas Sucursal Venezuela, Duro Felguera Plantas Industriales, S.A., Sucursal Egipto, Felguera Grúas Sucursal India, Duro Felguera S.A., Sucursal Argelia, Duro Felguera S.A., Sucursal Bielorrusia, Duro Felguera S.A., Sucursal Mauritania, Duro Felguera S.A., Sucursal Perú, Duro Felguera, S.A., Sucursal Canadá, Duro Felguera S.A. Gijón Spain Sucursala Bucuresti and Duro Felguera Gulf Contracting LLC, have been included in accordance with prevailing legislation, integrating all their balances and transactions.

3.16. Revenue recognition

Revenue is measured at the fair value of the considered received and represents balances receivable for goods delivered and services rendered in the ordinary course of the Company's business, less returns, rebates, discounts and VAT.

The Company recognises revenue when the amount can be measured reliably, it is probable that the economic benefits will flow to the Company and the specific conditions for each activity as described below are met. The amount of revenue cannot be measured reliably until all contingencies related to

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the sale are resolved. The Company bases its estimated on past results taking into consideration the type of customer, the type of transaction and the specific terms of each arrangement.

a) Rendering of services

Contract costs are recognised as an expense in the period in which they are incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract.

The Company recognises revenue from turnkey engineering contracts based on the estimated outcome of the contract.

When it is probable that total contract costs will exceed total contract revenues, the expected loss is recognised as an expense immediately.

Variations in construction work are included in contract revenues when: a) it is probable that the customer will approve the amended plan and the amount of revenue arising from the variation; and b) the amount of the variation can be reliably measured.

Claims in construction work are included in contract revenues to the extent that: a) negotiations have reached an advanced stage such that it is probable that the customer will accept the claim; and b) the amount that it is probable will be accepted by the customer can be measured reliably.

Incentive payments are included in contract revenue when: a) the contract is sufficiently advanced that it is probable that the specified performance standards will be met or exceeded; and b) the amount of the incentive payment can be measured reliably.

The Company uses the input or effort method to measure progress, as the risks and rewards of the asset are transferred to the customer. This method most faithfully represents the transfer of the asset, as there is a direct relationship between the inputs (costs incurred in relation to the total or projected costs of satisfying the performance obligation) and the transfer of control of the goods or services to the customer.

The Company presents the gross amount due from customers for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. Progress billing not paid yet by customers and retentions are included in "Trade and other receivables - Completed work pending certification" (Note 10).

The Company presents the gross amount due from customers for all contracts in progress for which progress billings exceed costs incurred plus recognised profit (less recognised losses).

Costs related to the presentation of bids for construction contracts in Spain and abroad are expensed in the statement of profit or loss when incurred, when it is not probable or certain that contract will be awarded to the Company. The cost of submitting bids is included in the contract cost when it is probable or certain that the contract will be awarded to the Company, or when it is certain that these costs will be reimbursed or included in contract revenue.

b) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to recoverable amount, being the estimated future cash flow discounted at the instrument's original effective interest rate, and continues unwinding the discount as a reduction to interest income. Interest income on impaired loans is recognised using the effective interest method.

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c) Dividend income

Dividend income is recognised as income in the statement of profit or loss when the right to receive payment is established. However, if distributed dividends are derived from profits generated prior to the acquisition date, they are not recognised as income, reducing the carrying amount of the investment.

3.17. Leases

a) When the Company is lessee – Finance lease

The Company leases certain items of property, plant and equipment. Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Fair value is calculated based on the interest rate implicit in the lease. Where this cannot be determined, the Company's interest rate for similar transactions is used.

Each lease payment is allocated between the liability and finance charges. The total finance charge is allocated over the lease term and recognised in profit and loss for the reporting period in which it is accrued, using the effective interest rate method. Contingent rents are expensed in the reporting period in which they are accrued. The corresponding lease obligations, net of finance charges, are included in "Finance lease payables". The assets acquired under a finance lease are depreciated over their useful life.

b) When the Company is lessee – Operating lease

Leases where the lessor retains substantially all the risks and benefits incidental to ownership of the leased item are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are taken to profit or loss in the reporting period in which they are accrued on a straight-line basis over the lease term.

c) When the Company is lessor

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income is recognised on a straight-line basis over the lease term.

3.18. Foreign currency translation

a) Functional and presentation currency

The financial statements are presented in euros, which is the Company's functional and presentation currency.

b) Foreign currency transactions and balances

The Company's functional currency is the euro. Therefore, transactions in other currencies are considered to be denominated in foreign currency and are recognised at the exchange rates prevailing at the dates of the transactions.

At year-end, monetary assets and liabilities denominated in foreign currency are translated at the spot rate prevailing at the reporting date. Any resulting gains or losses are recognised directly in profit or loss in the year incurred.

Non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies are translated using the exchange rates at the date when the fair value was determined. The resulting gains or losses are recognised in equity or in profit or loss by applying the same methods as those used to recognise changes in fair value.



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3.19. Related party transactions

As a general rule, intragroup transactions are initially recognised at fair value. Where the agreed-upon price differs from fair value, the difference is recognised taking into account the economic substance of the transaction. The transactions are subsequently measured in accordance with the related standards.

3.20. Current versus non-current classification

Assets are classified as current assets when they are expected to be realised within 12 months from the reporting date. Trade receivables and payables and completed work pending certification which, because of a dispute between the Company and the customer, may take longer than 12 months to collect, are classified as current, irrespective of their maturity or whether they will be realised more than 12 months after the reporting period to the extent that they are considered to form part of the Company's normal operating cycle. If not, they are classified as non-current assets.

Liabilities are classified as current liabilities, unless there is an unconditional right to defer payment for at least 12 months after the reporting period.

The assets and liabilities classified within current assets and liabilities that are expected to be realised or settled more than 12 months from the reporting date are itemised below:

	€ thousand	
	31 December 2022	31 December 2021
Trade receivables and completed work pending certification, net of any impairment losses and balances with public authorities.	34,756	23,333
Total current assets	34,756	23,333
Trade and other payables	2,875	5,793
Provisions for contingencies and guarantees	57,334	66,484
Total current liabilities	60,209	72,277

The Company classifies a liability as current when a) it expects to settle the liability in its normal operating cycle, b) it holds the liability primarily for the purpose of trading, c) the liability is due to be settled within twelve months after the reporting period, or d) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. The Company classifies all other liabilities as non-current. On 30 December 2022, the Company obtained a waiver for compliance with the covenants (financial ratios) of the financing agreement subject to compliance with financial ratios until June 2023, so it classified this agreement as non-current (Note 4.1.c).

3.21. Statement of cash flows

The following terms, with the meanings specified, are used in the statement of cash flows, which was prepared using the indirect method:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the principal revenue-producing activities of the Company and other activities that are not investing or financing activities. Any commercial paper discount or advances under any other arrangement of sales amounts to customers are treated as customer prepayments for the purposes of the statement of cash flows.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

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

There were no material non-cash transactions related to investing and financing transactions that, because they did not result in cash flows, were excluded from the statement of cash flows and should be disclosed separately, except contributions to offset credit claims with investees.

4. Financial risk management

4.1 Financial risk factors

a) Market risk

(i) Foreign currency risk

The Company operates internationally and is exposed to foreign currency risk on transactions in foreign currencies, mainly the US dollar (USD) and to a lesser extent, local currencies in emerging countries, the most important of which at present are the Algerian dinar (DZD) and the United Arab Emirates dirham (AED). Foreign currency risk arises on future commercial transactions, recognised assets and recognised liabilities, and net investments in foreign operations.

To manage the foreign currency risk arising from future commercial transactions and recognised assets and liabilities, the Company uses various methods.

- Most contracts are arranged in "multi-currency", separating the selling price in the various currencies from the expected costs and maintaining the expected margins in euros.
- Financing of working capital relating to each project is denominated in the currency of payment.

Foreign currency risk arises when future commercial transactions or firm commitments, recognised assets and liabilities and net investments in foreign operations are denominated in a currency that is not the entity's functional currency. The Company's risk management policy is to hedge most of the forecast transactions over the life of each project. However, the operating units are responsible for taking decisions on entering into hedges as circumstances warrant, which are reviewed and signed off on by the Treasury area and the Management Committee. Nevertheless, there were no outstanding hedges at 31 December 2022 or 2021.

At 31 December 2022, if the euro had weakened by 5% against the USD, with all other variables held constant, post-tax profit for the year would have been €86 thousand higher (2021: €1 thousand), whereas if it had strengthened by 5%, post-profit for the year would have been €78 thousand lower (2021: €1 thousand), mainly as a result of foreign exchange gains/losses on translation to USD of trade and other receivables, cash, suppliers and customer prepayments, as well as the impact on the final outcome of projects of the amounts of future revenues and expenses in dollars, and the effect of the stage of completion at year end.

Meanwhile, if the euro had weakened by 5% against the DZD, with all other variables held constant, post-tax profit for the year would have been €1,636 thousand lower, whereas if it had strengthened by 5%, post-tax profit would have been €1,481 thousand higher, mainly as a result of exchange gains/(losses) on the translation to DZD of the receivable in the Algerian branch.



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(ii) Price risk

Projects that last two or more years initially involve a contract price risk, due to the effect of the increase in costs to be contracted, particularly when operating in the international market in economies with high inflation rates.

At other times, contract or related subcontract prices are denominated in stronger currencies (USD) payable in local currency at the rate ruling on the collection date. These conditions are passed on to subcontractors.

Covid-19 already caused delays in project execution, invariably resulting in time overruns, so the Company had been reassessing its estimate of the total costs in the budgets used to calculate the stage of completion (Note 3.16) and the onerous contract provision. At present, the armed conflict between Russia and Ukraine is having immediate impacts on the world's economy by causing energy prices to soar on the back of rising oil and gas prices. The global economy is facing a scenario of high inflation, cause at first by the pandemic. However, unfortunately, the war has sent energy prices spiralling and bolstered inflation expectations. Widespread industrial supply chain disruptions were exacerbated by the economic sanctions imposed on Russia, with rising commodity prices pushing up prices in the supply chain. The biggest threat to the economy is a slowdown or halt to the global post-Covid economic recovery due to persistent inflation. Against the current backdrop of uncertainty regarding the impacts of the war on Spain's and the world's economy, the Group has closely monitored the effects and drawn up action plans to minimise the related risks.

Although our contracts with customers do not contain express clauses regarding claims for price increases due to rises in the prices of materials, fuel, energy, etc., laws and/or jurisprudence could result in application of what we call the principle of "unpredictability", i.e., where execution of a contract becomes too onerous for one of the parties due to events that are supervening or extraordinary events and events that were unpredictable at the time of signing of the contract that could require authorisation for the revision of the terms and conditions so as to readjust the contract.

(iii) Cash flow and fair value interest rate risk

As the Company has no significant interest-bearing assets, income and cash flows from the Company's operating activities are substantially independent of changes in market interest rates.

The Company's interest rate risk arises from non-current borrowings. Floating rate loans expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates.

In the light of the current geopolitical tensions, central banks have hiked interest rates in a bid to curb persistent increases in inflation. At its latest meeting on 16 March this year, the European central bank raised its key rate to 3.5%.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on profit or loss of a 100 basis point increase in interest rates would be a decrease of €1,392 thousand (2021: €1,490 thousand).

b) Credit risk

The Company manages credit risk by taking into account the following groupings of financial assets:



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- Assets arising from financial instruments (Note 8) and sundry balances included in cash and cash equivalents (Note 13).
- Balances related to trade and other receivables (Note 10).

Financial instruments and transactions with financial institutions included in cash and cash equivalents are arranged with renowned financial institutions. The Company also has policies in place to limit the amount of risk held with respect to any financial institution.

Regarding trade balances and receivables, worth noting is that, given the nature of the business, there is a concentration based on the Company's most important projects. The counterparties are mostly state or multinational corporations, operating primarily in the energy and mining industries.

In addition to the analysis performed before entering into a contract, the overall position of "Trade and other receivables" is monitored on an ongoing basis, while the most significant exposures (including the type of entities mentioned earlier) are monitored individually.

The balance of trade receivables past due but not impaired at 31 December 2022 was €29,693 thousand (2021: €26,978 thousand) (Note 10).

c) Liquidity risk

Prudent and austere management of liquidity risk entails maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, an objective of the Company's Treasury Department is to maintain flexibility in funding. Management also monitors the forecasts for the Company's liquidity reserves based on estimated cash flows.

Key information on liquidity risk is presented in the following table:

	€ thousand	
	2022	2021
Borrowings (Note 16)	(140,605)	(150,315)
Less: Cash and cash equivalents (Note 13)	17,402	84,608
Net financial debt	(123,203)	(65,707)
Undrawn credit lines (Note 16)	-	-
Total liquidity surplus/(shortfall)	(123,203)	(65,707)

The Company's financial debt at 31 December 2022 included aid from FASEE and debt renegotiated with financial institutions in the form of profit participating and ordinary loans, but not the value of convertible bonds.

The Company also had €18,768 million thousand of deposits under "Current financial assets" in the statement of financial position as at 31 December 2022 as security for execution of its projects due to the lack of bank guarantees. Of this amount, €16,147 thousand relates to an escrow account in Romania called by the end customer, with termination of the contract notified by the customer in June 2021. The Company held negotiations following the contract termination, which resulted in the signing of a letter of intent on 31 December regarding modification of the contract. This ended the dispute and confirmed resumption of the project. For the modification of the contract with the customer to resume the contract to become effective it must comply with the conditions precedent outlined in Note 2.1.1. Compliance is considered to be highly probable.

In addition, as at 31 December 2022, a sum of €1,289 thousand was subject to restrictions because it had been designated as security in litigation with third parties, with the restrictions remaining in place until judgement is rendered or an out-of-court settlement is made (2021: €1,228 thousand).

On 21 June 2022, the Company requested a waiver from the banking syndicate on compliance with the ratios at 30 June 2022. This waiver was granted on 28 July 2022. On 15 December 2022, the Company requested a waiver from the banking syndicate on compliance with the ratios at 31

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December 2022 due to ongoing negotiations over certain projects and as non-compliance with these financial obligations would be a cause of breach regulated in clause 27 of the contract. The Company received a response to its request in writing on 30 December 2022, with grant of the waiver by the financial institutions effective as of 31 December 2022. Therefore, at the date of authorisation for issue it was not in a situation of non-compliance. After approval of a new viability plan in April, the Company is confident that it will comply with the ratios at 31 December 2023.

The table below analyses the Company's financial liabilities grouped based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual cash flows discounted (Note 8):

At 31 December 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Loans and finance lease liabilities (Note 16)	7,428	6,429	77,748	49,000
Convertible bonds (Note 16)	-	-	-	11,852
Trade and other payables (Note 16)	141,536	-	-	-

a) Climate change risks

The risks of transition to a low-emission economy relate to possible political, legal, technological and market changes that may occur in the medium to long run during the transition period as we move towards a less fossil fuel dependent and lower greenhouse gas emitting economy.

The main trends in the market are the gradual replacement of fossil fuels by renewable energy. The growth of the renewable energy sector opens up an opportunity for Duro Felguera. There is an urgent need for energy that does not run out and, above all, for a firm commitment to sustainability and climate change, and "green" energy is the solution to this. For Duro Felguera it is an opportunity for growth, as the renewable energy market is thriving and the outlook for the next few years is promising.

The following transition risks have the potential to cause the greatest impact on the organisation:

- Political and legal risks, meaning the risk of political or regulatory bodies taking action, perhaps to limit the factors causing climate change or to promote measures to adapt to climate change, but which also affect the Company's activities, such as requirements to switch to clean energy sources or cut greenhouse gas emissions generated directly or indirectly by the company's activity, or actions to promote sustainable practices in land use and development. The consideration of gas and nuclear as clean energy and therefore their transitional inclusion in the ESG taxonomy could have a significant impact on the Group's business opportunities.

Closely related to these regulatory issues, there is also likely to be an increase in legal or litigation risks due to climate-related issues.

- Reputational risk, which is closely related to lawsuits. This risk has increased following the appearance of Covid, within a society that is becoming increasingly conscious of issues such as the environment, sustainability and good business practices. Essentially, the market will reward companies that are perceived as leaders in the transformation and modernisation of the sector, but may spurn or punish companies that contribute in a less visible way to this transformation or are perceived as obsolete in terms of ESG.

In this regard, at its meeting of 18 January 2022, the Company's Board of Directors agreed to set up a Sustainability Committee as a specialised body tasked with supervising compliance with the Company's environmental, social and corporate governance policies and rules, as well

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as internal codes of conduct, in line with Recommendations 53 and 54 of the Good Governance Code.

- Market risk, meaning the risk of changes and imbalances in the supply and demand for certain raw materials, products and services, potentially compromising the Group's supply chain.
- Technological risk, relating to technological innovations that emerge or are championed as part of the transition process, and the resulting replacement of old systems with these new technologies.

Physical risks are those related to events (acute risks) or long-term changes (chronic risks) resulting from climate change, such as natural disasters, extreme temperatures depending on the location of the construction site (cold or heat), or long-term changes in weather patterns. Due to the life cycle of the project outcome when dealing with complex installations, these long-term events or changes could have financial repercussions for the company, e.g. direct damage to assets and/or the production line, changes in water availability and quality, or extreme temperature changes affecting the organisation's infrastructure, inventories, production line or employees.

Efforts to mitigate and adapt to climate change may also create the following opportunities for the Group:

- Resilience and responsiveness to climate change and the challenges it poses, not only ecological but also regulatory, and for which the company will be better prepared.
- Enhanced market position, thanks to a more sustainable, resilient and energy-efficient product design, and improved reputation, aligned with the demands of an increasingly sustainability-conscious society.
- Better terms of borrowing when undertaking sustainable projects, with significant reductions in interest rates, coupled with higher credit ratings for bond issues.
- Broader and more diversified spectrum of investors in the Group, including funds and investors who look at the sustainability and responsible business performance of their investees or through inclusion in sustainability-focused indices and portfolios.
- Global trend towards clean energy sources, leading to increased energy efficiency, reduced costs and improved storage capacity.
- The search for greater efficiency in the management of the Group's resources and waste, enabling it to reduce operating costs.

Duro Felguera has embraced a firm commitment to fighting climate change. It therefore works to monitor and minimise the greenhouse gas (GHG) emissions generated by its activities.

Within the strategy set out by Europe in the 2030 Agenda, Duro Felguera has drawn up its Ecological Transition Plan 2021-2027 and has pledged to work towards four of the 17 Sustainable Development Goals (SDGs).

- SDG 7: Affordable and clean energy
- SDG 9: Industry, innovation and infrastructure
- SDG 12: Responsible consumption and production
- SDG 13: Climate action

A key priority is SDG 13 "Climate action", to be achieved through close control and monitoring of emissions.

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4.2 Capital risk management

The Company's objectives with managing capital are to safeguard its ability to continue as a going concern in order to provide a return to shareholders and benefits to other equity holders, and maintain an optimal capital structure to reduce the cost of capital.

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

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and derivatives, as shown in the statement of financial position, less cash and cash equivalents. Total capital is calculated as equity, as shown in the financial statements, plus net debt.

5. Intangible assets

The movements in the items composing "Intangible assets" are as follows:

	€ thousand		
	Computer software	Other assets in progress	Total
Balance at 1 January 2021	6,491	-	6,491
Cost	19,988	-	19,988
Accumulated amortisation	(13,497)	-	(13,497)
Carrying amount	6,491	-	6,491
Additions	-	-	-
Impairment losses	-	-	-
Amortisation allowance	(1,952)	-	(1,952)
Balance at 31 December 2021	4,539	-	4,539
Cost	19,988	-	19,988
Accumulated amortisation	(15,449)	-	(15,449)
Carrying amount	4,539	-	4,539
Balance at 1 January 2022	4,539	-	4,539
Cost	19,988	-	19,988
Accumulated amortisation	(15,449)	-	(15,449)
Carrying amount	4,539	-	4,539
Additions	-	-	-
Impairment losses	-	-	-
Amortisation allowance	(1,947)	-	(1,947)
Balance at 31 December 2022	2,592	-	2,592
Cost	19,988	-	19,988
Accumulated amortisation	(17,396)	-	(17,396)
Carrying amount	2,592	-	2,592

At 31 December 2022, there were fully amortised intangible assets still in use with a carrying amount of €4,447 thousand (2021: €4,446 thousand).

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6. Property, plant and equipment

The movements in the items composing "Property, plant and equipment" are as follows:

	€ thousand					
	Land and buildings	Technical installations and machinery	Other installations, equipment and furniture	Other property, plant, and equipment	Construction in progress and advances	Total
Balance at 1 January 2021	11,155	126	1,254	258	3	12,796
Cost	15,910	387	6,332	5,872	3	28,504
Accumulated depreciation	(3,013)	(261)	(4,966)	(5,614)	-	(13,854)
Impairment losses	(1,742)	-	(112)	-	-	(1,854)
Carrying amount	11,155	126	1,254	258	3	12,796
Additions	-	-	19	89	-	108
Decreases	-	-	-	(5)	-	(5)
Impairment losses	298	-	10	-	-	308
Transfers	-	-	4	4	-	8
Depreciation charge	(251)	(67)	(315)	(92)	-	(725)
Decreases	-	-	-	4	-	4
Other depreciation movements	-	-	(15)	(18)	-	(33)
Balance at 31 December 2021	11,202	59	957	240	3	12,461
Cost	15,910	387	6,355	5,960	3	28,615
Accumulated depreciation	(3,264)	(328)	(5,296)	(5,720)	-	(14,608)
Impairment losses	(1,444)	-	(102)	-	-	(1,546)
Carrying amount	11,202	59	957	240	3	12,461
Balance at 1 January 2022	11,202	59	957	240	3	12,461
Cost	15,910	387	6,355	5,960	3	28,615
Accumulated depreciation	(3,264)	(328)	(5,296)	(5,720)	-	(14,608)
Impairment losses	(1,444)	-	(102)	-	-	(1,546)
Carrying amount	11,202	59	957	240	3	12,461
Additions	-	-	-	118	-	118
Decreases	-	-	-	(131)	-	(131)
Impairment losses	-	-	-	-	-	-
Transfers	-	-	14	38	(3)	49
Depreciation charge	(254)	(40)	(296)	(159)	-	(749)
Decreases	-	-	-	57	-	57
Other depreciation movements	-	-	(20)	(29)	-	(49)
Balance at 31 December 2022	10,948	19	655	134	-	11,756
Cost	15,910	387	6,369	5,985	-	11,756
Accumulated depreciation	(3,518)	(368)	(5,612)	(5,851)	-	-
Impairment losses	(1,444)	-	(102)	-	-	-
Carrying amount	10,948	19	655	134	-	11,756

a) Additions and transfers

Additions in 2022 included mainly the acquisition of information technology equipment.

b) Impairment losses

The Company engaged an independent expert to value the land and buildings in order to determine whether there were any indications of impairment. The appraisals by an independent expert valuer in 2022 and 2021 did not give rise to the recognition of any additional impairment losses on the Company's land and buildings.

c) Subsidised assets

The net carrying amount of subsidised assets at 31 December 2022 was €12,243 thousand (2021: €12,533 thousand).



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d) Fully depreciated assets

At 31 December 2022, there were fully depreciated buildings with an original cost of €181 thousand (2021: €181 thousand) still in use. The cost of the rest of the fully depreciated items of property, plant and equipment still in use amounted to €5,921 thousand (2021: €6,578 thousand).

e) Assets held under operating lease

The statement of profit or loss included under "Operating expenses" operating lease expenses amounting to €617 thousand (2021: €587 thousand).

f) Insurance

The Company has taken out insurance policies to cover the risk of damage to its property, plant and equipment. The coverage of these policies is considered sufficient.

g) Assets subject to guarantees

At 31 December 2022, there were items of property, plant and equipment with a net carrying amount of €218 thousand provided as collateral and security under debt suspension agreements in connection with the tax assessments for VAT, personal income tax and income tax-related party transactions (2021: €218 thousand).

7. Investment properties

	€ thousand	
	2022	2021
Land	4,277	6,437
Buildings	2,573	3,921
	<u>6,850</u>	<u>10,358</u>

Investment properties consist of land or buildings owned by for long-term capital appreciation and are not occupied by the Company.

The movements in items composing "Investment properties" are as follows:

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	€ thousand		
	Land	Buildings	Total
Balance at 1 January 2021	6,323	4,040	10,363
Cost	9,094	9,709	18,803
Accumulated depreciation	-	(5,068)	(5,068)
Impairment losses	(2,771)	(601)	(3,372)
Carrying amount	6,323	4,040	10,363
Impairment losses	114	69	183
Depreciation	-	(188)	(188)
Balance at 31 December 2021	6,437	3,921	10,358
Cost	9,094	9,709	18,803
Accumulated depreciation	-	(5,256)	(5,256)
Impairment losses	(2,657)	(532)	(3,189)
Carrying amount	6,437	3,921	10,358
Balance at 1 January 2022	6,437	3,921	10,358
Cost	9,094	9,709	18,803
Accumulated depreciation	-	(5,256)	(5,256)
Impairment losses	(2,657)	(532)	(3,189)
Carrying amount	6,437	3,921	10,358
Decreases	(2,503)	(2,712)	(5,215)
Impairment losses	343	216	559
Depreciation charge	-	(190)	(190)
Elimination of depreciation	-	1,338	1,338
Balance at 31 December 2022	4,277	2,573	6,850
Cost	6,591	6,996	13,587
Accumulated depreciation	-	(4,107)	(4,107)
Impairment losses	(2,314)	(316)	(2,630)
Carrying amount	4,277	2,573	6,850

The main changes in 2022 related to the sale of 10 registered properties of the office building owned by the Company facing calle Marqués de Santa Cruz and calle Santa Susana in Oviedo to the lessee. The transaction was completed on 30 December 2022 in a notarised lease settlement with the recognition and joint settlement of the liquid, due and payable liabilities between the two parties and the payment in lieu of the real properties. The selling price was valued at €3 million. The properties sold had a net carrying amount of €3.3 million.

The main investment properties at 31 December 2022 and 2021 related to land located mostly in Langreo, Oviedo, Gijón (Asturias), of which €0.4 million correspond to plots zoned as rural estates located in various areas of the Langreo municipality. The rest of the investments relate to buildings in La Felguera amounting to €1.8 million, in Oviedo amounting to €2.6 million and in Gijón amounting to €2.2 million.

The Company engaged an independent expert to value the land and buildings comprising its investment properties to determine whether there were any indications of impairment.

In 2022 and 2021, the appraisal made by an independent expert did not give rise to the recognition of any impairment losses on the Company's land and buildings.

At year-end 2022, the fair value of the investments were appraised by an independent, expert valuer at €12,724 thousand (2021: €16,048 thousand).

a) Assets held under operating lease

"Land and buildings" includes buildings leased by the Company to third parties under an operating lease, with the following carrying amount:



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	€ thousand	
	2022	2021
Cost-capitalised operating leases	4,047	9,262
Accumulated depreciation	(892)	(2,106)
Depreciation for the year	(126)	(124)
Carrying amount	<u>3,029</u>	<u>7,032</u>

b) Insurance

The Company has taken out insurance policies to cover the risk of damage to its investment properties. The coverage of these policies is considered sufficient.

c) Assets subject to guarantees

At 31 December 2022, there were items of investment properties amounting to €5,794 thousand as collateral and security under debt suspension agreements in connection with the tax assessments for VAT, personal income tax and income tax-related party transactions (2021: €5,883 thousand).

8. Analysis of financial instruments

8.1 Analysis by category

The carrying amount of each category of financial instruments established in the recognition and measurement standard for "financial instruments," except for equity investments in group companies, jointly controlled entities and associates (Note 9), is as follows:

	€ thousand					
	Non-current financial assets					
	Equity instruments		Credits and other		TOTAL	
	2022	2021	2022	2021	2022	2021
At amortised cost (Note 10)	-	-	23	22	23	22
At fair value through equity	7,817	8,154	-	-	7,817	8,154
	<u>7,817</u>	<u>8,154</u>	<u>23</u>	<u>22</u>	<u>7,840</u>	<u>8,176</u>

	€ thousand					
	Current financial assets					
	Equity instruments		Loans, derivatives and other financial assets		TOTAL	
	2022	2021	2022	2021	2022	2021
At amortised cost (Note 10)	-	-	199,008	170,262	199,008	170,262
At fair value through equity	5,320	5,320	-	-	5,320	5,320
Cash and cash equivalents (Note 13)	-	-	17,402	84,608	17,402	84,608
	<u>5,320</u>	<u>5,320</u>	<u>216,410</u>	<u>254,870</u>	<u>221,730</u>	<u>260,190</u>

Taxes receivable and payable are not included as they are not considered financial assets.

At 31 December 2022 and 2021, equity instruments included mainly the stakes in Ausenco, Ltd. and Epicom S.A. In 2022, the value recognised in 2021 was maintained (Note 2.6.3) (2021: change of €2,589 thousand).

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	€ thousand					
	Non-current financial liabilities					
	Bank borrowings		Bonds and other financial liabilities		TOTAL	
	2022	2021	2022	2021	2022	2021
Financial liabilities (Note 16)	13,177	13,000	131,852	141,987	145,029	154,987
	<u>13,177</u>	<u>13,000</u>	<u>131,852</u>	<u>141,987</u>	<u>145,029</u>	<u>154,987</u>

	€ thousand					
	Current financial liabilities					
	Bank borrowings		Trade and other payables		TOTAL	
	2022	2021	2022	2021	2022	2021
Financial liabilities (Note 16)	64	10,057	148,900	178,291	148,964	188,348
	<u>64</u>	<u>10,057</u>	<u>148,900</u>	<u>178,291</u>	<u>148,964</u>	<u>188,348</u>

Debts and payables do not include taxes payable and receivable.

8.2 Analysis by maturity

The amounts of non-current financial instruments with a fixed or determinable maturity by year of maturity are as follows:

<u>2022</u>	€ thousand					
	Financial assets					
	2023	2024	2025	2026	Subsequent years	Total
Loans and receivables (Note 10)	198,985	23	-	-	-	199,008
Equity instruments	5,320	-	-	-	-	5,320
Cash and cash equivalents (Note 13)	17,402	-	-	-	-	17,402
	<u>221,707</u>	<u>23</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>221,730</u>

<u>2021</u>	€ thousand					
	Financial assets					
	2022	2023	2024	2025	Subsequent years	Total
Loans and receivables (Note 10)	170,262	22	-	-	-	170,284
Equity instruments	5,320	-	-	-	-	5,320
Cash and cash equivalents (Note 13)	84,608	-	-	-	-	84,608
	<u>260,190</u>	<u>22</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>260,212</u>

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<u>2022</u>	€ thousand					
	Financial liabilities					
	2023	2024	2025	2026	Subsequent years	Total
Bank borrowings (Note 16)	64	6,429	1,071	5,677	-	13,241
Bonds and other marketable securities (Note 16)	-	-	-	-	11,852	11,852
Other financial liabilities	7,364		5,000	30,000	85,000	127,364
Trade and other payables (Note 16)	141,536	-	-	-	-	141,536
	<u>148,964</u>	<u>6,429</u>	<u>6,071</u>	<u>35,677</u>	<u>96,852</u>	<u>293,993</u>

<u>2021</u>	€ thousand					
	Financial liabilities					
	2022	2023	2024	2025	Subsequent years	Total
Bank borrowings (Note 16)	10,057	-	6,429	1,071	5,500	23,057
Bonds and other marketable securities (Note 16)	-	-	-	-	15,987	15,987
Other financial liabilities	1,258	-	90,000	36,000	-	127,258
Trade and other payables (Note 16)	177,033	-	-	-	-	177,033
	<u>188,348</u>	<u>-</u>	<u>96,429</u>	<u>37,021</u>	<u>20,987</u>	<u>343,335</u>

8.3 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings or historical information on default. In this respect, it should be noted that there are no significant incidents affecting financial assets, other than impaired balances, for which provision should be recognised.

DURO FELGUERA, S.A.

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9. Investments in group companies, jointly controlled entities and associates

The movement in investments in the year in group companies and associates is as follows:

	€ thousand				
	Opening balance	Additions and allowances	Transfers	Decreases	Closing balance
<u>2022</u>					
Investments in group companies					
Investments in group companies	256,873	-	-	-	256,873
Uncalled capital on investments in group companies	-	-	-	-	-
Impairment of investments in group companies	(221,118)	(1,594)	-	-	(222,712)
	<u>35,755</u>	<u>(1,594)</u>	<u>-</u>	<u>-</u>	<u>34,161</u>
Investments in associates					
Investments in associates	56	-	-	-	56
Uncalled capital on investments in associates	(4)	-	-	-	(4)
Impairment of investments in associates	(36)	-	-	-	(36)
	<u>16</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16</u>
	<u>35,771</u>	<u>(1,594)</u>	<u>-</u>	<u>-</u>	<u>34,177</u>



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	€ thousand				
	Opening balance	Additions and allowances	Transfers	Decreases	Closing balance
<u>2021</u>					
Investments in group companies					
Investments in group companies	248,269	24,207	(404)	(15,199)	256,873
Uncalled capital on investments in group companies	(45)	-	45	-	-
Impairment of investments in group companies	<u>(218,054)</u>	<u>(15,386)</u>	<u>-</u>	<u>12,322</u>	<u>(221,118)</u>
	<u>30,170</u>	<u>8,821</u>	<u>(359)</u>	<u>(2,877)</u>	<u>35,755</u>
Investments in associates					
Investments in associates	56	-	-	-	56
Uncalled capital on investments in associates	(4)	-	-	-	(4)
Impairment of investments in associates	<u>(36)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36)</u>
	<u>16</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16</u>
	<u>30,186</u>	<u>8,821</u>	<u>(359)</u>	<u>(2,877)</u>	<u>35,771</u>

In 2022, changes in impairment on equity investments in Group companies related primarily to impairments arising on the stakes in DF Investment, S.A.U. and Duro Felguera Energy Storage, S.A. for €2,020 thousand and €631 thousand, respectively, and a reversal of impairment on the stake in Duro Felguera Oil & Gas, S.A. for €1,113 thousand.

Additions to investments in group companies in 2021 related to other contributions to DF Mompresa S.A.U for €9,337 thousand and Duro Felguera Calderería Pesada, S.A.U: for €14,870 thousand

Disposals and derecognitions in 2021 included the 40% stake in Epicom, S.A. and the forgiveness of loans to subsidiaries Duro Felguera Operaciones y Montajes, S.A.U., DF Investment, S.A. and Felguera IHI, S.A for €10,967 thousand, recognised as a reduction in the cost of the shareholding since those companies do not have accumulated profit or loss to allow the forgiveness to be considered a dividend.

The following table presents information on group companies and associates:



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2022

<u>Name and legal structure</u> <u>Group companies and jointly</u> <u>controlled entities:</u>	<u>Activity and location</u>	<u>% shareholding</u>	
		<u>Direct, %</u>	<u>Indirect, %</u>
Duro Felguera Investment, S.A.U	Investment services (La Felguera)	100%	-
Duro Felguera Calderería Pesada, S.A.U.	Pressure vessels and heavy boiler-making (Gijón)	-	100%
Duro Felguera Green Tech, S.A.U. (formerly DF Técnicas de Entibación, S.A.U.)	Renewable energies (Gijón)	-	100%
DF Operaciones y Montajes, S.A.U.	Study, marketing and provision of all types of services and supplies. Industrial plant and machinery maintenance and operation, and instrumentation. Commissioning of facilities (Gijón)	100%	-
DF Mompresa, S.A.U.	Assembly and maintenance of turbines (Gijón)	100%	-
Duro Felguera Oil&Gas, S.A.	Creation, design, calculation, basic engineering, detailed engineering, management, planning, computerisation, coordination, monitoring and control of projects in the oil, gas and petrochemical industry (Madrid).	100%	-
Epicom, S.A.	Research, development, manufacture, marketing, technical assistance, study and consulting in relation to equipment, electronic systems and software (Madrid)	60%	-
Duro Felguera Energy Storage, S.A. (formerly Felguera I.H.I., S.A.)	Fuel and gas storage equipment (Madrid)	100%	-

2022

<u>Name and legal structure</u> <u>Group companies and jointly</u> <u>controlled entities:</u>	<u>Activity and location</u>	<u>% shareholding</u>	
		<u>Direct, %</u>	<u>Indirect, %</u>
Felguera Tecnologías de la Información, S.A.	Development of business management software (Llanera).	60%	-
Turbogeneradores del Perú, S.A.C.	Construction and assembly of industrial projects (Peru)	90%	10%
Duro Felguera Argentina, S.A.	Construction, maintenance and supply of equipment for power stations (Argentina).	-	100%
Duro Felguera Chile Limitada (formerly Opemasa Andina, Ltda.)	Construction, maintenance and supply of equipment for power stations (Chile)	-	100%
Mopre Montajes de Precisión de Venezuela, S.A.	Assembly of turbo-generators and auxiliary equipment in power stations (Venezuela).	-	100%
Turbogeneradores de Venezuela, C.A.	Construction and assembly of industrial projects (Venezuela)	-	100%
Equipamientos Construcciones y Montajes, S.A. de C.V.	Construction and assembly of industrial projects (Mexico)	100%	-
Proyectos e Ingeniería Pycor, S.A. de C.V.	Engineering (Mexico)	99.8%	0.2%
Felguera Diavaz Proyectos México, S.A. de C.V.	Wind energy and cogeneration (Mexico)	50%	-
Felguera Grúas India Private Limited	Port terminals (India).	99.65%	0.35%



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PT Duro Felguera Indonesia	Engineering, supply and construction projects for the mining, energy and industrial sectors (Indonesia).	95%	-
Duro Felguera Panamá, S.A.	Engineering, supplies and civil works for energy projects (Panama).	100%	-
Duro Felguera Saudí LLC	Construction of electricity generation buildings and plants (Saudi Arabia).	95%	5%
DF Canadá Ltd.	Engineering and construction services	100%	-
Felguera IHI Canadá Inc.	Engineering and construction services	-	100%

2022

<u>Name and legal structure</u> <u>Group companies and jointly controlled entities:</u>	<u>Activity and location</u>	<u>% shareholding</u>	
		<u>Direct, %</u>	<u>Indirect, %</u>
DF USA, LLC	Commercial project development (USA)	100%	-
Duro Felguera Intelligent Systems, S.A.U. (formerly Duro Felguera Logistic Systems, S.A.U.)	Automated transport systems, automater warehouses and maintenance systems and industry.	100%	-
DFOM Biomasa Huelva, S.L.	Operation and maintenance of Ence's biomass power generation plant in Huelva.		100%
DF do Brasil Desenvolvimento de Projectos Ltda.	Commercial project development	100%	-
DFOM Netherlands B.V.	Execution of the Lump Sum construction contract for revamping of the blast furnace for Tata Steel Ijmuiden		100%
Dunor Energía, S.A.P.I de C.V.	Construction of 313 CC Empalme II combined cycle plant in the state of Sonora (Mexico) under a tender from the Federal Electricity Commission (CFE).	50%	-

2022

<u>Name and legal structure</u> <u>Associates:</u>	<u>Activity and location</u>	<u>% shareholding</u>	
		<u>Direct, %</u>	<u>Indirect, %</u>
Zoreda Internacional, S.A. (4)	Environment (Gijón)	32%	8%
Sociedad de Servicios Energéticos Iberoamericanos	Assembly and maintenance of electricity generation plants (Colombia)	25%	-



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2021

<u>Name and legal structure</u> <u>Group companies and jointly</u> <u>controlled entities:</u>	<u>Activity and location</u>	<u>% shareholding</u>	
		<u>Direct, %</u>	<u>Indirect, %</u>
Duro Felguera Investment, S.A.U	Investment services (La Felguera)	100%	-
Duro Felguera Calderería Pesada, S.A.U.	Pressure vessels and heavy boiler-making (Gijón)	-	100%
Duro Felguera Green Tech, S.A.U. (formerly DF Técnicas de Entibación, S.A.U.)	Renewable energies (Gijón)	-	100%
DF Operaciones y Montajes, S.A.U.	Study, marketing and provision of all types of services and supplies. Industrial plant and machinery maintenance and operation, and instrumentation. Commissioning of facilities (Gijón)	100%	-
DF Mompresa, S.A.U.	Assembly and maintenance of turbines (Gijón)	100%	-
Duro Felguera Oil&Gas, S.A.	Creation, design, calculation, basic engineering, detailed engineering, management, planning, computerisation, coordination, monitoring and control of projects in the oil, gas and petrochemical industry (Madrid).	100%	-
Duro Felguera Energy Storage, S.A. (formerly Felguera I.H.I., S.A.)	Fuel and gas storage equipment (Madrid)	100%	-

