DURO FELGUERA, S.A.
AND SUBSIDIARIES

Audit Report on Financial Statements
issued by an Independent Auditor

and

Consolidated Financial Statements and
Consolidated 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.

Deloitte.

Deloitte, S.L.
Palacio Valdés, 9
33002 Oviedo
Spain

Tel: +34 985 21 98 49
www.deloitte.es

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED

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 consolidated financial statements

Opinion

We have audited the consolidated financial statements of Duro Felguera, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of recognised income and expense, the consolidated statement of total changes in equity, the consolidated statement of cash flows, and the notes thereto, for the year then ended.

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

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 consolidated financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned 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 Group's operations in 2022, it 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 Group'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 Group continued to search for industrial partners to invest in the Group 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 (Note 37).

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C.I.F.: B-79104469. Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Therefore, the directors of the Parent of Duro Felguera Group have prepared the accompanying consolidated financial statements on a going concern basis, assuming that the Group'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 29 and 33, 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

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	Procedures applied in the audit
The Group engages mainly in the provision of engineering and/or manufacturing services for the supply of facilities through EPC projects in the industrial, energy, minerals handling, logistics and environmental sectors. It also provides maintenance and assembly services. 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 €117 million, of which €8 million related to completed work pending certification in 2022. There were also €34 million of progress billings in 2022. 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 of which fall within the framework of the criteria established in IFRS 15 Revenue from Contracts with Customers. Accordingly, we determined this situation to be a key matter for our audit.	Our audit procedures included obtaining an understanding of the Group'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 Group management and, specifically, 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 Group's technical staff and enlisted the support of internal specialists on certain matters. Lastly, we reviewed the disclosures provided in the accompanying consolidated financial statements in relation to these matters. Specifically, Notes 12, 22 and 23 contain relevant information on revenue recognition and amounts to be billed or progress billings.

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

Description	Procedures applied in the audit
As explained in Note 35, because of its activity, the Group is involved in several arbitration and court proceedings for a significant amount, mostly with customers and suppliers, or is involved in negotiations over contract terminations, the outcome of which could lead to lawsuits. These proceedings include counter suits among the parties. Of these proceedings, as at 31 December 2022, there were receivables related to the resolution of arbitration proceedings amounting to €25 million, net of provisions (Note 12), guarantee deposits amounting to €16 million (Note 10), and unrecognised contingent assets subject to claims, and liabilities and provisions recognised to cover claims amounting to €67 million (Note 25). The Group also has an ownership interest in a jointly controlled entity involved in an arbitration proceeding with a customer that is in the final stages (Note 9). In relation to these proceedings, Group 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. These matters require Group 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 its internal advisors and the external advisors engaged for this purpose. Therefore, we determined this to be a key audit matter.	Our audit procedures included, among others, obtaining an understanding of the arbitration and court proceedings in which the Group 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 Group 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 the Group in relation to these proceedings in Notes 9, 10 and 33 to the accompanying consolidated 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. Notes 9, 11, 23 and 33 contain the information on provisions and disclosures on contingent liabilities related to arbitration and court proceedings.

Tax contingencies

Description	Procedures applied in the audit
As explained in Note 29, the taxation authorities reviewed the tax treatment applied to certain income tax and VAT matters, issuing assessments 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 Group. 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	Our audit procedures included, among others, obtaining and analysing the evaluations made by the Group'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 Group works, and we involved our internal tax experts in evaluating and examining the assumptions and judgements made by the directors, who

€6 million recognised as collection rights. The Group 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.

Group 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.

Both the classification and quantification require Group 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. Therefore, we determined this to be a key audit matter.

took into account the uncertainty existing in relation to the outcome of the matters in question.

Lastly, we evaluated the appropriateness of the disclosures provided in relation to these matters in Note 29 to the consolidated financial statements.

Emphasis of matter paragraphs

We draw attention to Note 33 to the accompanying consolidated 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 Group 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 33 to the consolidated 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 Group 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: Consolidated management report

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

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

a) Checking only that certain information included in the consolidated 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 consolidated management report with the consolidated financial statements, based on the knowledge of the Group obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work 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 consolidated management report is consistent with that provided in the 2022 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

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

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

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

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

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

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is included in the Appendix to this auditor's report. This description, which is on page 9, forms part of our auditor's report.

Report on other legal and regulatory requirements

European Single Electronic Format

We have examined the digital files of the European single electronic format (ESEF) of Duro Felguera, S.A. and subsidiaries for the 2022 financial year, consisting of XHTML files containing the financial statements for the year and the XBRL files marked up by the entity, 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 and markup 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 files prepared by the Parent'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 consolidated financial statements included in the aforementioned digital files correspond in their entirety to those of the consolidated financial statements that we have audited, and whether the consolidated financial statements and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the ESEF Regulation.

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

Additional report to the Parent's audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the Parent's audit committee on 30 April 2023.

Term of engagement

At the Annual General Meeting held on 29 October 2020, we were appointed auditor of the Group 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

DURO FELGUERA, S.A. AND SUBSIDIARIES

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

DURO FELGUERA, S.A. AND SUBSIDIARIES

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DURO FELGUERA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (€ thousand)

ASSETS	NOTE	As at 31 December 2022	As at 31 December 2021
NON-CURRENT ASSETS		56,494	64,778
Intangible assets	8	3,216	5,384
Property, plant and equipment	6	26,949	29,058
Investment properties	7	18,445	22,116
Investments accounted for using the equity method	9	20	20
Non-current financial assets	10	7,864	8,200
CURRENT ASSETS		176,964	227,288
Inventories	13	4,706	6,431
Trade and other receivables:	10 and 11	118,128	99,975
a) Trade receivables		86,661	67,746
b) Other receivables		31,467	32,229
c) Current tax assets		-	-
Current financial assets	10	29,412	31,548
Other current assets	10	621	792
Cash and cash equivalents	14	24,097	88,542
TOTAL ASSETS		233,458	292,066

EQUITY AND LIABILITIES	NOTE	As at 31 December 2022	As at 31 December 2021
EQUITY	15 e)	(141,929)	(137,879)
CAPITAL AND RESERVES		(73,186)	(77,743)
Capital	15 a)	4,800	4,800
Reserves and retained earnings	17	(82,992)	(105,157)
Profit or loss for the period attributable to the parent		5,006	22,614
ACCUMULATED OTHER COMPREHENSIVE INCOME	17	(69,382)	(60,667)
EQUITY ATTRIBUTABLE TO THE PARENT		(142,568)	(138,410)
NON-CONTROLLING INTERESTS	19	639	531
NON-CURRENT LIABILITIES		154,730	170,625
Government grants		3,038	3,340
Non-current provisions	23	1,271	7,499
Non-current financial liabilities:	10 and 20	147,722	158,085
a) Bank borrowings, and bonds and other marketable securities		13,178	28,987
b) Other financial liabilities		134,544	129,098
Deferred tax liabilities	22	2,699	1,701
CURRENT LIABILITIES		220,657	259,320
Current provisions	23	75,394	87,219
Current financial liabilities:	10 and 20	8,178	12,387
a) Bank borrowings, and bonds and other marketable securities		64	10,056
b) Other financial liabilities		8,114	2,331
Trade and other payables:	10 and 21	136,987	159,709
a) Suppliers		71,457	102,016
b) Other payables		64,750	57,484
c) Current tax liabilities		780	209
Other current liabilities		98	5
TOTAL EQUITY AND LIABILITIES		233,458	292,066

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

DURO FELGUERA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(€ thousand)

	NOTE	Year ended 31 December 2022	2021
Revenue	24	117,185	84,468
Changes in inventories of finished goods and work in progress		362	309
Self-constructed assets		-	72
Cost of sales	26	(43,489)	(23,953)
Other operating income		262	72
Employee benefits expense	25	(72,538)	(57,778)
Other operating expenses	26	(5,276)	(16,242)
Amortisation and depreciation	6, 7 and 8	(5,025)	(5,121)
Release of non-financial capital grants and other		242	242
Impairment of property, plant and equipment	6 and 7	-	611
Gains/(losses) on disposals of property, plant and equipment		(415)	(44)
Other income/(expense)	27	2,044	542
OPERATING PROFIT/(LOSS)		(6,648)	(16,822)
Finance income		2,756	38,875
Finance costs		(4,442)	(4,418)
Change in fair value of financial instruments		4,135	-
Exchange differences		5,467	3,139
Impairment/(reversal of impairment) of financial instruments		2	(391)
NET FINANCE INCOME/(COST)	28	7,918	37,205
Share of profit/(loss) of companies accounted for using the equity method	9	5,699	(784)
PROFIT/(LOSS) BEFORE TAX		6,969	19,599
Income tax expense	29	(1,851)	(468)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		5,118	19,131
PROFIT/(LOSS) AFTER TAX FOR THE YEAR FROM DISCONTINUED OPERATIONS		-	3,536
PROFIT/(LOSS) FOR THE YEAR		5,118	22,667
a) Profit/(loss) attributable to the parent		5,006	22,614
b) Profit/(loss) attributable to non-controlling interests	19	112	53
EARNINGS PER SHARE (€)			
Basic	30	0.05	0.24
Diluted	30	0.04	0.22