2021

<u>Name and legal structure</u> <u>Group companies and jointly</u> <u>controlled entities:</u>	<u>Activity and location</u>	<u>% shareholding</u>	
		<u>Direct, %</u>	<u>Indirect, %</u>
Felguera Tecnologías de la Información, S.A.	Development of business management software (Llanera).	60%	-
Turbogeneradores del Perú, S.A.C.	Construction and assembly of industrial projects (Peru)	90%	10%
Duro Felguera Argentina, S.A.	Construction, maintenance and supply of equipment for power stations (Argentina).	-	100%
Duro Felguera Chile Limitada (formerly Opemasa Andina, Ltda.)	Construction, maintenance and supply of equipment for power stations (Chile)	-	100%
Mopre Montajes de Precisión de Venezuela, S.A.	Assembly of turbo-generators and auxiliary equipment in power stations (Venezuela).	-	100%
Turbogeneradores de Venezuela, C.A.	Construction and assembly of industrial projects (Venezuela)	-	100%
Equipamientos Construcciones y Montajes, S.A. de C.V.	Construction and assembly of industrial projects (Mexico)	100%	-
Proyectos e Ingeniería Pycor, S.A. de C.V.	Engineering (Mexico)	99.8%	0.2%
Felguera Diavaz Proyectos México, S.A. de C.V.	Wind energy and cogeneration (Mexico)	50%	-
Felguera Grúas India Private Limited	Port terminals (India).	99.65%	0.35%
PT Duro Felguera Indonesia	Engineering, supply and construction projects for the mining, energy and industrial sectors (Indonesia).	95%	-
Duro Felguera Panamá, S.A.	Engineering, supplies and civil works for energy projects (Panama).	100%	-
Duro Felguera Saudí LLC	Construction of electricity generation buildings and plants (Saudi Arabia).	95%	5%



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DF Canadá Ltd.	Engineering and construction services	100%	-
Felguera IHI Canadá Inc.	Engineering and construction services	-	100%

2021

<u>Name and legal structure</u> <u>Group companies and jointly controlled entities:</u>	<u>Activity and location</u>	<u>% shareholding</u>	
		<u>Direct, %</u>	<u>Indirect, %</u>
DF USA, LLC	Commercial project development (USA)	100%	-
Duro Felguera Intelligent Systems, S.A.U. (formerly Duro Felguera Logistic Systems, S.A.U.)	Automated transport systems, automater warehouses and maintenance systems and industry.	100%	-
DFOM Biomasa Huelva, S.L.	Operation and maintenance of Ence's biomass power generation plant in Huelva.	-	100%
DF do Brasil Desenvolvimento de Projectos Ltda.	Commercial project development	100%	-
Dunor Energía, S.A.P.I de C.V.	Construction of 313 CC Empalme II combined cycle plant in the state of Sonora (Mexico) under a tender from the Federal Electricity Commission (CFE).	50%	-

2021

<u>Name and legal structure</u> <u>Associates:</u>	<u>Activity and location</u>	<u>% shareholding</u>	
		<u>Direct, %</u>	<u>Indirect, %</u>
Zoreda Internacional, S.A. (4)	Environment (Gijón)	32%	8%
Sociedad de Servicios Energéticos Iberoamericanos	Assembly and maintenance of electricity generation plants (Colombia)	25%	-

The following table presents group companies, jointly controlled entities and associates, with details of capital, reserves, profit/(loss) for the year and other key information as presented in the companies' separate financial statements:



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(€ thousand)

2022

Company	€ thousand					Carrying amount of the investment
	Capital	Reserves	Other items (1)	Operating profit/(loss)	Profit/(loss) for the year	
<u>Group companies and jointly controlled entities:</u>						
Direct holding (2)						
DF Mompresa, S.A.U. (3)	2,736	3,667	1,050	247	2,824	-
Felguera Tecnologías de la Información, S.A (5)	90	1,179	135		280	176
Duro Felguera Investment, S.A.U.(5)	23,468	5,336	(4,257)	(28)	(1,991)	29,856
Duro Felguera Energy Storage, S.A. (formerly Felguera I.H.I., S.A.) (3)	2,900	616	(1,171)	(688)	(1,649)	707
Duro Felguera Operaciones y Montajes, S.A.U. (3)	120	8,758	(2,378)	(6,087)	(5,328)	-
Equipamientos Construcciones y Montajes, S.A. de C.V (5)	166	8,790	(221)	(36)	192	-
Duro Felguera Oil & Gas, S.A.U.	3,000	-	535	(162)	(83)	3,413
Turbogeneradores del Perú, S.A.C.(4) (5)	9	513	(757)	(104)	(107)	-
PT Duro Felguera Indonesia (5)	477	-	(1,290)	-	-	-
Felguera Diavaz Proyectos México, S.A. (4)(5)	3	-	(48)	-	-	-
Duro Felguera Do Brasil (5)	194	6,087	(9,333)	(363)	(318)	-
Epicom, S.A.	-	-	-	-	-	-
Duro Felguera Saudí LLC (5)	237	-	(317)	-	-	-
DF USA, LLC (5)	167	-	(644)	-	-	-
Dunor Energía, S.A.P.I. de C.V. (5)	-	-	-	-	-	-
DF Canadá Ltd. (5)	-	133	(423)	(141)	(144)	-
Duro Felguera Intelligent Systems, S.A.U. (formerly Duro Felguera Logistic Systems, S.A.U.) (5)	60	-	(3)	(68)	(63)	-
Felguera Grúas India Private Limited (5)	50,523	-	(56,230)	1,887	1,885	-
Proyectos e Ingeniería Pycor, S.A. de CV (5)	481	77	(464)	78	53	9



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(€ thousand)

2022

Company	€ thousand					Carrying amount of the investment
	Equity					
	Capital	Reserves	Other items (1)	Operating profit/(loss)	Profit/(loss) for the year	
Indirect holding						
Duro Felguera Green Tech, S.A.U. (formerly DF Técnicas de Entibación, S.A.U.) (5)	3,936	1,220	(749)	304	231	-
Duro Felguera Calderería Pesada, S.A.U.	9,843	1,053				-
Duro Felguera Argentina, S.A.(5)	13,874	2,465	(98,286)	(47)	(5,432)	-
Felguera IHI Canadá Inc (4) (5)	-	20	(9)	-	-	-
Duro Felguera Chile, Ltda (formerly Opemasa Andina, Ltda) (5)	1	-	(15,827)	318	(419)	-
DFOM Biomasa Huelva, S.L. (5)	3	63	-	255	188	-
Turbogeneradores de Venezuela C.A. (5)	475	-	(2,556)	-	-	-
Mopre Montajes de Precisión Venezuela, C.A.(4) (5)	368	314	(224)	-	-	-



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NOTES TO THE 2022 FINANCIAL STATEMENTS
(€ thousand)

2021

Company	€ thousand					Carrying amount of the investment
	Equity					
	Capital	Reserves	Other items (1)	Operating profit/(loss)	Profit/(loss) for the year	
<u>Group companies and jointly controlled entities:</u>						
Direct holding (2)						
DF Mompresa, S.A.U. (3)	2,736	3,667	(21,502)	7,099	25,122	-
Felguera Tecnologías de la Información, S.A (5)	90	1,080	111	211	134	176
Duro Felguera Investment, S.A.U.(5)	23,468	5,336	(6,591)	(124)	2,172	31,876
Duro Felguera Energy Storage, S.A. (formerly Felguera I.H.I., S.A.) (3)	2,900	616	(4,980)	(3,564)	2,769	-
Duro Felguera Operaciones y Montajes, S.A.U. (3)	120	8,758	(31,062)	(1,562)	27,141	-
Equipamientos Construcciones y Montajes, S.A. de C.V (5)	166	8,347	(1,086)	(49)	443	-
Duro Felguera Oil & Gas, S.A.U.	3,000	-	(3,200)	(255)	2,500	2,300
Turbogeneradores del Perú, S.A.C.(4) (5)	9	513	(418)	(238)	(308)	-
PT Duro Felguera Indonesia (5)	477	-	(1,290)	-	-	-
Felguera Diavaz Proyectos México, S.A. (4)(5)	3	-	(48)	-	-	-
Duro Felguera Do Brasil (5)	194	6,087	(8,453)	(378)	(566)	-
Duro Felguera Saudi LLC (5)	237	-	(261)	-	-	-
DF USA, LLC (5)	167	-	(644)	-	-	-
Dunor Energía, S.A.P.I. de C.V. (5)	3	-	-	-	-	-
DF Canadá Ltd. (5)	-	133	(348)	(154)	(83)	-
Duro Felguera Intelligent Systems, S.A.U. (formerly Duro Felguera Logistic Systems, S.A.U.) (5)	60	-	(1)	(2)	(2)	-
Felguera Grúas India Private Limited (5)	50,523	-	(56,121)	(212)	(181)	-
Proyectos e Ingeniería Pycor, S.A. de CV (5)	481	77	(471)	8	(3)	9



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2021

Company	€ thousand					Carrying amount of the investment
	Equity					
	Capital	Reserves	Other items (1)	Operating profit/(loss)	Profit/(loss) for the year	
Indirect holding						
Duro Felguera Green Tech, S.A.U. (formerly DF Técnicas de Entibación, S.A.U.) (5)	3,936	1,220	(466)	(380)	(381)	-
Duro Felguera Calderería Pesada, S.A.U.	9,843	1,053	3,246	(1,866)	(1,924)	-
Duro Felguera Argentina, S.A. (5)	13,874	2,465	(82,508)	(3,025)	(6,298)	-
Felguera IHI Canadá Inc (4) (5)	-	20	(9)	-	-	-
Duro Felguera Chile, Ltda (formerly Opemasa Andina, Ltda) (5)	1	-	(10,617)	(1,226)	(4,430)	-
DFOM Biomasa Huelva, S.L. (5)	3	-	-	89	63	-
Turbogeneradores de Venezuela C.A. (5)	475	-	(2,510)	(46)	(46)	-
Mopre Montajes de Precisión Venezuela, C.A. (4) (5)	368	(314)	(255)	-	-	-

(1) Mainly interim dividends paid during the year, losses and valuation adjustments.

(2) Consolidated data included in the direct holding.

(3) The Company has direct and indirect interests in temporary joint ventures included in the companies' financial statements in accordance with their percentage interest.

(4) Dormant.

(5) Not audited.

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No group company in which the Company has an ownership interest is listed on the stock exchange.

The Company does not hold less than 20% of any investees where it concludes it has significant influence, nor does it have investments of over 20% in any investees where it concludes that it does not have significant influence.

The Company has no contingencies in relation to associates.

10. Loans and receivables

	€ thousand	
	2022	2021
Non-current loans and receivables:		
- Loans to employees	-	-
- Other financial assets	23	22
	<u>23</u>	<u>22</u>
Current loans and receivables:		
- Trade receivables	76,308	63,703
- Completed work pending certification	23,228	22,129
- Provision for impairment	(61,365)	(60,725)
- Loans to group companies and associates (Note 28)	122,672	105,241
- Group companies (Note 28)	10,542	9,446
- Completed work pending certification, group (Note 28)	305	108
- Other receivables	4,847	5,833
- Loans to employees	69	181
- Current tax assets ⁽¹⁾	-	-
- Other taxes receivable ⁽¹⁾	14,879	18,031
- Loans to companies	1,375	1,943
- Other financial assets	21,027	22,403
	<u>213,887</u>	<u>188,293</u>
	<u>213,910</u>	<u>188,315</u>

(1) Taxes receivable and payable are not included in the analysis of financial instruments (Note 8).

The fair values of loans and receivables are the same as the nominal value.

“Completed work pending certification” includes the difference between production recognised by the Company in each project, and the invoices issued to customers. This amount relates to work covered by the terms of the various contracts in which the billing milestones for the work performed have yet to be reached. The Company considers that there are not doubts that this work will be invoiced. Of the amount at 31 December 2022, €14.8 million related to the Termocentro project, for which a provision for the same amount was recognised, €6.3 million to the Aconcagua project (Note 25), and €1.3 million relating to Bellara project, as the main projects in 2022.

On 5 January 2022, the Company entered into an agreement with LNG Group Panamá whereby it undertook to satisfy the outstanding amount according to a payment schedule. As at 31 December 2022, LNG had not complied with the latest commitment, although it did express its intention to settle the debt as quickly as possible, leaving an outstanding amount receivable of €1,375 thousand, recognised under “Other receivables” at 31 December 2022.

“Other taxes payable” includes mainly VAT to be offset in joint ventures (UTEs and SUCs) and €6.9 million of balances of VAT in Spain (Note 18)

The Company also has €18,768 thousand of deposits and escrow accounts (Note 4.1.c).

The carrying amounts of loans and receivables are denominated in:

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	€ thousand	
	2022	2021
Euro	60,346	116,211
US dollar	117,743	57,035
Algerian dinar	9,949	9,341
Mexican peso	375	275
Romanian leu	16,331	-
Indian rupee	55	54
Peruvian nuevo sol	420	397
Pound sterling	3,429	3,773
Chilean peso	1,250	1,188
United Arab Emirates dirham	4,011	18
Egyptian pound	-	4
Qatari riyal	-	4
South African rand	-	14
Canadian dollar	1	1
	<u>213,910</u>	<u>188,315</u>

Movement in the provision for impairment of trade receivables is as follows:

	€ thousand	
	2022	2021
Opening balance at 1 January	(60,725)	(59,991)
Provision for impairment of receivables	(210)	(884)
Reversals	372	150
Transfers	(802)	-
Closing balance at 31 December	<u>(61,365)</u>	<u>(60,725)</u>

The other classes within "Loans and receivables" do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Company does not hold any collateral as security.

At 31 December 2022, in addition to receivables provisioned, receivables amounting to €29,362 thousand had fallen due (2021: €26,978 thousand). Balances less than six months past due are not impaired, as these accounts correspond to customers for whom there is no recent history of default. Balance more than six months past due, which relate to projects in progress, are also not considered to be impaired as some are covered by prepayments not settled and recognised under "Trade and other payables" (Note 16) for €10.6 million (2021: €2.6 million).

The most important past-due balances relate to:

- Djelfa project (Algeria)

The balance includes a past-due amount of €7,528 thousand. This project resumed in 2021 after a protocol was signed with the customer. However, the impact of the diplomatic dispute between Algeria and Spain, due to force majeure, has resulted in a delay in execution of the protocol (see Note 25).

- Termocentro project (Venezuela)

This includes the past-due balance, net of provisions and including completed construction work pending certification, for 2022 of €8,663 thousand (2021: €8,779 thousand). No amounts related to this project were received between February 2017 and the date of authorisation for issue of these financial statements. In its assessment of the recoverability of the balance receivable, the Company equated the debt to Venezuela sovereign debt, since the customer is a public institution. To estimate expected credit losses, it considered the available information before default of the Venezuelan government's CDS curve. Meanwhile, in light of the severe worsening of Venezuela's

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economic, political and social situation over the past few years and more so since the sovereign rating was downgraded from CCC to C, the recovery rate remains low, at around 15%.

As a result, the Company has kept an allowance for 85% of the entire outstanding balances, including the amount of completed work pending certification and the provision for the withholding to be applied to the customer. The accumulated amount of the provision at 31 December 2022 was €49,093 thousand (2021: €48,291 thousand).

Under the terms of the agreement signed with the customer, at 31 December 2022 interest amounting to €64,761 thousand had accrued to the Company (2021: €60,928 thousand) which had not been recognised and was considered as contingent assets.

The ageing analysis of these receivables is as follows:

	€ thousand	
	2022	2021
Up to 3 months	1,260	4,416
Between 3 and 6 months	7,780	197
Between 6 months and 1 year	872	5,855
More than 1 year	19,781	16,510
	<u>29,693</u>	<u>26,978</u>

11. Derivative financial instruments and hedging activities

At 31 December 2022 and 2021, the Company held no derivative financial instruments.

12. Inventories

The entire balance of inventories at 31 December 2022 and 2021 relates to advance payments to suppliers for execution of projects in progress.

13. Cash and cash equivalents

	€ thousand	
	2022	2021
Cash	17,331	84,536
Other cash equivalents	71	72
	<u>17,402</u>	<u>84,608</u>

Total cash and cash equivalents is included in the statement of cash flows.

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The carrying amounts of the Company's cash and cash equivalents are denominated in the following currencies:

	€ thousand	
	2022	2021
Euro	17,025	83,849
US dollar	91	516
Algerian dinar	-	8
AED dirham	-	158
Romanian leu	256	11
Other	30	66
	<u>17,402</u>	<u>84,608</u>

14. Capital, share premium, reserves, prior-year results and profit/(loss) for the year

a) Capital

Share capital at 31 December 2022 and 2021 was represented by 4,800 million fully subscribed and paid shares in book-entry form with a par value of €0.01 each.

At the end of the reporting period, the following shareholders held an interest equal to or greater than 3% in the Company's share capital:

<u>Shareholder</u>	Ownership (%) direct and indirect	
	2022	2021
UBS Switzerland AG (*)	3.95%	4.02%
Morgan Stanley and Co International PLC (*)	2.71%	2.97%
TSK Electrónica y Electricidad, S.A.	3.12%	3.12%

(*) Depositories of securities held by others

b) Treasury shares

At 31 December 2022 and 2021, the Company did not hold any treasury shares.

c) Reserves

	€ thousand	
	2022	2021
Legal and statutory reserves		
- Legal reserve	-	-
	-	-
Other reserves:		
- Voluntary reserves	2,688	2,688
	<u>2,688</u>	<u>2,688</u>
	<u>2,688</u>	<u>2,688</u>

Legal reserve

The legal reserve is allocated in accordance with article 274 of the Corporate Enterprises Act, which states that in any event, companies must earmark an amount equal to 10% of profit for the year to a legal reserve until such reserve reaches at least 20% of the capital.

It may not be distributed, and can only be used to offset losses if no other reserves are available. Any amount of the reserve used for this purpose must be restored with future profits.

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In 2018, the amount of the legal reserve allocated at the time was used for the capital decrease.

d) Prior periods' profit and loss

	€ thousand	
	2022	2021
Retained earnings		
Prior periods' losses	(155,733)	(176,730)
	<u>(155,733)</u>	<u>(176,730)</u>

e) Profit/(loss) for the year

e.1) Proposed distribution of profit/(loss)

The proposed distribution of profit/(loss) and reserves to be presented for approval at the Annual General Meeting is as follows:

	€ thousand	
	2022	2021
<u>Basis of distribution</u>		
Profit/(loss)	685	20,997
	<u>685</u>	<u>20,997</u>

	€ thousand	
	2022	2021
<u>Distribution</u>		
Legal reserve	-	-
Prior periods' losses	685	20,997
	<u>685</u>	<u>20,997</u>

e.2) Interim dividend

The Company did not distribute any dividends in the years ended 31 December 2022 and 2021.

e.3) Limitations on the distribution of dividends

Reserves subject to some type of legal restriction on their use relate to the legal reserve.

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f) Valuation adjustments

Valuation adjustments at year-end 2022 related primarily to:

	€ thousand	
	2022	2021
Available-for-sale financial assets	3,373	3,373
Translation differences:		
- Dubai branch	(3,942)	(291)
- India branch	543	535
- Algeria branch	1,623	4,315
- Peru branch	1,137	1,456
- Romania branch	(403)	(386)
- Egypt branch	(367)	(367)
- Mexico branch	244	580
	<u>(1,167)</u>	<u>5,842</u>
	<u>2,206</u>	<u>9,215</u>

f) Equity

From an equity standpoint, the parent company did not fall within any of the grounds for dissolution at 31 December 2022, despite having negative equity of €143,906 thousand:

Firstly, because profit participating loans are treated as equity for company law purposes with respect to capital reductions and liquidations. As at 31 December 2022, the amount of all profit participating loans agreed under the refinancing agreement was €113 million (€100 million with FASEE and €13 million with banks). Not included are the €6 million related to the loan from la Sociedad Regional de Promoción del Principado de Asturias ("SRP") since novation of the agreement could not be completed by the date of authorisation for issue of these financial statements.

Secondly, according to RDL 20/2022 of 27 December 2022 on measures to address the economic and social consequences of the war in Ukraine and to support the reconstruction of the island of La Palma and other situations of vulnerability, it was stipulated that for the sole purpose of determining causes for dissolution provided for in article 363.1.e) of the consolidated text of the Spanish Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July, losses reported in 2020 and 2021 and until the end of the reporting period beginning in 2024, shall not be taken into consideration. If, excluding losses in 2022 and 2021 as explained above, the result for the 2022, 2023 or 2024 financial year shows losses that reduce the net assets to less than half the share capital, the directors must hold a meeting or any shareholder may request a meeting within two months of the end of the financial year in accordance with article 365 of the aforementioned law, in order to proceed with the dissolution of the company, unless the capital is increased or reduced to a sufficient extent.

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Considering the above profit participating loans arranged by the Company and without counting the loss of €171,172 thousand reported in 2020, as allowed under RDL 20/2022, the parent company's equity for company law purposes amounts to €140,652 thousand, as shown in the following table:

(€ thousand)	
Equity of the parent company at 31 December 2022	(143,906)
Profit participating loan, FASEE	100,000
Profit participating loan, banks	13,000
Loss in 2020 attributable to the parent	171,172
Equity of the parent for company law purposes at 31 December 2022 (*)	140,266

(*) This amount could increase by €6,000 thousand for the €6,000 thousand loan from SRP when the novation of the loan agreement is signed.

15. Grants received

The amount recognised under capital grants relates to the restatement of loans granted for building construction, net of the related tax effect (Note 18). In 2022, €104 thousand were reclassified to profit or loss (2021: €97 thousand).

16. Debts and payables

	€ thousand	
	2022	2021
Non-current debts and payables:		
Bonds and other marketable debt securities	11,852	15,987
- Bank borrowings	13,177	13,000
- Other loans	120,000	126,000
	<u>145,029</u>	<u>154,987</u>
Current debts and payables:		
- Bank borrowings	64	10,057
- Suppliers	49,044	82,950
- Suppliers, group companies and associates (Note 28)	17,816	17,733
- Other payables	2,848	6,214
- Current payables to group companies and associates (Note 28)	28,960	33,853
- Other financial liabilities	7,364	1,258
- Salaries payable	1,348	1,593
- Current tax liability (1)	18	18
- Other taxes payable ⁽¹⁾	4,166	4,343
- Advances from customers	41,520	34,690
	<u>153,148</u>	<u>192,709</u>
	<u>298,177</u>	<u>347,696</u>

⁽¹⁾ Taxes payable and receivable are not included in the analysis of financial instruments (Note 8).

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The exposure of the Company's debts and payables to changes in interest rate, mainly payables to group companies and bank borrowings, for €29,024 thousand (2021: €43,910 thousand), is reviewed annually and quarterly, respectively.

The carrying amounts and fair values of the non-current borrowings are as follows:

	€ thousand			
	Carrying amount		Fair value	
	2022	2021	2022	2021
Bonds and other marketable debt securities	11,852	15,987	11,852	15,987
- Bank loans	13,177	13,000	13,177	13,000
- Other loans	120,000	126,000	120,000	126,000
	<u>145,029</u>	<u>154,987</u>	<u>145,029</u>	<u>154,987</u>

The carrying amount of current borrowings approximates fair value as the effect of discounting is not material. Fair values are based on cash flows discounted at an interest rate based on the borrowing rate of 4% (2021: 4%).

The effect of discounting the interest-free loans is recognised in "Capital grants" net of the tax effect, which will be released to profit or loss as the assets to which the grants relate are depreciated.

The carrying amount of the Company's borrowings are denominated in the following currencies:

	€ thousand	
	2022	2021
Euro	252,484	303,307
US dollars	9,675	4,466
Pound sterling	40	170
Algerian dinar	19,921	31,917
Peruvian nuevo sol	-	20
Mexican peso	85	256
Indian rupee	330	45
Romanian new leu	13,752	4,033
Australian dollar	(82)	37
United Arab Emirates dirham	1,655	3,378
Other	317	67
	<u>298,177</u>	<u>347,696</u>

At 31 December 2022 and 2021, the Company had no credit facilities.

a) Convertible bonds

On 27 July 2018 (effective date of the 2018 refinancing), Duro Felguera, S.A., under the scope of the refinancing agreements signed with its financial institutions, converted €233 million of bank borrowings into Class A and Class B Convertible Bonds.

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Class A Convertible Bonds:

In the 2018 refinancing, this item included the total nominal amount of the 9,073,637,389 Class A Convertible Bonds of €90,736,373.89, with a nominal amount of €0.01 each, convertible into newly issued shares of the Issuer of the same class and series as the ordinary shares of the Company currently outstanding. The deadline for conversion was 5 years from the effective date of the refinancing. Therefore, unless the Bonds are converted or cancelled early, as provided for in the Terms and Conditions of the agreement, they would mature on the date of the fifth anniversary from the effective date of the 2018 refinancing.

At the final maturity date, Bonds not previously converted would be cancelled, resulting in the release and extinguishment of the claim represented by them.

Class A Convertible Bonds gave holders a right to newly issued shares representing 6% of the Company's share capital after the conversion of all the Class A Convertible Bonds. According to this paragraph, the maximum number of ordinary shares that would be issued as a result of the exercise of conversion rights on all of the bonds would be determined at each conversion window in accordance with the following formula:

Number of ordinary shares arising from the conversion of Class A Convertible Bonds

$$N * \frac{6\%}{1 - 6\%}$$

Where N is the number of the Issuer's ordinary shares at the date of calculation.

$$C_p = \frac{\text{Nominal Amount of Class A Convertible Bonds}}{\text{Number of ordinary shares arising from the conversion of Class A Convertible Bonds}}$$

These bonds would be subject to adjustments to the conversion price in the following situations:

- a) Capital increase through the capitalisation of reserves, profits or issue premium of newly issued ordinary shares, or the redistribution of the par value of ordinary shares through a stock split, a reverse split, or a capital increase or reduction;
- b) Issuances of shares or other securities to shareholders via the grant of subscription or purchase rights;
- c) Issuances of shares and other securities without rights;
- d) Spin-offs, capital distributions and sale of equity interests.

When it entered into the refinancing agreement in 2018, the Group concluded that the Class A Convertible Bonds were an equity instrument.

On 29 November 2021, the Company entered into a refinancing and/or restructuring agreement covering its financial liabilities with all of the entities comprising its syndicate of banks, modifying the terms and conditions applicable to the bonds to:

- Extend the final maturity date to that of the sixth anniversary of completion of the refinancing agreement entered into on 29 November 2021.
- Modify the ordinary conversion windows so that the holders of the Class A Convertible Bonds can exercise their conversion right during a period of time immediately following the end of each calendar quarter (i.e., 31 March, 30 June, 30 September and 31 December), as well as other adjustments in keeping with the terms and conditions of the refinancing agreement.

These modifications were agreed at the General Shareholders' Meeting held on 30 June 2021.

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Since the parent company has undertaken to sell shares to a private investor in the capital, as set out in the financing agreement with FASEE, in compliance with the viability plan, there is no commitment that would prevent a change in the issuer's share capital except resolutions adopted after exercise of the Right of Conversion of the Bondholders, this means that the Class A Bonds cannot be recorded as an equity instrument because they do not meet the fixed-for-fixed conversion requirement. As a result, in 2021, an amount of €5,207 thousand corresponding to the value of the Class A Bonds was recognised as a financial liability corresponding to fair value at 29 November 2021. Remeasurement by an independent expert as at 31 December 2022 indicated that Class A Bonds were worth €3,742 thousand.

Class B Convertible Bonds:

In the 2018 refinancing, this item included the total nominal amount of the 14,227,267,955 Class B Convertible Bonds of €142,272,679.55, with a nominal amount of €0.01 each, convertible into newly issued shares of the Issuer of the same class and series as the ordinary shares of the Company currently outstanding. The maximum duration was five years from the effective date of the 2018 refinancing.

Class B Convertible Bonds gave holders the right to receive a number of newly issued shares whose amount, calculated in terms of the volume weighted average price of ordinary shares during the six months immediately prior to the start of each conversion window, equal to 30% of the amount by which the Issuer's average stock market capitalisation exceeded the Minimum Capitalisation Amount (€215 million). However, Class B Convertible Bonds could not, in any case, after full conversion result in the delivery to their holders of newly issued Ordinary Shares representing more than 29% of the Company's share capital after the conversion of all the Class B Convertible Bonds.

In addition, to exercise the conversion right for this class of bonds, the Issuer's average stock market capitalisation, calculated by multiplying: (i) the total number of the Company's ordinary shares by the (ii) volume weighted average price (VWAP) of the Company's shares over the six months immediately prior to the related conversion window, would have to exceed a minimum threshold (€236 million), as explained in Note 22 to the 2018 financial statements.

The Conversion Price (Cp) of Class B Convertible Bonds was calculated at each conversion window in accordance with the following formula:

$$Cp = \frac{\text{Nominal Amount of Class B Convertible Bonds}}{\text{Number of ordinary shares arising from the conversion of Class B Convertible Bonds}}$$

The Group concluded that the Class B Convertible Bonds were debt instruments (financial liability) given the following circumstances:

- They did not contain a contractual obligation to deliver cash or another financial asset since the bonds, at final maturity, unless they were converted previously, would be redeemed and the claim represented by the bonds released and extinguished.
- The instrument was only settled in the Issuer's own equity instruments, but in this case the amount of own instruments was variable, contingent on:
 - o First, exceeding the minimum market capitalisation threshold of €236 million; and
 - o Second, if this threshold were exceeded, the number of shares to be issued will depend directly on the Group's market capitalisation (measured as the Issuer's number of ordinary shares multiplied by the volume weighted average price of an ordinary share in the six months immediately prior to the start of each conversion window) at each conversion window and, therefore, depended on the weighted average (quoted) price of the shares on the continuous market during the observation period.

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However, given the fact that the number of shares to be issued was variable implied the existence of a separable embedded derivative, the Group elected the alternative of not separating the embedded derivative and classifying the entire instrument at fair value through profit or loss.

In accordance with the opinion issued by an independent expert on 25 January 2021, these bonds were valued at €0.

On 29 November 2021, the Company, under the scope of the refinancing and/or restructuring agreement covering its financial liabilities with all of the entities comprising its syndicate of banks, agreed to the fully fledged cancellation of 14,227,267,955 unsecured Class B Bonds with a unit nominal value of €0.01 convertible into new-issue ordinary shares of the parent.

Since this debt instrument was already recognised in the Company's 2020 financial statements at an amount of €0, the cancellation by the banks of this right did not have any impact on these financial statements.

Class C Convertible Bonds:

On 29 November 2021 (the effective date of the 2021 refinancing), the Group entered into a new refinancing agreement covering its financial liabilities with all of the entities comprises its syndicate of banks, contemplating:

- Convert a portion - fifty-two million euros (€52,000,000) - of the syndicated loan into bonds convertible into ordinary newly issued shares of the Company (the Class C Convertible Bonds), in a debt-to-equity swap, to be issued by Duro Felguera on the agreed terms and conditions.

The total nominal amount of the 51,999,997 Class C Convertibles Bonds is €51,999,997.00, with a nominal amount of €1.00, convertible into newly issued shares of the Issuer of the same class and series as the ordinary shares of the Company currently outstanding. The maximum duration is six years from the effective date of the 2021 refinancing.

Class C Convertible Bonds give holders a right to newly issued shares representing 13% of the Company's share capital after the conversion of all the Class C Convertible Bonds. According to this paragraph, the maximum number of ordinary shares to be issued as a result of the exercise of conversion rights on all of the bonds will be determined at each conversion window in accordance with the following formula:

Number of ordinary shares arising from the conversion of Class C Convertible Bonds

$$N * \frac{13\%}{1 - 13\%}$$

Where N is the number of the Issuer's ordinary shares at the date of calculation.

The Conversion Price is calculated at each conversion window as:

$$C_p = \frac{\text{Nominal Amount of Class C Convertible Bonds}}{\text{Number of ordinary shares arising from the conversion of Class C Convertible Bonds}}$$

The maximum duration of the bonds is six years from the effective date of the 2021 refinancing. Therefore, unless the bonds are converted or cancelled early, as provided for in the Terms and Conditions of the agreement, they will mature on the date of the sixth anniversary from the effective date of the 2021 refinancing.

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At the final maturity date, bonds not previously converted shall be cancelled, resulting in the release and extinguishment of the claim represented by them.

These bonds are subject to adjustments to the conversion price in the following situations:

- a) Capital increase through the capitalisation of reserves, profits or issue premium of newly issued ordinary shares, or the redistribution of the par value of ordinary shares through a stock split, a reverse split, or a capital increase or reduction;
- b) Issuances of shares or other securities to shareholders via the grant of subscription or purchase rights;
- c) Issuances of shares and other securities without rights;
- d) Spin-offs, capital distributions and sale of equity interests.

Remeasurement by an independent expert as at 31 December 2022 indicated that Class C Bonds were worth €8,110 thousand.

b) Bank loans

The syndicated loan arising from the refinancing agreement signed on 21 June 2018 between the Company and the main financial creditors amounted to €85 million, broken down by bank as follows

Bank	Amount (€)	Share
Banco Bilbao Vizcaya Argentaria, S.A.	2,806,000	3.30117647%
Banco Cooperativos Español, S.A.	3,195,000	3.75882353%
Banco Sabadell, S.A.	7,348,000	8.64470588%
Banco Santander, S.A.	38,623,000	45.43882353%
Caixabank, S.A.	25,037,000	29.45529412%
Unicaja Banco, S.A.	7,991,000	9.40117647%
	85,000,000	100.00000000%

This was a 5-year loan with a 2-year grace period bearing interest at the Euribor rate +2% from years 1 to 3, and Euribor +3% from years 3 to 5. The repayment schedule for the syndicated loan included repayment of €15 million in 2021, €20 million in 2022 and €50 million in 2023.

The syndicated financing agreement included corporate guarantees from several Group companies, a pledge on corporate bank accounts, a pledge or obligation to pledge rights to receivables from lawsuits and litigation related to certain projects.

On 29 November 2021, the Company entered into a refinancing agreement covering its financial liabilities with all of the entities comprising its syndicate of banks. That agreement contemplates the repayment, restructuring and conversion of the financial liabilities, on behalf of the parent company Duro Felguera, S.A., as single borrower, under the following terms:

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- Repay €7.5 million of the syndicated loan, as follows:

Participating creditor	Repayment percent (%)	Repayment amount (€)
Banco Santander, S.A.	47.5	3,562,064.45
Caixabank, S.A.	23.1	1,734,032.01
Banco de Sabadell, S.A.	10.6	792,332.06
Banco Bilbao Vizcaya Argentaria, S.A.	6.1	458,263.80
Banco Cooperativo Español, S.A.	1.2	91,652.76
Unicaja Banco, S.A.	11.5	861,654.92
Total	100	7,500,000.00

- Modification of €25.5 million of the syndicated loan in order to convert it into a profit participating loan in the same amount payable by the parent, to be divided into two tranches: a first tranche (PPL1) of €20 million; and a second tranche (PPL2) of €5.5 million as follows:

Original lender	PPL1		PPL2	
	Amount (€)	Participation (%)	Amount (€)	Participation (%)
Banco Santander, S.A.	8,232,642.00	41.16321	2,489,451.39	45.26275254545455
Caixabank, S.A.	5,780,482.57	28.90241285	1,609,501.07	29.26365581818182
Banco de Sabadell, S.A.	3,132,701.71	15.66350855	531,691.44	9,66711709090909
Banco Bilbao Vizcaya Argentaria, S.A.	807,465.32	4.0373266	194,868.02	3.54305490909091
Banco Cooperativo Español, S.A.	371,023.34	1.8551167	192,629.14	3.502348
Unicaja Banco, S.A.	1,675,685.06	8.3784253	481,858.94	8.76107163636364
Total	20,000,000	100.00	5,500,000	100.00

On 30 December 2021, the Group repaid €2.5 million of the PPL1 tranche and in 2022 two payments of €5 million each at their maturities on 30 March and 30 October 2022. As at 31 December 2022, the outstanding amount repayable of the PPL1 was €7.5 million, which will be paid according to the following schedule:

- 29 November 2024: €6,428,571.43
- 29 November 2025: €1,071,428.56

The PPL2 will be repaid in full on 29 November 2027.

The applicable interest rate will be the IBOR (set on 1 January each year by the European Commission) plus a spread, as follows:

- +2.5% up to the first year from the date of the refinancing agreement.
- +3.5% from the second to the third year from the date of the refinancing agreement.

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- +5% from the fourth to the fifth year from the date of the refinancing agreement.
- +7% for periods after the fifth year from the date of the refinancing agreement.

Where EBITDA is positive, those loans will also earn a participating component of 1% of the Company's EBITDA each financial period, which will be distributed on a pro-rata basis between the PPL1 and the PPL2.

The profit participating loans are treated as equity for company law purposes with respect to capital reductions and liquidations.

According to the refinancing agreement, the Group must comply with the following leverage ratios (gross financial debt/EBITDA):

Date	Leverage ratio
31 December 2022 and 30 June 2023	7.76x
31 December 2023 and 30 June 2024	6.10x
31 December 2024 and 30 June 2025	2.71x
31 December 2025 and 30 June 2026	1.72x
31 December 2026 and 30 June 2027	1.13x
31 December 2027	0.68x

The Group is also subject to compliance with the following interest coverage ratios (EBITDA/interest expense):

Date	Interest coverage ratio
31 December 2022 and 30 June 2023	3.96x
31 December 2023 and 30 June 2024	4.19x
31 December 2024 and 30 June 2025	5.20x
31 December 2025 and 30 June 2026	10.28x
31 December 2026 and 30 June 2027	14.91x
31 December 2027	25.77x

- Convert a portion - €52 million - of the syndicated loan into bonds convertible into ordinary newly issued shares of the Company (the Class C Convertible Bonds) through a debt-to-equity swap, under the agreed terms, as follows:

Participating creditor	Percentage (%)	Amount (€)
Banco Santander, S.A.	46.81%	24,338,842.16
Caixabank, S.A.	30.60%	15,912,984.36
Banco de Sabadell, S.A.	5.56%	2,891,274.79
Banco Bilbao Vizcaya Argentaria, S.A.	2.59%	1,345,402.85
Banco Cooperativo Español, S.A.	4.88%	2,539,694.76
Unicaja Banco, S.A.	9.56%	4,971,801.08
Total	100%	52,000,000

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The syndicated financing agreement includes a first ranking personal guarantee from several Group companies, a pledge on corporate bank accounts, a pledge on shares of several Group companies and receivables from lawsuits and litigation related to certain projects.

The Refinancing Agreement received court approval on 2 February 2022, in accordance with article 605.1 of the Insolvency Act.

Guarantee facility tranche:

As part of the refinancing process of the financial liabilities, the Group arranged a revolving guarantee facility with the syndicate of banks for up to €80 million, divided into four tranches, 70% of which is covered by CESCE:

- A first tranche of €30 million, available as of the date of signing of the refinancing agreement.
- A second tranche of €10 million, available as of 31 December 2021 after repayment of €2.5 million by the Group on that date.
- A third tranche of €20 million available as of 30 March 2022.
- A fourth tranche of €20 million available as of 30 October 2022.

This guarantee facility, which is 70%-backed by CESCE, is not revolving and matures in November 2026. As at 31 December 2022, the Group had drawn down €14.6 million from the facility to guarantee projects in the backlog, leaving an available balance of €65.4 million.

The Group must also comply with certain reporting requirements under the restructuring, while there are also certain restrictions, except in specific cases, to investment, asset disposals, dividend distributions and payments, the grant of financing, withdrawal of cash earmarked for projects, etc. The contract includes that customary mandatory prepayment clauses upon occurrence of certain events related to default on payment, insolvency or open insolvency proceedings for Group companies, cross default of obligations related to financing outlined in the temporary government aid or convertible bonds, the occurrence of a material adverse effect, breach of financial obligations (e.g. the ratios indicated above), etc. The Company's directors consider that as at the date of authorisation for issue of the financial statements, there was no cause triggering early maturity of this financing.

Under the Group's refinancing agreement, the Group undertook to grant the follow pledges; a pledge on shares and pledges on stakes in subsidiaries included in the scope as outlined in the agreement; the pledge on bank accounts; and the pledge on rights to receivables from claims; and lastly the pledge on rights to receivables derived from purchase and sale agreements. There is also a pledge on deposits for guarantees drawn down on the guarantee facility until their cancellation.

c) Other loans

Other loans include primarily:

- Solvency Support Fund for Strategic Companies (FASEE):

The Company signed a temporary public financial aid agreement from FASEE for €120 million, acting as recipient of the entire amount of the funds.

- Regional government of Asturias:

The Company signed a temporary public financial aid agreement with the Asturias regional government's development company, Sociedad Regional de Promoción del Principado de Asturias, S.A. ("SRP") for €6 million classified under current liabilities until the signing of the novation agreement, with the parent company, Duro Felguera S.A, as the sole borrower and recipient of the funds.

The FASEE and SRP financing are both profit participating, for €100 million and €6 million, respectively. Remuneration for the participation comprises a variable portion that is permanent and a variable portion that is participating. The permanent variable rate is the IBOR plus an increasing annual spread from 2.5% to 9.5%, while the participating variable portion is 1% of consolidated

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annual EBITDA and only accrues if the amount is positive. The ordinary loan carries a fixed 2% rate. Interest periods are one year. Maturities are the fourth, fifth, sixth and seventh anniversary from the closing date of the financing, for different amounts. Upon request from the beneficiaries, the fund may approve the conversion of the ordinary loan into a profit participating loan where needed to avoid grounds for dissolution. The financing agreement provides for situations of full or partial early repayment, in which case the Fund may, but would not be required to, terminate the contract. The prepayment clauses tied to future events related with lawsuit and arbitration settlements, tax inspections, material adverse effects and non-permitted changes of control, among others. The directors, with the assistance of internal and external tax and legal advisors, have evaluated the probability of occurrence of those prepayment events, factoring in the uncertainty associated with the final outcome of all those processes, and estimate that they will not affect execution of the viability plan. The Company's directors consider that as at the date of authorisation for issue of the financial statements, there was no cause triggering early maturity of this temporary public financing. In 2023, as explained in Note 31, approval was given to delay the FASEE loan repayment schedule.

In compliance with the payable to FASEE, there are personal guarantees and collateral, as stipulated in the financing agreement. Specifically, these are guarantees of the bank accounts into which the financing is deposited and pledges on receivables arising from the Group's legal or arbitration claims or certain older receivables, e.g., from Termocentro.

- d) Information on average payment period to suppliers. Third Additional Provision "Disclosure requirement" of Law 15/2010, of 5 July.

Law 15/2010 of 5 July establishes a maximum payment period of 60 days for companies to pay their suppliers as from 1 January 2013, in accordance with Transitional Provision Two of that law.

In accordance with the Resolution of 29 January 2016 of the Spanish Institute of Accounting and Accounts Auditing (ICAC) regarding disclosures in the notes to financial statements in relation to the average supplier payment period in commercial transactions, the required information is as follows:

	Days	
	2022	2021
Average supplier payment period	643	655
Ratio of transactions paid	586	416
Ratio of transactions outstanding	834	872

	€ thousand	
	2022	2021
Total payments made	38,722	26,051
Total payments outstanding	11,516	28,587

	2022	
	Units	%
Invoices paid within the legally stipulated deadline	1,087	
Percentage of total invoices paid		39.90%

	2022	
	€ thousand	%
Invoices paid within the legally stipulated deadline	11,760	
Percentage of total invoices paid		44.50%

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At 31 December 2022, the Company had past-due balances with suppliers amounting to €38,357 thousand (2021: €60,552 thousand) for services, works or supplies related mainly to projects. Of this amount, 59.5% corresponds to the Djelfa project. Excluding the Djelfa project, the average supplier payment period would be 288 days (2021: 278 days).

Of the total amount of past-due balances at year-end 2022, 14.6% were the subject of litigation and/or arbitration, mostly over delays in payments. However, the Company is actively negotiating agreements with several suppliers to set new payment schedules or obtain forgiveness of outstanding past-due amounts (2021: 43.2%).

The Company's directors do not expect to incur additional liabilities as a result of outstanding balances payable to suppliers that exceed the statutory limit.

17. Provisions for liabilities and charges and other trade provisions

The changes in this item in the year are as follows:

		€ thousand			
		Provisions for liabilities	Provision for warranties	Other provisions	Total
2022					
Opening balance at	1	67,732	7,024	68,428	143,184
January					
Arising during the year		20,323	217	2,795	23,335
Unused amounts reversed		(6,437)	(3,022)	(13,935)	(23,394)
Utilised		-	-	-	-
Transfers		-	5	4,568	4,573
Closing balance at	31	81,618	4,224	61,856	147,698
December					

Analysis of total provisions:

		€ thousand	
		2022	2021
Non-current		27,255	25,163
Current		120,443	118,021
		147,698	143,184

"Provision for liabilities" includes mainly provisions recognised to cover negative equity of certain investees (Note 9).

"Provision for warranties" includes mainly those amounts for which it has been considered reasonable to set aside a provision, basically as a result of various contractual clauses relating to warranties and liabilities which, if appropriate, would have to be assumed upon completion of the work, and taking into account the historical development of the amounts that have had to be assumed for this type of contingencies. The main changes relate to reversals on the Naftan (Belarus) and Bellara (Algeria) projects, for €2,454 thousand and €466 thousand, respectively.

"Other provisions" includes estimated losses on termination of the Project Jebel Ali Power Station (Note 25).

The change in this item during the year related primarily to the provision recognised for €1,556 thousand based on the best estimate of the outcome of the proceedings described in Note 20.c) and the provision for termination of the Bellara project (Algeria) for €736 thousand. It also includes reversals on the Jebel Ali project for €9,308 thousand due to the cancellation of orders in progress with suppliers, on the Iernut (Romania) and Djelfa (Algeria) projects, for €2,690 thousand and €984 thousand, respectively (see Note 25), and other reversals related to project risks and occupational

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risks for a total amount of €953 thousand. Transfers include mainly the amounts of adjustments for exchange differences in provisions recognised in foreign currency.

18. Taxes receivable and payable and deferred taxes

a) Tax receivables and payables

The main taxes receivable and payable are as follows:

	€ thousand	
	2022	2021
Taxes receivable		
Value added tax (*)	14,878	18,030
Other	1	1
	<u>14,879</u>	<u>18,031</u>
Taxes payable		
Value added tax	(3,042)	(3,246)
Social Security payables	(281)	(326)
Other	(31)	-
Personal income tax withholdings	(812)	(771)
Other taxes		-
	<u>(4,166)</u>	<u>(4,343)</u>

(*) Includes €6.9 million of value added tax refundable, which was set off against the outstanding amount owed arising from the tax assessments described in Note 19 under an agreement dated 11 October 2018.

b) Deferred taxes

The breakdown of deferred taxes is as follows:

	€ thousand	
	2022	2021
Deferred tax assets:		
- to be recovered after more than 12 months	7,527	10,482
- to be recovered within 12 months	2,476	2,014
	<u>10,004</u>	<u>12,496</u>
Deferred tax liabilities:		
- to be paid after more than 12 months	(8,166)	(10,223)
- to be paid within 12 months	(2,521)	(2,014)
	<u>(10,687)</u>	<u>(12,237)</u>
Deferred taxes	<u>(683)</u>	<u>259</u>

The gross movement in deferred taxes was as follows:

	€ thousand	
	2022	2021
Opening balance at 1 January	259	807
Credited to profit or loss (Note 19)	(968)	(576)
Tax charged directly to equity	26	28
Closing balance at 31 December	<u>(683)</u>	<u>259</u>

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The movement in deferred income tax assets and liabilities during the year, without taking in account the offsetting of balances, is as follows:

	€ thousand			Total
	Provisions for warranties and liabilities	Taxable income (tax losses) and deductions	Other	
Deferred tax assets				
Balance at 31 December 2020	2,232	17,473	1,815	21,520
(Charged)/credited to profit or loss	(476)	(8,468)	(84)	(9,028)
Charged directly to equity	-	-	4	4
Balance at 31 December 2021	1,756	9,005	1,735	12,496
(Charged)/credited to profit or loss	(700)	(2,014)	222	(2,492)
Charged directly to equity	-	-	-	-
Balance at 31 December 2022	1,056	6,991	1,957	10,004

	€ thousand		Total
	Class C Bonds	Other	
Deferred tax liabilities			
Balance at 31 December 2020	17,465	3,248	20,713
Charged/(credited) to profit or loss	(8,460)	8	(8,452)
Charged directly to equity	-	(24)	(24)
Balance at 31 December 2021	9,005	3,232	12,237
(Charged)/credited to profit or loss	(2,014)	490	(1,524)
Charged directly to equity	-	(26)	(26)
Balance at 31 December 2022	6,991	3,696	10,687

The Company recognised a deferred tax liability for the accounting income related to conversion of the Convertible Bonds under the refinancing agreement (Note 16) due to the tax deferred of the accounting income recognised in application of article 11.13 of Spanish Law 27/2014, of 27 November, on corporate income tax (the "Corporate Income Tax law").

To the extent that this tax income, since it arises from a write-off agreed with financial creditors, may be offset with the tax losses with no limitation whatsoever, the Company recognised a deferred tax asset for the same amount.

c) Unrecognised deferred tax assets

The Company recognised deferred tax assets up to the limit of the deferred tax liability as it considered that the circumstances for offsetting them are met since they relate to the same tax and tax group and can be utilised within the same time window without limitation under current legislation. The Company does not recognise deferred tax assets for tax losses (except the amount explained above), temporary differences and other remaining tax credits.

Unrecognised deferred tax assets of the Company at 31 December 2022 are as follows:

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	€ thousand			
	2022		2021	
	Base	Tax charge	Base	Tax charge
Tax losses	35,498	8,874	35,795	8,949
Deductions		2,452	-	2,452
Losses of foreign operations	102,889	25,722	109,939	27,485
Losses of subsidiaries	331,754	82,938	322,001	80,500
Other	63,129	15,782	70,034	17,508
	<u>533,269</u>	<u>135,768</u>	<u>537,769</u>	<u>136,894</u>

There is no time limit in Spain for recognising the carry forward of tax losses or deductible temporary differences. The deadlines for applying tax credits, mainly for R&D&I expenditure, are 18 years.

19. Income tax and tax situation

Duro Felguera, S.A. and the subsidiaries in which it directly or indirectly holds an interest of over 75% pay income tax under the consolidated tax scheme.

a) Reconciliation

The reconciliation of net income and expense with taxable income (tax loss) is as follows:

2022	€ thousand		
	Statement of profit or loss		
	Increases	Decreases	Total
Income and expense for the year			
Net profit			685
Income tax			5,801
Unrecognised permanent and temporary differences	16,443	(25,202)	(8,759)
Temporary differences:			
- arising in the year	8,215	-	8,215
- arising in prior years	8,055	(9,136)	(1,081)
Taxable income/(tax loss)			4,861

Income tax expense comprises:

	€ thousand	
	2022	2021
Current tax	(1,215)	24
Foreign tax	(217)	(772)
Adjustment of prior year current tax	(3,401)	1,295
Adjustment of prior year deferred tax (Note 18)		-
Tax credit (Note 18)		(7,447)
Deferred tax (Note 18)	(968)	6,872
Other		-
	<u>(5,801)</u>	<u>(28)</u>

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Unrecognised permanent and temporary differences are mainly generated as a result of the exclusion by the Company of income from branches and permanent establishments abroad the provision for securities portfolio, provisions for liabilities, onerous contracts, impairment of property, plant and equipment and investment properties, considered non-deductible expenses.

Net temporary differences in the Company relate basically to the different treatment for accounting and tax purposes of the charge to and reversal of provisions for warranties and holidays, as well as the deferral of accounting income related to the conversion of the Class C Convertible Bonds.

b) Years open to inspection

The years open to inspection for the main taxes vary in accordance with the tax laws in each country where the Company has operations. In Spain, it is open to inspection of taxes for the following years:

- Income tax of the consolidated group: 2010 to 2014 and 2018 and thereafter for the tax group, and 2018 and thereafter for the rest of the Spanish subsidiaries.
- Value added tax: 2011 and 2012 for Duro Felguera, S.A. and 2019 and thereafter for Duro Felguera, S.A. and the rest of the Spanish subsidiaries.
- Income tax (earned income; professional fees and investment income) for Duro Felguera, S.A.: 2011, 2012 and 2014, and 2019 and thereafter for Duro Felguera, S.A. and the rest of the Spanish subsidiaries.
- Other taxes: last four years.

Because of the audit of Tax Group 22/1978, the parent of which is Duro Felguera, S.A., in respect of corporate income tax for 2010 to 2012, and in respect of other taxes for 2011 to 2012, the following settlement agreements were received:

- Settlement agreement whereby Duro Felguera, S.A. must pay €123 million in corporate income tax. The settlement is based primarily on the taxation authorities' disagreement over the Group's use of the exemption of foreign income obtained by temporary joint ventures operating abroad. An appeal against the settlement agreement was lodged with the Central Economic Administrative Court (TEAC), which was rejected in May of 2021. An appeal against this ruling was filed with the Spanish National Court (Audiencia Nacional), for which a ruling has yet to be issued.
- Settlement agreement for VAT whereby Duro Felguera, S.A. must pay €3.1 million. An administrative appeal was filed with the TEAC against this agreement, which was partially upheld. An appeal has been filed with the National Court, for which a ruling has yet to be issued.
- Settlement agreement in respect of income tax - related party transactions requiring Duro Felguera, S.A. to pay €0.4 million. A tax appeal against that agreement was filed, but dismissed. An administrative appeal was filed with the National Court, for which a ruling has yet to be issued.
- Agreement to resolve sanctioning proceedings against UTE TERMOCENTRO for €23.04 million. The sanction imposed is based on the authorities' disagreement over the taxable income charged by UTE Termocentro to its members. A tax appeal against that agreement was filed, but dismissed. An administrative appeal was filed with the National Court, for which a ruling has yet to be issued. The National Court is expected to uphold the Company's arguments, as the TEAC recently annulled the penalty imposed for the same reasons for the 2013-2014 period since the sanctioned conduct is not stipulated in law according to the criteria outlined in the ruling of 23 November 2022.

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- Settlement agreement of personal income tax on behalf of UTE TERMOCENTRO for €0.7 million in addition to an agreement for resolution of the penalty proceedings for €0.4 million. Appeals were filed with the TEAC against both agreements, but were dismissed. An administrative appeal was filed with the National Court, for which a ruling has yet to be issued.

For all applications made for judicial review by the National Court, the statement of claims and conclusions have already been filed. Only a date for a vote and ruling are pending.

The Company did not recognise any liability related to these procedures since in the directors' opinion, and based on reports issued by independent third parties in prior years and up to the reporting date, the arguments are sufficiently strong to expect a ruling in the Company's favour.

Meanwhile, the Spanish National Court, in a decision of 28 December 2019 in relation to a dispute similar to the one facing Duro Felguera, held that a supply arrangement outside Spanish territory for a non-Spanish recipient should always be considered as operating abroad and therefore ruled in favour of the taxpayer on that particular point. The National Court confirmed this criterion in a recent ruling handed down on 27 January 2023.

To date, the Company has not made any payments related to these proceedings. The Company, alongside its application to the National Court for judicial review, sought injunctive relief in the form of suspension of the debt, which was granted for all proceedings.

In March 2018, an audit of the tax group commenced in respect of income tax for 2013 and 2014 and of all other taxes for the periods from 04/2014 to 12/2014. As a result of these tax audits, the following settlement agreements were received:

- Settlement agreement ordering UTE TERMOCENTRO to pay personal income tax withholding of €0.245 million. Although the Company decided to settle the debt within the voluntary period, in February 2020 it filed a tax appeal against the settlement agreement before the TEAC, for which a ruling has yet to be issued.
- Agreement for resolution of sanctioning proceedings for personal income tax against UTE TERMOCENTRO, requiring payment of €0.152 million, for which an appeal against the assessment was lodged with the TEAC.
- Settlement agreement whereby Duro Felguera, S.A. must pay €30 million in corporate income tax. The Company filed a tax appeal against the settlement agreement before the TEAC, but was notified on 4 April 2023 that it had been rejected. By law, the Company has two months to submit an application for appeal against the ruling with the National Court, which it will do, along with a request for injunctive relief in the form of a total waiver of guarantees.
- Agreement to resolve sanctioning proceedings against UTE TERMOCENTRO with respect to income tax for €5.6 million. The sanction imposed is based on the authorities' disagreement over the taxable income charged by UTE Termocentro to its members. The sanction was annulled by the TEAC on 23 January 2023 since the sanctioned conduct is not stipulated in law according to the criteria outlined in the rule of 23 November 2022.

These tax assessments are provisional, since the inspection has been partially suspended in relation to the part affected by the criminal preliminary ruling per Order of 27 February 2019, issued by Central Examining Court 2. In any event, the part affected by this criminal preliminary ruling in financial years 2013 and 2014 is of only minor significance, and so we do not expect any significant changes to be made to the tax settlement agreements arising from this circumstance.

Since the thrust of the dispute, as with the previous inspection, lies in the Group's application of the exemption for foreign-earned income obtained by the temporary joint ventures operating abroad, and specifically by UTE TERMOCENTRO, the Company's opinion and that of its external tax advisors

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is that the arguments in its defence are sufficiently strong to expect a ruling in its favour. Therefore, no liability was recognised in this connection.

20. Revenue and expenses

a) Foreign currency transactions

The amounts of foreign currency transactions are as follows:

	€ thousand	
	2022	2021
Purchases	6,652	864
Sales	8,067	11,516

b) Revenue

The following table presents the geographic breakdown of the Company's revenue:

Market	%	
	2022	2021
Domestic market	26.32	25.13
International market	73.68	74.87
	<u>100.00</u>	<u>100.00</u>

The breakdown of revenue by product line is as follows:

Line	%	
	2022	2021
Energy project management	31.63	0.42
Mining & Handling project management	55.38	82.16
Oil & Gas project management	0.01	0.25
Sundry services	12.98	17.17
	<u>100.00</u>	<u>100.00</u>

In 2022, sales totalling €7.4 million, €6.3 million and €6.2 million, respectively, were made to three customers that, individually, represented over 10% of the Company's revenue (2021: €11 million, €8 million and €0.8 million, respectively).

c) Employee benefits expense

	€ thousand	
	2022	2021
Salaries and wages	19,019	17,477
Termination benefits	2,796	6
Employee benefits expense:		
- Social Security payable by the Company	4,854	5,030
- Other benefits	86	148
	<u>26,755</u>	<u>22,661</u>

On 7 January 2021, the Group applied the furlough scheme based on productive needs provided for in Royal Decree Law 30/2020 and Royal Decree Law 8/2020 of 17 March, on urgent and extraordinary measures to cope with the economic and social impact of COVID-19, commenced. The scheme affects Duro Felguera, S.A. (DFSA), DF Operaciones y Montajes, S.A.U. (DFOM), DF Mompresa, S.A.U. (MOMPRESA), Felguera IHI, S.A.U. (FIHI) and Duro Felguera Oil & Gas, S.A.U. Application of the scheme was extended a first time on 31 May 2021 and again on 14 October 2021, on both occasions by agreement with union representatives. The furlough has a duration of 14 months (until 28 February 2022) and affects a total of 778 workers (of which 354 are Duro Felguera, S.A. employees),

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with an upper limit of 400 workers per month. The furlough scheme produced savings in 2021 of €1,900 thousand, while the impact in 2022 was negligible.

On 23 November 2022, the Company submitted a collective redundancy plan to the Spanish labour authorities after reaching an agreement with employees' legal representations, based on objective economic, productive and organisational purposes, affecting up to 180 jobs. The plan will be implemented over a period of up to 18 months. As at 31 December 2022, "Termination benefits", under "Employee benefits expense" in the Company's statement of profit or loss, included an amount of €1,178 thousand for the cost of terminating 41 jobs in implementing the plan through voluntary departures and dismissals, and recognition of a provision for €1,556 thousand for severance and obligations until the plan is concluded, based on the most likely estimate as at the date of authorisation for issue of these financial statements.

The average number of employees during the reporting period, by category, is as follows:

	Number of employees			
	2022 (excluding the furlough effect)	2022 (including the furlough effect)	2021 (excluding the furlough effect)	2021 (including the furlough effect)
Directors	1	1	1	1
Senior managers	9	9	5	5
Managers	23	23	16	16
Middle managers	59	59	62	56
Qualified staff	237	231	231	185
Other	64	64	29	22
	393	387	344	285

The distribution of Company personnel by gender at the end of the reporting period is as follows:

	2022			2021		
	Men	Women	Total	Men	Women	Total
Directors	1	-	1	1	-	1
Senior managers	4	3	7	4	1	5
Managers	16	6	22	13	5	18
Middle managers	43	13	56	45	13	58
Qualified staff	150	49	199	150	70	220
Other	33	20	53	5	24	29
	247	91	338	218	113	331

d) External services

External services include mainly independent professional services and engineering services.

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21. Net finance income/(cost)

	€ thousand	
	2022	2021
Finance income:		
Dividends		
- Group companies and associates	-	-
- Other	1,733	-
Marketable securities and other financial instruments		
- Finance income net of restructuring (Note 18)	-	37,037
- Group companies and associates (Note 28)	5,016	3,031
- Other	-	18
	<u>6,749</u>	<u>40,086</u>
Finance costs:		
Group companies and associates (Note 28)	(364)	(1)
On payables to third parties	<u>(4,374)</u>	<u>(4,001)</u>
	<u>(4,738)</u>	<u>(4,002)</u>
Change in fair value of financial instruments:		
Trading portfolio and other (Note 16)	<u>4,136</u>	<u>-</u>
Exchange differences	<u>13,217</u>	<u>11,218</u>
Impairment and gains/(losses) on disposal of financial instruments		
Impairment and losses	(15,480)	(17,241)
Gains/(losses) on disposal and other	-	4,231
	<u>(15,480)</u>	<u>(13,010)</u>
Net finance income/(cost)	<u>3,884</u>	<u>34,292</u>

a) Finance income and costs

	€ thousand	
	2022	2021
Finance income:		
- Dividends from investments in equity instruments	1,733	-
- Interest from debt securities	-	18
- Finance income net of restructuring	-	37,037
- Other finance income from group companies	5,016	3,031
	<u>6,749</u>	<u>40,086</u>
Finance costs:		
- Interest on current accounts and loans to group companies	(364)	(1)
- Loan interest	<u>(4,374)</u>	<u>(4,001)</u>
- Interest due to restatement	-	-
	<u>(4,738)</u>	<u>(4,002)</u>

Dividends for investments related to the dividends received in 2022 for the Company's ownership interest in Ausenco, Ltd (Note 9).

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b) Impairment and gains/(losses) on disposal of financial instruments

	€ thousand	
	2022	2021
Impairment losses:		
- Investments in group companies and associates	(15,480)	(28,208)
	<u>(15,480)</u>	<u>(28,208)</u>
Losses on impairment, disposals and other:		
Impairment and reversal of impairment of other financial assets	-	4,231
	-	4,231
	<u>(15,480)</u>	<u>(23,977)</u>

In 2022, the Company recognised impairments on equity investments and charges/reversals of provisions for liabilities for a net amount of €19,960 thousand. Impairments were recognised mainly on Duro Felguera Operaciones y Montajes, S.A.U., Felguera IHI, S.A., DF Mompresa, S.A.U., Duro Felguera Do Brasil, Felguera Grúas India Private Limited, Duro Felguera Oil & Gas, S.A., Duro Felguera Intelligent Systems, S.A., Turbo Generadores del Perú, and DF Canadá (Notes 9 and 17) These amounts include provisions for liabilities, for losses incurred on the Company's indirect holdings through DFOM and Mompresa, for losses incurred above the investment realised by these two companies under the guarantee provided by the Company to both.

Dunor Energía, S.A.P.I. de C.V.

On 26 August 2020 Dunor, lodge an application for arbitration against CFE with the London Court of International Arbitration ("LCIA"), claiming 100% of the principal of USD 27.05 million. CFE then filed a reply to the lawsuit, limiting its counterclaim to issues relating to minor deficiencies and guarantee claims, as well as a 2019 power purchase and sale claim. In accordance with the procedural timetable for the arbitration proceedings, on 23 August 2021 DUNOR filed its reply to the counterclaim in due course, seeking USD 27.1 million. CFE submitted its rejoinder to the arbitration claim and reply to the counterclaim on 27 October 2021, after being granted a 20-day extension. Finally, on 12 December 2021, DUNOR filed the rejoinder to the counterclaim. The arbitration proceedings were heard during the week of 10 January 2022. At the end of 2021, the simultaneous submission of pleadings and costs was pending. Once submitted, the arbitration proceedings would be effectively completed, thus enabling the tribunal to review the case and formulate the award. The parties submitted their respective pleadings and costs, after which the arbitration proceedings were effectively completed, pending review by the tribunal, which formulated its award on 26 September 2022 whereby it:

1. Declared that CFE has breached the construction contract;
2. Ordered CFE to Dunor USD 20.76 million (plus tax);
3. Ordered CFE to pay post-award interest;
4. Rejected CFE's counterclaim, citing lack of jurisdiction; and
5. Ruled that each party must bear its own legal costs and 50% of the LCIA/tribunal costs.

The award also stipulates payment of a further USD 1.1 million once Dunor provides proof of payment of the amount to subcontractors.

In the opinion of internal and external legal advisors, were CFE to seek annulment of the award (not notified to Dunor yet), the chances of it succeeding are remote.

Therefore, as at 31 December 2022, Company re-estimated the provision for risks for potential liabilities arising from the Empalme project, since it considered that as at 31 December 2022 the criteria for recognising a provision were not met. As a result, it recognised a reversal of the provision for €4,480 thousand under "Impairment and gains/(losses) on disposal of financial instruments" in the 2022 statement of profit or loss.

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c) Trading portfolio and other

The change in the fair value of financial instruments, of €4,136 thousand, related to the remeasurement by an independent expert on 31 December 2022 of the value of the Class A and Class C Convertible Bonds, which resulted in income of €1,466 thousand and €2,670 thousand, respectively (Note 16).

d) Exchange differences

Net exchange differences for the year were affected mainly by fluctuations in the currencies in which the Company operates, primarily the US dollar, the United Arab Emirates dirham and the Algerian dinar against the euro caused by the global geopolitical situation.

22. Cash flows from operating activities

	€ thousand	
	2022	2021
Profit/(loss) for the year before tax	6,486	21,026
Adjustments for:		
- Amortisation and depreciation (Notes 6, 7 and 8)	2,886	2,865
- Valuation allowances for impairment losses	(559)	12,519
- Changes in provisions	5,213	(8,621)
- Finance income (Note 21)	(6,749)	(3,049)
- Finance costs (note 21)	4,738	4,002
- Finance income net of restructuring	(4,136)	(37,037)
- Other income and expenses	-	-
	<u>(10,978)</u>	<u>(29,418)</u>
Working capital changes:		
- Inventories	708	(297)
- Trade and other receivables	(6,528)	7,826
- Other financial assets		
- Other current assets	167	(3,686)
- Trade and other payables	(30,467)	(14,881)
- Other financial liabilities	-	-
- Other current liabilities	-	(3,123)
- Other non-current assets and liabilities	-	(13,006)
	<u>(36,120)</u>	<u>(27,167)</u>
Other cash flows from operating activities:		
-Interest paid	(3,433)	(6,857)
-Interest received	5,888	(498)
-Other amounts paid (received)	-	(648)
	<u>2,455</u>	<u>(8,003)</u>
Net cash flows used in operating activities	<u>(37,772)</u>	<u>(43,562)</u>

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23. Cash flows from investing activities

	€ thousand	
	2022	2021
Payments for investments:		
- Group companies and associates	(22,290)	
- Property, plant and equipment and investment property	(118)	(108)
- Other financial assets ^(*)	(3,698)	(339)
	<u>(26,106)</u>	<u>(447)</u>
Proceeds from sale of investments:		
- Group companies, associates and business units	-	4,873
- Property, plant and equipment and investment property	3,000	-
- Other financial assets	9,553	3,808
	<u>12,553</u>	<u>8,681</u>
Net cash flows from/(used in) investing activities	<u>(13,553)</u>	<u>8,234</u>

(*) Deposits made as security for execution of its projects due to the lack of guarantees.

24. Cash flows from financing activities

	€ thousand	
	2022	2021
Proceeds from and payments for financial liability instruments:		
- Issue:	-	126,000
- Redemption and repayment of bank borrowings	(10,000)	(13,089)
- Redemption and repayment with associates	(4,893)	(1,232)
- Redemption and repayment of other borrowings	(988)	(1,309)
	<u>(15,881)</u>	<u>110,370</u>
Net cash flows from/(used in) financing activities	<u>(15,881)</u>	<u>110,370</u>

25. Guarantees, commitments and other contingencies

a) Contingent liabilities

Company management considers that the risks of litigation, arbitration and claims are reasonably covered by the provisions recognised in these financial statements at 31 December 2022, and does not expect any further significant liabilities than those recognised to arise. The main lawsuits, arbitration and claims are as follows:

Lawsuit by the Special Prosecutor

The deadline for investigating the case, which had been extended until July 2022, was again extended until 28 July 2023, without prejudice to any further six-month extensions that the court may agree upon in accordance with the status of the investigation.

It is not possible to determine the probability or extent of the potential consequences, which will depend on the outcome of the criminal proceedings. However, based on an internal investigation conducted and the opinion of our external advisors, the probability of an outcome against the

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Company's interests is considered remote. As at 31 December 2022 and 2021, the Company did not recognise any provision in this connection.

Contingencies and project claims

As is customary in its industry, the Company is involved in certain legal and arbitration disputes as part of the process of completing projects with customers and suppliers in which it may be the plaintiff or defendant, often with counter suits for equally material amounts. At the end of each reporting period, the Company assesses the estimated amounts required to settle liabilities for arbitration and/or current, probable or certain litigation in progress, the exact amount of which cannot yet be fully determined or the date of payment of which is uncertain, as it depends on fulfilment of certain conditions, recognising the related provisions, where necessary, unless they cannot be quantified, in which case they are disclosed. It also assesses those that must be disclosed since they are considered contingent liabilities; i.e. possible obligations arising from past events, and whose existence will be confirmed by the occurrence or non-occurrence of one or more events not wholly within the control of the Company.

An in-depth assessment was performed on project claims, after which provisions were recognised at the amounts considered probable (Note 17). In the opinion of the Company's directors and legal advisors, the potential impact on the Company of the remaining claims would not be material. Therefore, no material liabilities are expected to arise other than those already provisioned that could have a material adverse effect.

The main lawsuits by amount which the Company considers probable or possible that a ruling will be issued for or against the Group as plaintiff or defendant are as follows:

1) Jebel Ali Power Station Project

In June 2022, DEWA requested that its lawsuit against the Company, in which it is claiming 1,082,705,150.80 AED (approximately €275 million), be resumed. On 8 August 2022, the Company filed its statement of defence and its own claim against DEWA, seeking payment of AED 603,886,977.74 (approximately €165 million). Both lawsuits are with the Dubai courts and in a very preliminary stage, so the final outcome is uncertain.

According to the local proceeding, an independent expert committee was appointed to assess the technical aspects being disputed. The expert committee submitted its report to the court on 17 April 2023. The majority opinion grants DF an extension of 309 days as the contract was unduly terminated and excludes application of damages. However, the minority opinion grants an extension of 108 days and argues that DEWA was within its right to legally terminate the contract because of a further delay in the project. DF's right to receive approximately €4.1 million in compensation for unpaid certified work was accepted unanimously. The final report is a recommendation, intended to provide guidance and information to the court in exercising its judicial discretion.

Regarding the lawsuit between DF, DEWA and DIB in the Gijón courts, DIB is claims payment from DF of AED 52,456,104.94, USD 3,399,989.98 and €24,247,877.20, while DF is seeking a ruling (i) that DEWA's realisation of the guarantees for €47.8 million was unlawful, (ii) that DF has no obligation pay any amount, and (iii) that DIB and DEWA reimburse DF for the amounts unduly collected (approximately €8.7 million). The total claim for guarantees is the net of amounts withdrawn by DIB from Duro Felguera's accounts of €39 million plus interest, as appropriate. A preliminary hearing was held, in which the applications submitted by Duro Felguera were accepted for processing, with a trial date set for 20 June 2023. Since as at the reporting date the evidence admitted in the proceedings had not yet been produced, the trial will most likely be postponed.

The Company's directors and its internal and external advisors made the estimate they considered most reasonable taking account of the project's specific circumstances, on the basis of which it considered it necessary to recognise a related provision. Given the status of the proceedings and considering that guarantees have already been realised and collected, it is difficult to make a reliable estimate of the financial outcome for the claims by DEWA. Accordingly, there is uncertainty as to the probability related to the judgement and the final amount that may arise from part of the claim.

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Therefore, the Company maintained the provision recognised in previous periods for this situation, although it has reversed the provision for progress billings receivable for approximately €4 million.

2) Djelfa project

To date, the project is still being executed after it resumed towards the end of 2021 following the signing of a memorandum of understanding with the customer. Therefore, suppliers have joined the project, and withholdings have been released by the customer and have been used to pay project suppliers so that the project can move forward. Since March 2022, the pace of execution was slower than expected because of political tensions between Spain and Algeria, DF and the customer are still negotiating an agreement that would extend the delivery period and end the economic claims for cost overruns in executing the project. Their hope is that a satisfactory result will be achieved soon.

3) Aconcagua Project

Visits were conducted from 23 May to 3 July 2022 in Santiago de Chile. The award, with cross-claims between the parties (DF is claiming USD 30 million from the customer and the customer is seeking a higher amount in the counterclaim, depending on whether bad faith can be proven), was initially expected to be handed down in the first half of 2023. However, at a meeting held on 16 March 2023, the deadline for the award was pushed back to 31 August 2023. The guarantees have expired and the arbitration court has not requested that they be extended.

The Group recognised a receivable of €11.7 million in the consolidated statement of financial position (€8.6 million recognised by the Company), of which €6 million related to the contractual right to a Performance Bonus for complying with the performance tests relating to energy production above the guaranteed amounts (Performance Guarantees) described in the contract, supported by the technical report of an external expert. Another part related to a security bond, which also accrued. The plant has been in operation since 2019 and not had any incidents. However, due to the dispute over the claim filed by the Group, the statement of preliminary acceptance was not obtained.

The directors and internal and external legal advisors consider it highly probable that it will not reverse since their case is based on an independent expert report and, therefore, duly accredited in the case of performance and the remainder for the contract in force between the parties as it relates exclusively to the amount stipulated in the contract.

4) Iernut

Romgaz's Board of Directors, at a meeting held on 29 March 2023, agreed to sign: 1) the settlement or settlement agreement of the original contract signed between Romgaz and the DF/Romelectro consortium and 2) the contract entered into between Romgaz and DF for the completion of works on the Iernut combined cycle plant. These agreements were signed at the end of March and beginning of April.

Effectiveness of the agreements is subject to: i) approval of the transaction by Romgaz shareholders in general meeting, ii) approval by DF's Board of Directors and iii) legal approval of Romelectro's insolvency proceedings. These approvals are expected to be given within 45 days as of 31 March 2023. Work could resume immediately after compliance with the conditions precedent.

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Contingencies involving investees.

In addition, investees were party in the following proceedings:

1) Recope

To date, the Group has two appeals for judicial review under way against Recope. The first seeks Recope's financial liability and/or the financial imbalance caused to the Group by changes in the scope, substantial modifications, delays and distortion of the two contracts (one for the construction of four spheres and the other for three tanks) being carried out by the Group for this customer. It also sought to overturn the administrative acts by which the customer disputed the claims filed by the Group in administrative proceedings at the time. The claim was expanded to declare that the suspension of contract and eviction ordered by RECOPE are illegal, as well as the execution of works included within the scope of the contract. An oral hearing and public trial are scheduled for 6 January 2025.

The second proceeding seeks a statement in a ruling on the right to extend the deadline for contract execution and the right to execute and complete the outstanding works due to delays and, in general, events caused by RECOPE that were not attributable to the Group. It also seeks to declare null and void the contractual termination proceedings brought by RECOPE. Finally, it also seeks a declaration of serious breach of contract and material illegality of RECOPE's conduct for executing work on commissioning one of the tasks by itself before the contract was formally terminated. Oral and public hearings are scheduled for 1 and 5 April 2024.

In relation to the proceedings filed by the Group before the courts of Costa Rica against Recope's dismissal of the claim to restore the economic and financial balance under the Contracts, on 24 November 2021 the Court was notified of the Judicial Expert Opinion.

This expert evidence provides strong support for the position held by the Group, proving that RECOPE failed to honour the terms of the contract, thus causing the Group to incur cost overruns due to overstay on site and additional works, among other issues, all of which produced a significant economic-financial imbalance in the contract that warrants compensation for the Group.

The customer notified the Group that it had initiated an administrative proceeding to terminate the contracts on 27 February 2023 and was seeking €85 million in damages and fines between the two contracts. It also requested realisation of the guarantees. Guarantees in force were provided with a counter-guarantee by a Spanish bank for €12 million. DF filed the pertinent appeals and applications for reversal within the legal deadlines, and requested injunctive relief to prevent enforcement or realisation of the guarantees provided.

In the opinion of the directors and internal and external legal advisors, the proceedings are likely to result in a final administrative ruling of contract termination. However, based on the opinion of its external advisors, the Group considers that there is a high probability that the injunctive relief will be granted, thus rendering without effect the contractual termination and/or realisation of the guarantees, so no risk would arise for the Group.

2) Petacalco/EAN

There are receivables from Greenfield on the Petacalco project in Mexico. Preliminary acceptance was obtained in 2019 and stipulates compliance of the milestone. However, payment requires evidence of payments to subcontractors and the amounts owed, which are detailed in the document at USD 3 million; i.e., the amount recognised in the consolidated statement of financial position. Authorisation for payment is pending because of the lawsuit filed by EAN in which it claims USD 11 million from the Group for cost overruns due to scope modifications. The contract between EAN and Equipamiento, Construcción y Montaje SA de CV (ECM) stipulates that any disputes must be resolved via arbitration. After an internal assessment and taking external advice, the Group considered unjustified the claims for additional work made by EAN due to a lack of contractual support.

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b) Guarantees

At year-end, the Company had directly or indirectly provided the following guarantees, which basically relate to security deposits on sales contracts and loans, and bank guarantees:

	€ thousand	
	2022	2021
Duro Felguera Calderería Pesada, S.A.U.	50,534	50,425
DF Mompresa, S.A.U.	117	117
DF Chile Ltda	2,377	1,995
Núcleo	184	184
Duro Felguera Oil & Gas S.A.U.	103	103
Duro Felguera Energy Storage, S.A.	2,775	322
Duro Felguera Raíl, S.A.U.	162	162
DF Operaciones y Montajes, S.A.U.	5,749	344
Duro Felguera UK	23	23
Epicom	338	331
DFOM Netherland B.V.	115,020	-
	<u>177,382</u>	<u>54,006</u>

In addition, the Company has not received any guarantees other than those received by suppliers as prepayments and to ensure compliance, which are not controlled in detail as the Company understands that they do not imply any risk for the entity.

Bank and other guarantees related to the ordinary course of business relate mostly to guarantees provided by customers in respect of their contractual obligations. There are basically three types of guarantees:

- Advance payment: Customers provide monetary advances at the commencement of projects to meet project costs. Advance payment guarantees back the proper use of the advance payments in the project.
- Performance bonds: Performance bonds guarantee execution of the work contracted by customers.
- Warranty: Warranties ensure the correct operation of the facilities built by the Company during the period covered thereunder.

The guarantees can be enforced by our customers in the event of breach by Duro Felguera of its contractual obligations; i.e. misuse of advances, defects or poor execution of projects, and non-compliance with obligations during the term of the guarantee. Non-compliance events are detailed in the commercial agreements governing the work.

These guarantees are provided by third parties on behalf of Duro Felguera, mainly banks and insurance companies that issue these instruments to customers on behalf of Duro Felguera. When the guarantees are enforced, the related bank or insurance company pays the customer or beneficiary and claims reimbursement of the amounts paid from Duro Felguera.

The probability of occurrence is remote and contingent on the correct performance of the work entrusted to us by our customers. Duro Felguera boasts an excellent reputation and prestige in executing its projects, which is clearly a mitigating factor for the risk of occurrence.

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The Company also had the following commitments at year-end:

	€ thousand	
	2022	2021
Guarantees of sales and execution contracts	229,106	209,570
Other	1,388	320
	<u>230,494</u>	<u>209,891</u>

The Company has also received bonds and other guarantees from third parties for execution of its projects amounting to €12,114 thousand.

c) Commitments

At year-end 2022 and 2021, there were no significant commitments to investment in property, plant and equipment and intangible assets.

26. Temporary joint ventures and branches

The Company has interests with other companies in a number of temporary joint ventures. The amounts of the share in their working capital in these ventures and receivable or payable, along with transactions with the joint ventures, are settled on the basis of the percentage interest held as the items of venture's statement of financial position and statement of profit or loss are proportionately integrated. Excess balances (or shortfalls) with other members of the consortium are retained.