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (€ thousand)

	NOTE	Year ended 31 December 2022	2021
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		5,118	22,667
OTHER COMPREHENSIVE INCOME - ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:		-	1,942
Revaluation/(reversal of revaluation) of property, plant and equipment and intangible assets		-	-
Equity instruments at fair through other comprehensive income	10	-	2,589
Other comprehensive income that will not be reclassified to profit or loss		-	-
Tax effect		-	(647)
OTHER COMPREHENSIVE INCOME - ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:		(8,715)	(10,759)
Translation differences:	17	21,062	(1,073)
a) Valuation gains/(losses)		21,062	(1,073)
b) Amounts reclassified to profit or loss		-	-
c) Other reclassifications		-	-
Other comprehensive income that may be reclassified subsequently to profit or loss:	17	(29,777)	(9,686)
a) Valuation gains/(losses)		(29,777)	(9,686)
b) Amounts reclassified to profit or loss		-	-
c) Other reclassifications		-	-
Tax effect	22	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(3,597)	13,850
a) Attributable to the parent		(3,709)	13,797
b) Attributable to non-controlling interests		112	53

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

DURO FELGUERA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY
(€ thousand)

	Note	Equity attributable to the parent							
		Capital and reserves							
		Capital	Share premium and reserves	Own shares and equity instruments	Profit or loss for the period attributable to the parent	Other equity instruments	Valuation adjustments	Non-controlling interests	Total equity
Balance at 1 January 2021		4,800	63,326	-	(171,643)	8,093	(51,850)	477	(146,797)
Total comprehensive income for the year		-	-	-	22,614	-	(8,817)	53	13,850
Transactions with equity holders or owners		-	-	-	-	-	-	-	-
Capital increases/(reductions)	15	-	-	-	-	-	-	-	-
Distribution of dividends		-	-	-	-	-	-	-	-
Other changes in equity		-	(168,483)	-	171,643	(8,093)	-	1	(4,932)
Transfers between equity items		-	(171,643)	-	171,643	-	-	-	-
Other changes		-	3,160	-	-	(8,093)	-	1	(4,932)
Balance at 31 December 2021		4,800	(105,157)	-	22,614	-	(60,667)	531	(137,879)
Balance at 1 January 2022		4,800	(105,157)	-	22,614	-	(60,667)	531	(137,879)
Total comprehensive income for the year		-	-	-	5,006	-	(8.715)	112	(3,597)
Transactions with equity holders or owners		-	-	-	-	-	-	-	-
Capital increases/(reductions)	15	-	-	-	-	-	-	-	-
Distribution of dividends		-	-	-	-	-	-	-	-
Other changes in equity		-	22,165	-	(22,614)	-	-	(4)	(453)
Transfers between equity items		-	22,614	-	(22,614)	-	-	-	-
Other changes (note 20.a)		-	(449)	-	-	-	-	(4)	(453)
Balance at 31 December 2022		4,800	(82,992)	-	5,006	-	(69,382)	639	(141,929)

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

DURO FELGUERA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(€ thousand)

	NOTE	Year ended 31 December 2022	2021
NET CASH FLOWS USED IN OPERATING ACTIVITIES	32.a)	(61,495)	(64,703)
Profit/(loss) before tax		6,969	23,135
Adjustments for:		(22,833)	(43,514)
Amortisation and depreciation		5,025	5,120
Other adjustments to profit/(loss)		(27,858)	(48,634)
Working capital changes		(42,827)	(33,562)
Other cash flows from operating activities:		(2,804)	(10,762)
Interest paid		(3,433)	(10,110)
Interest received		874	68
Income tax received/(paid)		(245)	(720)
NET CASH FLOWS FROM INVESTING ACTIVITIES	32.b)	8,554	14,371
Payments for investments		(4,329)	(847)
Proceeds from sale of investments		12,883	16,121
Cash flows from investing activities		-	(903)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	32.c)	(11,504)	113,978
Proceeds from and payments for equity instruments:		-	-
Proceeds from and payments for financial liability instruments		(11,504)	113,978
Dividends and interest on other equity instruments paid		-	-
Other cash flows from financing activities		-	-
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(64,445)	63,646
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		88,542	24,896
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	24,097	88,542

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

1. General information

Duro Felguera, S.A. and subsidiaries ("DF Group" or the "Group") make up a consolidated group of companies operating internationally and specialising in the execution of turnkey energy and industrial projects and the manufacture of capital goods.

The parent company of the Group is Duro Felguera, S.A. (the "parent company" or the "Company"), which was incorporated in Spain 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 1991 to Duro Felguera, S.A. and then again on 26 April 2001 to its current name.

The parent company's current registered address and headquarters is Parque Científico Tecnológico, calle Ada Byron, 90, 33203 Gijón, Asturias, Spain.

Originally designed as an industrial conglomerate that owned and operated various mines, iron and steel plants, docks and power stations, it subsequently underwent an initial transformation, disposing of its facilities, abandoning most of these activities, and shifting its focus towards the construction, manufacture and assembly of capital goods.

With more than 150 years of history in industrial activities, over the last decade it has geared its business towards a variety of activities, the most important of which is the execution, on behalf of customers, of major turnkey industrial projects (Engineering, Procurement & Construction or EPC projects) around the world. DF Group executes end-to-end projects for the construction of all kinds of power generation plants, mineral processing and bulk handling facilities, fuel storage plants and other infrastructure in the oil and gas sector. Note, however, as explained in Note 5, the Group, following a period of strategic reflection, has not only articulated its business activities around these traditional businesses but also around new businesses focused on renewable energies and smart systems, after redesigning the business lines targeted in the viability plan approved by the Spanish Solvency Support Fund for Strategic Companies (Fondo de Apoyo a la Solvencia de Empresas Estratégicas or "FASEE"). The Group can carry out an entire project from end to end: engineering, supplies, assembly, commissioning, operation and maintenance. Duro Felguera also provides specialised engineering, assembly and heavy industrial machinery and equipment maintenance services. In addition, the Group specialises in the manufacture of large pressure vessels for the oil and gas, petrochemical and nuclear sectors at its workshops located in the port of Gijón. With more than 50 years of experience in projects for widely diverse international destinations, it has become one of the foremost pressure vessel manufacturers in the world.

Since January 2022, the organisation centres on five business lines (Conventional Energy, Industrial Plants, Specialised 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.

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.

These consolidated financial statements were authorised for issue by the Parent's directors on 31 March 2023 and for reissue on 29 April 2023 to include an update to Note 2.1.2 Assessment of possible uncertainties relating to application of the going concern principle due, among other reasons, to progress on the roadmap drawn up to reinforce equity and financial position pursuant to the resolutions adopted by shareholders at the Extraordinary General Shareholders' Meeting held on 13 April 2023 and other issues disclosed in Note 37 Events after the reporting period. The reissued financial statements 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.

2. Summary of significant accounting policies

The main accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

2.1. Basis of preparation

The consolidated financial statements for the year ended 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS), the interpretations issued by the IFRS Interpretation Committee (IFRIC) and mercantile law applicable to companies reporting under EU-IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of land and buildings on first-time adoption of IFRSs, and financial assets and financial liabilities that have been measured at fair value through other comprehensive income or profit or loss.

These consolidated financial statements, which were prepared based on the accounting records of Duro Felguera, S.A. and subsidiaries, provide a true and fair view of the consolidated equity and financial position of the Group as at 31 December 2022, and of the consolidated results, changes in consolidated equity and consolidated cash flows for the year then ended.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting principles. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

For comparative purposes, the Group presents jointly the consolidated statement of financial position at year-end 2021 and 2021, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the years ended 31 December 2022 and 2021.