The following table presents the temporary joint ventures at the year-end, the percentage interests and other significant information:

Company	% interest	Location	Activity
UTE DF – TR Barranco II	50%	Gijón	Turnkey supply of the Barranco II combined cycle plant
UTE CTCC Puentes	50%	Gijón	Turnkey supply of the Puentes combined cycle plant
UTE CTCC Barcelona	50%	Madrid	Construction of the Barcelona Port combined cycle
UTE CT Besós	50%	Madrid	Civil works for combined cycle plant
UTE Andasol III	40%	Madrid	Turnkey supply of solar thermal plant
UTE Termocentro	90%	Gijón	Design, supply, construction and commissioning of Termocentro CCTP.
UTE New Chilca	85%	Gijón	Execution of the construction work on the New Chilca combined cycle thermal plant
UTE Empalme	50%	Gijón	Construction of the El Empalme II combined cycle plant
UTE FDB Zeebrugge	10%	Madrid	Execution of work in the EPC engineering project, purchase, supply, construction and commissioning of the enlargement (5th tank) of the LNG terminal in Zeebrugge

The amounts shown represent the Company's interests in the assets and liabilities, and the sales and profits of the joint ventures. The amounts have been included in the statement of financial position, the statement of profit or loss, the statement of cash flows and the statement of changes in equity.

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	€ thousand	
	2022	2021
Assets:		
Non-current assets	-	-
Current assets	64,753	63,132
	<u>64,753</u>	<u>63,132</u>
Liabilities:		
Non-current liabilities	-	-
Current liabilities	(123,404)	(123,912)
	<u>(123,404)</u>	<u>(123,912)</u>
Net assets	<u>(58,651)</u>	<u>(60,780)</u>
Revenue	2,805	3,090
Expenses	(675)	(387)
Profit/(loss) after tax	<u>2,130</u>	<u>2,703</u>

27. Director and senior management remuneration

a) Board of Directors

The breakdown of the remuneration accrued by members of the Company's Board of Directors for their membership of the Board of Directors, by item, in 2022 and 2021 is as follows:

Remuneration item:	€ thousand	
	2022	2021
Remuneration for membership of the board and/or board committees	429	366
Salaries	435	412
Other	29	6
	<u>893</u>	<u>784</u>

Directors did not receive any other benefits.

In 2021, José Jaime Argüelles Álvarez was appointed Chief Executive Officer, César Hernández Blanco and María Jesús Álvarez González were appointed as independent directors and José María Orihuela Uzal stepped down as Chief Executive Officer.

It should be noted that the Company, following the signing on 31 March 2021 of the Management Agreements with the Spanish Solvency Support Fund for Strategic Companies (FASEE), is subject to Article 6.1. f) of Order PCM/679/2020, of 23 July, publishing the Resolution of the Council of Ministers of 21 July 2020, on the terms of reference of the Solvency Support Fund for Strategic Companies (Official State Gazette of 24 July 2020). The article states that until such time as 75% of the Financial Support granted through equity instruments or through hybrid equity instruments is repaid, the remuneration of the members of the board of directors, of the administrators, or of those holding supreme corporate responsibility at the Beneficiaries, may not exceed the fixed part of their remuneration in force at the close of the 2019 financial year.

The remuneration pertaining to the directors appointed by the FASEE is integrated into the Public Treasury, in accordance with Article 2.3 of Royal Decree-Law 25/2020 of 3 July, on urgent measures to support economic reactivation and employment.

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There are no contractual obligations of any kind with current and/or former directors.

The Company paid €467 thousand on a director liability insurance policy in 2022.

b) Senior management

For the purpose of preparing this financial information, senior management includes all employees sitting on the Management Committee over the reference period. Executives are considered to be individuals at the Group who effectively or legally discharge senior management duties under the direct supervision of the Group's management body or executive committees, or its chief executive officers.

The breakdown of the remuneration accrued by members of senior management, excluding members of the Board of Directors, in 2022 and 2021 is as follows:

	2022	2021
Total remuneration paid to senior executives (€ thousand)	2,112	958
No. of senior executives at 31 December	7	5
Average remuneration (€ thousand)	232	192

This amount includes €1,109 thousand (2021: €0) received by six individuals who are no longer members of senior management since they had left the Company as at the date of authorisation for issue of these financial statements.

Remuneration accrued in 2022 by senior management included, in addition to salaries and wages, other in-kind remuneration amounting to €18 thousand and termination benefits of €37.5 thousand. The average number of senior managers in 2022 was nine.

c) Article 229 of the Corporate Enterprises Act: notification by directors of stakes held in companies with the same, analogous or similar corporate purpose, and the positions and duties they perform therein, and conflicts of interest:

In compliance with their duty to avoid conflicts of interest with the Company, during the year directors who held positions on the Board of Directors complied with the obligations provided in article 228 of the Consolidated Text of the Spanish Corporate Enterprises Act. In addition, both they and their affiliates refrained from the situations implying conflict of interest set out in article 229 of said Law, except in cases in which the relevant authorisation was obtained.

This information relates to the activities of the directors with respect to Duro Felguera, S.A. and its subsidiaries.



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28. Other related party transactions

a) Transactions and balances with group companies, associates and related parties

Transactions carried out during the year with Group companies and associates (direct or indirect investees) and year-end balances are as follows:

2022	€ thousand								
	Transactions				Debit/(credit) balances				
	Revenue and other operating income	Supplies and other operating expenses	Finance income	Finance costs	Loans to Group companies	Trade receivables and other financial assets	Payables to group companies	Suppliers, group companies	Dividends received
GROUP COMPANIES									
a) <u>Direct interest:</u>									
Duro Felguera Energy Storage, S.A.	344	(496)	-	-	-	63	(576)	(116)	-
Duro Felguera Operaciones y Montajes, S.A.U.	2,310	(896)	-	-	-	431	(3,350)	(825)	-
Duro Felguera Investment, S.A.U.	-	-	-	-	-	-	(80)	-	-
DF Mompresa, S.A.U.	688	(348)	-	-	-	132	(2,348)	(159)	-
Duro Felguera Oil&Gas, S.A.U.	287	-	-	-	-	-	(3,675)	-	-
Equipamientos, Construcciones y Montaje, S.A. de CV	-	-	-	(364)	-	5,111	(11,670)	-	-
Proyectos e Ingeniería Pycor, S.A. de C.V.	148	(451)	-	-	-	499	-	(62)	-
Epicom, S.A.U.	-	-	-	-	-	-	-	-	-
Duro Felguera Argentina	-	-	3,977	-	15,728	46,556	-	(16,654)	-
Duro Felguera do Brasil	-	-	282	-	2,414	969	-	-	-
Duro Felguera Indonesia	-	-	-	-	-	989	-	-	-
Felguera Grúas India Private Limited	-	-	-	-	-	3,893	-	-	-
Turbogeneradores de Perú	-	-	37	-	788	91	-	-	-
Felguera Tecnologías de la Información, S.A.	53	-	-	-	-	120	(367)	-	-
Dfom Biomasa Huelva	1	-	-	-	-	131	52	-	-
DF Canada Ltd	-	-	-	-	-	469	-	-	-
DFom Netherland	756	-	-	-	-	201	(984)	-	-
Duro Felguera Intelligent Systems, S.A.U.	-	-	-	-	-	38	(4)	-	-
Other group companies	6	-	-	-	719	4,373	(164)	-	-
	<u>4,593</u>	<u>(2,191)</u>	<u>4,296</u>	<u>(364)</u>	<u>19,649</u>	<u>64,065</u>	<u>(23,166)</u>	<u>(17,816)</u>	<u>-</u>



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	€ thousand								
	Transactions				Debit/(credit) balances				
	Revenue and other operating income	Supplies and other operating expenses	Finance income	Finance costs	Loans to Group companies	Trade receivables and other financial assets	Other payables to group companies	Suppliers, group companies	Dividends received
b) <u>Indirect interest:</u>									
Duro Felguera Green Tech, S.A.U.	174	-	-	-	-	206	(4,669)	-	-
Duro Felguera Calderería Pesada, S.A.U.	856	(28)	-	-	-	8,965	(1,283)	-	-
Duro Felguera Chile Ltda	-	-	720	-	17,232	5,061	-	-	-
Turbogeneradores de Venezuela C.A.	-	-	-	-	2,218	396	-	-	-
	<u>1,030</u>	<u>(28)</u>	<u>720</u>	<u>-</u>	<u>19,450</u>	<u>14,628</u>	<u>(5,952)</u>	<u>-</u>	<u>-</u>
ASSOCIATES:									
Zoreda Internacional S.A.	-	-	-	-	-	-	-	-	-
Dunor Energía	1,137	-	-	-	6,728	8,999	158	-	-
	<u>1,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,728</u>	<u>8,999</u>	<u>158</u>	<u>-</u>	<u>-</u>
TOTAL	<u>6,760</u>	<u>(2,219)</u>	<u>5,016</u>	<u>(364)</u>	<u>45,827</u>	<u>87,692</u>	<u>(28,960)</u>	<u>(17,816)</u>	<u>-</u>



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(€ thousand)

2021	€ thousand								
	Transactions				Debit/(credit) balances				
	Revenue and other operating income	Supplies and other operating expenses	Finance income	Finance costs	Loans to Group companies	Trade receivables and other financial assets	Payables to group companies	Suppliers, group companies	Dividends received
GROUP COMPANIES									
a) <u>Direct interest:</u>									
Duro Felguera Energy Storage, S.A.	356	(47)	-	-	-	-	(4,555)	(161)	-
Duro Felguera Operaciones y Montajes, S.A.U.	2,606	(2,806)	-	-	-	-	(2,301)	(618)	-
Duro Felguera Investment, S.A.U.	-	-	-	-	-	-	-	-	-
DF Mompresa, S.A.U.	930	(124)	-	-	-	23	(6,809)	(259)	-
DF Australia Pty Lda	-	-	-	-	-	-	-	-	-
Duro Felguera Oil&Gas, S.A.U.	284	-	-	-	-	-	(2,719)	-	-
Equipamientos, Construcciones y Montaje, S.A. de CV	-	-	-	-	-	-	(11,189)	-	-
Proyectos e Ingeniería Pycor, S.A. de C.V.	90	(495)	-	-	-	296	-	(41)	-
Duro Felguera Argentina	-	-	2,363	-	14,546	36,975	-	(16,654)	-
Duro Felguera do Brasil	-	-	219	-	1,937	687	-	-	-
Duro Felguera Indonesia	-	-	-	-	-	942	-	-	-
Felguera Grúas India Private Limited	-	-	-	-	-	3,819	-	-	-
Turbogeneradores de Perú	-	-	25	-	600	51	-	-	-
Felguera Tecnologías de la Información, S.A.	46	-	-	-	-	-	(367)	-	-
Dfom Biomasa	24	-	-	-	-	253	47	-	-
Duro Felguera Intelligent Systems, S.A.U.	-	-	-	-	-	3	-	-	-
DF Canada Ltd	-	-	-	(641)	-	317	-	-	-
Other group companies	-	-	-	-	672	4,556	(1,020)	-	-
	<u>4,336</u>	<u>(3,472)</u>	<u>2,607</u>	<u>(641)</u>	<u>17,755</u>	<u>47,922</u>	<u>(28,913)</u>	<u>(17,733)</u>	<u>-</u>



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(€ thousand)

€ thousand								
Transactions				Debit/(credit) balances				
Revenue and other operating income	Supplies and other operating expenses	Finance income	Finance costs	Loans to Group companies	Trade receivables and other financial assets	Other payables to group companies	Suppliers, group companies	Dividends received
b) <u>Indirect interest:</u>								
Duro Felguera Green Tech, S.A.U.	-	-	-	-	-	(4,672)	-	-
Duro Felguera Calderería Pesada, S.A.U.	875	-	-	-	5,659	-	-	-
Duro Felguera Chile, Ltda	-	424	-	15,946	4,101	-	-	-
Turbogeneradores de Venezuela C.A.	-	-	-	1,972	640	(251)	-	-
875	-	424	-	17,918	10,400	(4,923)	-	-
ASSOCIATES:								
Zoreda Internacional S.A.	-	-	-	-	-	-	-	-
Dunor Energía	349	-	-	6,335	4,910	(17)	-	-
349	-	-	-	6,335	4,910	(17)	-	-
TOTAL	5,560	(3,472)	3,031	(641)	42,008	63,233	(33,853)	(17,733)



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The balances and transactions included in the above tables relate mainly to:

- Trade receivables and payables between Duro Felguera, S.A. and Group, which have usual market payment periods, are not insured and do not bear any interest.
- Current accounts, credit facilities and loans granted to and received from certain Group companies, which bear interest at market rates.

At 31 December 2022 and 2021, no dividends or other benefits were paid to significant shareholders (Note 14).

29. Environmental disclosures

The Company has taken appropriate action to protect and improve the environment, and minimise, where appropriate, any environmental impacts, in accordance with the law.

30. Audit fees

In 2022 and 2021, the amounts payable to the Company's auditor, Deloitte, S.L., or to any company belonging to the same network in accordance with applicable law and regulations governing the auditing of accounts, were as follows:

- 2022 (€ thousand)

Description	Fees payable to the principal auditor or companies belonging to its network
Audit services	186
Non-audit services	70
Services required by applicable law and regulations	38
Other assurance services	17
Tax services	13
Other services	2
Total professional services	256

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- 2021 (€ thousand)

Description	Fees payable to the principal auditor or companies belonging to its network
Audit services	189
Non-audit services	75
Services required by applicable law and regulations	67
Other assurance services	6
Tax services	-
Other services	2
Total professional services	264

31. Events after the reporting period

The following significant events occurred between 31 December 2022 and the date of authorisation for issue of these financial statements:

- On 21 February 2023, Duro Felguera Group disclosed to the Spanish National Securities Market Commission (CNMV) the signing of a memorandum of understanding (“MOU”) with Grupo Promotor de Desarrollo e Infraestructura, S.A. de C.V. (“Grupo Prodi”) and Mota-Engil México, S.A.P.I. de C.V. (“Mota-Engil México”). The objective of the MOU is to provide funds to Duro Felguera and bring in new industrial partners to Duro Felguera’s shareholder structure with the specific purpose of ensuring Duro Felguera’s long-term viability and sustainable growth. Approval of the MOU, once the legal and contractual conditions to which the transaction is subject are met, will mark a step forward in the search for an industrial partner, as stipulated in the agreement entered into with the Solvency Support Fund for Strategic Companies (“FASEE”), approved on 9 March 2021 and ratified on 23 November 2021, and which, after a thorough and rigorous process spearheaded by Duro Felguera’s Board of Directors, was articulated in the binding MOU.

The MOU includes a commitment by Grupo Prodi and Mota-Engil México to provide financial resources to Duro Felguera and strengthen its liquidity, in a transaction designed to ensure Duro Felguera’s financial recovery and its sustainable growth. Grupo Prodi and Mota-Engil Mexico intend to become long-term industrial partners of Duro Felguera, acting in concert through a syndication agreement in which, in the event of failure to reach an agreement, decisions will be taken by Grupo Prodi. Both also expressly undertake to retain their shareholding in the Company for at least four years and both have stated that their current plans are to keep it indefinitely.

Under the MOU, Grupo Prodi and Mota-Engil México undertake a joint commitment to provide two loans to the Company for a total of €90 million (the “Loans”), broken down as follows: A loan of €40 million from Mota-Engil México and a loan of €50 million from Grupo Prodi. The loans will be disbursed in full prior to the application for a waiver on the obligation to launch a takeover bid, as stipulated in article 8 d) of Royal Decree 1066/2007, of 27 July, on the rules governing takeover bids, and used exclusively to execute Duro Felguera’s business plan.

Duro Felguera will repay the loans through a €90 million capital increase, which includes a debt-to-equity swap. This requires approval by the General Meeting. The capital increase will be divided into two agreements, both with the same issue price for the new shares:



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- a. a first, with cash contributions and pre-emptive subscription rights in favour of current shareholders, for up to €40 million, with the proceeds earmarked specifically for reimbursement of the €40 million loan granted by Mota-Engil México.

Pre-emptive subscription rights will be granted with a single round exclusively to Duro Felguera shareholders (and to those acquiring subscription rights on the market) and during the period legally established for this purpose.

- b. a second agreement, of up to €90 million plus interest accrued on the loans whereby a debt-to-equity swap will be carried out at maturity (first by Grupo Prodi for its €50 million loan and second by Mota-Engil México).

The debt-to-equity swap of the Mota-Engil México loan will be for an amount equal to the difference between the amount of the Mota-Engil México loan and the interest accrued less the amount subscribed for by Duro Felguera shareholders in the first capital increase agreement.

Taking an average share price of €0.7661, calculated as explained below, Grupo Prodi would acquire 31% of Duro Felguera's post-capital increase voting rights, while Mota-Engil México could acquire up to 24%, depending on subscription by current shareholders in the first agreement. Accordingly, Grupo Prodi and Mota-Engil México could acquire up to a maximum of 55% of the voting rights after the capital increase, with the two companies acting in concert through a syndication agreement.

Grupo Prodi, individually or together with Mota-Engil México, intends to submit an application to the CNMV for a waiver on the obligation to launch a takeover bid in accordance with the requirements outlined in article 8, d) of Royal Decree 1066/2007, as it understands that the circumstances provided for are met. A prior consultation was made to the CNMV regarding the requirements that the commission would impose. The aim was to anticipate and ensure that the company or companies would be in a position to comply without any incidents that could delay approval.

The debt-to-equity swap of the loans would only be carried out if this waiver were granted. Once the required authorisations, as explained below, are secured and the CNMV grants the waiver from the obligation to launch a takeover bid for Duro Felguera, subscription of a total capital increase by Duro Felguera for €90 million plus accrued interest will be guaranteed. If the debt-to-equity swap for the loans is not carried out, Duro Felguera will have to repay the respective loans to Grupo Prodi and Mota-Engil México.

The issue price of the new shares, which is the same for the two capital increase resolutions, was determined by reference to Company's average share price in the three months prior to the market close at the date immediately before the disclosure, i.e., €0.7661 per share (subject to final validation by the independent expert to make the procedure as objective as possible).

- On 22 February 2023, Duro Felguera's Board of Directors resolved to extend the deadline for SEPI to exercise its call option on the Company's 60% equity interest in Epicom, S.A. until 31 December 2023.
- At its meeting of 7 March 2023, the Board of Directors resolved to call an Extraordinary General Shareholders' Meeting of the Company to be held on 12 April 2023 at 12:00p.m. on first call and on second call on 13 April 2023 at the same time, with the following agenda:
 - o Approval of a share capital increase for a cash amount (par value plus share premium) of €39,837,200 through the issuance and circulation of 52,000,000 new ordinary shares of €0.05 par value each, plus a share premium of €0.7161, with an issue price of €0.7661 per share charged to cash contributions, and recognition of

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- shareholders' pre-emptive subscription rights, with proceeds going to repay the company's debt with Mota-Engil México, S.A.P.I. de C.V.
- o Approval of a share capital increase for a cash amount (par value plus share premium) of up to €90,000,000 plus, if applicable, interest accrued up to the date of execution of this capital increase, through the issuance and circulation of up to 117,478,135 new ordinary shares plus, if applicable, any shares necessary for capitalisation of accrued interest payable, of €0.05 par value each plus a share premium of €0.7161; i.e., an issue price of €0.7661 per share. The capital increase will be carried out through a debt-to-equity swap arising from the loan agreements entered into by the company for €90 million. The full amount of the loan granted by Grupo Promotor de Desarrollo e Infraestructura, S.A. de C.V. and the amount of the loan agreement entered into with Mota-Engil México, S.A.P.I. de C.V. not repaid with proceeds from the first capital increase included in agenda item 1 will be converted into equity.
 - o Ratification of the appointment of María Jesús Álvarez González as director.
 - o Delegation of powers, with express powers of substitution, to implement, notarise and place on file the previous resolutions with the Companies Register.
- On 23 March 2023, the Company disclosed to the market an overview of the transaction and the main lines of initiative of the Company's business plan, along with the plans for the two capital increases to add two new industrial partners to its shareholder body. The transaction, as designed, marks a move from a stage of viability to one of growth and expansion, which will be extremely beneficial to Duro Felguera's shareholders, stakeholders and employees by:
- o Strengthening the Company's financial position.
 - o Respecting minority shareholders' subscription rights.
 - o Injecting €90 million of capital.
 - o Bringing in renowned industrial shareholders.
 - o Providing stability to the Company's shareholder body.
 - o Enhancing the Company's image.
- On 5 April 2023, the Company announced that Spain's Council of Ministers had authorised the update of Duro Felguera Group's business plan after it received in 2021 €120 million of temporary financial assistance under the Solvency Support Fund for Strategic Companies (FASEE).
- This formal authorisation is part of the process for bringing in the industrial partners. The addition of the investors was a commitment undertaken by the Company with FASEE after receiving public aid.
- On 13 April 2023, at second call, DURO FELGUERA, S.A. held an Extraordinary General Shareholders' Meeting, with quorum exceeding 32% of share capital, at which qualified majorities of over 98% approved the four items on the Agenda:
- 1.1. It approved the share capital increase through the issuance of 52,000,000 new shares of €0.05 par value and €0.7161 share premium each, with an issue price of €0.7661 with cash contributions and recognition of subscription rights, with proceeds going to repay the credit held by Mota-Engil Mexico, and delegating power in the Board of Directors to execute the resolutions.
- 1.2. It approved a second share capital increase up to €90,000,000, plus interest, through the issuance of up to 117,478,135 new shares at the same issue price of €0.7661 through a debt-to-equity swap arising from the loan contracts entered into with Grupo Promotor de Desarrollo e Infraestructura (Prodi) and Mota-Engil Mexico that had not been reimbursed with the proceeds from the first capital increase, delegating power to execute this resolution in the Board of Directors.



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1.3. María Jesús Álvarez González's appointment as external director was ratified.

1.4. The power to execute the resolutions was delegated in the Chairwoman and the Secretary.

- On 27 April 2023, the loans agreed in the MOU were notarised. They set out terms for repayment, including standard terms such as authorisation of foreign investment, authorisation of the transaction by Spain's competition authority (CNMC), authorisation of the debt and change of control by financial institutions, FASEE and SRP, and approval of modifications to the governance and management agreements by FASEE.

At the date of reissue of these financial statements, the Group and investors are making progress in securing and applying for the various authorisations required to comply with the terms for disbursement by the syndicate and the investment terms (requirements to obtain the waiver on the obligation to launch a takeover bid) so that the financing transaction and subsequent debt-to-equity swap can be completed in 2023 within a period of six months. The directors are confident that the transaction will be completed successfully and that the funds will be disbursed imminently, in May 2023.

Completion of the transaction under the terms envisaged in the Company's roadmap requires authorisation for the waiver on the obligation to launch a takeover bid by the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores or CNMV), as provided for in Royal Decree 1066/2007 on the rules governing takeover bids. Once the waiver is obtained and the remaining legal requirements are met, the capital increase will be carried out. Authorisation is expected to be given since the Company meets the requirements outlined in article 8 d) of Royal Decree 1066/2007, of 27 July, on the rules governing takeover bids, after justifying that:

- (i) Duro Felguera, S.A.'s financial viability is in serious and imminent danger; and
 - (ii) the capital increase (particularly the debt-to-equity swap) is designed to ensure the Company's long-term financial recovery.
- Main changes relative to the figures considered in the annual financial statements authorised for issue on 28 February 2023:
 - Decrease in revenue of €5.8 million due to the modification of the Iernut project contract described in Note 2.1.1 to the extent that the contracts signed have conditions precedent which, although they are expected to be complied with over the coming weeks, had not been as at the date of authorisation for issue of these annual financial statements.
 - Remeasurement of certain provisions for impairment of trade receivables and provisions for risks and liabilities, which resulted in the reversal of provisions for amounts of €4.1 million and €2 million, respectively, based on developments in the proceedings described in Note 25.

32. Additional note for English translation

These financial statements are presented on the basis of accounting principles generally accepted in Spain. Consequently, certain accounting practices applied by the Company may not conform with generally accepted principles in other countries.

This version is a translation from the original, which is prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. In the event of a discrepancy, the Spanish language version prevails



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CORPORATE INFORMATION

GENERAL PERFORMANCE

To illustrate the Company's recent performance, the following table shows the Company's main financial indicators at 31 December 2022 and 2021:

	€ thousand	
	2022	2021
Revenue	35,944	25,752
EBITDA ⁽³⁾	18,706	326
Profit/(loss) before tax	6,486	21,026
Order intake ⁽²⁾	206,301	2,275
Order backlog ⁽¹⁾	317,708	174,027

- (1) Order backlog: defined as volume of orders received that will probably be recognised under "Revenue" in the statement of profit or loss. An order is considered to be part of the backlog only when the Group is certain that it will be fulfilled.
(2) Order intake: Volume of orders received during the period for which the Group has no doubt that they will be fulfilled.
(3) EBITDA is defined as Operating profit/(loss) in the statement of profit or loss minus "Amortisation and depreciation" and "Impairment of property, plant and equipment" and plus exchange differences arising on operational transactions.

At the beginning of 2022, the Group unveiled a new organisation aimed at jump-starting activity. It is customer-centric, targets profitability and continuous improvement and is designed to deliver the viability plan approved by the Solvency Support Fund for Strategic Companies ("FASEE").

This new structure centres on five business lines (Conventional Energy, Industrial Plants, Services, Renewable Energies and Smart Systems), thus enhancing the Company's expertise and project orientation in both traditional and innovative businesses, such as renewable energies, energy storage, hydrogen and smart systems. The Industrial Plants business line includes Mining & Handling, Oil & Gas, Heavy Boiler-making and projects at industrial complexes. The Services business line performs various services related to the specialised assembly, commissioning, and operation and maintenance of energy and industrial facilities. Focusing on "green" energy and digital intelligence, the Group has a renewable energy division and a business line designed to offer an enhanced comprehensive range of artificial intelligence (AI) products and services.

In tandem with the change in the Group's organisation, war broke out in March 2022 between Russia and Ukraine, which had immediate impacts on the world's economy by causing energy prices to soar on the back of rising oil and gas prices. Russia is the world's second largest producer of crude oil, supplying roughly a quarter of oil consumed in Europe.

The situation with gas is similar, as Russia is also the world's second largest gas producer, behind the US, and owns the largest gas reserves. The EU relies heavily on Russian gas, which accounts for 45% of its gas purchases and 40% of its gas consumption. Russian gas cannot be easily replaced since 80% of imports are via pipeline and because the world's surplus capacity is limited.

Against this backdrop, the world economy faced a scenario of high inflation and rising interest rates, which led to increases in energy prices and consolidated inflation expectations, triggering disruptions in supply chains, pushing up commodity and raw material prices, and fostering uncertainty regarding agreements with suppliers and, as response by central banks, higher interest rates to keep inflation from rising further.

Widespread industrial supply chain disruptions were exacerbated by the economic sanctions imposed on Russia, with rising commodity prices pushing up prices in the supply chain. The biggest threat to the economy is a slowdown or halt to the global post-Covid economic recovery due to persistent inflation.



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Therefore, during much of the year, Duro Felguera's activity was affected by the economic tensions generated, affecting its sectors of operations, causing geopolitical uncertainty and delaying decision-making over large industrial projects.

The Company saw order intake delayed during the year, although the trend improved considerably over the last few months of 2022. The delay in order intake caused by the war in Ukraine resulted in projects beginning to take longer to reach a level of progress, giving rise to a shift in timing of revenue, profit and cash generation. This trend also changed considerably towards the end of 2022, with order intake gathering momentum and enhancing the outlook for the backlog considerably.

As for the performance of projects already in the pipeline, after the 1,500 MW power project in Djelfa (Algeria) resumed in 2021, under the terms of a framework agreement signed with the customer, the outlook is positive for the project being successfully completed despite the slower-than-expected pace of execution. Elsewhere, negotiations with the customer in the Iernut (Romania) project concluded in the first quarter 2023 after signing an agreement to resume and complete the 430 MW energy project, including recovery of the escrow account.

Revenue amounted to €36 million, up 40% from 2021.

EBITDA totalled €18.7 million, compared to a €0.3 million in 2021. A structural cost reduction plan was deployed in 2022 and there are specific targets for further reductions in 2023, with work already in progress.

The search for a private investor was completed in early 2023 with the public announcement that a binding memorandum of understanding ("MOU") had been signed on 21 February 2023 between Grupo Promotor de Desarrollo e Infraestructura, S.A. de C.V. ("Grupo Prodi"), Mota-Engil México, S.A.P.I. de C.V. ("Mota-Engil México") and Duro Felguera.

With the approval of the MOU, once the legal and contractual terms and conditions to which the transaction is subject are met, will mark the successful achievement of a key milestone in the roadmap initiated three years ago by the new Board of Directors to implement a definitive solution for Duro Felguera. The Company continues to execute its viability plan successfully and with the MOU the Board of Directors has managed to achieve the following objectives and commitments, as ratified by the General Meeting:

- Bring in two industrial partners, who will not only provide the necessary resources for Duro Felguera to carry out its operations normally and permanently overcome the extraordinary circumstances of the current crisis, but will also imply stability in the make-up of the shareholder body as industrial partners. This will open up opportunities for new industrial projects and contribute synergies for business expansion and Duro Felguera's growth internationally. Accordingly, the Company will have a strong and sound position in the market and become one of the leading operators in the sector.

The search for an industrial partner was part of the agreement entered into with the Solvency Support Fund for Strategic Companies ("FASEE"), approved on 9 March 2021 and ratified on 23 November 2021, and which, after a thorough and rigorous process spearheaded by Duro Felguera's Board of Directors, was articulated in the binding MOU.

- To protect current shareholders, who have stayed with the Company despite the adverse circumstances it has faced and which, thanks to this transaction, will be overcome, while at the same time creating value for their shares by generating solid and sound expectations for the future. The proposed structure of the transaction respects shareholders' pre-emptive subscription rights, enabling them to participate in the Company's recovery and growth by exercising these rights.

The Board of Directors expects the addition of industrial partners to its shareholder body to clearly benefit the Company and, in turn, all its shareholders.

The transaction, as described in Note 31, is designed to ensure Duro Felguera's long-term financial recovery. This will provide a significant boost to the Company and shore up a viability project in



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which the contribution of Duro Felguera's people, through their resilience and engagement, has been crucial. Duro Felguera boasts the capacity and expertise required to be competitive in each country or project in which it takes part, as long as it has an adequate and solid financial structure that enables it to win new contracts. Grupo Prodi's and Mota-Engil Mexico's stake in Duro Felguera will provide the necessary conditions to achieve this objective. As industrial partners, they will generate commercial and technical synergies for Duro Felguera to make its activity more efficient, create greater value for shareholders, and improve and speed up the Company's forecast recovery and growth.

Meanwhile, Group management is still looking at a variety of financial options to strengthen its financial position, which it expects will materialise over the coming months.

Order intake during the year amounted to €206.3 million, compared to €2.3 million the year before. The order backlog at the end of the year stood at €317.7 million, of which 99.7% related to international projects.

At 31 December 2022, the Company' gross financial debt, including the amount of public financial support from FASEE and the Principality of Asturias, amounted to €140.6 million. Cash at 31 December 2022 stood at €17.4 million, leaving net financial debt of €123.2 million.

Average headcount for the Company went from 344 employees at 31 December 2021 to 393 employees at 31 December 2022.

In 2022, the Company took the necessary steps to carry out a workforce reduction plan to adapt its resources to its current levels of activity. On 9 November 2022, the Group reached an agreement with employees' legal representatives. Then, on 23 November 2022, it filed, with the Spanish labour authorities, after approval by the Company's board of directors, the decision to implement a collective redundancy plan for objective economic, productive and organisational purposes and begin the gradual termination of employment contracts, over a period of up to 18 months. The economic terms of the plan agreed upon include termination benefits for local posts amounting to 28 days' of salary per year worked, up to a limit of 15 months' of salary, unemployment compensation for dismissals planned after 1 January 2023 and affected by an employee furlough scheme, the cost of the agreement with Social Security for employees over 55 years old with coverage until they reach 63 years of age, and an external outplacement plan. The plan agreed, by majority of those involved in the negotiation, affects up to 180 jobs. As at the end of 2022, a total of 41 jobs had been terminated through voluntary departures and dismissals under the plan, resulting in an expense of €1,178 thousand. The remaining departures will occur at different times over a period of 18 months. A provision of €1,556 thousand was recognised in profit or loss for 2022 for severance and obligations arising from the termination of jobs until the plan is concluded amount is based on the most likely estimate as at the date of authorisation for issue of these financial statements.

From an equity standpoint, the parent company did not fall within any of the grounds for dissolution at 31 December 2022, despite having negative equity of €143,906 thousand:

Firstly, because profit participating loans are treated as equity for company law purposes with respect to capital reductions and liquidations. As at 31 December 2022, the amount of all profit participating loans agreed under the refinancing agreement was €113 million (€100 million with FASEE and €13 million with banks). Not included are the €6 million related to the loan from la Sociedad Regional de Promoción del Principado de Asturias ("SRP") since novation of the agreement could not be completed by the date of preparation of these financial statements.

Secondly, according to RDL 20/2022 of 27 December 2022 on measures to address the economic and social consequences of the war in Ukraine and to support the reconstruction of the island of La Palma and other situations of vulnerability, it was stipulated that for the sole purpose of determining causes for dissolution provided for in article 363.1.e) of the consolidated text of the Spanish Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July, losses reported in 2020 and 2021 and until the end of the reporting period beginning in 2024, shall not be taken into consideration. If, excluding losses in 2020 and 2021 as explained above, the result for the 2022,



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2023 or 2024 financial year shows losses that reduce the net assets to less than half the share capital, the directors must hold a meeting or any shareholder may request a meeting within two months of the end of the financial year in accordance with article 365 of the aforementioned law, in order to proceed with the dissolution of the company, unless the capital is increased or reduced to a sufficient extent.

Considering the above profit participating loans arranged by the Group and without counting the loss of €171,172 thousand reported in 2020, as allowed under RDL 20/2022, the parent company's equity for company law purposes amounts to €140,266 thousand, as shown in the following table:

(€ thousand)	
Equity of the parent company at 31 December 2022	(143,906)
Profit participating loan, FASEE	100,000
Profit participating loan, banks	13,000
Loss in 2020 attributable to the parent	171,172
Equity of the parent for company law purposes at 31 December 2022 (*)	140,266

(*) This amount could increase by €6,000 thousand for the €6,000 thousand loan from SRP when the novation of the loan agreement is signed.

Corporate governance and organisational structure

In January 2022, the Group announced a new corporate structure focusing on five business lines (Conventional Energy, Industrial Plants, Services, Renewable Energies and Smart Systems), thus enhancing the Company's expertise and project orientation in both traditional and innovative businesses, such as renewable energies, energy storage, hydrogen and smart systems.

BUSINESS OUTLOOK

The events occurring in 2022 make us relatively upbeat for 2023 due to the reactivation of the world economy post-Covid, high levels of market liquidity and the support of European and international funds, notably including the Plan REpowerEU and Next Generation EU funds, and the US Nearshoring programme, acting as a catalyst for the execution of industrial projects in many countries.

Meanwhile, the war in Ukraine accelerated the adoption of measures to reduce the consumption of gas and other fossil fuels, making it likely we will see additional investments to replace the dependence on energy and raw materials from Russia.

As a result, Duro Felguera's vision of the future is the same, focused on:

- Strengthening the core businesses of Duro Felguera, which have been historically profitable and stable.
- Stepping up activity in the renewable energy, energy storage and digitalisation sectors, aligned with the energy transition and ongoing digital transformation.
- Increasing business segments' operating profitability, margins and EBITDA through sustainable growth in sales.



DURO FELGUERA, S.A.

NOTES TO THE 2022 FINANCIAL STATEMENTS (€ thousand)

To shore up its conventional businesses, the Group has a highly experienced and knowledgeable team and excellent customer references across the various lines; i.e., Conventional Energy, Industrial Plants (Industrial Complexes, Mining & Handling, Oil & Gas and Manufacturing) and Services.

As for driving the renewable energies business and digitalisation, the growth of the renewable energy sector opens up an opportunity for Duro Felguera. There is an urgent need for energy that does not run out and, above all, for a firm commitment to sustainability and climate change, and new "green" energy sources are viewed as the short- and long-term solution to this.

For Duro Felguera it is an opportunity for growth, as the renewable energy market is thriving and the outlook for the next few years is promising. The objective in this business segment is to become a relevant yet selective company, successfully combining development, integration, construction and operation with recurring business in the renewable energy sector in Spain, Latin America and other parts of the world.

MAIN RISKS AND UNCERTAINTIES

a) Market risk

(i) Foreign currency risk

The Company operates internationally and is exposed to foreign currency risk on transactions in foreign currencies, mainly the US dollar (USD) and to a lesser extent, local currencies in emerging countries, the most important of which at present are the Algerian dinar (DZD) and the United Arab Emirates dirham (AED). Foreign currency risk arises on future commercial transactions, recognised assets and recognised liabilities, and net investments in foreign operations.

To manage the foreign currency risk arising from future commercial transactions and recognised assets and liabilities, the Company uses various methods.

- Most contracts are arranged in "multi-currency", separating the selling price in the various currencies from the expected costs and maintaining the expected margins in euros.
- Financing of working capital relating to each project is denominated in the currency of payment.

Foreign currency risk arises when future commercial transactions or firm commitments, recognised assets and liabilities and net investments in foreign operations are denominated in a currency that is not the entity's functional currency. The Company's risk management policy is to hedge most of the forecast transactions over the life of each project. However, the operating units are responsible for taking decisions on entering into hedges as circumstances warrant, which are reviewed and signed off on by the Treasury area and the Management Committee. Nevertheless, there were no outstanding hedges at 31 December 2022 or 2021.

At 31 December 2022, if the euro had weakened by 5% against the USD, with all other variables held constant, post-tax profit for the year would have been €86 thousand higher (2021: €1 thousand higher), whereas if it had strengthened by 5%, post-profit for the year would have been €78 thousand lower (2021: €1 thousand lower), mainly as a result of foreign exchange gains/losses on translation to USD of trade and other receivables, cash, suppliers and customer prepayments, as well as the impact on the final outcome of projects of the amounts of future revenues and expenses in dollars, and the effect of the stage of completion at year end.

NOTES TO THE 2022 FINANCIAL STATEMENTS
(€ thousand)

Meanwhile, if the euro had weakened by 5% against the DZD, with all other variables held constant, post-tax profit for the year would have been €1,636 thousand lower, whereas if it had strengthened by 5%, post-tax profit would have been €1,481 thousand higher, mainly as a result of exchange gains/(losses) on the translation to DZD of the receivable in the Algerian branch.

(ii) Price risk

Projects that last two or more years initially involve a contract price risk, due to the effect of the increase in costs to be contracted, particularly when operating in the international market in economies with high inflation rates.

At other times, contract or related subcontract prices are denominated in stronger currencies (USD) payable in local currency at the rate ruling on the collection date. These conditions are passed on to subcontractors.

Covid-19 already caused delays in project execution, invariably resulting in time overruns, so the Company had been reassessing its estimate of the total costs in the budgets used to calculate the stage of completion (Note 3.16) and the onerous contract provision. At present, the armed conflict between Russia and Ukraine is having immediate impacts on the world's economy by causing energy prices to soar on the back of rising oil and gas prices. The global economy is facing a scenario of high inflation, cause at first by the pandemic. However, unfortunately, the war has sent energy prices spiralling and bolstered inflation expectations. Widespread industrial supply chain disruptions were exacerbated by the economic sanctions imposed on Russia, with rising commodity prices pushing up prices in the supply chain. The biggest threat to the economy is a slowdown or halt to the global post-Covid economic recovery due to persistent inflation. Against the current backdrop of uncertainty regarding the impacts of the war on Spain's and the world's economy, the Group has closely monitored the effects and drawn up action plans to minimise the related risks.

Although our contracts with customers do not contain express clauses regarding claims for price increases due to rises in the prices of materials, fuel, energy, etc., laws and/or jurisprudence could result in application of what we call the principle of "unpredictability", i.e., where execution of a contract becomes too onerous for one of the parties due to events that are supervening or extraordinary events and events that were unpredictable at the time of signing of the contract that could require authorisation for the revision of the terms and conditions so as to readjust the contract.

(iii) Cash flow and fair value interest rate risk

As the Company has no significant interest-bearing assets, income and cash flows from the Company's operating activities are substantially independent of changes in market interest rates.

The Company's interest rate risk arises from non-current borrowings. Floating rate loans expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on profit or loss of a 100 basis point increase in interest rates would be a decrease of €1,392 thousand (2021: €1,490 thousand).



DURO FELGUERA, S.A.

NOTES TO THE 2022 FINANCIAL STATEMENTS
(€ thousand)

b) Credit risk

The Company manages credit risk by taking into account the following groupings of financial assets:

- Assets arising from financial instruments (Note 8) and sundry balances included in cash and cash equivalents (Note 13).
- Balances related to trade and other receivables (Note 10).

Financial instruments and transactions with financial institutions included in cash and cash equivalents are arranged with renowned financial institutions. The Company also has policies in place to limit the amount of risk held with respect to any financial institution.

Regarding trade balances and receivables, worth noting is that, given the nature of the business, there is a concentration based on the Company's most important projects. The counterparties are mostly state or multinational corporations, operating primarily in the energy and mining industries.

In addition to the analysis performed before entering into a contract, the overall position of "Trade and other receivables" is monitored on an ongoing basis, while the most significant exposures (including the type of entities mentioned earlier) are monitored individually.

The balance of trade receivables past due but not impaired at 31 December 2022 was €29,693 thousand (2021: €26,978 thousand) (Note 10).

c) Liquidity risk

Prudent and austere management of liquidity risk entails maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, an objective of the Company's Treasury Department is to maintain flexibility in funding. Management also monitors the forecasts for the Company's liquidity reserves based on estimated cash flows.

Key information on liquidity risk is presented in the following table:

	€ thousand	
	2022	2021
Borrowings (Note 16)	(140,605)	(150,315)
Less: Cash and cash equivalents (Note 13)	17,402	84,608
Net financial debt	(123,203)	(65,707)
Undrawn credit lines (Note 16)	-	-
Total liquidity surplus/(shortfall)	(123,203)	(65,707)

The Company's financial debt at 31 December 2022 included aid from FASEE and debt renegotiated with financial institutions in the form of profit participating and ordinary loans, but not the value of convertible bonds.

The Company also had €18,768 thousand of deposits under "Current financial assets" in the statement of financial position as at 31 December 2022 as security for execution of its projects due to the lack of bank guarantees. Of this amount, €16,147 thousand relates to an escrow account in Romania called by the end customer treated as a receivable based on the Company's expectations regarding recovery (Note 8).

As at 31 December 2022, a sum of €1,289 thousand was subject to restrictions because it had been designated as security in litigation with third parties, with the restrictions remaining in place until judgement is rendered or an out-of-court settlement is made (2021: €1,228 thousand).



DURO FELGUERA, S.A.

NOTES TO THE 2022 FINANCIAL STATEMENTS
(€ thousand)

On 21 June 2022, the Company requested a waiver from the banking syndicate on compliance with the ratios at 30 June 2022. This waiver was granted on 28 July 2022. On 15 December 2022, the Company requested a waiver from the banking syndicate on compliance with the ratios at 31 December 2022 due to ongoing negotiations over certain projects and as non-compliance with these financial obligations would be a cause of breach regulated in clause 27 of the contract. The Company received a response to its request in writing on 30 December 2022, with grant of the waiver by the financial institutions effective as of 31 December 2022. Therefore, at the date of authorisation for issue it was not in a situation of non-compliance. After approval of a new viability plan in April, the Company is confident that it will comply with the ratios at 31 December 2023.

The table below analyses the Company's financial liabilities grouped based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual cash flows discounted:

At 31 December 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Loans and finance lease liabilities (Note 16)	7,428	6,429	77,748	49,000
Convertible bonds (Note 16)	-	-	-	11,852
Trade and other payables (Note 16)	141,536	-	-	-

d) Climate change risks

The risks of transition to a low-emission economy relate to possible political, legal, technological and market changes that may occur in the medium to long run during the transition period as we move towards a less fossil fuel dependent and lower greenhouse gas emitting economy.

The main trends in the market are the gradual replacement of fossil fuels by renewable energy. The growth of the renewable energy sector opens up an opportunity for Duro Felguera. There is an urgent need for energy that does not run out and, above all, for a firm commitment to sustainability and climate change, and "green" energy is the solution to this. For Duro Felguera it is an opportunity for growth, as the renewable energy market is thriving and the outlook for the next few years is promising.

The following transition risks have the potential to cause the greatest impact on the organisation:

- Political and legal risks, meaning the risk of political or regulatory bodies taking action, perhaps to limit the factors causing climate change or to promote measures to adapt to climate change, but which also affect the Company's activities, such as requirements to switch to clean energy sources or cut greenhouse gas emissions generated directly or indirectly by the company's activity, or actions to promote sustainable practices in land use and development. The consideration of gas and nuclear as clean energy and therefore their transitional inclusion in the ESG taxonomy could have a significant impact on the Group's business opportunities.

Closely related to these regulatory issues, there is also likely to be an increase in legal or litigation risks due to climate-related issues.

- Reputational risk, which is closely related to lawsuits. This risk has increased following the appearance of COVID, within a society that is becoming increasingly conscious of issues such as the environment, sustainability and good business practices. Essentially, the market will reward companies that are perceived as leaders in the transformation and modernisation of the sector, but may spurn or punish companies that contribute in a less visible way to this transformation or are perceived as obsolete in terms of ESG.

DURO FELGUERA, S.A.

NOTES TO THE 2022 FINANCIAL STATEMENTS
(€ thousand)

In this regard, at its meeting of 18 January 2022, the Company's Board of Directors agreed to set up a Sustainability Committee as a specialised body tasked with supervising compliance with the Company's environmental, social and corporate governance policies and rules, as well as internal codes of conduct, in line with Recommendations 53 and 54 of the Good Governance Code.

- Market risk, meaning the risk of changes and imbalances in the supply and demand for certain raw materials, products and services, potentially compromising the Group's supply chain.
- Technological risk, relating to technological innovations that emerge or are championed as part of the transition process, and the resulting replacement of old systems with these new technologies.

Physical risks are those related to events (acute risks) or long-term changes (chronic risks) resulting from climate change, such as natural disasters, extreme temperatures depending on the location of the construction site (cold or heat), or long-term changes in weather patterns. Due to the life cycle of the project outcome when dealing with complex installations, these long-term events or changes could have financial repercussions for the company, e.g. direct damage to assets and/or the production line, changes in water availability and quality, or extreme temperature changes affecting the organisation's infrastructure, inventories, production line or employees.

Efforts to mitigate and adapt to climate change may also create the following opportunities for the Group:

- Resilience and responsiveness to climate change and the challenges it poses, not only ecological but also regulatory, and for which the company will be better prepared.
- Enhanced market position, thanks to a more sustainable, resilient and energy-efficient product design, and improved reputation, aligned with the demands of an increasingly sustainability-conscious society.
- Better terms of borrowing when undertaking sustainable projects, with significant reductions in interest rates, coupled with higher credit ratings for bond issues.
- Broader and more diversified spectrum of investors in the Group, including funds and investors who look at the sustainability and responsible business performance of their investees or through inclusion in sustainability-focused indices and portfolios.
- Global trend towards clean energy sources, leading to increased energy efficiency, reduced costs and improved storage capacity.
- The search for greater efficiency in the management of the Group's resources and waste, enabling it to reduce operating costs.

Duro Felguera has embraced a firm commitment to fighting climate change. It therefore works to monitor and minimise the greenhouse gas (GHG) emissions generated by its activities.

Within the strategy set out by Europe in the 2030 Agenda, Duro Felguera has drawn up its Ecological Transition Plan 2021-2027 and has pledged to work towards four of the 17 Sustainable Development Goals (SDGs).

- SDG 7: Affordable and clean energy
- SDG 9: Industry, innovation and infrastructure
- SDG 12: Responsible consumption and production
- SDG 13: Climate action

A key priority is SDG 13 "Climate action", to be achieved through close control and monitoring of emissions.



DURO FELGUERA, S.A.

NOTES TO THE 2022 FINANCIAL STATEMENTS (€ thousand)

e) Capital risk management

The Company's objectives with managing capital are to safeguard its ability to continue as a going concern in order to provide a return to shareholders and benefits to other equity holders, and maintain an optimal capital structure to reduce the cost of capital.

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

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and derivatives, as shown in the statement of financial position, less cash and cash equivalents. Total capital is calculated as equity, as shown in the financial statements, plus net debt.

DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2021 and 2020, the Company held no derivative financial instruments.

TREASURY SHARE TRANSACTIONS

At 31 December 2021 and 2020, the Company did not hold any treasury shares.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Company's business model attaches great importance to technological innovation, with sustained growth through technological development as one of its corporate values.

Therefore, it is aware of the enormous global challenges we face and therefore views technological innovation as a differential factor that ultimately leads to sustainable solutions. Thus, the strategic lever we have chosen for our growth is technological development enabling us to undertake high added value projects, focusing on the renewable energy sector and new technologies (hydrogen, photovoltaic, wind and storage) and smart digital solutions through 4.0 enabling technologies.

In 2022, the CIDI (Centro de Investigación y Desarrollo), the new R&D centre, was created, to pursue three major objectives:

1. Develop the existing business lines through innovation to enhance the current value proposition.
2. Add new, technology intensive businesses to become more competitive and penetrate new market niches.
3. Drive DF's own necessary digitalisation (organisation, processes, operational efficiency).

AVERAGE PAYMENT PERIOD TO SUPPLIERS

Note 16 to the financial statements provides information on the average payment period to suppliers.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Between 31 December 2022 and the date of authorisation for issue of the management report, no events occurred that could result in any material change to the information presented other than those explained in Note 31 to the consolidated financial statements.



DURO FELGUERA, S.A.

NOTES TO THE 2022 FINANCIAL STATEMENTS
(€ thousand)

ANNUAL CORPORATE GOVERNANCE REPORT

The Annual Corporate Governance Report for 2022 is attached as an appendix and forms an integral part hereof, as provided in article 526 of the Corporate Enterprises Act.

ANNUAL REPORT ON DIRECTOR REMUNERATION

The Annual Report on Director Remuneration for 2022 is included as an appendix to this Management Report and forms an integral part of this document.

NON-FINANCIAL STATEMENT

In accordance with Law 11/2018, of 28 December, and the new wording of article 262(5) of the Code of Commerce, the Company is not required to present a non-financial statement since this information is included in the consolidated management report of the Duro Felguera Group, whose parent is Duro Felguera, S.A., which will be placed on file, together with the consolidated financial statements with the Asturias Companies Register.

OTHER RELEVANT INFORMATION

Stock market data

The main stock-market data for 2022 and 2021 are as follows:

	2022	2021
Closing price	0.650	0.877
High (€)	1.113	1.500
Low (€)	0.500	0.614
Trading volume ('000 shares)	92,829	376,087
Cash (€ thousand)	76,484	381,679
Number of shares (x 1.000)	96,000	96,000
Market cap at year-end (€ thousand)	62,400	84,144

Source: Madrid Stock Exchange



ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED PUBLIC LIMITED COMPANIES

ISSUER IDENTIFICATION DETAILS

Year-end date:

[31/12/2022]

TAX ID (CIF):

[A-28004026]

Company name:

[**DURO FELGUERA, S.A.**]

Registered office:

[ADA BYRON, 90 PARQUE CIENTIFICO Y TECNOLOGICO (GIJON) ASTURIAS]

A. OWNERSHIP STRUCTURE

A.1. Complete the following table on the share capital and allocated voting rights, including, if applicable, those corresponding to shares with loyalty voting rights, as of the closing date of the financial year:

Indicate whether the Company's bylaws contain a provision for double voting due to loyalty:

Yes
 No

Date of last change	Share capital (€)	Number of shares	Number of voting rights
31/05/2019	4,800,000.00	96,000,000	96,000,000

In 2022, the Company did not register any loyalty-attributed shares in accordance with article 527 ter et seq of the Corporate Enterprises Act

Indicate whether there are different classes of shares with different associated rights:

Yes
 No

A.2. List the direct and indirect holders of significant shareholdings as of the closing date of the financial year, including the directors who have a significant shareholding:

Name or company name of shareholder	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
UBS SWITZERLAND, AG	0.00	3.95	0.00	0.00	3.95
TSK ELECTRONICA Y ELECTRICIDAD, S.A.	3.12	0.00	0.00	0.00	3.12

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights
No data				

Indicate the most significant changes in the shareholder structure during the year:

Most significant movements

There were no significant transactions in 2022.

- A.3.** List, regardless of the percentage, the shareholding at year-end of the members of the Board of Directors who hold voting rights attributed to shares of the Company or through financial instruments, excluding the directors identified in section A.2 above:

Name or company name of director	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO	0.02	0.00	0.00	0.00	0.02	0.00	0.00

Total percentage of voting rights held by the Board of Directors	0.02
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Breakdown of the indirect holding:

Name or company name of director	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments
No data					

List the total percentage of voting rights represented on the Board:

Total percentage of voting rights held by the Board of Directors	0.02
--	------

Not applicable.

- A.4.** If applicable, indicate any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, with the exception of those reported in section A.6:

Name or company name of related party	Nature of relationship	Brief description
No data		

- A.5.** If applicable, indicate any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or its group, unless they are insignificant or arise in the ordinary course of business:

Name or company name of related party	Nature of relationship	Brief description
No data		

- A.6.** Describe the relationships, unless insignificant for both parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of directors that are legal persons.

Explain, if applicable, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or who are linked to significant shareholders and/or companies in their group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of any directors of the listed company, or their representatives, who are in turn members or representatives of members of the Board of Directors of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
No data			

Not applicable, as there are no Directors appointed by significant shareholders. See section H.

- A.7.** Indicate whether the company has been notified of any shareholders' agreements that may affect it, in accordance with the provisions of Articles 530 and 531 of the Spanish Corporate Enterprises Act. If so, describe them briefly and list the shareholders bound by the agreement:

Yes
 No

Parties to the shareholders' agreement	% of share capital concerned	Brief description of the agreement	Expiry date of the agreement, if any
MARIO DOMINGUEZ FERNANDEZ, MARIA ANGELES HERNANDEZ SANCHEZ, PEDRO REDONDO PERAL, JORGE ROMAN ESCUDERO, JOSE AURELIO SUAREZ DEVESA, FERNANDO BARANDIARAN GOÑI, MARIA BELEN MARTIN HERNANDO, JESUS MARIA BARRON RUIZ, IGNACIO LOPEZ DE ZUBIRIA FRANSOY, UNAI VAZ BRAVO, CLEMENTINA ESTEVEZ RIVAS, ANTONIO MARTINEZ HERNANDEZ, LUIS FERMIN BRANDES ELIZALDE, VICTOR MANUEL MARQUEZ LOPEZ, JUAN BENITEZ BUENO, RAUL GABARRON DIMAS, ALBERTO ARIAS ABAD, CARLOS ELIAS BARRO ROCES, EDUARDO BREÑA BREÑA, DIEGO SOBRINO LOPEZ, RAFAEL RUIZ SANABRIA, ROBERTO PEREZ LOPEZ, BRANDRES ELIZALDE S.L.	2.50	On 25 September 2021, a block-and-command minority shareholder association was created. At 31 December 2022, this association held shares representing 2.504% of share capital.	The association has a minimum duration of four months, with tacit renewal for four-month periods.

Indicate whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes
 No

If any of the aforementioned agreements or concerted actions have been amended or terminated during the year, indicate this expressly:

The company is not aware of any form of shareholder agreement or concerted action; hence there is no change to be reported.

A.8. Indicate whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify them:

Yes
 No

A.9. Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
		0.00

Since total redemption of treasury shares in 2018, the Company has not carried out any transactions with treasury shares.

(*) Through:

Name or company name of direct shareholder	Number of direct shares
No data	

A.10. Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

At a General Meeting, the shareholders authorised the Board of Directors to carry out the derivative acquisition of treasury shares up to the maximum amount permitted by prevailing legislation for a period of five years from the date of the General Meeting, held on 22 June 2017.

A.11. Estimated floating capital:

	%
Estimated floating capital	92.93

A.12. Indicate whether there are any restrictions (articles of incorporation, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, indicate the existence of any type of restriction that may inhibit a takeover of the company through acquisition of its shares on the market, as well as such regimes for prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes
 No

A.13. Indicate whether the general shareholders' meeting has resolved to adopt measures to neutralise a takeover bid by virtue of the provisions of Law 6/2007.

Yes
 No

If so, explain the measures approved and the terms under which such limitations would cease to apply:

A.14. Indicate whether the company has issued shares that are not traded on a regulated EU market.

Yes
 No

If so, indicate each share class and the rights and obligations conferred:

[YES. Convertible bonds with financial institutions issued for the refinancing of 2018 and the refinancing of 2021.]

B. GENERAL SHAREHOLDERS' MEETING

B.1. Indicate whether there are any differences between the minimum quorum regime established by the Spanish Corporate Enterprises Act for General Shareholders' Meetings and the quorum set by the company, and if so give details:

Yes
 No

B.2. Indicate whether there are any differences between the company's manner of adopting corporate resolutions and the regime provided in the Spanish Corporate Enterprises Act and, if so, give details:

Yes
 No

B.3. Indicate the rules for amending the company's articles of incorporation. In particular, indicate the majorities required for amendment of the articles of incorporation and any provisions in place to protect shareholders' rights in the event of amendments to the articles of incorporation.

[The applicable rules are those set forth in the Spanish Corporate Enterprises Act.]

B.4. Give details of attendance at General Shareholders' Meetings held during the reporting year and the two previous years:

Date of general meeting	Attendance data				
	% physically present	% present by proxy	% distance voting		Total
			Electronic voting	Other	
29/10/2020	3.40	10.29	0.00	0.00	13.69
Of which floating capital:	3.71	8.91	0.00	0.00	12.62
30/06/2021	9.54	15.88	0.00	0.00	25.42
Of which floating capital:	0.61	7.89	0.00	0.00	8.50
28/06/2022	3.73	7.89	0.00	0.00	11.62
Of which floating capital:	0.61	7.89	0.00	0.00	8.50

B.5. Indicate whether any point on the agenda of the General Shareholders' Meetings during the year was not approved by the shareholders for any reason.

Yes
 No

B.6. Indicate whether the articles of incorporation contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or to vote remotely:

Yes
 No

Number of shares required to attend General Meetings	400
Number of shares required for voting remotely	400

B.7. Indicate whether it has been established that certain decisions, other than those established by law, entailing an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions must be submitted for approval to the General Shareholders' Meeting.

Yes
 No

B.8. Indicate the address and manner of access on the company's website to information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

www.durofelguera.com

The website includes an "Investor Area" The drop-down menu includes the section "Corporate Governance", on the corporate governance of the company. The section provides details to shareholders on how to attend general meetings and includes annual corporate governance reports for recent financial years.

C. STRUCTURE OF THE COMPANY'S ADMINISTRATION

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors established in the articles of incorporation and the number set by the general meeting:

Maximum number of directors	12
Minimum number of directors	6
Number of directors set by the general meeting	10

C.1.2 Complete the following table on Board members:

Name or company name of director	Representative	Category of director	Position on the Board	Date first appointed	Date of last appointment	Election procedure
Mr. VALERIANO GÓMEZ SÁNCHEZ		Independent	DIRECTOR	30/01/2020	30/01/2020	CO-OPTION
Ms. ROSA ISABEL AZA CONEJO		Independent	CHAIRWOMAN	30/09/2019	30/09/2019	CO-OPTION
Mr. JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO		Independent	DIRECTOR	30/09/2019	30/09/2019	CO-OPTION
Mr. JORDI SEVILLA SEGURA		Independent	DIRECTOR	17/04/2020	17/04/2020	CO-OPTION
Mr. JOSÉ JAIME ARGÜELLES ÁLVAREZ		Executive	CHIEF EXECUTIVE OFFICER	30/04/2021	30/04/2021	CO-OPTION
Mr. CÉSAR HERNÁNDEZ BLANCO		Other External	DIRECTOR	30/04/2021	30/04/2021	CO-OPTION
Ms. MARIA JESUS ÁLVAREZ GONZÁLEZ		Other External	DIRECTOR	28/07/2021	28/07/2021	CO-OPTION

Total number of directors	7
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Indicate any cessations, whether through resignation or by resolution of the general meeting, that have taken place in the Board of Directors during the reporting period:

Name or company name of director	Category of the director at the time of cessation	Date of last appointment	Date of cessation	Specialised committees of which he/she was a member	Indicate whether the director left before the end of his or her term of office
No data					

C.1.3 Complete the following tables on the members of the Board and their categories:

EXECUTIVE DIRECTORS		
Name or company name of director	Post in organisation chart of the company	Profile
Mr. JOSÉ JAIME ARGÜELLES ÁLVAREZ	CHIEF EXECUTIVE OFFICER	Industrial engineer, with broad professional experience in the industrial engineering sector. He has chaired several committees and industry associations.

Total number of executive directors	1
Percentage of Board	14.29

He was appointed Chief Executive Officer on 30 April 2021 pursuant to the Management Agreements entered into with SEPI on 31 March 2021.

PROPRIETARY DIRECTORS		
Name or company name of director	Name or company name of the significant shareholder represented by the director or that nominated the director	Profile
No data		

INDEPENDENT DIRECTORS	
Name or company name of director	Profile
ROSA ISABEL AZA CONEJO	Degree in Economics and Business Administration from the University of Santiago de Compostela and Professor of Business Administration at the Escuela Superior de Comercio de Gijón. From 1976 to 2000, she was a professor in the Economics Department of the University of Oviedo, teaching at the School of Business Studies and the School of Industrial Engineering. From 1998 to 2004, she was the Principal of the University School of Business Studies of Gijón of the University of Oviedo. During this period, she was also the Director of the master's degree in Transport and Logistics Management and the higher degree in Tourism at the University of Oviedo. From 2000 to 2010, she combined her university role with several directorships, holding positions such as: Member of the Board of Directors of Caja de Ahorros de Asturias. Member of the Board of Directors of SADEI (Sociedad Asturiana de Estudios Económicos e Industriales).

	<p>Member of the Board of Directors of TELECABLE.</p> <p>Member of the Governing Board of the Consorcio de la Feria Internacional de Muestras de Asturias.</p> <p>Chair of the Control Committee of Caja de Ahorros de Asturias.</p> <p>Chair of the Board of Directors of AUCALSA (Autopista Concesionaria Astur-Leonesa).</p> <p>Chair of the Board of Directors of VIASTUR (Autopista Concesionaria Principado de Asturias).</p> <p>From 2010 to 2016, she held the positions of Chair of the National Commission of the Postal Sector and of the Port Authority of Gijón.</p> <p>In 2016, she returned to the University of Oviedo, taking part in teaching activities and speaking at master's degree lectures and conferences at several universities.</p> <p>She is currently a member of the Development Advisory Council of the Ministry of Development. As regards research, the most important lines of her work relate to economic analysis of tourism, transport and infrastructure; she is the author of several articles and books in these fields.</p>
JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO	<p>Economist of the State, having achieved the highest score in the competitive examination among all appointees in his year. Doctorate in Economics, master's degree in International Economics and bachelor's degree in Economics and Business Administration from the University of Deusto.</p> <p>He has pursued a career in financial markets: he created the Spanish options and futures market and developed the IBEX 35 index. He is the former CEO of MEFF and chairman of Iberclear.</p> <p>He has extensive experience as a director of several companies, including Hunosa, Repsol Exploración, MexDer, AIAF, ECofex, Enusa, Bandesco and RegisTR.</p> <p>He also teaches finance at CUNEF, a university that focuses on economics, business, law and finance.</p>
JORDI SEVILLA SEGURA	<p>He took a degree in Economics from the University of Valencia and was later appointed, by competitive examination, to the Senior Corps of Trade Experts and Economists of the State.</p> <p>He has dedicated his entire career to public service. He held senior positions in several government departments, including the Ministry of Agriculture and the Ministry of Economy and Finance.</p> <p>From 2000 to 2004 he held the position of Secretary of Economic Policy and Employment on the Federal Executive Committee of the PSOE party.</p> <p>From 2004 to 2007, he was the Minister of Public Administration.</p> <p>He is a former Senior Counselor at PwC, and Vice President at Llorente y Cuenca.</p> <p>He is the Chairman of the Red Eléctrica Group and of the Board of Directors of Red Eléctrica Corporación, a listed company.</p> <p>He formerly taught at the Escuela de Organización Industrial (EOI) and at Instituto de Empresa (IE), where he was an associate professor of Economic Environment for an Executive Master's programme.</p>
VALERIANO GÓMEZ SÁNCHEZ	<p>Graduate in Economics from the University of Barcelona.</p> <p>He has dedicated his entire career to public service and held senior positions at government agencies and departments.</p> <p>He is a former Director General of the Employment Promotion Fund of the Integrated Iron and Steel Sector.</p> <p>From 1988 to 1994, he was an Executive Advisor to the Technical Office of the Minister of Labour and Social Security.</p> <p>He was a member of the Consejo Económico y Social (Economic and Social Council) of Spain from 2001 to 2003.</p> <p>He was the Secretary General of Employment at the Ministry of Labour and Social Affairs, and from 2010 to 2011 he was the Minister of Labour and Immigration.</p> <p>He is a former member of the Fiscal Committee of the Economic and Social Agreement and of the General Council of INEM, the Spanish state-controlled employment institute, and a former director of Izar and Navantia.</p>

Number of independent directors	4
Percentage of Board	57.14

[Not applicable.]

Indicate whether any director classified as independent receives from the company or any company in its group any amount or benefit other than remuneration as a director, or has or has had a business relationship with the company or any company in its group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or company name of director	Description of the relationship	Reasoned statement
ROSA ISABEL AZA CONEJO	Not applicable	Not applicable
JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO	Not applicable	Not applicable
JORDI SEVILLA SEGURA	Not applicable	Not applicable
VALERIANO GÓMEZ SÁNCHEZ	Not applicable	Not applicable

OTHER EXTERNAL DIRECTORS

Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:

Name or company name of director	Reasons	Company, manager or shareholder to which the director is related	Profile
MARÍA JESÚS ÁLVAREZ GONZÁLEZ	Appointed by Spain's Solvency Support Fund for Strategic Companies, Fondo de Apoyo a la Solvencia de Empresas Estratégicas (FASEE), pursuant to the financing agreement entered into between the Group and FASEE	SOLVENCY SUPPORT FUND FOR STRATEGIC COMPANIES	Degree in Law and in Economics and Business Administration (Universidad Pontificia de Comillas- ICADE). She has extensive experience at Sociedad Estatal de Participaciones Industriales (SEPI) and has been director at several companies, including Indra and Red Eléctrica.
CÉSAR HERNÁNCEZ BLANCO	Appointed by Spain's Solvency Support Fund for Strategic Companies, Fondo de Apoyo a la Solvencia de Empresas Estratégicas (FASEE), pursuant to the financing agreement entered into between the Group and FASEE	SOLVENCY SUPPORT FUND FOR STRATEGIC COMPANIES	Degree in Economics and Business Administration from University of Valladolid. He holds an international MBA. He is currently Director of Planning and Control Officer at SEPI. He has held several directorships at a range of companies, including Mercasa and SEPIDES.

Total number of other external directors	2
Percentage of Board	28.57

See section H.

Indicate any changes that have occurred during the period in each director's category:

Name or company name of director	Date of change	Previous category	Current category
No data			

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past four years, as well as the category of each:

	Number of female directors				% of total directors for each category			
	2022	2021	2020	2019	2022	2021	2020	2019
Executive					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	1	1	1	2	25.00	25.00	25.00	33.33
Other External	1	1			50.00	50.00	0.00	0.00
Total	2	2	1	2	28.57	28.57	20.00	33.33

C.1.5 Indicate whether the company has diversity policies in relation to its Board of Directors on such questions as age, gender, disability, education and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Spanish Auditing Act, will have to report at least the policy that they have implemented in relation to gender diversity.

- Yes
 No
 Partial policies

If so, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the nomination and remuneration committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been applied, and results achieved

There are no provisions regarding selection that are, or could be, a barrier to the selection of women directors. When the Company seeks to appoint a director, it assesses each candidate's professional profile only on the basis of corporate interests. The candidate's gender is not considered, except to the extent that, faced with two objectively similar professional profiles, the Company selects the candidate of the gender that at that time the least represented on the Board.

The director selection policy seeks to intensify efforts to meet the target that female directors represent at least 40% of the total number of Board members by year-end 2023.

The Company does not operate a diversity policy or any other of the policies mentioned in this rubric because the principle that guides the Company in appointing directors is the corporate interest. To achieve this purpose, the Company searches for and selects candidates who provide the most suitable professional profile and track record to meet the Company's requirements, regardless of gender, age or ethnicity. The search for directors ensures that they have the training and profile that makes the right fit with the Company's aims. Subsequently, in the case of similar profiles, the candidate of the least represented gender is chosen

C.1.6 Describe the measures, if any, agreed upon by the nomination committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates, making it possible to achieve a balance between men and women. Also indicate whether these measures include encouraging the company to have a significant number of female senior executives:

Explanation of measures:

There are no selection procedures that are, or could be, a barrier to the selection of women directors or senior executives. When searching for a certain profile, the Company specifically excludes CVs with the person's name. Headhunters are instructed to refer to merit and experience and exclude any personal data. Then, considering only these, they must only assess the profile that is most suitable for the corporate interest, without taking into account the candidate's gender.

The Company's Corporate Governance Policy provides that the Company should ensure that the procedures for selecting directors and senior executives favour a diversity of gender, experience and knowledge and have no implicit bias whatsoever and that, in particular, they favour the selection of women directors and senior executives. Accordingly, the Nomination and Remuneration Committee's policy, in line with the doctrine enshrined in the Spanish case-law regarding "positive discrimination", states that in the search for candidates that best adapt to the corporate interest, the profile that contributes most professionally to the Company shall be considered. However, where two profiles are objectively similar, priority will be given to the least represented gender.

If in spite of any measures adopted there are few or no female directors or senior managers, explain the reason for this:

Explanation of reasons

The procedures for selecting directors and senior executives do not have any implicit bias against women candidates, as professional profiles are chosen anonymously and in accordance with needs of the Company.

C.1.7 Explain the conclusions of the nomination committee regarding verification of compliance with the policy aimed at promoting an appropriate composition of the Board of Directors.

The Nomination Committee will re-evaluate its selection policy to continue increasing the number of women Directors on the Board with the objective of achieving compliance with the recommendation in 2023, while balancing this objective with fulfilment of the Management Agreements with FASEE..

C.1.8 If applicable, explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name or company name of shareholder	Reason
No data	

Indicate whether the Board has declined any formal requests for presence on the Board from shareholders whose equity interest is equal to or greater than that of others at whose request proprietary directors have been appointed. If so, explain why the requests were not granted:

- Yes
- No

C.1.9 Indicate the powers, if any, delegated by the Board of Directors to directors or Board committees:

Name or company name of director or committee	Brief description
JOSÉ JAIME ARGÜELLES ÁLVAREZ	The Board of Directors has delegated all powers, except those that cannot be delegated by law, the bylaws or the agreements with FASEE and financial institutions, to the Chief Executive Officer.

C.1.10 Identify any members of the Board who are also directors, representatives of directors or managers in other companies forming part of the listed company's group:

Name or company name of director	Company name of the group entity	Position	Does the director have executive powers?
JOSÉ JAIME ARGÜELLES ÁLVAREZ	DURO FELGUERA INVESTMENT, S.A.U.	Representative of the sole director, Duro Felguera, S.A.	YES
JOSÉ JAIME ARGÜELLES ÁLVAREZ	DURO FELGUERA CALDERERIA PESADA, S.A.U.	Representative of the sole director, Duro Felguera, S.A.	YES
JOSÉ JAIME ARGÜELLES ÁLVAREZ	DURO FELGUERA OIL & GAS, S.A.U.	Representative of the sole director, Duro Felguera, S.A.	YES
JOSÉ JAIME ARGÜELLES ÁLVAREZ	DURO FELGUERA GREEN TECH, S.A.U.	Representative of the joint director, Duro Felguera, S.A.	YES
JOSÉ JAIME ARGÜELLES ÁLVAREZ	FELGUERA ENERGY STORAGE, S.A.U	Representative of the joint director, Duro Felguera, S.A.	YES
JOSÉ JAIME ARGÜELLES ÁLVAREZ	DURO FELGUERA INTELLIGENT SYSTEMS, S.A.U	Representative of the sole director, Duro Felguera, S.A.	YES
JOSÉ JAIME ARGÜELLES ÁLVAREZ	DF MOMPRESA, S.A.U.	Sole Director	YES
JOSÉ JAIME ARGÜELLES ÁLVAREZ	DFOM NETHERLANDS B.V.	Sole Director	YES

C.1.11 List any directors or representatives of legal-person directors of your company who are members of the Board of Directors or representatives of legal-person directors of other companies listed on regulated markets other than group companies of which the company has been informed:

Name or company name of director	Company name of the listed entity	Position
CÉSAR HERNÁNDEZ BLANCO	MERCASA	DIRECTOR
VALERIANO GÓMEZ SÁNCHEZ	EL MARMAREL ESCUELAS, S.L.	DIRECTOR

Miss María Jesus Alvarez Gonzalez is member of the Settlement Committee of Radio y Televisión Española, S.A. and member of the Technical Investment Committee of Spain's Recapitalisation Fund for Companies Affected by Covid-19.

Indicate, where appropriate, the other remunerated activities of the directors or directors' representatives, whatever their nature, other than those indicated in the previous table.

Identity of the director or representative	Other paid activities
JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO	<ul style="list-style-type: none"> .- Lecturer at CUNEF Universidad .- External consultant of the IMF
VALERIANO GÓMEZ SÁNCHEZ	<ul style="list-style-type: none"> .- Economist at A25 Abogados&Economistas .- Consultant and advisor in Grupo Corres Sociedad Estatal .- Consultant and advisor in Fertiberia, S.A. .- Consultant and advisor in INEO Corporate Madrid .- Strategic consultant and advisor of Caja Rural del Sur .- Advisor of Fundación CRS
JORDI SEVILLA SEGURA	<ul style="list-style-type: none"> - Senior external advisor of Neinor, Candian Solar and FACSA. - President of the Corporate Board of UNIR - Advisor of Fundación Conexus
MARÍA JESÚS ÁLVAREZ GONZÁLEZ	Head of Finance at Sociedad Estatal de Participaciones Industriales (SEPI) and member of its Management Committee.
CÉSAR HERNÁNDEZ BLANCO	Head of Area and Planning at Sociedad Estatal de Participaciones Industriales (SEPI).

C.1.12 Indicate whether the company has established rules on the maximum number of company boards on which its directors may sit, explaining if necessary and identifying where this is regulated, if applicable:

Yes
 No

Explanation of the rules and identification of the document where this is regulated

Under article 7.6. of the Regulations of the Board, a director may not serve on the boards of more than five companies listed on domestic or foreign markets.

C.1.13 Indicate the remuneration received by the Board of Directors as a whole for the following items:

Remuneration accruing in favour of the Board of Directors in the financial year (thousands of euros)	893
Funds accumulated by current directors for long-term savings systems with consolidated economic rights (thousands of euros)	
Funds accumulated by current directors for long-term savings systems with unconsolidated economic rights (thousands of euros)	
Pension rights accumulated by former directors (thousands of euros)	

The remuneration pertaining to directors appointed by the Spanish Solvency Support Fund for Strategic Companies (FASEE), M^a Jesús Álvarez González, César Hernández Blanco and Miguel Santiago Mesa, is integrated into the Public Treasury, in accordance with Article 2.3 of Royal Decree-Law 25/2020 of 3 July, on urgent measures to support economic recovery and employment.

C.1.14 Identify members of senior management who are not also executive directors and indicate their total remuneration accrued during the year:

Name or company name	Position(s)
JOSÉ OLASO AYESTA	Industrial Plants Business Unit Director (until 15-11-22)
ÁNGEL LUIS PÉREZ GONZÁLEZ	Corporate Production Director (until 11-02-22)
MARIA CAMINO SÁNCHEZ RODRÍGUEZ	Conventional Energy Business Unit Director
RAFAEL BERMEJO GONZÁLEZ	Chief Financial Officer (until 04-09-22)
FERNANDO RIBEIRO SIMOES	Corporate Marketing Director (until 11-02-22)
JUAN JOSÉ HERRERO RODRÍGUEZ	Corporate General Director
IVÁN FEDERICO FERNÁNDEZ SUÁREZ	Services Business Unit Director
LUIS FERNANDO RIAÑO GARCÍA	Digital Intelligence Systems Business Unit Director
EMILIO MARTÍN RODRÍGUEZ	DF Green Tech General Director (until 30-04-22)
CÁRMEN CABALLERO DÍAZ	Communication, Marketing & Public Affairs Director
GEMMA FDEZ-NESPRAL AMADO	People and Organisation Director
LEANDRO MENESES OBIOL	Legal Counsel
VÍCTOR JAVIER MARTÍN GÓMEZ	Contractual Management Director (until 18-09-22)

Number of women in senior management	3
Percentage of total senior management	42.85

Total remuneration of senior management (thousands of euros)	2,111
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All the executives who formed part of the Management Committee during 2022 are within the scope of the disclosure, even though some of them are no longer at the company.

Total senior management remuneration is the total received by all senior management members, including those who have ceased to be senior management staff. In the latter case, remuneration for senior managers who stepped down during the period is calculated pro rata their time within the period as senior managers.

C.1.15 Indicate whether the Board regulations were amended during the year:

Yes
 No

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors. List the competent bodies, steps to follow and criteria applied in each procedure.

In 2015, the Board of Directors approved a "Director Nomination and Selection Policy" which, in general, establishes a subjective scope of application for natural person directors and, in the case of legal person candidates, the natural persons that will represent them. The process and the procedure is summarised as follows: The Company's Nomination and Remuneration Committee proposes the nomination or re-election of independent directors, while the Board of Directors is responsible for nominating or re-electing proprietary, executive and other external directors.

Within the framework of the process of selecting prospective candidates for seats on the Board of Directors, and notwithstanding the competencies of the General Meeting, the Nomination and Remuneration Committee will have the following authorities:

- Evaluate the competencies, knowledge and experience necessary for the Board of Directors. To this end, the Committee shall define the duties and capabilities necessary in candidates who shall fill each vacancy and evaluate the time and dedication necessary in order to efficiently fulfil their commitment.
- Submit to the Board of Directors, proposals for the appointment of independent directors for their nomination through co-option or for their submission to the General Meeting's decision, in addition to proposals for the re-election or dismissal of said directors by the General Meeting;
- Inform of any proposals for appointment of all other directors for their nomination by co-option or for their submission to the General Meeting's decision, in addition to proposals for the re-election or dismissal of said directors, by the General Meeting;
- Set a target for representation for the least represented gender on the Board, in accordance with the most authoritative case-law on so-called "Positive Discrimination", and draw up guidelines on how to achieve this objective.

As regards director removal, the only body authorised to make such decision is the General Meeting. However, the Board regulations provide for certain situations in which directors should resign or place their position at the disposal of the Board of Directors (see C.1.19).

C.1.17 Explain to what extent the annual evaluation of the Board has given rise to significant changes in its internal organisation and in the procedures applicable to its activities:

Description of amendment(s)

The annual evaluation did not give rise to any changes.

Describe the evaluation process and the areas evaluated by the Board of Directors with or without the help of an external advisor, regarding the functioning and composition of the Board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and areas evaluated

The evaluation process is based on the recommendations of the CNMV in Technical Guide 1/2019, Nomination and Remuneration Committee (Guia Técnica 1/2019 Comisión de Nombramientos y Remuneraciones).

For the 2022 evaluation, we shall hold at least two individual sessions with each director involving in-depth analysis of strengths and areas for improvement, among other assessment steps, to enable us to judge his or her contribution of value to the Board and the Company.

The following criteria, among others, apply:

- Contribution of knowledge, decision-making skills and experience.
- Fit and complementarity with other Directors.
- Knowledge about the company, its business performance, the industry and the political, economic and social settings.
- Integrity: Trustworthiness and ability to create confidence among shareholders.
- Maturity, ethical attitude, responsibility and discretion.
- Own judgement and ability to argue effectively in a constructive debate.
- Dedication: Availability of time and dedication as required to carry out duties and responsibilities.
- Awareness of and appropriate response to the potential civil, criminal and tax liabilities attaching to a Board role.
- Spirit of cooperation and teamwork, empathy and results-oriented attitude.
- Independence: No professional, business or family ties to the company, its majority or significant shareholders or company subsidiaries. Potential conflicts of interest.

Individual working sessions are supported by a self-assessment questionnaire to be completed by each project participant. In this questionnaire he or she states views on the governing bodies.

C.1.18 Provide details, for years in which the evaluation was carried out with the help of an external advisor, of the business relationships that the external advisor or company in its group maintains with the company or any company in its group.

In 2022, the annual evaluation of the Board was assisted by an external consultant with whom we have in place a contract for specific executive search and selection services.

C.1.19 Indicate the cases in which directors are obliged to resign.

Directors must tender their resignation in the circumstances provided for by law. They must also tender their resignation from the Board and, as appropriate, resign in accordance with article 24.2 of the Board Regulations in the following situations:

1. Directors shall formally tender their resignation in the following cases:

- a) When due to supervening circumstances they engage in one of the grounds for disqualification or prohibition established in law, the Articles of Association, or these Regulations.
- b) When they lose the honour, suitability, solvency, competence, availability or the commitment to their position necessary for being a Board Member of the Company.
- c) When their presence on the Board may jeopardise for any reason, and directly, indirectly or through their affiliates, the loyal and diligent discharge of their duties in accordance with the corporate interest.
- d) When the reasons for which they were appointed cease to exist and, in particular, when the shareholder or shareholders that proposed, required or determined their appointment, dispose, in part or in full, of their shareholding, resulting in the loss of their status as a significant or sufficient shareholder to justify the appointment.
- e) When an independent director comes under any of the impediments provided in Article 8.1.c) of the Board of Directors' Regulations.
- f) When circumstances arise that could harm the Company's name and reputation, in particular when directors are investigated for any crime, they must resign if the Board, after a report from the Nomination and Remuneration Committee, deems it appropriate. Similarly, if, once the investigation has been completed, an oral trial is ordered to commence, the Director must again place his or her position at the disposal of the Board and resign if the Board, following a report by the Nomination and Remuneration Committee, deems it appropriate.