The Group presents comparative information in the explanatory notes to the consolidated financial statements when it is relevant for a better understanding of the consolidated financial statements for the current period.

All amounts in the consolidated financial statements are in thousands of euros (€), rounded to thousands, unless stated otherwise. The euro is the Group's functional currency.

Changes in accounting policies and disclosures

In preparing these consolidated financial statements, the Group has not opted to early apply any standard or amendment that is not mandatory.

Except where indicated otherwise below, the accounting policies used are the same as those applied in the 2021 annual consolidated financial statements.

(€ thousand)

New mandatory standards, amendments and interpretations applicable in 2022

Approved for use in the European Union		Mandatory for annual reporting periods beginning on or after:
Amendments to IFRS 3 – Reference to the Conceptual Framework	The amendments update IFRS 3 to align the definitions of assets and liabilities recognised in a business combination with the definitions in the conceptual framework.	1 January 2022
Amendment to IAS 16 – Proceeds before Intended Use	The amendments prohibit a company from deducting from the cost of property, plant and equipment any proceeds from selling items produced while the company is preparing the asset for its intended use.	1 January 2022
Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract	The amendment specifies that costs that relate directly to the contract include incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.	1 January 2022
Improvements to IFRSs 2018-2020 Cycle	Narrow-scope amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022

The Group has been applying the above-listed standards and interpretations, none of which has had a significant impact on its accounting policies, since they became effective on 1 January 2022.

New mandatory standards, amendments and interpretations applicable for annual periods after the calendar year beginning 1 January 2023

At the date of authorisation for issue of these consolidated financial statements, the following standards and interpretations had been published by the IASB but were not yet effective, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union:

Approved for use in the European Union		Mandatory for annual reporting periods beginning on or after:
New standard IFRS 17 - Insurance Contracts	Replaces IFRS 4 and covers recognition and measurement, disclosure and presentation of insurance contracts.	1 January 2023
Amendments to IAS 1 - Disclosure of Accounting Policies	Narrow-scope amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2023
Amendments to IAS 8 - Definition of Accounting Estimates	Amendments to assist entities in adequately identifying information on material accounting policies that needs to be disclosed in the financial statements.	1 January 2023
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Clarifications as to how companies should account for deferred tax on transactions such as leases and decommissioning obligations.	1 January 2023

(€ thousand)

Amendments to IFRS 17 - Insurance contracts - Initial application of IFRS 17 and IFRS 9 Comparative Information	Amendments to the IFRS 17 transition requirements for insurance companies that apply IFRS 17 and IFRS 9 for the first time at the same time.	1 January 2023
IFRS 17C IFRS 17 Insurance Contracts	Replaces IFRS 4 and sets out the principles for recognition, measurement, presentation and disclosure of insurance contracts to ensure that an entity provides relevant and reliable information to enable users of financial statements to assess the effect of insurance contracts on financial statements.	1 January 2023

Not yet approved for use in the European Union		Mandatory for annual reporting periods beginning on or after:
Amendment to IAS 1 – Classification of Liabilities as Current or Non-current with Covenants	Clarifications regarding the presentation of liabilities subject to complying with covenants as current or non-current	1 January 2024
Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback	The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions.	1 January 2024

For standards that become effective from 2023 and onwards, the Group has assessed the potential impacts of their future application on its consolidated financial statements once effective. As at the reporting date, it considers that the impacts of application of these standards will not be significant.

All mandatory accounting standards and measurement bases that could have a significant effect on the accompanying consolidated financial statements were applied in their preparation.

The accounting criteria applied during the year ended 31 December 2022 are not materially different from those applied during the year ended 31 December 2021.

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.

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.

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 parent company had negative equity (Note 15) 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 29 and 33).
- 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 37. The capital increases already approved at the General Meeting include, firstly, a €90 million loan to, following the steps outlined in Note 37 and 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 25, the Group has initiated a process to adapt its capabilities to its current needs, resulting in a reduction in general expenses.

The parent 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 Group 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 Group 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 parent company's directors have prepared these consolidated financial statements on a going concern basis.

2.2. Basis of consolidation

a) Consolidation scope

The Group's consolidation scope comprises: Duro Felguera, S.A. (the parent company) and its subsidiaries and associates. The Group also has joint interests in other entities and temporary business associations or joint ventures ("UTEs").

For the purposes of presentation of the consolidated financial statements, a group is considered to exist when the parent has one or more subsidiaries over which it exercises direct or indirect control.

The parent and certain subsidiaries also have interests in UTEs and consortia and recognise the relevant assets, liabilities, revenues and expenses on a proportionate basis.

b) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it has exposure, or rights, to variable returns from its involvement in the investee and the ability to use its power over the investee to affect the amount of these returns.

The parent company re-assesses whether it controls an investee when the facts and circumstances indicate changes in one or more of those control elements.

The parent company consolidates a subsidiary from when it obtains control (and deconsolidates it when it ceases to have such control).

Subsidiaries are fully consolidated and all their assets, liabilities, income, expenses and cash flows are included in the consolidated financial statements after eliminations for intragroup transactions. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

The value of non-controlling interests in consolidated equity and profit or loss is presented in "Non-controlling interests" in equity in the consolidated statement of financial position and "Profit/(loss) attributable to non-controlling interests" in the consolidated statement of profit or loss.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to non-controlling interests. The Company also attributes total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, uniformity adjustments are made in the financial statements of subsidiaries to ensure conformity with the Group's accounting policies.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree’s identifiable net assets.

Acquisition-related costs are expensed as incurred.

If a business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains and losses arising from such remeasurement are recognised in profit and loss.

If at the end of the reporting period in which the business combination occurs it is not possible to complete the valuation work needed to apply the acquisition method outlined above, the business combination is accounted for provisionally. The provisional amounts recognised can be adjusted within a measurement period of no more than one year from the acquisition date to reflect access to new information. The effects of any such adjustments are accounted for retrospectively, modifying the comparative information as necessary.

The cost of a business combination also includes the fair value of any contingent consideration that depends on future events or delivery of pre-determined conditions. Changes in the fair value of contingent consideration that take place during the measurement period (which may not last for more than one year from the acquisition date) may be the result of additional information obtained after the acquisition date regarding facts and circumstances that existed as of that date; any such changes are recognised by decreasing or increasing goodwill.

The income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the acquisition date or until the date of change in control, as warranted.

If a parent sells or loses control of a subsidiary, it derecognises the assets and liabilities, and the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost. It also recognises the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control, any distribution of shares of the subsidiary to owners in their capacity as owner, and any investment retained in the former subsidiary at its fair value at the date when control is lost. It reclassifies to profit or loss for the period the amounts recognised in other comprehensive income in relation to the subsidiary and recognises any resulting difference as a gain or loss in profit or loss attributable to the parent.

All material transactions carried out between fully consolidated companies and the resulting year-end balances have been eliminated on consolidation.

(€ thousand)

Given that all of the Group companies have the same financial year-end no adjustments have had to be made to ensure uniform reporting periods.

The following tables set out the identification data of the subsidiaries included in the scope of consolidation:

Company	% ownership interest	Location	Activity
Fully consolidated:			
DF Mompresa, S.A.U (3).	100%	Gijón	Assembly and maintenance of turbines
DF Operaciones y Montajes, S.A.U. (3)	100%	Gijón	Study, marketing and provision of all kinds of services and supplies, maintenance, and operation of industrial plants, machinery and equipment for industrial plants. Commissioning of facilities
Duro Felguera Calderería Pesada, S.A.U. (4)	100%	Gijón	Pressure vessels and heavy boiler-making
Duro Felguera Green Tech, S.A.U. (2) (4)	100%	Gijón	Design, manufacture, supply, assembly, operation, maintenance, promotion, development, management, exploitation and marketing of renewable energy installations, products, technical solutions, works and services, including the ownership and commercial operation of service concession arrangements, agreements and facilities for the production of electricity, hydrogen, biodiesel, hydrocarbons, biofuels, by-products or products used to produce these products, and products resulting from processing, and other raw materials using renewable energy
Duro Felguera Energy Storage, S.A. (formerly Felguera I.H.I., S.A.) (3)	100%	Gijón	Fuel and gas storage equipment
Felguera Tecnologías de la Información, S.A. (2) (3)	60%	Llanera	Development of business management software
Duro Felguera Investment, S.A U. (2) (3)	100%	Gijón	Investment in trading, industrial and service companies, agency and mediation services in diverse types of contract, and securities management and administration
Duro Felguera Oil&Gas, S.A.U. (2) (3)	100%	Gijón	Creation, design, calculation, basic engineering, detailed engineering, management, planning, computerisation, coordination, monitoring and control of projects in the oil, gas and petrochemical industry
Duro Felguera Intelligent Systems, S.A.U. (formerly Duro Felguera Logistic Systems, S.A.U.) (2) (3)	100%	Gijón	The study, design, marketing, preparation, manufacture and supervision of all types of automated transport systems, automated warehouses and maintenance systems for industry and their components
DFOM Biomasa Huelva, S.L. (2) (5)	100%	Gijón	Operation and maintenance of Ence's biomass power generation plant in Huelva
Equipamientos Construcciones y Montajes, S.A. de C.V. (2) (3) (5)	100%	Mexico	Construction and assembly of industrial projects
Proyectos e Ingeniería Pycor S.A. de C.V. (2) (3) (5)	100%	Mexico	Construction and assembly of industrial projects
Felguera Diavaz Proyectos México S.A. de C.V. (2) (3)	50%	Mexico	All kinds of activities related to power generation through the full or partial

(€ thousand)

Company	% ownership interest	Location	Activity
			use of wind and cogeneration energy sources
Turbogeneradores del Perú, S.A.C. (2) (3) (6)	100%	Peru	Installation of electromechanical equipment for electricity plants
Duro Felguera Argentina, S.A. (2) (6) (5)	100%	Argentina	Construction, maintenance and supply of equipment for power stations
Duro Felguera Chile Limitada (formerly Opemasa Andina, Ltda.) (2) (5) (6)	100%	Chile	Construction, maintenance and supply of equipment for power stations
Turbogeneradores de Venezuela C.A. (2) (5)	100%	Venezuela	Engineering, supplies and civil works for energy projects
Duro Felguera Do Brasil Desenvolvimiento de Projectos Ltda. (2) (3)	100%	Brazil	Commercial project development
Felguera Grúas India Private Limited. (2) (3)	100%	India	Port terminals.
PT Duro Felguera Indonesia (2) (3)	95%	Indonesia	Engineering, supply and construction projects for the mining, energy and industrial sectors
DF USA, LLC (2) (3)	100%	United States	Commercial project development
DF Canadá Ltd (2) (3)	100%	Canada	Engineering and construction services
DFOM Netherlands B.V. (2) (5)	100%	Netherlands	Execution of the Lump Sum construction contract for revamping of the blast furnace for Tata Steel Ijmuiden

1) Audited by a firm other than the parent company's auditor
2) Not audited.
3) Interest held by the parent company
4) Interest held by Duro Felguera Investment, S.A.
5) Interest held by DF Operaciones y Montajes, S.A.
6) Interest held by DF Mompresa, S.A.
7) Interest held by Duro Felguera Energy Storage, S.A. (formerly Felguera I.H.I., S.A.)

The annual financial statements used in the consolidation process are, in all cases, those for the year ended 31 December each year.

The following companies were not included in the consolidated financial statements as they were dormant or their amounts were immaterial relative to the Group's total statement of financial position and statement of profit or loss:

Company	% ownership interest	Location	Activity
Turbogeneradores de Argentina, S.A. (2) (3) (6)	100%	Argentina	Construction, advice, study, project, management, execution and administration of architectural or civil engineering, electrical, electronic, mechanical, hydro-electric, or plant projects, and the construction, enlargement or refurbishment of power generation plants and/or their operation and/or maintenance
Mopre Montajes de Precisión de Venezuela, S.A. (6)	100%	Venezuela	Assembly of turbo-generators and auxiliary equipment in power stations
Duro Felguera Panamá, S.A. (2) (3)	100%	Panama	Engineering, supplies and civil works for energy projects
Felguera IHI Panamá, S.A. (2) (7)	100%	Panama	Design, development, manufacture, integration, marketing, representation, installation and maintenance of air-conditioning and mechanical electrical and electronic systems, equipment and sub-assemblies, and the implementation of engineering projects, including necessary civil engineering work

Company	% ownership interest	Location	Activity
Duro Felguera Saudí LLC (2) (3) (6)	50%	Saudi Arabia	Construction of electricity generation buildings and plants
Felguera IHI Canadá INC (2) (7)	100%	Canada	Engineering and construction services

1) Audited by a firm other than the parent company's auditor
2) Not audited.
3) Interest held by the parent company
4) Interest held by Duro Felguera Investment, S.A.
5) Interest held by DF Operaciones y Montajes, S.A.
6) Interest held by DF Mompresa, S.A.
7) Interest held by Duro Felguera Energy Storage, S.A. (formerly Felguera I.H.I., S.A.)

c) Associates and joint ventures

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

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

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

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

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group’s consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Dilution gains and losses arising in investments in associates are recognised in the statement of profit or loss.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount in “Share of profit/(loss) of associates” in the consolidated statement of profit or loss.

In the opinion of the directors, there were no significant assets and/or contingent liabilities related to the Group's investments in associates and joint ventures at 31 December 2022 and 2021 other than those disclosed in Note 9.

The following tables set out the identification data of associates and joint ventures included in the consolidated financial statements:

Accounted for using the equity method:	% ownership interest	Location	Activity
Dunor Energía, S.A.P.I. de C.V. (1) (2) (3)	50%	Mexico	Construction of the 313 CC Empalme II combined cycle plant in the state of Sonora (Mexico) under a tender from the Federal Electricity Commission (CFE)

(1) Audited by a firm other than the parent company's auditor. As at the date of authorisation for issue of these financial statements, the audit of 2022 and 2021 was still being performed.
(2) Joint venture
(3) Interest held by the parent company

The annual financial statements used in the consolidation process are, in all cases, those for the year ended 31 December each year.

The following companies were not included in the consolidated financial statements as they were dormant or their amounts were immaterial relative to the Group's total statement of financial position and statement of profit or loss:

Company	% ownership interest	Location	Activity
Associates			
Sociedad de Servicios Energéticos Iberoamericanos, S.A. (1) (2)	25%	Colombia	Assembly and maintenance of electricity generation plants
Zoreda Internacional, S.A. (1) (2)	40%	Gijón	Environmental projects

(1) Not audited.
(2) Interest held by the parent company

d) Joint operations and temporary joint ventures

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

When a Group entity undertakes its activities through joint operations, the Group, as joint operator, recognises the following in relation to its interest in the joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

When a Group company transacts with a joint operation in which it is a joint operator, such as a purchase of assets, the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

A temporary joint venture ("UTE") is an arrangement without its own legal personality between companies wishing to collaborate for a specified or unspecified period, during which a job, service or supply is performed or executed. UTEs are normally used to combine the venturers' characteristics and rights in pursuit of a common goal, with the aim of achieving the best possible technical value. In general, UTEs are considered standalone companies with limited scope of action since, although they may acquire obligations in their own name, the obligations are usually assumed by the venturer in proportion to its share in the UTE.

The parties' share in a UTE normally depends on its (qualitative or quantitative) contribution to the project, is limited to its remit and is intended solely to achieve a specific result. Each venturer is responsible for performing its own tasks in its own interest.

The fact that one venturer acts as project manager does not affect its position or interest in the UTE. The venturers of a UTE are collectively responsible for technical issues, even though there may be pari passu clauses entailing specific consequences for specific correct or incorrect actions of each venturer.

UTEs do not normally have standalone assets or liabilities. Their activity is carried out for a specific period of time, normally limited to the term of execution of the project. A UTE may own certain fixed assets used in carrying out its operations. Although in these cases the assets are generally acquired for joint use by all parties to the UTE, for a period similar to the project's duration, the parties may agree previously on the assignment, amounts and uses of the assets of the UTE to complete the project.

UTEs in which the Group has interests are run by a management committee with equal representation of each party to the UTE. This committee takes all decisions with a significant impact on the success of the UTE. All decisions require consent of the parties sharing control. Therefore, the parties collectively have the power to direct the activities of the UTE. Each party has rights to the assets and obligations for the liabilities relating to the arrangement. Therefore, UTEs are accounted for using proportionate consolidation.