C.1.20 Are qualified majorities other than those established by law required for any particular kind of decision?

- Yes
- No

If so, describe the differences.

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, for being appointed as chairman of the Board of Directors.

- Yes
- No

C.1.22 Indicate whether the articles of incorporation or Board regulations establish any limit as to the age of directors:

- Yes
- No

C.1.23 Indicate whether the articles of incorporation or Board regulations establish any term limits for independent directors other than those required by law or any other additional requirements that are stricter than those provided by law:

- Yes
- No

C.1.24 Indicate whether the articles of incorporation or Board regulations establish specific rules for appointing other directors as proxy to vote in Board meetings, if so the procedure for doing so and, in particular, the maximum number of proxies that a director may hold, as well as whether any limit has been established regarding the categories of director to whom votes may be delegated beyond the limits imposed by law. If so, briefly describe these rules.

[No.]

C.1.25 Indicate the number of meetings held by the Board of Directors during the year. Also indicate, if applicable, the number of times the Board met without the chairman being present. Meetings where the chairman gave specific proxy instructions are to be counted as attended.

Number of Board meetings	20
Number of board meetings held without the chairman's presence	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	0
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Indicate the number of meetings held by each Board committee during the year:

Number of meetings held by the Audit, Risk and Compliance Committee	13
Number of meetings held by the sustainability committee	2
Number of meetings held by the Nomination and Remuneration Committee	5

C.1.26 Indicate the number of meetings held by the Board of Directors during the year with member attendance data.

Number of meetings in which at least 80% of directors were present in person	20
Attendance in person as a % of total votes during the year	100.00
Number of meetings with attendance in person or proxies given with specific instructions, by all directors	
Votes cast in person and by proxies with specific instructions, as a % of total votes during the year	0.00

C.1.27 Indicate whether the individual and consolidated financial statements submitted to the Board for issue are certified in advance:

[] Yes
[√] No

Identify, if applicable, the person(s) who certified the individual and consolidated financial statements of the company for issue by the Board:

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the financial statements it presents to the General Shareholders' Meeting are prepared in accordance with accounting regulations.

The Audit Committee's duties include analysing any incidents and ensuring that the financial statements present fairly the Company and its subsidiaries (consolidated) and holding meetings with the external auditors and the Company's executives. The Chairman of the Audit Committee reports all resolutions and decisions to the Board of Directors, which is the ultimate decision-making body. Throughout the year, the Audit Committee and the Director of Internal Audit hold regular meetings with the auditors to assist them in acquiring a better understanding. The Management Control Department and the Project Risk Control Department have been operating since 2019, with the latter reporting to the Audit, Risk and Compliance Committee. The Company has also been implementing initiatives to improve the ICFR system developed in 2019.

C.1.29 Is the Secretary to the Board also a director?

- Yes
 No

If the secretary is not a director, complete the following table:

Name or company name of the secretary	Representative
JESÚS PLÁCIDO SÁNCHEZ LAMBÁS	

C.1.30 Indicate the specific mechanisms established by the company to safeguard the independence of the external auditors, and any mechanisms to safeguard the independence of financial analysts, investment banks and rating agencies, including how legal provisions have been implemented in practice.

The Audit Committee requests written confirmation each year from the auditors of their independence as regards the entity or directly or indirectly related entities, and information on additional services of any kind provided to these entities by the aforesaid auditors, as provided for in Spain's Audit Act 22/2015, of 20 July. To exercise better control over auditor independence, any engagement, other than the statutory audit, requested of the auditors requires approval by the Audit Committee.

C.1.31 Indicate whether the company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

- Yes
 No

If there were any disagreements with the outgoing auditor, explain their content:

- Yes
 No

C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

- Yes
 No

	Company	Group companies	Total
Amount invoiced for non-audit services (thousand euros)	33	2	35
Amount invoiced for non-audit services/Amount for audit work (in %)	6.43	0.01	6.44

C.1.33 Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the qualified opinion or reservations.

Yes
 No

C.1.34 Indicate the number of consecutive years for which the current audit firm has been auditing the company's individual and/or consolidated financial statements. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	3	3
	Individual	Consolidated
Number of years audited by the current audit firm/number of years in which the company has been audited (%)	9.00	9.00

C.1.35 Indicate whether there is a procedure for directors to be sure of having the information necessary to prepare the meetings of the governing bodies with sufficient time; provide details if applicable:

Yes
 No

Details of the procedure

During its last meeting of the year, the Board of Directors approves a meeting schedule for the following year and establishes the monthly meeting dates.

Before each monthly Board meeting, management endeavours to provide the secretary, for forwarding to each director, along with the call notice and agenda and at least four days in advance, except for meetings called urgently in accordance with article 17 of the Board regulations, with: financial information on the Company, including the parent company and all subsidiaries (consolidated) as at the end of the immediately preceding month, together with detailed information regarding each agenda item and the proposals to be submitted under each. The monthly information includes at least the following: The separate income statement of the parent company and the consolidated income statement of the group, with comparative data for the year before and the budget; contracting data and a comparison with the budget; cash report and projections, with a detail of net cash; information regarding the number of employees, changes, distribution by area, equality, etc.; events and incidents that may have an impact on the results of the Company and the Group, monitoring of corporate social responsibility and sustainability, and a report on any other matters related to agenda items for which a decision must be taken.

C.1.36 Indicate whether the company has established rules obliging directors to inform the Board of any circumstances, whether or not related to their actions in the company itself, that might harm the company's standing and reputation, tendering their resignation where appropriate. If so, provide details:

- Yes
 No

Explain the rules

Directors must tender their resignation in the circumstances provided for by law. When circumstances arise that could harm the Company's name and reputation, in particular when directors are investigated for any crime, they must resign if the Board, after a report from the Nomination and Remuneration Committee, deems it appropriate. Similarly, if, once the investigation has been completed, an oral trial is ordered to commence, the Director must again place his or her position at the disposal of the Board and resign if the Board, following a report by the Nomination and Remuneration Committee, deems it appropriate.

C.1.37 Indicate whether, apart from such special circumstances as may have arisen and been duly minuted, the Board of Directors has been notified or has otherwise become aware of any situation affecting a director, whether or not related to his or her actions in the company itself, that might harm the company's standing and reputation:

- Yes
 No

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

The financial aid agreement with FASEE includes a fully mandatory prepayment clause in the event of a non-permitted change of control.

The syndicated financing agreement entered into by the company with its main bank creditors provides for the right of any of the signatory bank creditors to demand prepayment of the related financing and the cancellation and release of any guarantees issued by that credit in the event of a non-permitted change of control.

C.1.39 Identify individually as regards directors, and in aggregate form in other cases, and provide details of any agreements between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal without due cause or termination of employment as a result of a takeover bid or any other type of transaction.

Number of beneficiaries	4
Type of beneficiary	Description of the agreement
Senior Management	<p>The agreement with the current Chief Executive Officer, José Jaime Argüelles Álvarez, contains an indemnity clause in the event of unilateral termination without just cause of the contract for an amount of one-and-a-half year's fixed salary. An amount is also payable under a post-contractual non-compete agreement to directors so that they refrain from, directly or indirectly, carrying out activities that are in competition with the activities actually carried out by the Company. In this case, the director shall be paid an indemnification of nine (9) months of their fixed salary and upon receipt of such indemnity shall refrain from carrying out such activities for a period of nine (9) months. The Company may extend the non-compete period to a maximum of eighteen (18) months and pay indemnification in accordance with the duration of the non-competition period, subject to consent of the FASEE. The indemnities under the senior management contracts are as follows:</p> <p>i) During the first year of the senior manager's contract, in the case of unilateral termination by the Company (with the exception of dismissal with a statement of just cause), the senior manager shall be entitled to receive an indemnity equal to one year's fixed salary plus 80% of variable salary.</p> <p>As of the second year of the contract, in the case of unilateral termination by the Company or dismissal without just cause, the senior manager shall be entitled to receive an indemnity equal to 25 days of salary per year of service, up to a limit of 18 months of salary. For these purposes, the sum of the fixed salary accrued as at the time of termination and the variable salary accrued in the calendar year prior to the date of termination shall serve as the salary module.</p> <p>ii) During the first year of the senior manager's contract, in the case of unilateral termination by the Company (with the exception of dismissal with a statement of just cause), the senior manager shall be entitled to receive an indemnity equal to one full year of committed salary (fixed + variable) and always above the legal several to which the manager would be entitled at the date of termination of the employment relationship.</p> <p>ii) During the first year of the senior manager's contract, in the case of unilateral termination by the Company (with the exception of dismissal with a statement of just cause), the senior manager shall be entitled to receive the amount of salary pending to reach the committed gross annual remuneration. All of these are within the restrictions established by the FASEE.</p>

Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:

	Board of Directors	General shareholders' meeting
Body authorising the clauses	√	

	Yes	No
Are these clauses notified to the General Shareholders' Meeting?		√

C.2. Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their members, and the proportion of executive, proprietary, independent and other external directors forming them:

Audit, Risk and Compliance Committee		
Name	Position	Category
JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO	CHAIRMAN	Independent
JORDI SEVILLA SEGURA	MEMBER	Independent
VALERIANO GÓMEZ SÁNCHEZ	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The The Audit, Risk and Compliance Committee is regulated by the Corporate Enterprises Act, the Articles of Incorporation, the Regulations of the Board of Directors and its own regulations, the latest amendment of which was approved by the Board of Directors on 21 June 2019.

Its members, particularly the Chairman, are appointed with regard to their knowledge and experience in accounting, auditing, or risk management matters.

The members of the Audit Committee resign voluntarily if not re-elected to the position of director or when so decided by the Board of Directors. In accordance with the Internal Board Regulations, the Chairman of the Audit Committee shall be appointed by the Board of Directors from among independent Directors. The Chairman must be replaced every four (4) years and may be re-elected after one (1) year has elapsed since removal.

On 1 April 2020, the Board of Directors resolved to appoint the independent director José Julián Massa Gutiérrez del Álamo as member and Chairman of the Audit, Risk and Compliance Committee based on his proven professional experience in auditing and accounting matters.

The Audit, Risk and Compliance Committee meets whenever called by the Chairman or requested by two of its members and, in any event, at least four times per year, within fifteen days following the end of each calendar quarter. One of the meetings is called to debate all matters that must be submitted to the Annual General Meeting, regarding both the appointment of the external auditor and the evaluation of the information that the Board of Directors must approve and include in its annual public documentation, including the Audit Report.

Continued in section H.

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date on which the Chairperson of this committee was appointed.

Name of directors with experience	JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO
Date of appointment of the chairperson	01/04/2020

Nomination and Remuneration Committee		
Name	Position	Category
VALERIANO GÓMEZ SÁNCHEZ	CHAIRMAN	Independent
JORDI SEVILLA SEGURA	MEMBER	Independent
JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The Nomination and Remuneration Committee ("the Committee") is regulated by the provisions of the Corporate Enterprises Act, the Articles of Incorporation and the Internal Board Regulations, the latest amendment of which was approved by the Board of Directors on 21 June 2019, and by the Committee's own Regulations.

The Nomination and Remuneration Committee does not have executive duties, but has authority to inform, advise and make mandatory proposals within its area of competency. It is formed by a minimum of three (3) and a maximum of five (5) non-executive directors, with a majority of independent directors.

Currently, the Committee comprises three members, based on a report issued by the Nomination and Remuneration Committee, to adapt the number of members of the Committee to the current size of the Board of Directors. All committee members are independent directors.

Continued in section H

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	2022		2021		2020		2019	
	Number	%	Number	%	Number	%	Number	%
Audit, Risk and Compliance Committee	0	0.00	0	0.00	0	0.00	0	0.00
Nomination and Remuneration Committee	0	0.00	0	0.00	0	0.00	1	33.33
Sustainability Committee	1	33.33	0	0.00	0	0.00	0	0.00

C.2.3 Indicate, where applicable, the existence of any regulations governing Board committees, where these regulations are to be found, and any amendments made to them during the year. Also indicate whether any annual reports on the activities of each committee have been voluntarily prepared.

Board Committees are regulated by the Regulations of the Board of Directors, available on the Company's website in the Corporate Governance section under the Investors Area. The most relevant duties and actions falling to both committees are also set out in detail in Section H, Appendix I.

Reports on the membership and functioning of each committee were produced in 2022.

D. RELATED PARTY AND INTRAGROUP TRANSACTIONS

D.1. Explain, if applicable, the procedure and competent bodies for the approval of related-party and intragroup transactions, indicating the criteria and general internal rules of the entity that regulate the abstention obligations of the affected directors or shareholders and detailing the internal reporting and periodic control procedures established by the company in relation to those related-party transactions whose approval has been delegated by the board of directors.

[The procedure to be followed for transactions with related parties is provided for in the Board Regulations.]

D.2. Individually list those transactions that are significant due to their amount or relevant due to their subject matter carried out between the company or its subsidiaries and shareholders holding 10 % or more of the voting rights or represented on the board of directors of the company, indicating which was the competent body for their approval and whether any shareholder or director affected abstained. In the event that the competence has been of the board, indicate whether the proposed resolution has been approved by the board without the vote against of the majority of the independent directors:

Name or corporate name of the shareholder or of any of its subsidiaries	% Stake	Name or corporate name of the company or subsidiary	Amount (€ thousand)	Approving body	Identification of the significant shareholder or director who abstained.	The proposal to the board, if any, has been approved by the board without a majority of independent directors voting against it.
No data						

Name or corporate name of the shareholder or of any of its subsidiaries	Nature of the relationship	Type of transaction and other information required for its evaluation
No data		

[Not applicable.]

D.3. Individually list any transactions that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with the company's directors or managers, including those transactions carried out with entities that the director or manager controls or jointly controls, and indicating the competent body for their approval and whether any shareholder or director affected abstained. In the event that the competence has been of the board, indicate whether the proposed resolution has been approved by the board without the vote against of the majority of the independent directors:

Name or corporate name of the directors or managers or of their controlled or jointly controlled entities	Name or corporate name of the company or subsidiary	Link	Amount (€ thousand)	Approving body	Identification of the significant shareholder or director who abstained.	The proposal to the board, if so, has been approved by the board without a majority of independent directors voting against it.
No data						

Name or corporate name of the shareholder or of any of its subsidiaries	Nature of the relationship	Type of transaction and other information required for its evaluation
No data		

[Not applicable.]

D.4. Individually report on intra-group transactions that are significant due to their amount or relevant due to their subject matter carried out by the company with its parent company or with other entities belonging to the parent company's group, including the listed company's own subsidiaries, unless no other related party of the listed company has an interest in such subsidiaries or such subsidiaries are wholly owned, directly or indirectly, by the listed company.

In any case, report any intragroup transaction conducted with entities established in countries or territories considered as tax havens:

Company name of the entity within the group	Brief description of the transaction and other information required for its evaluation	Amount (thousands of euros)
No data		N/A

[Not applicable.]

D.5. Individually list the significant transactions due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with other related parties that are so in accordance with the International Accounting Standards adopted by the EU, which have not been reported under the previous headings.

Company name of the related party	Brief description of the transaction and other information necessary for its evaluation	Amount (thousands of euros)
No data		N/A

[Not applicable.]

- D.6.** List the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders or other related parties.

The Board Regulations establish the mechanisms and procedures in the event of a conflict of interest between the Company, its directors, the natural person representatives of legal person directors, significant shareholders, and managers.

These mechanisms require the aforementioned persons to inform the Board of Directors, via various means, of their interest in competing companies or those with similar corporate purposes, and in the event of a conflict of interest, the affected person may not participate in the Company's decisions regarding any matters involving the conflict of interest.

Moreover, the Internal Rules of Conduct in Securities Markets and the treatment of confidential and/or inside information set out the circumstances in which there is a conflict of interest involving employees and managers and determines the procedures to avoid conflicts of interest and a mechanism from resolving conflicts, delegating this power in the Nomination and Remuneration Committee. There is also a principle of abstention by the director, employee or manager in the process for resolving conflicts of interest.

- D.7.** Indicate whether the company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether it is listed or not, and has, directly or through any of its subsidiaries, business relationships with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them.

Yes
 No

E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Explain the scope of the company's Risk Management and Control System, including tax risk.

The Board of Directors of Duro Felguera, S.A. ("Duro Felguera", "DF" or the "Company"), in accordance with the Regulations of the Board of Directors approved by the Board of Directors of Duro Felguera, S.A. at its meeting held on 18 January 2022, has the power to determine the policy for the identification, control and management of risks, including tax risks, and supervision of the international information and control systems.

In application of these powers, DF is reviewing its Risk Management and Control Policy to adapt it to Company's new situation and operating environment. This Policy is expected to be approved by the Board of Directors during the third quarter of 2023, after its review and verification by the Risk Department and the Audit, Risk and Compliance Committee. It will then effectively become part of Duro Felguera's corporate policies.

According to the review of the Risk Control and Management Policy:

The Company has adopted an integrated risk management and control system, which considers all material risks, of any kind, to which Duro Felguera may be exposed. Specifically, it covers risks that could affect the Company's sustained growth, business performance, respect for the environment, quality, occupational health and safety, and responsibility to its stakeholders.

In general, Duro Felguera makes the following distinctions:

Corporate risks: those that affect senior-level objectives directly related to implementation of DF's strategic plan and corporate governance policies and regulations.

Operational risks: those that affect business-related objectives for the activities carried out by DF in the ongoing management of its businesses, materialising primarily in bids and project management.

Duro Felguera's integrated risk management and control system, for both corporate and operational risks, is backed by six lines of action:

Regulatory framework: Mission, Policies and Principles, Organisation and Governance.

Identification, description and classification of risks, based on the creation of a risk catalogue, a taxonomy and a risk map.

Quantification and scoring of risks through the establishment of limits and thresholds and standardisation of metrics.

Integration in the Company's management system through the establishment of the related processes and procedures.

Integrated and escalated reporting for effective control and monitoring of mitigation measures.

Adaptation and preparation of reporting systems to obtain a single data.

The six lines are applied to the corporate, bids and projects domains.

Each line of action is articulated in the internal management rules that complement the Policy:

Internal corporate risk management rules.

Internal bid risk management rules.

Internal project risk management rules.

The Company bases its risk management and control on the international UNE-ISO 31000:2009 standard.

Accordingly, in all corporate and operational areas, the risk management and control process shall take the steps in the risk-taking areas:

Identification: classification and categorisation of risks according to the taxonomy. analysis of causes and effects of the risks.

Assessment: quantitative and qualitative assessment of risks according to the risk matrix.

Analysis and prioritisation: establishment of the level of exposure, according to limits and thresholds, and the ability to address the risk.

Management: definition of the mitigation measures and related actions. Execution of the actions.

Information and reporting: reports based on level of exposure.

The second line of defence controls and monitors the entire process.

The third line of defence supervises and audits the entire process.

This Policy directly applies to Duro Felguera, S.A. and all the investees included in its scope of consolidation.

In companies in which DF has a controlling interest, DF encourages application of principles, guidelines and risk limits that are consistent with those in its Policy and maintains the necessary information channels to ensure awareness about the risks.

The Risk Management and Control Policy applies to all DF departments and divisions and all its business operations, in the corporate and directly related to the bids and projects domains.

E.2. Identify the bodies within the company responsible for preparing and executing the Risk Management and Control System, including tax risk:

DF segregates responsibilities in the Risk Management and Control System through appropriate definition and allocation of duties at operating level among the three lines of defence. The aim is to mitigate potential conflicts of interest in risk-taking, decision-making and execution of actions.

The lines of defence are as follows:

First line of defence. This includes areas that are risk-takers and its functions are to identify, assess and perform the mitigation measures determined. These areas describe the internal operational risk management processes.

Second line of defence. Its functions entail control and monitoring implementation of the regulations and of the specific risk control actions drawn up. The areas comprising this line will draw up the internal management rules and propose risk limits and thresholds.

Third line of defence. This line's functions include supervision and audit. The areas comprising this line will draw up the Risk Policy and the risk appetite parameters.

Each line of defence will comprise certain bodies and departments, as explained below.

First line of defence. Corporate departments and business lines.

Second line of defence. Management Committee and Risk Committee, with its functions backed by the Risk Department. The Compliance Committee also provides support to the second line in terms of compliance and regulations.

Third line of defence. The Audit, Risk and Compliance Committee, the Sustainability Committee and, ultimately, the Board of Directors.

The lines of defence are adapted to the Company's organisational structure, its operations and the main risks facing Duro Felguera, which it divides up in general between Corporate Risks and Operational Risks.

The functions and responsibilities attributed to each body are summarised as follows:

Board of Directors: As a power that cannot be delegated, the Board of Directors of Duro Felguera has responsibility for approving the Risk Control and Management Policy and setting the levels of acceptable risk and risk tolerance at any given time.

The Audit Risk and Compliance Committee: The Regulations of the Board of Directors tasks the Audit, Risk and Compliance Committee (ARCC) with duties related to the supervision of the risk control and management systems. Therefore, the ARCC receives regular reports from the Risk Department, on which it bases the recommendations and proposals it submits to the Board to safeguard the Company's operational integrity. In addition, through Internal Audit, this committee reviews the risk management system. This review should be included in the Annual Audit Plan.

Sustainability Committee: At its meeting of 18 January 2022, the Company's Board of Directors agreed to set up a Sustainability Committee as a specialised body tasked with supervising compliance with the Company's environmental, social and corporate governance policies and rules, as well as internal codes of conduct, in line with Recommendations 53 and 54 of the Good Governance Code. The Sustainability Committee shall be informed by the Risk Department of risks inherent to compliance with regulations and environmental, social and governance rules.

Risk Department: The Risk Department, which falls under and reports directly to the Audit, Risk and Compliance Committee, provides support to both the ARCC and the Management Committee in discharging its duties, which include: designing and proposing internal risk management rules, taxonomies, limits and thresholds; ensuring compliance with procedures and methodologies; and monitoring and updating the risk management system as needed.

Management Committee: The Management Committee, in conjunction with the Risk Department, assesses, monitors and follows up on corporate risks. It reviews the businesses' and corporate areas' overall level of risk exposure on a regular basis to verify and ensure that the level of risk exposure is below the level of acceptable risk and is aligned with the Company's strategy and objectives.

Risk Committee: the function of this committee is related to controlling and managing risks that affect Duro Felguera's business-related objectives in the continuous management of its businesses, materialising primarily in bids and projects. In projects, it periodically reviews the level of risk exposure to verify that it is below the level of acceptable risk and is aligned with the Company's strategy and objectives. In bids, it ensures that the terms and conditions for submitting a binding offer by Duro Felguera comply with the risk limits and risk appetite determined by the Board of Directors.

Audit and Compliance Committee: The Compliance Committee provides risk management support in areas of due diligence of partners, agents and other third parties with whom DF interacts in bidding and projects. It also performs an ongoing audit of the risk management system, which should be set out in the Annual Audit Plan, verifying the operation of the system in terms of its design, implementation and effectiveness.

E.3. Indicate the main risks, including tax risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives:

See section H

E.4. Identify whether the entity has risk tolerance levels, including for tax risk.

As The Company has a taxonomy established for corporate, bids and projects, grouped into four categories: strategic, operational, financial, compliance and CSR.

DF has risk tolerance levels for certain items of the taxonomy and the three domains: corporate, bids and projects.

There is a zero-tolerance level for reputational, sustainability and compliance risks.

Operationally, risk tolerance levels (or risk appetite) are set out in risk limits and thresholds.

Risk limits set the barrier (red line) for the level of risk the Company considers acceptable and/or permissible. Qualitative and quantitative limits are specified for each type of risk defined by DF.

Risk thresholds determined the values under which DF can operate. Risks have different classifications within these limits. In addition, qualitative and quantitative thresholds are specified for each type of risk defined by DF.

These limits and thresholds are reviewed annually and adapted to the Company's situation and development.

Risk limits and thresholds are specified and detailed in the internal rules and procedures implementing the Risk Management and Control Policy.

According to the internal risk management rules:

In the bids domain: The Risk Committee ensures that related risk elements are assessed and evaluated and assessed to determine the risk level of bids and, accordingly, the terms and conditions under which a bid must be submitted to protect DF's interests.

In the projects domain: The Project Team conducts monthly reviews and the Risk Committee quarterly reviews. Project risk-opportunity scenarios are verified for decision-making on margins and contingencies.

In the corporate domain: Senior management, the Board Committees and the Board of Directors use the annual review of the corporate risk map and the half-yearly update of the related risk indicators to assess trends in risks, monitor the mitigating measures put in place and take the appropriate decisions.

E.5. Indicate which risks, including tax risks, have materialised during the year.

As explained in the consolidated financial statements, the main risks that materialised in 2022 related to the bankability of projects, exchange rate fluctuations and deviations in execution of certain contracts, as well as cash management pressure.

E.6. Explain the response and oversight plans for the company's main risks, including tax risks, as well as the procedures followed by the company in order to ensure that the Board of Directors responds to any new challenges that arise.

See section H

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATING TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms forming your company's Internal Control over Financial Reporting (ICFR) system.

F.1. The entity's control environment.

Report on at least the following, describing their principal features:

F.1.1 The bodies and/or departments that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision.

Duro Felguera's Internal Control over Financial Reporting (ICFR) system comprises a process involving all levels across the organisation. Therefore, it is implemented by all staff.

The Board, as the body ultimately responsible for the existence and maintenance of a suitable and effective ICFR system, created the necessary organisational structure to ensure that regulated financial reporting is implemented correctly and that the Group's internal control operates effectively. As provided in the Board Regulations of 2019 at article 17, the Audit, Risk and Compliance Committee of Duro Felguera must oversee:

- The effectiveness of the Company's internal controls, the annual internal audit plan, the regulatory compliance management system and the risk management systems, as well as discuss with the statutory auditor any significant weaknesses in the internal control system that may have been detected over the course of the audit, without compromising its independence. To this end, and where appropriate, recommendations or proposals may be submitted to the Board of Directors along with the corresponding time frame for follow-up activities.
- The preparation and presentation of the required sustainability information on the Company and, where appropriate, the Group, and submit recommendations or proposals to the Board of Directors with a view to safeguarding its integrity, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

The Finance Department has coordinated the ICFR system's design as part of its responsibility for establishing, implementing and monitoring the system. The Finance Department's objective is, and should be, to establish an effective and efficient ICFR system. Therefore, it has a process in place for updating and periodically reviewing the system to help adapt controls to the Company's reality at any given time.

Finally, the Internal Audit area, supervised by the Audit, Risk and Compliance Committee, has responsibility, together with the Finance Department, to oversee and assess the ICFR system with a suitable scope and schedule in order to arrive at findings on its effectiveness, taking into account the audit engagements included in the Annual Audit Plan.

F.1.2 The existence or otherwise of the following components, especially in connection with the financial reporting process:

- Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) clear definition of lines of responsibility and authority with an appropriate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for their proper dissemination throughout the entity.

Under the Regulations of the Board of Directors, the specification of the Group's organisational structure and any changes to it are the responsibility of the Board.

In short, the Finance Department leads the preparation of financial reporting, although according to the ICFR system, all parties involved work towards the transparency, integrity, accuracy and reliability of financial information. Lines of responsibility and authority are assigned in detail in the ICFR Governance Model adopted by the Board of Directors (as indicated in section F.1.1). Functions and responsibilities are assigned to:

- 1) Board of Directors
- 2) Audit, Risk and Compliance Committee
- 3) Finance Department
- 4) Departments and areas
- 5) Internal Audit
- 6) Internal ICFR system control

In addition, the Model creates a specific ICFR coordination unit that reports to the Finance Department, supporting the Department in the performance of its role as a second line of defence.

Duro Felguera knows how important training is as a means of raising awareness and knowledge of the Model among staff. Therefore, it has held annual training sessions coinciding with the processes of updating and reviewing the Model as a whole and its updates. The detail of this training is disclosed in the section on training and periodic refresher programmes for personnel involved in the preparation and revision of financial information, as well as in the assessment of the ICFR system, covering at least accounting standards, auditing standards, internal control and risk management.

- Code of conduct, the body approving this, degree of dissemination and instruction, principles and values covered (stating whether there is specific mention of record keeping and preparation of financial information), body charged with analysing breaches and proposing corrective actions and sanctions.

The Group's Code of Conduct, which was reviewed, updated and approved by the Board of Directors on 15 February 2022, is mandatory for all Duro Felguera directors and employees, regardless of office, position, geographical location, type of employment contract, post, or physical workplace.

The Internal Audit and Regulatory Compliance Department gave a training session in 2022 on the Group's ethical values that included specific information regarding the Code of Conduct and the Anti-Corruption Policy. All employees have access to the Code of Conduct on the DF intranet and third parties via the corporate website.

The current Code of Conduct sets out the following principles and values:

Compliance with the law: DF and all its employees undertake to comply with the legislation in force in all activities, and with the Good Corporate Governance practices adhered to by DF, while encouraging cooperation with authorities and regulatory bodies.

Respect for human and labour rights: DF and anyone covered by the Code of Conduct must comply with and respect human rights and comply with Spanish and international laws, respecting freedom of association.

Respect for people: This aspect focuses on respect for fundamental rights and civil liberties (work-life balance, equal opportunities and non-discrimination, among others) and health and safety.

Relations with government authorities and regulatory bodies: DF encourages the utmost collaboration and diligence among all of its employees and advocates political neutrality. Duro Felguera strictly prohibits corruption in any form and any practices that are unethical or conducive to influence parties outside the organisation for the purpose of securing some undue benefit, advantage or consideration. The Group's relations with customers and suppliers must be based on objectivity and transparency.

Commitments to the market: DF and all its employees must guide their conduct by the highest standards of quality, honesty and transparency.

Prevention of contraband and drug trafficking: DF is committed to abiding by prevailing import and export laws.

Commitment to the environment: DF undertakes to promote and foster environmental protection and preservation, involving its people and the Group as a whole in environmental concerns through continuous improvement, integrating the sustainability concept in the decision-making process and assessing the impact of its activity in the areas where it operates.

Protection of information: personnel subject to the Code of Conduct are required to keep strict confidentiality in relation to information obtained in the course of their work.

Financial and accounting transparency: The Company shall ensure the reliability and rigour of financial information that, in accordance with applicable regulations, is publicly reported to the market. Specifically, the accounting policies, control systems and supervision mechanisms specified by the Group will be applied so that relevant information is identified, prepared and communicated in a timely and appropriate manner. Furthermore, the Board of Directors of DF and the other management bodies of Group companies will regularly verify the effectiveness of the system of internal control over financial reporting to the markets.

Responsible use of resources and assets: All DF employees are subject to the responsibility and commitment to protect the Group's assets against damage, loss, theft and misuse.

As describe in the scope of application of the current Code of Conduct, it is mandatory for all Group employees and representatives. In line with its commitment to publicise its values across all areas, the Company approved a Code of Conduct applicable to third parties.

The Compliance Committee, comprising management representatives of the Human Resources, Legal Affairs, Risk, Communication, and Internal Audit and Regulatory Compliance departments, is the internal body responsible for updating, supervising and controlling compliance with the principles, values, guidelines and behaviours set out in the Code, and the result of the rules and regulations that make up the Regulatory Compliance Programme.

Specifically, as a general rule, the Internal Audit and Regulatory Compliance Department has authority to decide on any incident, breach, complaint, query or consultation arising from the interpretation and application of the Code, except if the Chief Compliance Officer him/herself is involved in the matter at issue, in which case the party that is to oversee and adjudicate on the procedure will be appointed by the Compliance Committee.

If the incident or ex officio investigation not only affects all the above but also a member of the Board of Directors of Duro Felguera or a management body of a Group company, it is forwarded to the rest of the unaffected members of the Board of Directors, who will act on its behalf or, as appropriate, appoint an instructing officer in accordance with section 6.2 d) of this regulation. The Compliance Committee, the Audit, Risk and Compliance Committee and the members of the Board of Directors affected may not be involved in any phase of the processing, resolution or investigation of the incident.

The Compliance Committee met eight times in 2022.

- Whistleblower channel allowing notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, indicating whether this channel is confidential:

DF has made available to its employees several channels to report incidents and concerns or raise questions:

The Ethics Line: <https://lineaetica.durofelguera.com/en/>, for reporting potential breaches of the Code of Conduct, the Crime Prevention Model or any other applicable rule or regulation.

The email address: dcn@durofelguera.com, for submitting doubts about or queries regarding application or interpretation of applicable internal and external rules and regulations.

Several complaints were submitted in 2022, which were handled and reviewed by the pertinent area.

Meanwhile, in early 2022, adopting a proposal put forward by the Audit, Risk and Compliance Committee, the Board of Directors of Duro Felguera approved the update of the internal standard for incident reporting and internal investigations. The standard specifies the principles of operation of our whistleblower channel and creates procedures for reporting, processing and, as the case may be, investigating incidents that come to light via the channel or otherwise become known to DF or any DF Group company.

With entry into force of law 2/2023 on the protection of persons who report breaches of laws and anti-corruption, the Group is adapting its whistleblower channel to new legal requirements. This process is scheduled to be completed by the legal deadline; i.e., 13 June 2023.

- Training and periodic refresher programmes for personnel involved in the preparation and revision of financial information, as well as in the assessment of the ICFR system, covering at least accounting standards, auditing, internal control and risk management:

In general, at Duro Felguera there is a Consolidation and Reporting area within the Finance Department with highly skilled staff specialised in accounting who operate as a technical unit and seek the opinion of external experts for complex transactions or regulatory changes. A corporate accounting manual is available on the intranet to support standardised application of accounting policies and criteria, which was reviewed and approved on 31 December 2022 by the Group. It is constantly reviewed to identify potential updates to standards.

We maintain an ongoing conversation with our external auditors and other accounting experts, who keep us informed about new developments in accounting, risk management and internal control over financial reporting and provide us with updated materials and aids..

- Clarify the roles and duties of users and areas involved in ICFR and assign responsibility for processes.

- Ascertain the effectiveness and efficiency of model execution, management and oversight using a self-assessment system. - Strengthen the internal control model by generating and filing control evidence.

In general, at Duro Felguera there is a Consolidation and Reporting department staffed by accountants operating as a special technical unit; for complex transactions and regulatory changes, they seek the opinion of external experts. A corporate accounting manual is available on the intranet to support standardised application of accounting policies and criteria. The Group reviewed the manual and approved a new version on 31 December 2020.

We maintain an ongoing conversation with our external auditors and other accounting experts, who keep us informed about new developments in accounting, risk management and internal control over financial reporting and provide us with updated materials and aids.

F.2. Assessment of risks in financial reporting.

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including risks of error and fraud, as regards:

- Whether the process exists and is documented.

The system of Internal Control over Financial Reporting designed at Duro Felguera is based on the internal control framework set out in the COSO (Committee of Sponsoring Organizations of the Treadway Commission) report and on the recommendations of the CNMV, Spain's securities market regulator, in its paper Internal Control over Financial Reporting in Listed Companies.

Based on this model, Duro Felguera performs quality assurance for internal control over financial reporting by identifying and managing critical risks relating to the authorisation, recognition and processing of transactions and to financial reporting and disclosures. Duro Felguera is also vigilant of fraud risks and anticipates any corrective measures required to mitigate the risk of errors and omissions that might compromise the reliability of financial reporting.

As indicated in the methodology set out in its Systems of Internal Control over Financial Reporting (ICFR) Manual, Duro Felguera delimits the scope of the system on the basis of both quantitative and qualitative criteria. This approach pinpoints high-risk account items and disclosures that could have a material impact on financial reporting, and identifies which Group companies should be included within the scope of ICFR.

In addition, DF has created a matrix of controls targeting potential risks in each accounting process. An owner and a supervisor, and the evidence required, are specified for each control. The entire process is completed with a two-stage self-assessment. At the first stage, the control owner reports an assessment of the controls for which he or she is responsible to the control supervisor. At the second stage, control supervisors submit to the Group Finance Department a report that consolidates all controls under their authority. Finally, the Finance Department collates all reports received from control supervisors and submits the results to the Audit Committee.

In the second half of 2022, as was the case in 2021, the Group reviewed and updated the scope of the ICFR system to identify organisational changes affecting the controls outlined in the ICFR system model.

Meanwhile, the Company has promoted the Regulatory Compliance Programme. It updated the applicable regulations, especially the Code of Conduct, the Regulatory Compliance Policy and the Anti-Corruption Policy, and Management has disseminated a message of zero tolerance to corruption and fraud.

- Whether the process covers all the objectives of financial reporting, (existence and occurrence; completeness; valuation; presentation; disclosure and comparability; and rights and obligations), whether it is updated and if so how often.

The reliability of the information reported by DF to the markets requires the fulfilment of the following control objectives, according to their impact on the financial statements:

Occurrence: The reported transactions and events have occurred and relate to the entity.

Completeness: All the facts and transactions that had to be reported have indeed been reported.

Accuracy: Amounts and other data relating to transactions and events have been properly reported.

Transaction period: Transactions and events have been recorded in the correct period.

Classification: Transactions and events have been recognised in the appropriate account entries.

Existence: Reported assets, liabilities and equity are in existence.

Rights and obligations: The entity owns or controls the rights to the assets, and the liabilities are obligations of the entity.

Measurement and allocation: Assets, liabilities and equity are reported in the financial statements at the appropriate amounts and any resulting valuation adjustments or allocations have been properly accounted for.

The safeguarding of assets and the prevention and detection of fraud are considered objectives of ICFR because of their impact on the above objectives.

Such objectives are reviewed and updated when significant changes arise in the Group's business with an impact on financial reporting. A comparison of the real situation to the theoretical framework brings to light areas for improvement.

In this vein, the Code of Conduct's principles include transparency in financial reporting, underpinned by the application of accounting best practices to ensure information disclosed to markets is accurate

- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex corporate structures or special purpose vehicles.

Delimitation of the scope of consolidation of the Duro Felguera Group requires continuous communication between the Legal and Economic-Financial areas, more specifically the Consolidation team, so that the Group has an updated view of its equity position and all the separate financial statements of the companies within the scope are properly identified and integrated with the consolidated financial statements.

- Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.

The DF Group's risk control model described in section E.1 Takes account of the assessment of the effects of other types of risk inherent in its business to the extent that they affect financial reporting. This means carrying out suitable assessment and control of corporate-level risks and risks that are specific to the Group's activity and operations.

In particular, as described in section E.3, the DF Group has defined 5 main risk categories: strategic, operational, financial, compliance and CSR. That section describes the key risks that could affect achievement of business objectives.

The main input for building the Risk Map is the Strategic Plan, which is prepared, reviewed and approved by the Board of Directors. Given the economic and financial hardship Duro Felguera is enduring, the plan has undergone updates to factor in new financial assumptions negotiated with the banks. Meanwhile, the Company's restructuring and reorganisation to adapt to the workforce reduction plan implemented resulted in modifications to the risk map.

As noted in previous sections, the ICFR system was updated during the fourth quarter of 2022 to consider the Company's current financial risks. Similarly, the criminal risk matrix, which affects legal and reputational risks, was reviewed over the course of the year to adapt risk levels to the size of the organisation.

- The governing body within the company that supervises the process.

As mentioned in section F.1.1, article 17 of the Board Regulations tasks the Audit, Risk and Compliance Committee, among other things, with supervising the effectiveness of the Company's internal control, the internal audit and risk management systems, and assessing with the auditors significant weaknesses of the internal control system uncovered during the audit, without jeopardising the auditor's independence..

F.3. Control activities.

Report on whether the company has at least the following, describing their main characteristics:

F.3.1 Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.

As outlined in the Internal Control over Financial Reporting Manual, the financial reporting review process can be defined as an ongoing process that occurs throughout the overall financial reporting process. This implies defining and implementing a number of controls, which are classified by their importance in relation to preparing financial information into differing levels of criticality (from low to very high). To execute the controls, certain key figures are defined within the Company, who are tasked with executing and reviewing the control, and presenting their findings to the Finance Department through the related self-assessments.

Meanwhile, as described in the control matrices, the Financial Department performs specific checks on information obtained from all departments involved in preparing financial statements, mainly the Group's finance area.

The process continues with the role of the Audit, Risk and Compliance Committee which, in accordance with article 17 of the Board Regulations, is under a duty to "supervise the process of preparing and reporting the mandatory financial information on the Company and, where appropriate, the Group, and to submit recommendations or proposals to the Board of Directors to ensure completeness of the information, review compliance with regulatory requirements, and ensure the appropriate delimitation of the scope of consolidation and the correct application of accounting principles.