The parent company’s proportional share of the line items of the UTE’s statement of financial position and statement of profit or loss are included in the consolidated statement of financial position and statement of profit or loss in accordance with its percentage of ownership interest, and the cash flows are likewise included proportionately in the consolidated statement of cash flows.

As at 31 December 2022 and 2021, there were no significant contingent assets and liabilities related to the Group's interests in UTEs other than those disclosed in Note 33.

The following tables set out the identification data of joint operations included in the scope of consolidation:

(€ thousand)

Company	% ownership interest	Location	Activity
Joint operations:			
UTE Termocentro	100%	Gijón	Design, supply, construction and commissioning of Termocentro CCTP.
UTE Telfers	100%	Gijón	Development of a project in Panama.
UTE DFOM-Mompresa	100%	Gijón	Development of a project in Colombia.
UTE FMM – MCAV Monfalcone	51%	Langreo	Supply, prefabrication and assembly of rubberised metallic tubes for the Monfalcone TP desulphurisation project
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 V	50%	Madrid	Civil works for combined cycle plant
UTE Duro Felguera Argentina, S.A. – Fainser, S.A. (*)	90%	Argentina	Engineering, equipment and materials supply, electromechanical assembly, civil engineering work and commissioning of the Vuelta de Obligado power plant
UTE Abbey Etna	48.58%	Langreo	Design, supply and installation of tubing with advanced rapid change system at the Rothrist plant
UTE As Pontes	65%	Langreo	Transformation, review and upgrades at Puentes de García Rodríguez TP
UTE Somorrostro	33.33%	Langreo	Mechanical assembly and paintwork for ADI-100 project at the Petronor-Muskiz refinery (Vizcaya)
UTE Hornos Cartagena	33.33%	Langreo	Mechanical assembly of coker and vacuum furnaces and other sundry assembly work on the C10 Repsol Cartagena refinery enlargement project
UTE ATEFERM	33.33%	Langreo	Supply and assembly of thermal insulation at the Sagunto regasification plant
UTE FERESA-KAEFER-IMASA (UTE PETRONOR)	33.33%	Oviedo	Insulation work on COCKER block for the ADI-100 project at the Petronor refinery (Muskiz-Bilbao).
UTE FB 301/2	38.42%	Madrid	Construction and delivery of two liquefied gas storage tanks to the Enagas plant in El Musel.
Consorcio el Sitio (TGV-Y&V Ingeniería)	70%	Venezuela	Engineering, local supplies and construction of the Termocentro thermal power plant.
UTE Duro Felguera Argentina, S.A. – Masa Argentina, S.A.	51%	Argentina	Execution of "PTV-01 Contract Rehabilitation of steam turbine units Endesa Costanera"
UTE New Chilca	100%	Gijón	Execution of the construction work on the New Chilca combined cycle thermal plant
UTE DF-ELECNOR EMPALME II	50%	Madrid	Performance of foreign supplies and provision of offshore engineering services for the Empalme II combined cycle plant, as well as enlargement works and complementary and accessory services
UTE DFOM NUCLEO KENIA I	100%	Gijon	Energy access scale up programme project
UTE F.D.B. ZEEBRUGGE	71.98%	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 annual financial statements used in the consolidation process are, in all cases, those for the year ended 31 December each year.

(€ thousand)

e) Changes in the scope of consolidation

The only change in 2022 in the Group's scope of consolidation was the incorporation of DFOM Netherlands B.V., which is wholly owned by DF Operaciones y Montajes, S.A. In 2022, this company contributed assets, profit and liabilities amounting to €8,966 thousand, €1,540 thousand and €7,417 thousand, respectively.

Changes in the Group’s consolidation scope in 2021:

GROUP	Disposals
	Epicom, S.A.

The impacts of these changes in the consolidation scope on consolidated equity and profit or loss were not significant in 2021.

The Group classified as a current asset the retained interest in Epicom, S.A. after the disposal of a 40% stake and the grant of a purchase option on the remaining 60%, which expires on 31 December 2023 after the deferral approved by the Board of Directors on 22 February 2023 (Note 37).

f) Transactions with non-controlling interests

The Group records transactions with non-controlling interests as transactions with the equity holders of the Group. In acquisitions of non-controlling interests, the difference between the consideration paid and the proportionate share of the carrying amount of the entity's net assets is recognised in equity. Gains or losses on disposals of non-controlling interests are also recognised in equity.

When the Group loses control or significant influence, it measures any retained investment at its fair value, with any increase in the carrying amount of the investment recognised in profit or loss. The fair value of the retained interest in the associate, joint venture or financial asset for subsequent recognition is its initial carrying amount. In addition, any amount previously recognised in other comprehensive income in relation to that investment is accounted for on the same basis as would have been required if the Group had directly disposed of all the related assets and liabilities. This could mean that the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced, but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to consolidated profit or loss.

g) Translation of financial statements denominated in foreign currency

The financial statements of investees whose functional currency is different from the presentation currency (i.e. the euro) have been translated using the procedures explained in Note 2.4.c).

On loss of control of or significant influence over a company with a functional currency other than the euro, the exchange differences recognised in a component of equity related to that company are reclassified to profit or loss when the gain or loss on disposal is recognised.

2.3. Current versus non-current classification

The Group classifies assets and liabilities that are realised or settled as part of its normal operating cycle as current assets and liabilities. Specifically, assets are classified as current when they are expected to be realised within 12 months from the reporting date. Trade receivables, completed work pending certification and other financial assets associated with the operating cycle which, because of a dispute between the Group and the customer, could 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 Group's normal operating cycle. If not, they are classified as non-current assets. The same criterion is used to classify liabilities that are settled as part of the normal operating cycle. Assets and liabilities expected to be realised or settled in more than 12 months but classified within current assets are as follows:

	€ thousand	
	31 December 2022	31 December 2021
Trade receivables and completed work pending certification, net of any impairment losses and balances with public authorities.	50,220	31,934
Total current assets	50,220	31,934
Trade and other payables	4,930	9,025
Provisions for contingencies and guarantees	60,580	66,840
Total current liabilities	65,510	75,865

In accordance with IAS 1, the Group 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 purse 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 Group classifies all other liabilities as non-current. On 30 December 2022, the Group obtained a waiver for compliance with the covenants (financial ratios) of the financing agreement subject to compliance with financial ratios until June 2023 (Note 3.c), so it classified this agreement as non-current.

2.4. Foreign currency transactions

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the economic environment in which the company operates (the 'functional currency'). The consolidated financial statements are presented in euros (€), which is the parent company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation, where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at closing rates are recognised

in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.
Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss under "Exchange differences”.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in other comprehensive income.

c) Group companies

The results and financial position of all Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates, unless the average is not a reasonable proxy for the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate prevailing on the dates of the transactions; and

(iii) all resulting exchange differences are recognised in the statement of other comprehensive income.

In addition, exchange differences arising in a monetary item that forms part of a net investment in a foreign operation are recognised initially in other comprehensive income.

When a foreign operation is disposed of, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in a separate component of equity, are reclassified from equity to profit or loss when the gain or loss on disposal is recognised.
The financial statements of Group companies whose functional currency is the currency of a hyperinflationary economy are adjusted for inflation in accordance with the procedure described in the following paragraph prior to their translation to euros. Once restated, all the items of the financial statements are converted to euros using the closing exchange rate. Amounts shown for prior years for comparative purposes are not modified.

To determine the existence of hyperinflation, the Group assesses the qualitative characteristics of the economic environment of the country, as well as the trends in inflation rates over the previous three years. The financial statements of companies whose functional currency is the currency of a hyperinflationary economy are restated to reflect changes in purchasing power of the local currency, such that all items of the statement of financial position not expressed in current terms (non-monetary items) are restated by applying a general price index at the financial statement closing date, and all income, expenses, profit and losses are restated monthly applying the related adjustment factors. The difference between initial and adjusted amounts is taken to profit or loss.

d) Hyperinflationary economies

Classification of Argentina as a hyperinflationary economy

Argentina has been classified as a hyperinflationary economy since 2018. The DF Group applies the inflation adjustments to companies whose functional currency is the Argentine peso for financial reporting for periods ended as of 1 July 2018.

In accordance with IAS 29, the Group:

- Adjusted the historical cost of the non-monetary assets and liabilities and the various items of equity from the date of acquisition or inclusion in the consolidated statement of financial position to the end of the reporting period to reflect the changes in the purchasing power of the currency caused by inflation.
- Included the gain or loss on the net monetary position caused by the impact of inflation in profit or loss.
- Adjusted the various items of the statement of cash flows by the general inflation index from the dates they arose, with a balancing entry in net financial results and an offsetting item in the statement of cash flows, respectively.
- Translated all components of the financial statements of Argentine companies at the closing exchange rate, which at 31 December 2022 was 188.96 Argentine pesos per euro (2021: 116.34 Argentine pesos).

To restate the financial statements, the Group has used the indexes defined in Resolution JG No. 539/18, as published by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE), based on the Consumer Price Index (CPI) published by the National Institute of Statistics and Censuses (INDEC) of the Argentine Republic and the Internal Wholesale Price Index (IPIM) published by the FACPCE. The cumulative index at 31 December 2022 and 2021 was 1,134.6% and 582.5%, respectively, while on an annual basis the index for 2022 was 95% (2021: 51%).

The Group does not have any significant fixed assets in Argentina, so the impact of hyperinflation was not significant. The impact was recognised in exchange differences. The impact of hyperinflation on monetary assets amounted to €1,014 thousand and is recognised in profit or loss (Note 28).

The main impacts on the DF Group's consolidated financial statements for the year ended 31 December 2022 arising from the above were as follows:

	€ thousand
Revenue	-
Operating profit/(loss)	(22)
Profit/(loss) for the year from continuing operations	1,103
Accumulated exchange differences	(9,347)
Impact on equity	-

2.5. Intangible assets

a) Goodwill

Goodwill arises on the acquisition of subsidiaries in prior periods and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of the net identifiable assets acquired. If the total of consideration transferred, the non-controlling interest recognised, and the previously held equity interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment loss is recognised immediately as an expense and is not subsequently reversed.

The Group no longer recognises any goodwill following the deconsolidation of Epicom in 2021 (see Note 2.2e).

b) 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.

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 live, which does not exceed three years, except the ERP, which the Group is amortising 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.

c) Development costs

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

a) it is technically feasible to complete the software product so that it will be available for use or sale;
b) management intends to complete the intangible asset and use or sell it;
c) the entity has the ability to use or sell the intangible asset;
d) it can be demonstrated how the software product will generate probable future economic benefits;

e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
f) the expenditure attributable to the intangible asset during its development can be reliably measured.

Development costs capitalised for assets with a finite useful life are amortised from the start-up of the product’s commercial production on a straight-line basis over the period of expected future benefits, but in no case over more than five years.

Development costs that do not meet these criteria are expensed as incurred.

Research costs are expensed currently.

2.6. Property, plant and equipment

The Group uses the historical cost model, under which items of property, plant and equipment are recognised at cost less depreciation and accumulated impairment losses, except for land which is not depreciated and is presented net of impairment losses. Initial historical cost includes expenses directly attributable to purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

In general, the cost of repairs and maintenance are recognised as incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amounts to the residual value over their estimated useful lives, as follows:

	Years of estimated useful life
Buildings	7 to 57
Technical installations and machinery	4 to 33
Other installations, equipment and furniture	3 to 20
Other property, plant and equipment	3 to 20

For assets under port concessions that must be returned with a useful life greater than the term of the concession, the term of the concession is used as the useful life of the asset.

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

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in "Gains/(losses) on disposals of property, plant and equipment" in the statement of profit or loss.

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.

Borrowing costs are recognised as an expense as incurred, unless they can be capitalised. The costs can be capitalised:

- When the borrowing costs are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use.
- Whenever it is probable that they will result in future economic benefits to the company and the costs can be measured reliably.

2.7. Investment properties

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

Properties are transferred to, or from, investment properties when there is a change in use, evidenced by:

- Commencement of owner-occupation, for a transfer from property to owner-occupied property;

- Commencement of development with a view to sale, for a transfer from investment property to inventories;

- End of owner-occupation, for a transfer from owner-occupied property to investment property; and

- Inception of an operating lease to another party, for a transfer from inventories to investment property.

After initial recognition, these assets are stated at acquisition cost less accumulated depreciation and any accumulated impairment losses recognised (Note 2.9).

2.8. Right-of-use assets and associated lease liabilities

Right-of-use assets and the associated lease liability represent the right to use the underlying assets and the obligation to make payments under the lease, respectively.

Right-of-use assets are measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- costs of restoring the assets.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful life or the lease term.

The lease liability associated with the right-of-use asset includes the present value of the lease payments.

Lease payments are discounted using the lessee's incremental borrowing rate, which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The Group is exposed to potential future increases in lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. The lease liability is then remeasured and the carrying amount of the right-of-use asset is adjusted.

Lease payments are apportioned between the principal and the finance charge. The finance charge is recognised in profit or loss over the lease term to produce a constant periodic rate of return on the remaining balance of the lease liability for each period.

The lease term is determined as the non-cancellable period. If the Group has a unilateral option to extend the lease and is reasonably certain to exercise this option or an option to terminate the lease and is reasonably certain not to exercise this option, the period covered by the option to extend or terminate is included in the lease term.

2.9. Impairment of non-financial assets

At the end of each reporting period, the Group reviews assets subject to depreciation or amortisation for any fact or change in circumstances that indicates that the carrying amount may not be recoverable. If any such indication exists, it performs an "impairment test" to estimate the potential loss of value that reduces the recoverable amount of the asset to below its carrying amount.

Assets that have indefinite useful lives and goodwill are not subject to depreciation or amortisation and are tested annually for impairment.

The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

Value in use is calculated for each cash-generating unit, although in the case of items of property, plant and equipment, whenever it is feasible those tests are performed item by item, on an individual basis.

The Group uses appraisals compiled by independent experts (Note 4) to determine the fair value of the industrial assets of Duro Felguera Calderería Pesada and of its investment properties.

When an impairment loss must be recognised for a cash-generating unit to which all or part of goodwill has been allocated, the carrying amount of any goodwill allocated to that unit is reduced first. Then, if the impairment loss is greater than the carrying amount of goodwill, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit, to the highest of its fair value less costs of disposal, its value in use and zero.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. Impairment losses relating to goodwill cannot be reversed in future periods. A reversal of an impairment loss is recognised as income.

2.10. Non-current assets and disposal groups classified as held for sale

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale (including any authorisation to which the sale is subject) within one year from the date of classification.

When the criteria in the previous paragraph are met and the sale plan involves loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

These assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets held for sale are not depreciated or amortised, but are remeasured at the end of the reporting period, with the carrying amount written down so that it does not exceed the fair value less costs to sell.

The income and expenses generated by non-current assets and disposal groups held for sale that do not meet the requirements for qualification as discontinued operations are recognised in the corresponding item of the statement of profit or loss according to their nature.

At year-end, although the Group was committed to a plan to sell certain real estate assets, it did not classify them as non-current assets or disposal groups held for sale since the sale of the assets was not considered highly probable, at a price that was reasonable in relation to their current fair value, within a period of 12 months.

2.11. Financial assets

2.11.1 Initial recognition and measurement

Financial assets are recognised initially at cost, including transaction costs.

The financial assets held by the Group companies are classified as follows:

a) financial assets at fair value through profit or loss;
b) loans and receivables (financial assets at amortised cost); and
c) financial assets at fair value through other comprehensive income.

Management determines the classification of its investments at initial recognition and reassesses this classification at the end of each reporting period. They are primarily held within a business model whose objective is to collect contractual cash flows, so the majority of the Group's financial assets are classified as subsequently measured at amortised cost.

a) Financial assets at fair value through profit or loss

This category includes both financial assets acquired for trading and those designated as financial assets at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the near term or if designated at fair value through profit or loss by management. Derivatives are also classified as held for trading when they do not qualify for hedge accounting.

They are initially and subsequently recognised at fair value, not including transaction costs. Subsequent changes in fair value are recognised in gains/(losses) on financial assets at fair value through profit or loss in the consolidated statement of profit or loss.

b) Loans and receivables (financial assets at amortised cost)

Held-to-maturity financial assets and loans and receivables are measured at "amortised cost".

The Group measures these assets at amortised cost since they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.

IFRS 9 includes two approaches for calculating expected loss based on the nature of the balances:

- General approach, with three phases: applicable to trade receivables and leases that contain a significant financing component, contract assets and loan commitments, and financial guarantee contracts.
- Simplified approach: applicable to trade receivables and lease receivables without a significant financing component.