The final authorisation for issue of financial reporting is the responsibility of the Board of Directors. Under article 5 of the Board Regulations, the Board has the power to "approve the financial information that, due to its status as a listed company, the Company must periodically make public, ensuring that such reporting gives a true and fair view of the equity, financial position and results of the Company, in accordance with the provisions of the law."

Again, for the ICFR system, as mentioned in section F.2.1, the Group has in place a system of self-assessment at different levels: 1) control executors, 2) control supervisors, and 3) the Finance Department. The Finance Department submits a report setting out the key ICFR results of the period to the Audit, Risk and Compliance Committee.

Duro Felguera has a documentation repository comprising the risk matrices and controls for each process, which are available to be viewed by parties involved in the ICFR system, who can also upload relevant evidence. Moreover, the ICFR officer, the Finance Department and Internal Audit thus have a comprehensive overview of all processes, which enables them to oversee and test the controls. In 2022, we reviewed and updated control officers' roles and clearance levels.

F.3.2 Internal IT control policies and procedures (access security, control of changes, system operation, operational continuity and segregation of duties, among others) which support significant processes within the company relating to the preparation and publication of financial information.

Duro Felguera, within the framework of its ICFR system, has implemented controls of IT systems for processes and sub-processes via segregation of functions, assigning different profiles to the different roles of the Group's employees.

Duro Felguera bases most of its activities on its IT systems. For this reason, DF updated its internal control policies for information systems in 2019, adapting them to the COBIT environment (Control Objectives for Information and related Technology) in five main areas:

- **Security and cybersecurity:** processes relating to user access and permissions; e.g., password policies, access control and information system protection, DPC access, user management and processing policies, periodic user access audits. These audits included pentesting (penetration or hacking test) by an external expert in December 2022.
- **Segregation of duties:** procedures to ensure that duties related to the information system used to prepare and publish financial information are segregated. The roles and responsibilities assigned to persons with access to information systems are reviewed on a regular basis to ensure that the segregation of duties policies in place are being implemented and that there are no conflicts of interest or potential fraud risks.
- **IT organisation and management:** security measures for the Company's data and systems and mandatory policies and procedures in managing third parties (from engagement to review of SLAs) and contingency planning.
- **Operation and use:** management and resolution of user requests or incidents, backups, changes and problems, and management of information systems' operation and control. This pillar also includes procedures to ensure the operational continuity of information systems used in the preparation and publication of financial information, along with periodic back-up copies of data and implementation of disaster recovery plans.
- **Change management:** processes for acquisitions of assets (hardware and software), CAPEX and OPEX, and development, testing and deployment processes in production.

- F.3.3** Internal control policies and procedures for overseeing the management of activities subcontracted to third parties, as well as of those aspects of assessment, calculation or valuation entrusted to independent experts, which may materially affect financial statements.

As a result of the Company's internationalisation, part of the financial reporting preparation and regulatory compliance is performed in foreign locations. To better ensure compliance with local (accounting, financial, tax, legal, etc.) legislation in each country and, therefore, reduce exposure to compliance risk, Duro Felguera has a cooperation agreement with an internationally renowned accounting and auditing firm for the preparation of financial information in foreign locations where it has key businesses and projects for the organisation.

F.4. Information and communication

Report on whether the company has at least the following, describing their main characteristics:

- F.4.1** A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

The Economic-Financial Division is responsible for keeping the accounting policies affecting Duro Felguera Group up to date and communicating them appropriately.

The Group has an accounting manual that identifies and explains the relevant financial reporting standards and specifies how they must be applied to the Company's own operations and transactions.

Where the application of an accounting standard is especially complex, the Group seeks input and assistance from outside advisers, from the regulatory body or from the external auditor.

The Finance Department is also responsible for informing the Audit and Control Committee of any changes in regulations that could have a significant impact on the Group's financial statements and for handling queries regarding the accounting treatment of transactions that could be submitted by the Company's information officers.

The Group's ICFR policy includes performing mandatory or voluntary audits on virtually all subsidiaries included in the scope of consolidation, even those that are not material subsidiaries. Leading international firms are engaged to carry out these audits.

- F.4.2** Mechanisms for capturing and preparing financial information in standardised formats for application and use by all units of the entity or group, and support its main financial statements and notes, as well as disclosures concerning ICFR.

The process of consolidation and preparation of financial information is centralised with the Consolidation area within the Administration and Reporting Department, which in turn reports to the Duro Felguera Finance Department. The process begins with the receipt of accounting closes from centralised subsidiaries that are significant for the purposes of the ICFR system. Next, we convert the information received from foreign companies, branches and temporary business associations or joint ventures (UTES) that complete their accounting closes using their own local systems. Finally, we draw up the consolidated financial statements, having entered all data in an IT tool that supports the entire process.

The Administration and Reporting / Finance Department also centrally establishes closing and reporting timetables and distributes them to all parties involved in the preparation of accounting and financial information.

The Group has control mechanisms in place to ensure that its financial information includes the necessary disclosures for appropriate interpretation by the market.

F.5. Supervision of the functioning of the system.

Report on at least the following, describing their principal features:

F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function one of the responsibilities of which is to provide support to the committee in its task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

As provided in article 6 of the Regulations of the Audit, Risk and Compliance Committee, the Committee is tasked with "supervising the effectiveness of the Company's internal control, the internal audit and risk management systems, and assessing with the auditors significant weaknesses of the internal control system uncovered during the audit, without jeopardising the auditor's independence. To this end, and where appropriate, recommendations or proposals may be submitted to the Board of Directors and the corresponding time frame for follow-up activities."

For this purpose, the Audit, Risk and Compliance Committee annually reviews and approves the Internal Audit Plan submitted by the Internal Audit unit. A considerable proportion of the hours allocated within the scope of the Plan are for testing the ICFR system. Such tests are mainly conducted by the Internal Audit unit, which submits the results at least annually to the Audit, Risk and Compliance Committee. In addition, the unit proposes an action plan and recommendations to continue to enhance and reinforce the ICFR model within the organisation.

F.5.2. If there is a procedure by which the account auditor (in accordance with the contents of the Normas Técnicas de Auditoría (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses detected.

In the absence of any special reason requiring an additional meeting, the Audit, Risk and Compliance Committee holds at least two meetings annually with the external auditors to review the financial statements and internal control weaknesses uncovered.

The Audit, Risk and Compliance Committee also maintains a fluid relationship with the Internal Audit and Regulatory Compliance Department. They meet regularly to learn about and assess execution of the Audit Plan approved for the year and other unplanned activities that arise during the year.

In upholding the responsibilities attributed to it by the Board of Directors, the Audit, Risk and Compliance Committee held the meetings it needed in 2022, attended by the Chief Audit Executive and the Chief Compliance Officer, along with other Company's directors, at the invitation of the committee Chairman, to address certain items on the agenda.

F.6. Other relevant information

Not applicable.

F.7. External auditor's report.

Report:

F.7.1 Whether the ICFR information sent to the markets has been subjected to review by the external auditor, in which case the entity should include the corresponding report as an attachment. If not, reasons why should be given.

In 2022, the Audit, Risk and Compliance Committee decided to submit the disclosures set out in this section of the Annual Corporate Governance Report to the external auditor for review. The outcome of the review is the attached report by the external auditor on our disclosures on the internal control over financial reporting (ICFR) systems in the year ended 31 December 2022.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company's conduct. General explanations are not acceptable.

1. That the articles of incorporation of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.

Complies [] Explain []

2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:

- a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.
- b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies [] Complies partially [] Explain [] Not applicable []

3. That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:

- a) Changes that have occurred since the last General Shareholders' Meeting.
- b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

Complies [] Complies partially [] Explain []

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies [] Complies partially [] Explain []

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of pre-emptive rights in an amount exceeding 20% of the capital at the time of delegation.

And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of pre-emptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies [X] Complies partially [] Explain []

6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:

- a) Report on the auditor's independence.
- b) Reports on the workings of the audit and nomination and remuneration committees.
- c) Report by the audit committee on related party transactions.

Complies [X] Complies partially [] Explain []

7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.

And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

Complies [] Complies partially [] Explain [X]

The Board of Directors does not believe that broadcasting general meetings live has any direct impact on increasing shareholder participation.

The Company is compliant in relation to mechanisms that allow delegation and casting of votes by remote means. It has amended its Articles of Incorporation and Regulations of the Annual General Meeting to include a specific rule for holding shareholder meeting exclusively by remote and mixed means.

8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called.

Complies [X] Complies partially [] Explain []

9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies [X] Complies partially [] Explain []

10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:

- a) Should immediately distribute such complementary points and new proposals for resolutions.
- b) Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.
- c) Should submit all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.
- d) That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.

Complies [X] Complies partially [] Explain [] Not applicable []

11. That, if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

Complies [X] Complies partially [] Explain [] Not applicable []

12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies [X] Complies partially [] Explain []

13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.

Complies [X] Explain []

14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:

- a) Is concrete and verifiable;
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and
- c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.

Complies []

Complies partially []

Explain []

There are no criteria in selection procedures that are, or could be, a barrier to the selection of women directors or senior executives. When seeking a certain professional profile, the Company takes into consideration the professional profile and only evaluates the profile that is most adequate to the corporate interests, without taking into account the gender of the candidate. However, when faced with two objectively similar professional profiles, the candidate of the least represented gender on the Board or senior management will be selected, in accordance with the provisions of the Company's Director Selection Policy and in compliance with the target that 40% of Directors should be women by year-end 2023.

15. That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.

Complies []

Complies partially []

Explain []

See section H.

16. That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.

This criterion may be relaxed:

- a) In large-cap companies where very few shareholdings are legally considered significant.
- b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

Complies []

Explain []

17. That the number of independent directors should represent at least half of the total number of directors.

That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies Explain

18. That companies should publish the following information on its directors on their website, and keep it up to date:

- a) Professional profile and biography.
- b) Any other Boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) Date of their first appointment as a director of the company's Board of Directors, and any subsequent re-elections.
- e) Company shares and share options that they own.

Complies Complies partially Explain

19. That the annual corporate governance report, after verification by the nomination committee, should explain the reasons for the appointment of any proprietary directors at the proposal of shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honoured, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honoured.

Complies Complies partially Explain Not applicable

20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.

Complies Complies partially Explain Not applicable

21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

Complies Explain

22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

Complies [X] Complies partially [] Explain []

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the Board of Directors, even if he or she is not a director.

Complies [X] Complies partially [] Explain [] Not applicable []

24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.

And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Complies [X] Complies partially [] Explain [] Not applicable []

[See section C.1.2.]

25. That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.

And that the Board regulations establish the maximum number of company Boards on which directors may sit.

Complies [X] Complies partially [] Explain []

26. That the Board of Directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.

Complies [X] Complies partially [] Explain []

27. That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions.

Complies [X] Complies partially [] Explain []

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes at the request of the director expressing them.

Complies [X] Complies partially [] Explain [] Not applicable []

29. That the company should establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies [X] Complies partially [] Explain []

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.

Complies [X] Explain [] Not applicable []

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall by duly recorded in the minutes.

Complies [X] Complies partially [] Explain []

32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies [X] Complies partially [] Explain []

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out the duties assigned by law and the articles of incorporation, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.

Complies [X] Complies partially [] Explain []

34. That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.

Complies [] Complies partially [] Explain [] Not applicable [X]

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.

Complies [X] Explain []

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

- a) The quality and efficiency of the Board of Directors' work.
- b) The workings and composition of its committees.
- c) Diversity in the composition and skills of the Board of Directors.
- d) Performance of the chairman of the Board of Directors and of the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies [X] Complies partially [] Explain []

37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.

Complies [] Complies partially [] Explain [] Not applicable []

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies [] Complies partially [] Explain [] Not applicable []

39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies [] Complies partially [] Explain []

40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies [] Complies partially [] Explain []

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

Complies [] Complies partially [] Explain [] Not applicable []

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

- a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational , technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.
- b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.
- c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.
- d) Generally ensuring that internal control policies and systems are effectively applied in practice.

2. With regard to the external auditor:

- a) In the event that the external auditor resigns, examining the circumstances leading to such resignation.
- b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
- c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks.
- e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' independence.

Complies [X]

Complies partially []

Explain []

43. That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.

Complies [X]

Complies partially []

Explain []

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies [X] Complies partially [] Explain [] Not applicable []

45. That the risk management and control policy identify or determine, as a minimum:

- a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.
- b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.
- c) The level of risk that the company considers to be acceptable.
- d) Measures in place to mitigate the impact of the risks identified in the event that they should materialised.
- e) Internal control and information systems to be used in order to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Complies [X] Complies partially [] Explain []

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) Ensuring the proper functioning of the risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the company.
- b) Actively participating in drawing up the risk strategy and in important decisions regarding risk management.
- c) Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.

Complies [X] Complies partially [] Explain []

47. That in designating the members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee if they are separate – care be taken to ensure that they have the knowledge, aptitudes and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.

Complies [X] Complies partially [] Explain []

48. That large-cap companies have separate nomination and remuneration committees.

Complies [] Explain [] Not applicable [X]

49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.

Complies [X] Complies partially [] Explain []

50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) Proposing the basic conditions of employment for senior management to the Board of Directors.
- b) Verifying compliance with the company's remuneration policy.
- c) Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.
- d) Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.
- e) Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.

Complies [X] Complies partially [] Explain []

51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.

Complies [X] Complies partially [] Explain []

52. That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:

- a) That they be composed exclusively of non-executive directors, with a majority of independent directors.
- b) That their chairpersons be independent directors.
- c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and require them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.
- d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
- e) That their meetings be recorded and their minutes be made available to all directors.

Complies [X] Complies partially [] Explain [] Not applicable []

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies [X] Complies partially [] Explain []

54. The minimum functions referred to in the foregoing recommendation are the following:

- a) Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.
- b) Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.
- c) The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.
- d) Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.
- e) Supervision and evaluation of the way in which relations with the various stakeholders are handled.

Complies [X] Complies partially [] Explain []

55. That environmental and social sustainability policies identify and include at least the following:

- a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct-
- b) Means or systems for monitoring compliance with these policies, their associated risks, and management.
- c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.
- d) Channels of communication, participation and dialogue with stakeholders.
- e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies [X] Complies partially [] Explain []

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies [X] Explain []

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies [] Complies partially [] Explain []

The Articles of Incorporation include variable remuneration through profit-sharing of up to 2.5% of net profit, provided that the dividend on shares is not less than 4% of the par value of the shares. This percentage may be lowered via a shareholders resolution in General Meeting and the Board of Directors has full discretion regarding distribution of the amount among directors. This recommendation does not apply given the prohibition to distribute profits under the agreements with the FASEE.

Remuneration in the form of shares or share options is provided for in the Articles of Incorporation and in the Director Remuneration Policy approved by the shareholders at a General Meeting. However, it is not currently applied.

58. That as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that such remuneration is in line with the professional performance of its beneficiaries and not based solely on general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk incurred to achieve a given result.
- b) Promote the sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.
- c) Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.

Complies [] Complies partially [] Explain [] Not applicable []

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Complies [] Complies partially [] Explain [] Not applicable []

Variable Variable remuneration to Directors in their capacity as such, in line with the Articles of Incorporation, is capped at 2.5 % of net profit, once other statutory payments have been covered and provided that the dividend on shares is not less than four percent.

In view of the above, once the Company's shareholders approve the financial statements at a General Meeting and resolve to distribute a dividend in an amount equal to or greater than that established in the Remuneration Policy and the Articles of Incorporation, there is no need to wait any longer to verify compliance with the conditions, since variable remuneration is based on the closed and audited financial statements as submitted at the General Meeting for deliberation. It does not apply as long as the possibility of distributing dividends is suspended by the agreements with the FASEE.

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.

Complies [] Complies partially [] Explain [X] Not applicable []

As indicated in the response to recommendation 59 above, since the General Meeting is the corporate body that approves the financial statements that serve as the yardstick for determining whether or not variable remuneration to Directors is due, the shareholders at a General Meeting examine and consider the report of the external auditors, which would include any qualifications as to the financial statements and results.

61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.

Complies [] Complies partially [] Explain [X] Not applicable []

This recommendation is not followed because although the Remuneration Policy provides for the possibility of delivering shares or financial instruments linked to the value of shares, there are no remuneration plans in force that involve payment by delivery of shares or financial instruments linked to their value.

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Complies [] Complies partially [] Explain [] Not applicable [X]

63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.

Complies [] Complies partially [] Explain [X] Not applicable []

This clause is not included because the targets that attract variable remuneration must be met in the financial year, i.e. in the short term, and are verifiable before payment.

64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies [X]

Complies partially []

Explain []

Not applicable []

H. FURTHER INFORMATION OF INTEREST

1. If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which it is necessary to include in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.

Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.

3. The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In such case, name the code in question and the date the company began following it. Specific mention must be made as to whether the company adheres to the Code of Good Tax Practices of 20 July 2010:

Due to a lack of space in other sections, following the principle of transparency that governs the Company's policies and our policy on relations with shareholders, disclosed are provided below on the following:

E.3 Indicate the main risks, including tax risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives:

The Company reviews its corporate risk map annually to identify, classify and prioritise, based on internal and external factors, those risks to which its activity is exposed and the key risks that could affect achievement of business objectives.

The Company has defined five main risk categories: strategic, operational, financial, compliance and CSR. The most significant risks identified by the Company are as follows:

Financial: Economic variables. Certain economic circumstances (e.g., changes in exchange rates, interest rates, financing ability, market liquidity or taxes) can have an adverse impact on the Company's business and earnings. DF is currently in the process of strengthening its cash and financial positions after the refinancing carried out in 2021, by adding contributions to obtain higher liquidity through drawdowns on loans or other facilities, and reinforcing its guarantee facilities.

Operational. Project management. Changes in project costs. The impacts of the war in Ukraine, strained diplomatic relations between Spain and Algeria, commodity price volatility and the current inflationary environment can have an adverse impact on the Company's business and earnings. To minimise these impacts, the Company has put in place a series of contingency plans. Meanwhile, management of projects carried out in temporary business associations or joint ventures (UTEs) with unconsolidated venturers and weaknesses in processes or inadequate procedures can result in changes in project costs and timing.

Strategic. Market: The outlook for inflation is negative and includes both wage and cost increases, while interest rates are rising faster, impacting debt refinancing costs or resulting in higher costs of new borrowings. GDP growth forecasts are extremely moderate for Europe and generally for most Western economies. The macroeconomic outlook is gloomy overall. However, expectations for the Company's main sector of operations are for investment needs arising from the energy and digital transition and the EU's need to become energy self-sufficient, for which there are some obvious and material incentives, such as the availability of EU (Next Generation) and PERTE funds and other international programmes. The generally feeling in the sector is that investment projects will pick back up after the slowdown caused by Covid-19 and the impact of the Ukraine-Russia war.

Climate change. The EU's stated energy transition policy could give rise to certain political, legal and regulatory risks in terms of restrictions on factors that cause climate change or promotion of climate change adaptation measures, which could affect the development of the Company's activities. Nevertheless, increasing climate change demands in the sector where most of the Company's operations are carried out will give rise to investment opportunities in areas where DF is well positioned, such as emission reductions, carbon capture and decarbonisation.

Strategic. Organisational: the Company is currently implementing a collective redundancy plan for objective economic, productive and organisational purposes after negotiation and reaching agreements with workers' representatives. In this respect, the Company must be able to handle the

organisational change arising from its downsizing effectively and efficiently. The necessary adaptation of processes and procedures from the change must be encouraged, along with talent retention, both of which can affect the Company's activity.

Strategic. Order backlog: economic tensions and geopolitical uncertainty can cause delays in investment decision-making, which could affect the sectors in which the Company has operations. Moreover, DF's competitive position is underpinned by several factors. The most important and crucial factor in winning contracts is price, but there are other factors, such as: the ability to raise adequate guarantees of collateral, a solid order backlog, a strong financial position, risk aversion, reputation for quality, health, safety and environmental protection standards, compliance and track record. These also play a decisive role in contract awards. The Company can be affected if it is incapable of tackling these competitive challenges in carrying out its business. Considering these risks, the Company implemented the corrective measures explained in section E.6.

Strategic. Suppliers/subcontractors: Stress in managing debt with suppliers can pose a risk of restriction on operations and competitiveness. Therefore, reliance on certain 'technological' suppliers creates exposure to risk of vertical integration by them in areas where the Company carries out its business. These situations can have an adverse impact on the Company's business and earnings.

Strategic. Partners/agents: Regarding diversity and conditions of countries where the Company operates, in addition to the need for to share risk in large industrial projects, an inadequate selection of partners and agents, the loss of a partner's financial or industrial capacity or an inadequate alignment and agreements with partners in alliances and joint projects can have an adverse impact on the Company's business and earnings.

Compliance. Integrity and reputation. Non-compliance or irresponsible behaviour by employees or other third parties with whom the Company interacts (partners, suppliers and subcontractors) can have an adverse impact on the Company's reputation and earnings. Duro Felguera has taken a major step in redefining its criminal risk management model. The Company is currently making improvements to its internal procedures to adapt its compliance responsibilities as a listed company. Adaptation within the Company's operations could result in the system not being entirely integrated and that new practices have not been integrated.

Operational. Contract management: Complexity of contracts. EPC contracts are complex, with obligations spanning several years and involving multiple parties. This makes it difficult to manage unexpected events and modifications to projects, such as updates and recognition of the effects of Covid-19 and the war in Ukraine in projects' economic balance to keep cash available to address them. In addition, local courts' refusal to recognise parties' choice on matters such as the law applicable to the contract and/or jurisdiction; the failure of local legal counsel to correctly identify or assess important local legal matters (e.g., environmental restrictions) or labour-law related issues; the absence or lack of sufficient laws to safeguard intellectual property; and laws of economies that require products or goods to be sold through state marketing boards or corporations could have an adverse impact on the Company's business and earnings.

E.6. Explain the response and oversight plans for the company's main risks, including tax risks, as well as the procedures followed by the company in order to ensure that the Board of Directors responds to any new challenges that arise.

In response to the main risks, various actions are taken:

Financial management. Economic variables:

Tax 'During the bidding phase, risk-minimising tax strategies are defined with local advisors, even in the Group's usual markets.'

During project execution, tax settlements presented are monitored with the help of local advisors and events or deviations from the original strategies are identified and corrected with the help of the Operations area.

The Group has a tax policy that sets out the framework of action in order to comply with best tax practices. This policy applies to all its activities and all geographies where it operates.

Liquidity 'In the bid phase, the necessary strategies are designed to ensure positive cash flow for the project.

Project-by-project cash management and monitoring. Cash flow performance by project/business line is measured to ensure cash generation or the early detection of financing needs so that the necessary steps can be taken.

Corporate cash flows are updated weekly to predict financing requirements and plan steps to boost operating cash flows or assess actions to optimise cash surpluses.

Interest rate. The Company assesses whether to enter into interest rate swaps when it takes out new working capital financing facilities.

Foreign currency. In the bid phase, the foreign-currency collection and payment structure is evaluated, with preference for multi-currency contracts to provide us with a "natural hedge".

In cases where it is not possible to secure a "natural hedge", the possibility of entering into foreign currency swaps to minimise this risk is considered.

Credit risk. In the bidding stage, customer due diligence procedures are carried out and internal or external methods for accrediting project finance are determined.

Project-by-project collection management and monitoring, drawing up the necessary steps in each case.

Project management. Changes in project costs.

Standard practice in the Group is to arrange and close a fixed price for the supplies required for projects to mitigate the risk of increases in raw material costs, creating natural hedges between the selling price and the main costs.

It plans acquisitions of critical equipment, or equipment/materials whose cost is highly volatile because of the impact of raw materials on a project's first few months to mitigate the potential impact.

The Group also encourages the inclusion in supplier and subcontractor contracts of back-to-back liability clauses in the main contracts. A cost-reduction plan is in place for each project to offset any deviations and make the project more cost-effective.

The Group monitors project deadlines through project control to prevent delays that could lead to indirect cost overruns. It also periodically reviews estimates and tracks them at production and risk follow-up meetings over the life of the project.

To the extent possible, it sets up on-off contracts.

The Group endeavours to remain flexible so it can adapt to local content requirements through appointed partners or subcontracts depending on prevailing legislation.

It ensures integrated import management with customers.

New procurement formulas are designed to mitigate risks.

The Group ensures, to the extent possible, much more detailed force majeure considerations in contracts for border closings, pandemics and other macroeconomic and socio-political contracts that can affect project development.

It ensures formulas for reviews and variability in prices, stockouts and changes in laws.

Slowdown or halt to the global economic recovery. Slower pace of investments.

Close monitoring of planned investments with customers from the conceptual development phase through to realisation. New project execution models that promote risk balancing and ensure the success of the project.

Close monitoring of market movements through external advisors/forums/congresses, etc.

Senior management business monitoring and selection of opportunities.

Positioning, through local operations, in investment opportunities expected to arise from the energy transition, EU energy autonomy, energy storage, the growth of renewable energies, H2 and derivatives, and digital transformation.

Major expectations from the availability of EU and PERTE funds and other international programmes.

Climate change. Management of SDGs.

Existence of an Environmental Management System (ISO 9001), a Quality Management System (ISO 14001) and an Occupational Health and Safety Management System (ISO 45001), along with the required updates.

The Sustainability Committee approved the update of its Sustainability Policy to include new principles and conduct guidelines and reinforce existing ones.

Plans are for imminent approval of the Human Rights Policy. Meanwhile, the annual double materiality assessment considered alignment with SDGs of topics considered material.

Duro Felguera has drawn up its Ecological Transition Plan 2021-2027 and pledged to work towards implementing four of the 17 Sustainable Development Goals (SDGs). A key priority is SDG 13 Climate action, to be achieved through close control and monitoring of emissions.

SEPI's Monitoring and Control Committee oversees compliance with this plan. The Group is working on controlling and minimising ESG impacts with customers, subcontractors and suppliers (supply chain).

On the business side, increasing climate change demands will give rise to investment opportunities where the Company is well positioned, such as emission reductions, carbon capture and decarbonisation.

Organisational. Talent retention. Processes.

Strategic people management plan: focus on developing and retaining employees.

Identification of key positions and key personnel.

High performance management team training programmes (leadership and team management)

Training plan: upskilling & reskilling

Objective setting and performance appraisal process

Analysis of remuneration structure: benchmarking, action plan, competitiveness model

Strategic company process reassessment plan to design agile and dynamic structures focused on corporate efficiency. Redefinition of positions/functions/tasks.

Order backlog. Energy transition.

Financial reinforcements through negotiations to bring in an investor and other mechanisms.

Active monitoring of performance of Next Generation and PERTE funds.

Portfolio diversification, stepping up organic growth to leverage resources inherent in traditional businesses to enhance positioning and increase market shares to capitalise on the energy transition, with the launch of DF Greentech, in renewable energies, energy recovery plants, biomass.

Incorporation of offshore wind power solutions as strategic manufacturer.

Strategic partnerships with developers and tech firms, and high specialisation in green H2 project implementation for industrial decarbonisation, transport, storage and H2 derivatives (e.g., methane, ammonium).

The Company also has a commitment to technology and innovation, targeting secure communications in strategic civil areas and expanding the automated storage area.

Design of the Company's R&D&I plans is geared towards proposals for decarbonisation, CO2 recovery, wave energy, etc.

Suppliers/subcontractors. Vertical integration

The Company is managing strategic agreements with critical suppliers and tech companies in the areas of conventional energy, renewable energy, M&H and logistics systems, among others.

Partners/agents

The Group has formally issued an internal management standard to regulate approvals and due diligence processes of third parties, partners, agents, etc. The aim is to ensure our position through compliance, technical and financial assessments carried out by the pertinent areas for each domain.

Integrity and reputation.

The Group periodically updates the Crime Prevention Model. It implements the necessary controls, opens the relevant whistleblowing channel and provides continuous training to employees to make the entire organisation aware of the implications of bad practices and the importance of early detection.

Moreover, the Group regularly engages an external expert to audit its crime prevention system to prevent unidentified gaps.

The Group has redrafted its Regulatory Compliance Policy to enhance regulation of inclusion of Spanish and foreign subsidiaries.

It also reissued its Code of Conduct to include new principles and conduct guidelines and reinforce existing ones.

The Group requires partners, suppliers and subcontractors to abide by its environmental, human rights, occupational health and safety, anti-corruption and anti-fraud requirements.

Contract management. Complexity of contracts.

For bidding, the Company performs detailed assessments of contracts through specialised areas given the increasing importance of foreign trade risks, tax risks, risks of changes in laws or the risk of applicable dispute resolution law and environments in EPC contract execution.

Moreover, one risk element assessed in detail at the Company's Risk Committee meetings relates to the use of contractual models developed by different internationally renowned institutions.

Another is the inclusion in contracts, where possible, of clauses to refer disputes to arbitration courts in countries where DF has experience and/or arbitration forums, e.g., the International Chamber of Commerce.

The Company has set up a contract management organisation in parallel with project management, from development to guarantees.

The annual review of the corporate risk map and related actions carried out or planned by management are reported to the Board of Directors. This information is updated on a half-yearly basis along with the performance of the related KRIs so the Board of Directors can monitor the mitigation measures put in place and take the appropriate decisions.

As for the Company's day-to-day operations, the Board of Directors is apprised of all risks arising in bidding and projects with extremely high/critical exposure: In addition to risks that have a material impact, those for the organisation that cross red lines are considered critical, as are those deemed as such by the Board of Directors, Board Committees, the Management Committee or the Risk Committee as warranted by their volatility or one-off incidents. Management of these risk should be approved by the Board of Directors.

AUDIT COMMITTEE

Continuation of the section relating to the functioning of the Committee and the key actions carried out during the 2022 financial year:

Functions:

The main functions of the Audit, Risk and Compliance Committee include:

- a) Defining the procedure for selecting the statutory auditor, including the relevant selection criteria, such as training, experience and independence.
- b) Reporting to the General Meeting on any business that falls within the committee's remit and, in particular, regarding the outcome of the audit, explaining how this has contributed to the integrity of financial information and the role that the committee has played during this process.
- c) Supervising the efficiency of the Company's internal controls, internal audit and risk management systems, while also discussing with the statutory auditor any significant weaknesses in the internal control system that may have been detected over the course of the audit, without compromising its independence. To this end, and where appropriate, recommendations or proposals may be submitted to the Board of Directors along with the corresponding time frame for follow-up activities.
- d) In particular, the Company shall have a risk control and management unit, under the supervision of this committee, to, inter alia, ensure that risk control and management systems are functioning correctly and, specifically, that major risks the Company is exposed to are correctly identified, managed and quantified; play an active supervisory role in the preparation of risk strategies and in key decisions about their management; and ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the Board of Directors.
- e) Supervising the preparation and presentation of required financial and non-financial reporting on the Company and, where appropriate, the Group. The Committee must submit recommendations and proposals to the Board to safeguard the correctness of financial reporting and verify compliance with laws and regulations, accurate demarcation of the scope of consolidation, and correct application of accounting principles.
- f) Ensuring the independence of the internal audit, risk and compliance functions, which report to the committee; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; set its priorities and work programmes, ensuring that it focuses primarily on the main risks the Company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- g) Examining and reviewing the annual work plan of the internal audit, risk and compliance functions, including reports of any incidents that may have arisen while carrying out the work; and scrutinising the reports on the activities of those functions at the end of each year.
- h) Escalating to the Board of Directors proposals to select, appoint, re-elect and replace the auditor, assuming responsibility for the selection process pursuant to applicable EU legislation, in addition to the conditions of her/his engagement and regularly request information on the audit plan and its execution from him/her, in addition to ensuring his/her independence in the exercise of audit duties.
- i) Establishing appropriate relationships with the external auditor to receive information on issues that may threaten his/her independence, to be analysed by the Committee, and any other issues related to the process of auditing financial statements. Furthermore, when appropriate, authorise services other than those prohibited under applicable legislation, as well as the other communications stipulated in audit legislation and technical auditing standards. In all cases, an annual statement must be received from the external auditors confirming their independence with regards to their relationship with the entity or directly or indirectly related entities, while also providing detailed information on an individual basis about any type of payments received from these entities by the external auditor or by persons or entities related to them, pursuant to the regulations on auditing activities, and ensuring that the Company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

On this point, the Committee shall ensure that:

Remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

The Company notifies any change of external auditor to the Comisión Nacional del Mercado de Valores as "inside information", accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

In the event that the external auditor resigns, examining the circumstances leading to such resignation.

Ensure that the external auditor has a yearly meeting with the Board of Directors in full to inform it of the work undertaken and developments in the Company's risk and accounting positions.

Ensure fulfilment of the audit engagement, requiring that the auditor's opinion on the financial statements and the content of the report are drafted clearly and precisely.

Issue on an annual basis, prior to the issuance of the audit report on the financial statements, a reporting containing an opinion regarding whether the independence of auditors and audit firms has been compromised. This report shall be published on the Company's website sufficiently in advance of the Annual General Meeting, and must contain, in all cases, a reasoned evaluation of the provision of each and every additional service referenced in the previous point, considering each service individually and jointly, separate to the statutory audit and in relation to the system of independence and regulations governing auditing activities.

- j) Inform the Board of Directors, with prior notice, about all matters foreseen in law, the Bylaws and the Regulations of the Board of Directors; in particular those regarding:
 - j.1) The financial information that the Company must regularly make public;
 - j.2) The non-financial information that the Company must regularly make public;
 - j.3) The creation or acquisition of shares in special purpose entities or those registered in countries or territories considered tax havens; and
 - j.4) Transactions with related parties.

Any report issued by the Audit Committee regarding related party transactions shall be published on the Company's website sufficiently in advance of the Annual General Meeting.
 - j.5) Any structural changes, mergers or acquisitions the Company may be planning, including their financial terms and accounting impact and, in particular, the proposed exchange ratio.

- k) Receive from Senior Management the justification for any change of accounting criteria or principles, and to review such reasons.
- l) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities in the Company.
- m) Supervise the Internal Codes of Conduct and regulatory compliance not expressly attributed to another Committee or to the Company's Board of Directors. In this respect, the Audit Committee shall:
 - m.1) Supervise the internal standards and procedures there to ensure the proper monitoring of the code of conduct and regulatory compliance across the various departments and areas of the Company, especially the Company's General Code of Conduct and internal regulations on the stock market; and ensure that they remain up to date at all times.
- n) Oversee compliance with the Company's corporate governance rules. In this respect, the Audit Committee shall be responsible for:
 - n.1) Supervising transparency in corporate actions.
 - n.2) Periodically evaluating the appropriateness of the Company's corporate governance system, so that it fulfils its mission of promoting the corporate interest and takes into account, as appropriate, the legitimate interests of the other stakeholders.
 - n.3) Reporting and, if appropriate, submitting the related proposals to the Board of Directors in relation to the development of the corporate governance rules of the Company and its Group based on the provisions of the Articles of Incorporation and in accordance with the applicable regulations at any given time.
- o) Supervise compliance with the Company's corporate social responsibility policy. In this respect, it shall:
 - o.1) Review the Company's corporate social responsibility policy, ensuring that it is geared to value creation.
 - o.2) In particular, the Committee shall ensure that the corporate social responsibility policy identifies at least:
 - * The objectives of this policy and the development of tools to support it.
 - * The corporate strategy with regard to sustainability, the environment and social issues.
 - * Concrete practices on matters related to: employees, customers, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.
 - * The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
 - * Channels for stakeholder communication, engagement and dialogue.
 - * Responsible communication practices that prevent the manipulation of data and protect integrity and honour.
- p) Supervise the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.
- q) Perform any other duties entrusted to it by the Board of Directors.

Main actions in the year:

1. Oversight of the preparation of the financial statements.
2. Review of projects in progress.
3. Oversight of implementation of actions and improvements to the ICFR system.
4. Oversight and monitoring of the Crime Prevention Model.

NOMINATION AND REMUNERATION COMMITTEE

Functions:

The Committee, independently of any other functions entrusted to it by the Board of Directors or those which, within the scope of its functions, it may submit to the Board for consideration and approval, performs the following main duties:

1. In relation to directors and the Board of Directors:
 - a) Evaluate the competencies, knowledge and experience necessary for the Board of Directors. To this end, the Committee shall define the duties and capabilities necessary in candidates who shall fill each vacancy and evaluate the time and dedication necessary in order to efficiently fulfil their commitment, and run an annual check on compliance with the director selection policy.
 - b) Set a target for representation for the least represented gender on the Board, and draw up guidelines on how to achieve this objective.
 - c) Submit to the Board of Directors proposals for the appointment of independent directors for their nomination by co-option or for their submission to the General Meeting of Shareholders' decision, in addition to proposals for the re-election or dismissal of said directors by the General Meeting of Shareholders.
 - d) Propose the appointment of all other directors for their nomination by co-option or for their submission to decision by the General Meeting of Shareholders, in addition to proposals for their re-election or dismissal by the General Meeting of Shareholders.
 - e) Research and organise the succession of the Chairman of the Board of Directors and, as appropriate, the Chief Executive of the Company, formulating proposals to the Board of Directors so that said succession can be processed in an ordered and well-executed manner.
 - f) Propose the remuneration policy to the Board of Directors, as well as the individual remuneration and other contractual terms of executive directors, while ensuring compliance with the same.

- g) Periodically review the remuneration policy applied to directors, including remuneration that involves the delivery of shares, and see to it that individual remuneration is proportional to that received by other directors and senior managers.
 - h) Verify the information on director pay contained in corporate documents, including the Annual Report on Director Remuneration.
 - i) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
 - j) Report to the Board of Directors on proposed removals from office where any director fails to honour their duties as director as set out in prevailing legislation or internal regulations, or upon the occurrence of any of the grounds for removal or resignation provided for in applicable law and regulations.
2. In relation to Senior Management personnel and executive remuneration policies:
- a) Inform of any proposals to the Board of Directors for appointment or dismissal of senior management and the basic terms of their contracts. For these purposes, the Committee shall receive from the Management, the Board of Directors or its committees, as appropriate, a description of the post to be filled, the desired profile of potential candidates, the selection proposal and the contractual terms that will be offered to the new incumbent, all of which must be in line with the remuneration policy for senior managers. The Committee may also interview candidates if it deems this necessary, request further information and, in general, take any action it deems necessary before making its final proposal.
 - b) Propose, to the Board of Directors, the remuneration policy of general managers and of whomever else discharges senior management duties under the direct supervision of the Board of Directors, the Executive Committee or Chief Executive Officers, while ensuring compliance with that policy.
 - c) Periodically review the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensure that their individual remuneration is proportional to that received by the company's other directors and senior managers.
 - d) Verify the information on director pay contained in corporate documents, including the Annual Directors' Remuneration Report.
 - e) Verify, each time substantial amendments are made to the contracts or changes made to the policies, that the terms of the contracts of senior management are consistent with the remuneration policies in force.
 - f) Ensure, annually, that senior management remuneration policies are properly implemented, that no payments are made that are not provided for in those policies, and propose any measures that may be needed to recover any amounts unduly paid.
 - g) Periodically review the general remuneration systems for the Group's staff, including an assessment as to their suitability and results.
3. Review and evaluate Corporate Governance Policies, ensuring that all such policies remain up-to-date and compliant with prevailing law and regulations, and making any proposals for review, modification and improvement that it deems appropriate.
4. Draw up, for submission to the Board of Directors, the corresponding Annual Report on Director Remuneration (ARDR), which must be disclosed in accordance with the law.
5. Perform any other duties entrusted to it by the Board of Directors.

Key actions carried out in 2022 include:

1. Proposal to the shareholders at the General Meeting to ratify director re-elections and appointments.
2. Proposal for appointment of Senior Managers.
3. Evaluation of the Board of Directors

SUSTAINABILITY COMMITTEE

Functions:

The main functions of the Sustainability Committee include:

1. Supervising application of and compliance with the Internal Codes of Conduct and regulatory compliance not expressly attributed to another Committee or to the Company's Board of Directors. In this respect, the Sustainability Committee is tasked with:
2. Supervising proper compliance with the internal rules and procedures that ensure fulfilment of the rules of conduct and regulatory compliance in the Company's various spheres of action, and authority to submit proposals for improvement and development thereof.

3. Overseeing compliance with the Company's corporate governance rules. In this respect, the Sustainability Committee responsibilities include:
4. Supervising compliance with transparency in corporate actions.
5. Periodically evaluating the appropriateness of the Company's corporate governance system, so that it fulfils its mission of promoting the corporate interest and takes into account, as appropriate, the legitimate interests of the other stakeholders.
6. Reporting and, if appropriate, submitting the related proposals to the Board of Directors in relation to the development of the corporate governance rules of the Company and its Group based on the provisions of the Articles of Incorporation and in accordance with the applicable regulations at any given time.
7. Supervising compliance with the Company's corporate social responsibility policy.
8. Reviewing and assessing the Company's corporate social responsibility policy, ensuring that it is geared towards the creation of value. In particular, the Committee shall ensure that the corporate social responsibility policy identifies at least:
 1. The objectives of this policy and the development of tools to support it.
 2. The corporate strategy with regard to sustainability, the environment and social issues.
 3. Concrete practices on matters related to: employees, customers, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.
 4. The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
 5. Channels for stakeholder communication, engagement and dialogue.
 6. Responsible communication practices that prevent the manipulation of data and protect integrity and honour.
 7. Supervision of application of the general policy relating to the communication of information published by the Company, as well as with shareholders, investors, proxy advisors and other stakeholders.