In accordance with IFRS 9, paragraph 5.5.16, the Group has selected the option of applying the simplified expected loss approach to trade receivables and lease receivables, and contract assets for which lifetime expected credit losses are calculated.

For this purpose, the Group has a procedure in place whereby receivables are not only written down for impairment when they are no longer recoverable (incurred losses), but rather factoring in possible expected credit losses based on trends in risks specific to the customer, the sector and the country. This model applies to all financial assets, including those with commercial substance and assets of contracts under IFRS 15, and those without commercial substance.

To calculate the allowance, the Group has designed an approach whereby it applies percentages to financial asset balances that reflect the expected credit losses according to the creditworthiness of the counterparty (i.e. customers for trade and other receivables) with the assistance of an independent expert.

These percentages reflect the probability of a default occurring on payment obligations and the percentage of loss that, on default, would ultimately be irrecoverable. The financial risk department assigns ratings and oversees changes in these percentages, reassessing them annually at each reporting period end based on credit risks.

Where the credit risk has increased significantly since initial recognition, the expected credit loss is calculated based on the likelihood of default occurring over the life of the instrument.

According to the selected expected credit loss model, the Group estimated that the financial assets measured at amortised cost are subject to impairment loss on the basis of the facts and circumstances that existed at that date, as follows:

Item	Gross carrying amount at 31 December 2022	Expected loss %	Expected loss € thousand	Carrying amount after ECL impairment at 31 December 2022
Total trade and other receivables	153,522	60%	(91,061)	62,461
Total completed work pending certification	51,671	53%	(27,471)	24,200
Total receivables	13,100	61%	(8,081)	5,019
Other financial assets	30,069	2.1%	(657)	29,412
Cash	24,197	0.4%	(100)	24,097
	272,558		(127,370)	145,188

The Group engaged an independent expert to estimate expected credit losses based on counterparties' credit ratings issued by leading rating agencies or, where this is unavailable, the rating of the geographical region of the borrower. The rating is used to determine the percentages to apply to the balances bearing in mind probability of default and recovery rates.

c) Financial assets at fair value through other comprehensive income

This category includes non-derivative financial assets that are not included in any of the above categories. For the Group, these are mainly investments in companies not included in the scope of consolidation in 2022 and 2021 according to prevailing standards in which the parent company's direct and indirect ownership is 5% or less.

These assets are initially and subsequently recognised at fair value less transaction costs. Subsequent changes in fair value are recognised in equity, except for translation differences on monetary securities, which are recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of profit or loss under "Finance income" when the Group’s right to receive payment is established.

Acquisitions and disposals of investments are recognised at the trade date, i.e., the date on which the entity commits itself to purchase or sell an asset. Financial assets at fair value through other comprehensive income are derecognised when the rights to the cash flows from the investments have expired or have been transferred and the entity has transferred substantially all risks and rewards of ownership.

Gains and losses in fair value are not subsequently reclassified to profit or loss after the disposal of the investment. Impairment losses (and reversals of impairment losses) on equity instruments measured at fair value through other comprehensive income are not disclosed separately from other changes in fair value.

2.11.2 Derecognition of financial assets

Financial assets are derecognised by the various Group companies when the contractual rights to the cash flows from the financial asset expire or substantially all the risks and rewards of ownership of the financial asset are transferred.

2.12. Inventories

Raw materials and ancillary materials, and materials for consumption and replacement, are stated at the lower of average acquisition cost or net realisable value.

Finished and semi-finished products, and work in progress are stated at the average production cost for the year, which includes the cost of raw materials and other materials used, labour and direct and indirect production expenses, but excludes borrowing costs. The cost of these inventories is reduced to net realisable value when this is lower than production cost.

The value of obsolete and defective products has been reduced, using estimates, to their potential realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13. 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 or that can be cancelled at no cost, and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.14. Share capital

Shares of the parent company are classified as equity. Costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.15. Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of profit or loss on a straight-line basis over the expected lives of the related assets.

2.16. Financial liabilities and equity

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 Group.

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

A financial instrument is determined to be an equity instrument if, and only if, both conditions (a) and (b) below 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.

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.

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

2.16.2 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 Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. 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 criteria in IFRS 9 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 consolidated 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 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 term 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 IFRS. 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.

2.16.3 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.

2.17. Current and deferred taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other consolidated comprehensive income or directly in equity. In this case, the tax is also recognised in other consolidated comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the parent company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, recognising provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax expense or income reflects 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.

Meanwhile, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is recognised on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

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 its financial performance in recent years, the Group has recognised deferred tax assets up to the amount of the deferred tax liabilities recognised. In general, deferred tax assets are presented net of recognised deferred tax liabilities, in accordance with IAS 12.

2.18. Employee benefits

a) Coal vouchers

The Group 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%).

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

The Collective Labour Agreement covering certain Group companies 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 Group 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 and a technical interest rate of 3.75% p.a. (2021: 0.79% p.a.).

c) 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 Group recognises termination benefits at the earlier of the following dates. (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves 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 Group recognises a restructuring provision at the end of the reporting period in its consolidated financial statements if it meets the obligation to have a detailed plan (i.e., that identifies the companies, 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 Group 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 parent 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 52 jobs had been terminated through voluntary departures and dismissals under the plan, resulting in an expense of €1,391 thousand. The remaining departures will occur at different times over a period of 18 months. A provision of €3,395 thousand was recognised in profit or loss for 2022 for severance and obligations arising from the termination of jobs until the plan is concluded. The 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 consolidated statement of financial position (Note 23).

d) Profit-sharing and bonus plans

The Group 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 Group recognises a provision where contractually obligated or where there is a past practice that has created a constructive obligation.

2.19. Provisions and contingencies

In preparing the consolidated financial statements, the parent 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 existence will be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group.

The Group's consolidated financial statements include all the material provisions with respect to which it is considered more likely than not that the obligation will have to be settled, basing this estimate on advice from the Group's internal and external tax and legal advisors, where appropriate. Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed in accordance with the requirements of IAS 37.

Provisions (which are measured using the best information available regarding the outcome of the event giving rise to their recognition and re-estimated at each reporting date) are used to meet the specific obligations for which they were recognised originally, and are reversed, fully or partially, when the obligations no longer exist or decrease.

At year-end 2022 and 2021, the consolidated entities were party to a number of legal proceedings, arbitration proceedings, and claims arising in the ordinary course of their business activities. Both the Group's internal and external legal and tax advisors, and its directors, consider that the provisions recognised are sufficient and that the outcome of these proceedings and claims will not have a material impact on the consolidated financial statements in the years in which they are resolved (Notes 29 and 33).

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.

2.20. Revenue recognition

a) Recognition of revenue from construction contracts

To ensure uniform application in the various areas of activity, the Group has a common revenue recognition policy adapted to IFRS 15 Revenue from Contracts with Customers. Below are the criteria followed in that policy, which affect mainly the Conventional Energy, Industrial Plants, Specialised Services, Renewable Energies and Smart Systems business activities.

The first steps for recognising revenue entail identifying the contracts and performance obligations of each. The number of performance obligations in a contract depends on the type of contract and activity.

In general, the performance obligations in the Group's various areas of activity are satisfied over time and not at a point in time, since the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs them.

To recognise revenue over time (the way to measure progress of a performance obligation), the Group uses the input method (measure of progress to costs incurred). Under this method, the entity recognises revenue based on costs incurred relative to the total expected costs to complete the works, considering the expected margin for the entire project based on the latest updated budget.

This method entails measuring the proportion of costs incurred on the work completed to date relative to the total expected costs and recognising revenue in proportion to total expected revenue. The percentage of costs incurred relative to total estimated costs is applied to determine the amount of revenue to recognise based on the estimated margin for the entire life of the contract.

Residually, when the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recovered. At 31 December 2022 and 2021, in none of the projects was it considered that the outcome cannot be estimated reliably.

b) Recognition of revenue from contract modifications, claims and disputes

A contract modification is a change in the scope of a contract from the original contract that could result in a modification of the revenue related to that contract. Modifications of the original contract require technical and economic approval by the customer so that certifications can be issued from the date of modification and the additional work can be collected. Group policy is not to recognise revenue for additional work until approved by the customer. Where work is approved but not yet appraised, the requirement described below for "variable consideration" is applied; i.e. an amount is recognised only to the extent that it is highly probable that a significant reversal will not occur. Costs related to the units produced or services delivered are recognised as incurred, irrespective of whether the modification has been approved or not.