Key actions carried out in 2022 include:

The Committee started working on attributing institutional value to this newly created Board committee. It outlined the frequency and interactions with the Group of companies' operations, articulating its institutional functionality and illustrating the need to address adaptation of the regulatory framework to cater to the more current dimension of sustainability; i.e., environmental, social and governance (ESG).

The key initiative entailed drafting, approving and submitting the Sustainability Policy Manual to the Board of Directors. This manual sets out the core principles and general framework for action underpinning the Group's sustainability strategy and practices, in keeping with applicable regulations, internal management standards and good corporate governance practices.

The overall aim was to ensure that the committee performs its activity in such a way as to promote long-term value creation for all stakeholders, placing particular emphasis on the following principles, grouped into three pillars:

1. Reduce environmental impacts.
 - o Make the Group's activities more energy efficient.
 - o Promote awareness of environmental protection.
 - o Ensure product quality.
 - o Shore up a responsible supply chain.
2. Ensure occupational health and safety.
 - o Attract, retain and develop human capital.
 - o Contribute to the protection of human rights and communities.
3. Comply with regulations applicable in countries and regions where the Group operates and with public authorities.
 - o Oversee responsible corporate governance.
 - o Promote responsible conduct. Exercise tax responsibility.

Perform any other duties entrusted to it by the Board of Directors.

This Annual Corporate Governance Report was approved by the Board of Directors of the company in its meeting held on:

[28/04/2023]

Indicate whether any director voted against or abstained from approving this report.

[] Yes
[] No



ANNUAL REPORT ON DIRECTOR
REMUNERATION OF LISTED COMPANIES

English translation for information purposes only.
In the event of discrepancies between the English
and the Spanish version, the Spanish version shall
prevail.

ISSUER IDENTIFICATION DETAILS

Year-end date: [31/12/2022]

TAX ID (CIF):: [A-28004026]

Company name:

[DURO FELGUERA, S.A.]

Registered office:

[ADA BYRON, 90 PARQUE CIENTIFICO Y TECNOLOGICO (GIJON) ASTURIAS]

A. REMUNERATION POLICY OF THE COMPANY FOR THE CURRENT FINANCIAL YEAR

A.1.1 Explain the current director remuneration policy applicable to the year in progress. To the extent that it is relevant, certain information may be included in relation to the remuneration policy approved by the General Meeting, provided that these references are clear, specific and concrete.

Such specific determinations for the current year as the board may have made in accordance with the contracts signed with the executive directors and with the remuneration policy approved by the General Shareholders' Meeting must be described, as regards directors' remuneration both in their capacity as such and for executive functions carried out.

In any case, the following aspects must be reported, as a minimum:

- a) Description of the procedures and company bodies involved in determining and approving the remuneration policy and its terms and conditions.
- b) Indicate and, where applicable, explain whether comparable companies have been taken into account in order to establish the company's remuneration policy.
- c) Information on whether any external advisors took part in this process and, if so, their identity.
- d) Procedures set forth in the current remuneration policy for directors in order to apply temporary exceptions to the policy, conditions under which those exceptions can be used and components that may be subject to exceptions according to the policy.

The director remuneration policy for the current financial year falls under the framework of the remuneration policy for 2021, 2022 and 2023 approved at the Annual General Meeting held on 29 October 2020.

This remuneration policy outlines the following framework:

1.- Cash remuneration

a) Fixed remuneration

The members of the Board of Directors receive fixed remuneration in their capacity as such, with a total annual limit of €600 thousand. This limit shall remain in place until it is modified by the General Meeting. This amount is received by the directors in their capacity as such and is considered a fixed amount for attendance at meetings of the Board of Directors and board committees, without prejudice to reimbursement of related expenses and other objective circumstances considered relevant.

b) Attendance fees

Members of the Board of Directors who are members of one or more board committees (Audit Committee, Risk and Compliance Committee, and Nomination and Remuneration Committee) and committees that may be created receive an attendance fee. The amount of these fees is included in the maximum annual amount determined by the General Meeting.

c) Variable remuneration/profit-sharing

According to article 28 of the Board Regulations and article 39 of the Articles of Incorporation, directors are entitled to receive a share of up to 2.5% of net profit once other statutory payments have been covered within the limits established in article 218 of the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital), and provided that the dividend on shares is not less than 4%.

d) Share-based payments

In addition, aside from the preceding paragraphs, director remuneration may entail the delivery of shares or share options or a remuneration based on the Company's share price.

There is no remuneration of this type at present.

2.- Remuneration in kind

a) Health insurance.

The Company pays the premiums on the health insurance policies taken out for each director.

Board members are also included as policyholders in a civil liability policy for directors and senior managers that is not considered income under current tax laws.

The Board of Directors, on the recommendation of the Nomination and Remuneration Committee, agreed to maintain an amount of fixed remuneration in 2023 with a similar structure to that of 2022 and the same amount for the non-executive chairman. Accordingly, a fixed annual amount is established that replaces the fee for attending meetings of the board or board committees:

1. Remuneration of members of the Board of Directors in their capacity as such:

The following gross annual fixed remuneration, which is the same as that applied in 2023, is divided up into 12 equal monthly payments, as follows:

Member of the Board of Directors: €40,000

Chairman of each board committee: €15,000

Member of each board committee: €7,500

2. The fixed gross annual remuneration of the non-executive Chairman of the Board of Directors is set at €100,000, divided up into 12 monthly payments. This remuneration replaces the remuneration of director in his capacity as such.

3. The fixed remuneration detailed above (sections 1 and 2), for directors in their capacity as such, is lower than the maximum amount outlined in the current director remuneration policy. Distribution of the difference is contingent on a recommendation in due course to the Board of Directors by the Nomination and Remuneration Committee based on criteria of necessity and opportunity.

4. Variable remuneration/profit-sharing: as outlined in the remuneration policy (see section 1-c).

5. Remuneration in kind: payment of the health insurance premium is maintained.

6. Executive director remuneration: fixed component of €435,000 and annual remuneration of €40,000 in the director's capacity as such.

- To align executive director remuneration with good corporate governance principles in matters of remuneration, any amounts received for any type of variable remuneration (short- and/or long-term) shall include reduction (malus) and/or reimbursement (clawback) clauses that allow the company to reduce payment or claim reimbursement of the variable remuneration components if payment does not comply with requirements or has been paid on the basis of data that have subsequently been shown to be inaccurate.

-Variable remuneration or long-term incentives based on the share price performance: There is no remuneration of this type at present and would not be subject to accrual given the restrictions outlined in the agreements reached with the Solvency Support Fund for Strategic Companies (Fondo de Apoyo a la Solvencia de Empresas Estratégicas).

The current agreement, which is not handwritten, provides only for fixed remuneration.

The proposed director remuneration was prepared by the Nomination and Remuneration Committee taking into account comparable companies in the sector and without the involvement of any external advisor.

A.1.2 Relative importance of variable remuneration items vis-à-vis fixed remuneration (remuneration mix) and the criteria and objectives taken into consideration in their determination and to ensure an appropriate balance between the fixed and variable components of the remuneration. In particular, indicate the actions taken by the company in relation to the remuneration system to reduce exposure to excessive risks and to align it with the long-term objectives, values and interests of the company, which will include, as the case may be, mention of the measures taken to ensure that the long-term results of the company are taken into account in the remuneration policy, the measures adopted in relation to those categories of personnel whose professional activities have a material impact on the risk profile of the company and measures in place to avoid conflicts of interest.

Furthermore, indicate whether the company has established any period for the accrual or vesting of certain variable remuneration items, in cash, shares or other financial instruments, any deferral period in the payment of amounts or delivery of accrued and vested financial instruments, or whether any clause has been agreed reducing the deferred remuneration not yet vested or obliging the director to return remuneration received, when such remuneration has been based on figures that have since been clearly shown to be inaccurate.

For directors in their capacity as such, variable remuneration is determined as a share of up to 2.5% of net profit once other statutory payments have been made and in accordance with the limits established in article 218 of the Corporate Enterprises Act, provided that the dividend on shares is not less than 4%.

The relative importance of this variable remuneration item vis-à-vis fixed remuneration is determined on the basis of net profits earmarked for distribution to shareholders. The resulting amount of variable remuneration shall be an amount that assures an appropriate remuneration mix.

There is no remuneration of this type at present as it is not compatible with the agreements entered into under the framework of aid received by the Solvency Support Fund for Strategic Companies (Fondo Apoyo a la Solvencia de Empresas Estratégicas or FASEE), notwithstanding the effects that could arise once the milestones for repayment of the aid are delivered, especially as of 2027.

A.1.3 Amount and nature of fixed components that are due to be accrued during the year by directors in their capacity as such.

a) Fixed annual remuneration of up to €600 thousand for all members of the Board of Directors in their capacity as such (see section A-1).

b) Health insurance. The amount is €109.8 thousand and covers, in addition to all Company directors, staff with posts of responsibility.

A.1.4 Amount and nature of fixed components that are due to be accrued during the year for the performance of senior management functions of executive directors.

Fixed annual remuneration of €435,000.

A.1.5 Amount and nature of any component of remuneration in kind that will accrue during the year, including, but not limited to, insurance premiums paid in favour of the director.

Annual insurance premiums:

Health insurance: €5,060.00

Life insurance: €322.31.

Accident insurance: €83.32

Other:

Accommodation: €-24,000.00

A.1.6 Amount and nature of variable components, differentiating between those established in the short and long terms. Financial and non-financial, including social, environmental and climate change parameters selected to determine variable remuneration for the current year, explaining the extent to which these parameters are related to performance, both of the director and of the company, and to its risk profile, and the methodology, necessary period and techniques envisaged to be able to determine the effective degree of compliance, at the end of the year, with the parameters used in the design of the variable remuneration, explaining the criteria and factors applied in regard to the time required and methods of verifying that the performance or any other conditions linked to the accrual and vesting of each component of variable remuneration have effectively been met.

Indicate the range, in monetary terms, of the different variable components according to the degree of fulfilment of the objectives and parameters established, and whether any maximum monetary amounts exist in absolute terms.

Directors in their capacity as such are not entitled to any long-term variable remuneration components. For short-term variable remuneration, the Articles of Incorporation include a share of up to 2.5% of the Company's net profit once other statutory payments have been made and in accordance with the limits provided in article 218 of the Corporate Enterprises Act, provided that the dividend on shares is not less than 4%.

See section A-1 for information on the executive director's annual variable remuneration.

Aside from these incentives, the Company, after signing the Management Agreements with the Spanish Solvency Support Fund for Strategic Companies (FASEE) on 31 March 2021, is subject to article 6.1.f) of Order PCM/679/2020, of 23 July, publishing the Resolution of the Council of Ministers of 21 July 2020, on the terms of reference of the Solvency Support Fund for Strategic Companies (Official State Gazette of 24 July 2020), which prevents payment of any variable remuneration until such time as 75% of the Financial Aid granted is repaid.

"Until such time as 75% of the Financial Support granted through equity instruments or through hybrid equity instruments is repaid, the remuneration of the members of the board of directors, of the administrators, or of those holding supreme corporate responsibility at the Beneficiaries, may not exceed the fixed part of their remuneration in force at the close of the 2019 financial year. Remuneration of directors appointed at the request of the Management Board in accordance with this Agreement shall be comparable to remuneration of others with a similar level of responsibility. In no circumstances may premiums or other variable remuneration components or similar be paid."

The wording of the clauses in the Management Agreement between the Company and FASEE are an exact reproduction of article 6.1.f) of that Ministerial Order.

A.1.7 Main characteristics of long-term savings schemes. Among other information, state the contingencies covered by the system, whether through defined contributions or benefits, the annual contribution that needs to be made to the defined contribution system, the benefits directors are entitled to in the event of defined benefit systems, the conditions under which economic rights are consolidated for directors and their compatibility with any other type of payment or severance pay as a result of the early termination or dismissal of the director, or deriving from the termination of the contractual relation, in the terms provided, between the company and the director.

Indicate whether the accrual or vesting of any of the long-term savings plans is linked to the attainment of certain objectives or parameters relating to the director's short- or long-term performance.

Not applicable.

A.1.8 Any type of payment or severance pay for early termination or dismissal of the director, or deriving from the termination of the contractual relation, in the terms provided, between the company and the director, whether voluntary resignation by the director or dismissal of the director by the company, as well as any type of agreement reached, such as exclusivity, post-contractual non-competition, permanence or loyalty, which entitle the director to any type of remuneration.

See B-11.

A.1.9 Indicate the conditions that the contracts of executive directors performing senior management functions should contain. Among other things, information must be provided on the duration, limits on amounts of indemnification, minimum contract term clauses, notice periods and payment in lieu of these notice periods, and any other clauses relating to signing bonuses, as well as compensation or golden parachute clauses for early termination of the contractual relationship between the company and the executive director. Include, among others, the pacts or agreement on non-competition, exclusivity, permanence and loyalty, and post-contractual non-competition, unless these have been explained in the previous section.

The executive director has a permanent contract. See the preceding section for the remaining terms (e.g. limits on amounts of indemnification, minimum contract term clauses, notice periods and payment in lieu of these notice periods, and any other clauses relating to signing bonuses, as well as compensation or golden parachute clauses for early termination of the contractual relationship).

A.1.10 The nature and estimated amount of any other supplementary remuneration that will be accrued by directors in the current year in consideration for services rendered other than those inherent in their position.

Not applicable.

A.1.11 Other items of remuneration such as any deriving from the company's granting the director advances, loans or guarantees or any other remuneration.

Not applicable.

A.1.12 The nature and estimated amount of any other planned supplementary remuneration to be accrued by directors in the current year that is not included in the foregoing sections, whether paid by the company or by another group company.

Not applicable.

A.2. Explain any significant change in the remuneration policy applicable in the current year resulting from:

- a) A new policy or an amendment to a policy already approved by the General Meeting.
- b) Significant changes in the specific determinations established by the board for the current year regarding the remuneration policy in force with respect to those applied in the previous year.
- c) Proposals that the board of directors has agreed to submit to the general shareholders' meeting to which this annual report will be submitted and which are proposed to be applicable to the current year.

The Director Remuneration Policy for financial years 2021, 2022 and 2023 was approved at the Annual General Meeting held on 29 October 2020, on a recommendation by the Board of Directors based on a report from the Nomination and Remuneration Committee. It was practically the same as the previous policy, with no material changes.

At the same Annual General Meeting, approval was also given to a recommendation by the Board of Directors based on a report by the Nomination and Remuneration Committee on executive director remuneration to reduce the maximum amount of fixed remuneration and modify the section on variable remuneration to give more weight to overall remuneration so it is aligned with market practice for similar positions at similar companies.

For both the annual variable remuneration and the long-term incentive, the Board of Directors has devised a precise formula for clawing back, where applicable, amounts of variable remuneration components paid if, for the delivery of shares, the share price at the delivery date does not comply with the required terms and conditions of payment or the amounts were paid on the basis of data that were subsequently clearly shown to be inaccurate, as set out in the Director Remuneration Policy for financial years 2021, 2022 and 2023, approved at the Annual General Meeting held on 29 October 2020 (1).

- (1) Both the current Remuneration Policy and Recommendations 59 and 63 of the CNMV's Good Governance Code provide for the inclusion of mechanisms to defer payment of the variable component and to recover, in whole or in part, any amount paid if it were based on inaccurate or misstated information.

A.3. Identify the direct link to the document containing the company's current remuneration policy, which must be available on the company's website.

The following link is to all of the Company's corporate policies, including the current remuneration policy. Clicking on the link to the relevant policy.

<https://www.durofelguera.com>

A.4. Explain, taking into account the data provided in Section B.4, how account has been taken of the voting of shareholders at the General Shareholders' Meeting to which the annual report on remuneration for the previous year was submitted on a consultative basis.

The item on the Annual General Meeting agenda containing the consultative vote on the 2019 annual report on director remuneration for 2019 was approved with 12,769,920 votes in favour, representing 97.2000% of the votes cast for this agenda item. Considering the large percentage of votes in favour by shareholders in the consultative vote regarding this item on the agenda, the application of the Company's remuneration policy is considered appropriate.

B. OVERALL SUMMARY OF HOW REMUNERATION POLICY WAS APPLIED DURING THE YEAR LAST ENDED

B.1.1 Explain the process followed to apply the remuneration policy and determine the individual remuneration contained in Section C of this report. This information will include the role played by the remuneration committee, the decisions taken by the Board of Directors and the identity and role of any external advisors whose services may have been used in the process of applying the remuneration policy in the year last ended.

Individual remuneration disclosed in section C of this report was determined using the criteria in the Director Remuneration Policy for financial years 2021, 2022 and 2023 approved at the Annual General Meeting held on 29 October 2020.

The remuneration policy for the 2022 for directors in their capacity as such contained two components: a fixed component and a variable component. The variable component was not applied since there was no distribution of profit among shareholders.

As regards directors' remuneration in their capacity as such, the Nomination and Remuneration Committee proposed, in line with the remuneration policy that sets the overall maximum amount annual remuneration for directors in their capacity as such, an overall amount of €600,000, including a fixed annual remuneration in their capacity as such for both directors and for members and chairmen of board committees, which replaced the payment of fees for attending board and board committee meetings.

Therefore, remuneration of directors in their capacity as such is determined as follows:

Non-executive Chairman of the Board of Directors: €100,000/year, plus €1,567.77 of remuneration in kind (health insurance).

Member of the Board of Directors: €40,000/year.

Chairman of each board committee: €15,000/year.

Member of each board committee: €7,500/year.

Coordinating director: €15,000/year.

The total amount accrued by directors in their capacity as such, including the executive director's remuneration for performing executive duties, for 2022 was €893 thousand.

The remuneration pertaining to directors appointed by the Spanish Solvency Support Fund for Strategic Companies (FASEE), M^a Jesús Álvarez González, César Hernández Blanco and Miguel Santiago Mesa, is paid into the Public Treasury, in accordance with Article 2.3 of Royal Decree-Law 25/2020 of 3 July, on urgent measures to support economic recovery and employment.

The executive director accrued fixed remuneration from 4 May 2021 of €435 thousand and the following remuneration in kind: (i) health insurance: €841.69; (ii) life insurance: €322.31; (iii) accident insurance: €83.32; and iv) accommodation: €24,000.00.

FASEE aid, as explained (see section A.1.6), implies compliance with article 6.1.f) of Order PCM/679/2020, of 23 July, publishing the Resolution of the Council of Ministers of 21 July 2020, on the terms of reference of the Solvency Support Fund for Strategic Companies (Official State Gazette of 24 July 2020), which prevents payment of any variable remuneration until such time as 75% of the Financial Aid granted is repaid.

B.1.2 Explain any deviation from the procedure established for the application of the remuneration policy that has occurred during the year.

Not applicable.

B.1.3 Indicate whether any temporary exception has been applied to the remuneration policy and, if so, explain the exceptional circumstances that have led to the application of these exceptions, the specific components of the remuneration policy affected and the reasons why the entity believes that these exceptions have been necessary to serve the long-term interests and sustainability of the society as a whole or ensure its viability. Similarly, quantify the impact that the application of these exceptions has had on the remuneration of each director over the year.

The following temporary exceptions to the policy were applied:

- a) Suspension of accrual and any payment of variable remuneration from signing of the Management Agreement with FASEE until repayment of 75% of the financial aid received.
- d) Cap on variable remuneration of the fixed remuneration of members of the Board of Directors, administrators or those holding supreme corporate responsibility at the end of the reporting period, so no variable remuneration or other type of long-term incentives were applicable or, accordingly, accrued.

B.2. Explain the different actions taken by the company in relation to the remuneration system and how they have contributed to reducing exposure to excessive risks, aligning it with the long-term objectives, values and interests of the company, including a reference to the measures adopted to ensure that the long-term results of the company have been taken into consideration in the remuneration accrued. Ensure that an appropriate balance has been attained between the fixed and variable components of the remuneration, the measures adopted in relation to those categories of personnel whose professional activities have a material effect on the company's risk profile and the measures in place to avoid any possible conflicts of interest.

See section B.1 above.

B.3. Explain how the remuneration accrued and consolidated over the financial the year complies with the provisions of the current remuneration policy and, in particular, how it contributes to the company's long-term and sustainable performance.

Furthermore, report on the relationship between the remuneration obtained by the directors and the results or other performance measures of the company in the short and long term, explaining, as the case may be, how the variations in the performance of the company have influenced changes in the remuneration of directors and how the latter contribute to the short- and long-term results of the company.

See section B.1 above.

B.4. Report on the result of the consultative vote at the General Shareholders' Meeting on remuneration in the previous year, indicating the number of abstentions, votes against, blank votes and votes in favor if any:

	Number	% of total
Votes cast	11,160,802	100.00
	Number	% of total
Votes against	33,387	0.29
Votes in favour	11,123,407	99.66
Blank ballots		0.00
Abstentions	4,008	0.03

Comment

B.5. Explain how the fixed components accrued and vested during the year by the directors in their capacity as such were determined, their relative proportion for each director and how they changed with respect to the previous year.

See section B.1. A new Remuneration Policy was approved in 2020 for financial years 2021, 2022 and 2023, but the criteria were the same as in previous policies. Therefore, there were no changes in how fixed components were determined.

B.6. Explain how the salaries accrued and vested by each of the executive directors over the past financial year for the performance of management duties were determined, and how they changed with respect to the previous year.

Jaime Argüelles Álvarez received €435 thousand of fixed remuneration. This is the same remuneration as the previous year.

B.7. Explain the nature and the main characteristics of the variable components of the remuneration systems accrued and vested in the year last ended.

In particular:

- Identify each of the remuneration plans that determined the different types of variable remuneration accrued by each of the directors in the year last ended, including information on their scope, date of approval, date of implementation, any vesting conditions that apply, periods of accrual and validity, criteria used to evaluate performance and how this affected the establishment of the variable amount accrued, as well as the measurement criteria used and the time needed to be able to adequately measure all the conditions and criteria stipulated, explaining the criteria and factors applied in regard to the time required and the methods of verifying that the performance or any other kind of conditions linked to the accrual and vesting of each component of variable remuneration have effectively been met.
- In the case of share options and other financial instruments, the general characteristics of each plan will include information on both the conditions to acquire unconditional ownership (consolidation) and to exercise these options or financial instruments, including the price and term to exercise them.

- c) Each director that is a beneficiary of remunerations systems or plans that include variable remuneration, and his or her category (executive director, external proprietary director, external independent director or other external director).
- d) Information is to be provided on any periods for accrual, vesting or deferment of payment of vested amounts applied and/or the periods for retention/unavailability of shares or other financial instruments, if any.

Explain the short-term variable components of the remuneration:

Not applicable. See section B.1.3.

Explain the long-term variable components of the remuneration systems:

Pursuant to the agreements with FASEE, no variable remuneration was received in 2022.

B.8. Indicate whether certain variable components have been reduced or clawed back when, in the former case, payment of non-vested amounts has been deferred or, in the latter case, they have vested and been paid, on the basis of data that have subsequently been clearly shown to be inaccurate. Describe the amounts reduced or clawed back through the application of the "malus" (reduction) or clawback clauses, why they were implemented and the years to which they refer.

Not applicable.

B.9. Explain the main characteristics of the long-term savings systems where the amount or equivalent annual cost appears in the tables in Section C, including retirement and any other survivor benefit that are financed, totally or partially, by the company, whether through internal or external contributions, indicating the type of plan, whether it is a defined contribution or benefit, the contingencies covered, the conditions to consolidate economic rights for directors and their compatibility with any type of severance pay for early termination or termination of the contractual relationship between the company and the director.

Not applicable.

B.10. Explain, where applicable, the indemnification or any other type of payment deriving from the early cessation, whether at the company's or the director's initiative, or from the termination of the contract in the terms provided therein, accrued and/or received by directors during the year last ended.

No While no payments of these kinds were made in 2022, as at the date of this report, a judicial agreement was ratified by Madrid Court of First Instance 14, ordinary proceedings 1.201/2021, part of injunctive relief, whereby an agreement was reached to pay José María Orihuela Uzal, a former executive director until 2021, an amount of €990,000 as settlement of all legal proceedings brought by him and after the dismissal of the ongoing legal actions arising from his contract termination.

B.11. Indicate whether there have been any significant changes in the contracts of persons exercising senior management functions, such as executive directors, and, where appropriate, explain such changes. In addition, explain the main conditions of the new contracts signed with executive directors during the year, unless these have already been explained in Section A.1.

See section A.1

B.12. Explain any supplementary remuneration accrued by directors in consideration of the provision of services other than those inherent in their position.

Not applicable.

B.13. Explain any remuneration deriving from advances, loans or guarantees granted, indicating the interest rate, their key characteristics and any amounts returned, as well as the obligations assumed on their behalf by way of guarantee.

Not applicable.

B.14. Itemize the remuneration in kind accrued by the directors during the year, briefly explaining the nature of the various salary components.

Directors in their capacity as such:

Health insurance: €4,218.31.

Executive director:

Jaime Argüelles Álvarez, Chief Executive Officer, received the following in-kind remuneration;

- Annual insurance premiums:

Health insurance: €841.69.

Life insurance: €322.31.

Accident insurance: €83.32

Other:

Accommodation: €24,000.00€

B.15. Explain the remuneration accrued by directors by virtue of payments settled by the listed company to a third company at which the director renders services when these payments seek to remunerate the director's services to the company.

Not applicable.

B.16. Explain any itemize sums accrued during the fiscal year in relation to any other item of remuneration other than the foregoing, whatever its nature or the group company paying it, including all benefits in any form, especially when this is considered a related party transaction or its settlement distort the true and fair picture of the total remuneration accrued by the director. Explain the sum paid or pending payment, the nature of the compensation received and the reasons, where applicable, why it was not considered remuneration for the Director for such office or compensation for the performance of executive duties. Also indicate if it is considered appropriated or not to include such amounts in the sums payable under "other items" in section C.

Not applicable.

C. ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Type	Period of accrual
Ms ROSA ISABEL AZA CONEJO	Chair/Independent	From 01/01/2022 to 31/12/2022
Mr JOSE JAIME ARGUELLES ALVAREZ	Executive	From 01/01/2022 to 31/12/2022
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO	Independent	From 01/01/2022 to 31/12/2022
Mr JORDI SEVILLA SEGURA	Independent	From 01/01/2022 to 31/12/2022
Ms MARIA JESUS ALVAREZ GONZALEZ	External	From 01/01/2022 to 31/12/2022
Mr VALERIANO GOMEZ SANCHEZ	Independent	From 01/01/2022 to 31/12/2022
Mr CESAR HERNANDEZ BLANCO	External	From 01/01/2022 to 31/12/2022

C.1. Complete the following tables regarding the individual remuneration of each director (including remuneration received for performing executive duties) accrued during the year.

a) Remuneration from the reporting company

i) Remuneration accruing in cash (thousands of euros)

Name	Fixed remuneration	Attendance fees	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnification	Other items	Total in 2022	Total in 2021
Ms ROSA ISABEL AZA CONEJO	100		7					2	109	102
Mr JOSE JAIME ARGUELLES ALVAREZ	40			435				26	501	321
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO	40		29						69	63
Mr JORDI SEVILLA SEGURA	40		29					2	71	55
Ms MARIA JESUS ALVAREZ GONZALEZ	40								40	17
Mr VALERIANO GOMEZ SANCHEZ	40		22					1	63	63
Mr CESAR HERNANDEZ BLANCO	40								40	27

Additional information

The remuneration pertaining to directors appointed by the Spanish Solvency Support Fund for Strategic Companies (FASEE), M^a Jesús Álvarez González and César Hernández Blanco, is paid into the Public Treasury, in accordance with Article 2.3 of Royal Decree-Law 25/2020 of 3 July, on urgent measures to support economic recovery and employment.

ii) Movement table of share-based remuneration schemes and gross benefits from consolidated shares or financial instruments.

Name	Name of the Plan	Financial instruments at the beginning of 2022		Financial instruments granted during 2022		Financial instruments consolidated during the fiscal year				Expired and unexercised instruments	Financial instruments at the end of 2022	
		Nº of instruments	Nº of equivalent shares	Nº of instruments	Nº of equivalent shares	Nº of instruments	Nº of equivalent/consolidated shares	Price of consolidated shares	Gross profit of consolidated shares or financial instruments (Thousands €)	Nº of instruments	Nº of instruments	Nº of equivalent shares
Ms ROSA ISABELAZA CONEJO	Plan							0,00				
Mr JOSE JAIME ARGUELLES ALVAREZ	Plan							0,00				
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO	Plan							0,00				
Mr JORDI SEVILLA SEGURA	Plan							0,00				
Ms MARIA JESUS ALVAREZ GONZALEZ	Plan							0,00				
Mr VALERIANO GOMEZ SANCHEZ	Plan							0,00				
Mr CESAR HERNANDEZ BLANCO	Plan							0,00				

Additional information

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iii) Long-term saving schemes.

Name	Remuneration for vesting of rights to savings schemes
Ms ROSA ISABEL AZA CONEJO	
Mr JOSE JAIME ARGUELLES ALVAREZ	
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO	
Mr JORDI SEVILLA SEGURA	
Ms MARIA JESUS ALVAREZ GONZALEZ	
Mr VALERIANO GOMEZ SANCHEZ	
Mr CESAR HERNANDEZ BLANCO	

Name	Company's contribution for the fiscal year (thousands €)				Amount of accumulated funds (thousands €)			
	Savings schemes with vested economics rights		Savings schemes with non-vested economics rights		Savings schemes with vested economics rights		Savings schemes with non-vested economics rights	
	2022	2021	2022	2021	2022	2021	2022	2021
Ms ROSA ISABEL AZA CONEJO								
Mr JOSE JAIME ARGUELLES ALVAREZ								
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO								
Mr JORDI SEVILLA SEGURA								
Ms MARIA JESUS ALVAREZ GONZALEZ								
Mr VALERIANO GOMEZ SANCHEZ								
Mr CESAR HERNANDEZBLANCO								

Additional information

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iv) Details of other concepts:

Name	Concept	Remuneration amount
Ms ROSA ISABEL AZA CONEJO		
Mr JOSE JAIME ARGUELLES ALVAREZ		
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO		
Mr JORDI SEVILLA SEGURA		
Ms MARIA JESUS ALVAREZ GONZALEZ		
Mr VALERIANO GOMEZ SANCHEZ		
Mr CESAR HERNANDEZ BLANCO		

Additional information

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b) Remuneration paid to company Directors for their membership of the boards of other group companies:

i) Remuneration accrued in cash (in thousands €)

Name	Fixed remuneration	Expenses	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Compensation	Other concepts	Total year 2022	Total year 2021
Ms ROSA ISABEL AZA CONEJO										
Mr JOSE JAIME ARGUELLES ALVAREZ										
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO										
Mr JORDI SEVILLA SEGURA										
Ms MARIA JESUS ALVAREZ GONZALEZ										
Mr VALERIANO GOMEZ SANCHEZ										
Mr CESAR HERNANDEZ BLANCO										

Additional information

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ii) Movement table of share-based remuneration schemes and gross benefits from consolidated shares or financial instruments.

Name	Name of the Plan	Financial instruments at the beginning of 2022		Financial instruments granted during 2022		Financial instruments consolidated during the fiscal year				Expired and unexercised instruments	Financial instruments at the end of 2022	
		Nº of instruments	Nº of equivalent shares	Nº of instruments	Nº of equivalent shares	Nº of instruments	Nº of equivalent/consolidated shares	Price of consolidated shares	Gross profit of consolidated shares or financial instruments (Thousands €)	Nº of instruments	Nº of instruments	Nº of equivalent shares
Ms ROSA ISABELAZA CONEJO	Plan							0,00				
Mr JOSE JAIME ARGUELLES ALVAREZ	Plan							0,00				
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO	Plan							0,00				
Mr JORDI SEVILLA SEGURA	Plan							0,00				
Ms MARIA JESUS ALVAREZ GONZALEZ	Plan							0,00				
Mr VALERIANO GOMEZ SANCHEZ	Plan							0,00				
Mr CESAR HERNANDEZ BLANCO	Plan							0,00				

Observaciones

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iii) Long-term saving schemes.

Name	Remuneration for vesting of rights to savings schemes
Ms ROSA ISABEL AZA CONEJO	
Mr JOSE JAIME ARGUELLES ALVAREZ	
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO	
Mr JORDI SEVILLA SEGURA	
Ms MARIA JESUS ALVAREZ GONZALEZ	
Mr VALERIANO GOMEZ SANCHEZ	
Mr CESAR HERNANDEZ BLANCO	

Name	Company's contribution for the fiscal year (thousands €)				Amount of accumulated funds (thousands €)			
	Savings schemes with vested economics rights		Savings schemes with non-vested economics rights		Savings schemes with vested economics rights		Savings schemes with non-vested economics rights	
	2022	2021	2022	2021	2022	2021	2022	2021
Ms ROSA ISABEL AZA CONEJO								
Mr JOSE JAIME ARGUELLES ALVAREZ								
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO								
Mr JORDI SEVILLA SEGURA								
Ms MARIA JESUS ALVAREZ GONZALEZ								
Mr VALERIANO GOMEZ SANCHEZ								
Mr CESAR HERNANDEZBLANCO								

Additional information

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iv) Details of other concepts:

Name	Concept	Remuneration amount
Ms ROSA ISABEL AZA CONEJO		
Mr JOSE JAIME ARGUELLES ALVAREZ		
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO		
Mr JORDI SEVILLA SEGURA		
Ms MARIA JESUS ALVAREZ GONZALEZ		
Mr VALERIANO GOMEZ SANCHEZ		
Mr CESAR HERNANDEZ BLANCO		

Additional information

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c) Summary of remuneration (in thousands €):

The amounts corresponding to all the remuneration items included in this report that have been accrued by the Director should be included in the summary, in thousands of euro.

Name	Remuneration accrued in the company					Remuneration accrued in group companies					Total company + group year 2022
	Total cash remuneration	Gross profit from shares or consolidated financial	Remuneration from savings schemes	Other remuneration	Total company year 2022	Total cash remuneration	Gross profit from shares or consolidated financial	Remuneration from savings schemes	Other remuneration	Total group year 2022	
Ms ROSA ISABEL AZA CONEJO	107			2	109						109
Mr JOSE JAIME ARGUELLES ALVAREZ	475			26	501						501
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO	69				69						69
Mr JORDI SEVILLASEGURA	69			2	71						71
Ms MARIA JESUS ALVAREZ GONZALEZ	40				40						40
Mr VALERIANO GOMEZ SANCHEZ	62			1	63						63
Mr CESAR HERNANDEZ BLANCO	40				40						40
TOTAL	862			31	893						893

Additional information

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- C.2. Indicate the evolution over the last five years of the amount and percentage variation of the remuneration accrued by each of the directors of the listed company who have held this position during the year, the consolidated results of the company and the average remuneration on an equivalent basis with regard to full-time employees of the company and its subsidiaries that are not directors of the listed company.

	Total sums payable and annual variation in %								
	Fiscal year 2022	2022/2021 variation in %	Fiscal year 2021	2021/2020 variation in %	Fiscal year 2020	2020/2019 variation in %	Fiscal year 2019	2019/2018 variation in %	Fiscal year 2018
Executive Directors									
Mr JOSE JAIME ARGUELLESALVAREZ	501	56.07	321	-	0	-	0	-	0
Non-Executive Directors									
Ms ROSA ISABEL AZA CONEJO	109	6.86	102	18.60	86	681.82	11	-	0
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO	69	9.52	63	10.53	57	-	0	-	0
Mr VALERIANO GOMEZ SANCHEZ	63	12.50	56	43.59	39	-	0	-	0
Mr CESAR HERNANDEZ BLANCO	40	48.15	27	-	0	-	0	-	0
Ms MARIA JESUS ALVAREZ GONZALEZ	40	135.29	17	-	0	-	0	-	0
Mr JORDI SEVILLA SEGURA	71	26.79	56	43.59	39	-	0	-	0
Company's consolidated results									
	5,504	-75.72	22,667	-	-171,723	-	4,942	-	75,192
Average employee remuneration									
	34,103	-9.92	37,860	1.17	37,423	1.84	36,747	0.56	36,544

Additional information

The remuneration pertaining to directors appointed by the Spanish Solvency Support Fund for Strategic Companies (FASEE), M^a Jesús Álvarez González and César Hernández Blanco Mesa, is paid into the Public Treasury, in accordance with Article 2.3 of Royal Decree-Law 25/2020 of 3 July, on urgent measures to support economic recovery and employment.

These directors did not accrue or receive any remuneration in kind.

D. OTHER RELEVANT INFORMATION

If there are any significant issues relating to directors' remuneration that it has not been possible to include in the foregoing sections of this report, but which it is necessary to include in order to provide more comprehensive and reasoned information on the remuneration structure and practices of the company with regard to its directors, list them briefly.

[The remuneration pertaining to directors appointed by the Spanish Solvency Support Fund for Strategic Companies (FASEE), M^a Jesús Álvarez González and César Hernández Blanco, is paid into the Public Treasury, in accordance with Article 2.3 of Royal Decree-Law 25/2020 of 3 July, on urgent measures to support economic recovery and employment.]

This annual remuneration report was approved by the Board of Directors of the company in its meeting held on:

[29/04/2023]

Indicate whether any director voted against or abstained from approving this report.

[] Si
[√] No



DURO FELGUERA, S.A.

NOTES TO THE 2022 FINANCIAL STATEMENTS
(€ thousand)

2022

AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS
MANAGEMENT REPORT
PROPOSED DISTRIBUTION OF PROFIT

Gijón, 29 April 2023

Rosa Isabel Aza Conejo
Chairman

José Jaime Argüelles Álvarez
Chief Executive Officer

José Julián Massa Gutiérrez del Álamo
Deputy Chairman

Valeriano Gómez Sánchez
Director

Jordi Sevilla Segura
Director

César Hernández Blanco
Director

María Jesús Álvarez González
Director



DURO FELGUERA, S.A.

NOTES TO THE 2022 FINANCIAL STATEMENTS
(€ thousand)

APPROVAL OF THE BOARD OF DIRECTORS

Chairwoman Rosa Isabel Aza Conejo

Chief Executive Officer José Jaime Argüelles Álvarez

Deputy Chairman José Julián Massa Gutiérrez del Álamo

Director Valeriano Gómez Sánchez

Director Jordi Sevilla Segura

Director César Hernández Blanco

Director María Jesús Álvarez González

Non-director Secretary Jesús Sánchez Lambás

Statement issued by Jesús Sánchez Lambás, Secretary to the Board of Directors, certifying that the directors have signed this document comprising the financial statements and management report of Duro Felguera, S.A. for the year ended 31 December 2022, as authorised for issue by the Board of Directors of the Company at its meeting held today.

Gijón, 29 April 2023

Jesús Sánchez Lambás
Secretary, non-director



DURO FELGUERA, S.A.

NOTES TO THE 2022 FINANCIAL STATEMENTS
(€ thousand)

STATEMENT OF RESPONSIBILITY OF THE ANNUAL FINANCIAL REPORT

The members of the Board of Directors of DURO FELGUERA, S.A. hereby state that, to the best of their knowledge, the separate financial statements of DURO FELGUERA, S.A. (statement of financial position, statement of profit or loss, statement of changes in equity, statement of cash flows and the notes thereto), as well as the consolidated financial statements including subsidiaries (statement of financial position, statement of profit or loss, statement of changes in equity, statement of cash flows and the notes thereto), for the financial year ended 31 December 2022, authorised for issue by the Board of Directors at its meeting held on 31 March 2023 and authorised for reissue on 29 April 2023, prepared in accordance with applicable accounting standards, present fairly the equity, financial position and results of DURO FELGUERA, S.A. and of the consolidated subsidiaries, taken as a whole, and that the management reports accompanying the separate and consolidated financial statements present fairly the business performance and position of DURO FELGUERA, S.A. and consolidated subsidiaries, taken as a whole, and a description of the main risks and uncertainties they face.

Gijón, 29 April 2023

Rosa Isabel Aza Conejo
Chairwoman

José Jaime Argüelles Álvarez
Chief Executive Officer

José Julián Massa Gutiérrez del Álamo
Deputy Chairman

Valeriano Gómez Sánchez
Director

Jordi Sevilla Segura
Director

César Hernández Blanco
Director

María Jesús Álvarez González
Director