A claim is a request seeking payment or compensation from the customer (e.g. cases of compensation, reimbursement of costs, legally required inflation increase) submitted directly to the customer. Group policy regarding claims is to apply the above approach to modifications when the claims are not covered by the contract, or the variable consideration approach when they are covered by the contract but not quantified.

A dispute is the result of non-conformity or rejection of a claim made to the customer under the terms of the contract, the resolution of which depends on a proceeding directly with the customer or a legal or arbitration proceeding. According to the criteria used by the Group, revenue related to disputes regarding the enforceability of the amount claimed is not recognised and previously recognised revenue is derecognised, since the dispute is evidence of the absence of approval by the customer of the completed work. Where a customer disputes the value of the work performed, revenue is recognised based on the criteria used for "variable consideration" as explained below. Only in cases where a legal report confirms that the rights disputed are clearly enforceable and, therefore, at least the cost directly related to the service disputed will be recovered, revenue may be recognised to the extent of the costs incurred.

If the consideration promised in a contract includes a variable amount, this amount is recognised only to the extent that it is highly probable that a significant reversal in the amount will not occur when the uncertainty associated with the variable consideration is subsequently resolved. For example, recognition of a bonus may be contingent on reaching a high percentage of completion of the contract.

c) Completed work pending certification/work certified in advance

Unlike revenue recognition, progress billings to customers are based on contractual milestones and acknowledgement of their achievement by the customer, which is given in a contractual document referred to as a certificate of completion. This way, the amounts recognised as revenue need not necessarily coincide with the amounts billed to, or certified by, the customer. In contracts where the revenue recognised exceeds the amount billed or certified, the difference is recognised in "Completed work pending certification" (as a contract asset) under "Trade and other receivables". In those where the revenue recognised is less than the amount billed or certified, the difference is recognised under "Advances received for contract work" (as a contract liability) under "Trade and other payables".

d) Bidding costs

Bidding costs are only capitalised when they relate directly to a contract, it is probable that the costs will be recovered and the contract has been awarded or the company has been selected as preferred bidder. Costs incurred irrespective of whether the contract is won or not are recognised as an expense unless they are explicitly recoverable from the customer in any case (whether or not the contract is won). Bidding costs are amortised on a systematic basis with the transfer to the customer of the goods or services to which the asset relates. At 31 December 2022 and 2021, the Group did not have any capitalised bidding costs.

e) Provisions for budgeted losses

These provisions are recognised as soon as it becomes evident that total contract costs are expected to exceed total contract revenue. The amount of the provision is determined applying the criteria of paragraph 14 (b) of IAS 37, whereby the estimate of the total contract budget includes forecast revenues considered probable. These criteria differ from IFRS 15 explained above, whereby revenue is only recognised when it is considered highly probable. If the total expected outcome of a contract is less than the amount recognised in accordance with the revenue recognition rules described above, the difference is recognised as a provision for negative margins.

f) Recognition of revenue from the services business

The services business entails a wide variety of services. Revenue from the rendering of services is recognised when the outcome of the transaction can be estimated reliably, taking into account the stage of completion of the transaction at the reporting date. Group companies recognise as the profit or loss on their service the difference between output (value at the selling price of the service provided during the period, as stipulated in the main contract entered into with the customer or in approved contract modifications or additions, or of the services not yet approved whose recovery is virtually certain) and the costs incurred during the year. Price revisions stipulated in the initial contract entered into with the customer are recognised as revenue as accrued, irrespective of whether they have been approved by the customer on an annual basis, as it is considered that they are committed in the contract.

g) Recognition of revenue from the sale of goods

Revenue from the sale of goods is recognised when the entity has transferred to the buyer the significant risks and rewards of ownership of the good sold, and retains neither continuing managerial involvement nor effective control over the goods sold.

h) Recognition of interest income

Interest income is recognised using the effective interest method. When a loan or receivable is impaired, the Group reduces the carrying amount to its 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 original effective interest rate.

2.21. Leases

a) Group as lessee

The Group acts as lessee under lease contracts for office space, vehicles and other equipment. The Group applies a single recognition and measurement approach for all leases in which it is lessee, which entails recognition of a right-of-use asset and a corresponding lease liability, as described in Note 2.8.

However, the Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to low value equipment leases. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

b) Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.22. Distribution of dividends

The distribution of dividends to the parent company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the parent company's shareholders.

2.23. Earnings per share

- Basic earnings per share:

Basic earnings per share are calculated by dividing:

a) the profit attributable to the parent company, excluding any equity servicing costs other than ordinary shares
b) by the weighted average number of ordinary shares in issue during the year, adjusted for incentives based on ordinary shares outstanding during the year and excluding treasury shares

- Diluted earnings per share:

Diluted earnings per share are calculated by adjusting the figures used to determine basic earnings per share in order to take into account:

a) the after-tax effect on earnings of interest and other finance costs associated with dilutive potential ordinary shares, and

b) the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.24. Environment

Expenses arising from business actions taken to protect and improve the environment are recognised as an expense in the year incurred. When these expenses lead to additions of property, plant and equipment for the purpose of minimising environmental impact and improving the environment, they are capitalised as an increase in the value of the assets.

2.25. Statement of cash flows

Cash flows are 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.

The consolidated statement of cash flows was prepared using the indirect method; i.e. on the basis of the changes in the consolidated statement of profit or loss and the consolidated statement of financial position, and is presented with comparatives for two consecutive periods. It reflects changes in consolidated cash flows during the year, classified as:

- Cash flows from operating activities: the principal revenue-producing activities of the companies comprising the Group and other activities that are not investing or financing activities. Interest received and paid, gains and losses on the disposal of non-current assets, adjustments to profit or loss generated by companies accounted for using the equity method and, in general, any result that does not generate cash flows is transferred to "Other adjustments to profit or loss". Interest paid may be classified under operating or financial activities. The Group elected to classify it under operating activities.

- Cash flows from investing activities: those arising on the acquisition or disposal of long-term assets.

- Cash flows from financing activities: those arising from changes in borrowings, dividend payments, and changes in non-controlling interests.

Except for the transactions relating to convertible bonds as part of the financial restructuring process, there were no other material non-cash transactions related to investing and financing activities that were not included in the statement of cash flows (because they did not result in cash flows) requiring separate disclosure in these notes.

3. Financial risk management

3.1. Financial risk factors

The Group's operations in the sector and markets expose it to a variety of financial risks: market risk (including foreign currency, interest rate and price risk), credit risk, liquidity risk and climate change risk.

a) Market risk

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk on transactions in foreign currencies, mainly the US dollar (USD) - so in principle, depreciation in emerging countries would not have a direct impact on the project revenue - and to a lesser extent, local currencies in emerging countries, the most important of which at present are the Argentine peso (ARP), Algerian dinar (DZD) and United Arab Emirates dirham (AED). 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 parent company's functional currency, i.e. the euro, which is also its presentation currency.

Foreign-currency denominated financial assets and liabilities and foreign currency transactions are disclosed in Note 24.b). Translation differences are disclosed in Note 17.

To manage the foreign currency risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use 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.

- Accordingly, a portion of costs is arranged in the contract's reference currency or in a currency with a high correlation to the reference currency, providing a natural hedge and reducing exposure to currency risk. 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.

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 €150 thousand lower (2021: €138 thousand higher), whereas if it had strengthened by 5%, post-tax profit for the year would have been €135 thousand higher (2021: €125 thousand lower), mainly as a result of foreign exchange gains/losses on translation to USD of trade and other receivables, cash, suppliers and advances from customers, 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.

(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 (mainly 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 Group had been reassessing its estimate of the total costs in the budgets used to calculate the stage of completion (Note 2.20) 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 Group has no significant non-current interest-bearing assets, its income and operating cash flows are scarcely sensitive to changes in market interest rates.

The Group's interest rate risk arises from non-current borrowings. There was a substantial modification of the terms of these borrowings at year-end 2021. Floating rate loans expose the Group to cash flow interest rate risk.
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 Group analyses its interest rate exposure on a dynamic basis. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. 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 Group manages credit risk by taking into account the following groupings of financial assets:

- Assets arising from financial instruments and sundry balances included in cash and cash equivalents (Notes 10 and 14).
- Trade and other receivable balances (Note 11).

Transactions with financial institutions included in cash and cash equivalents are arranged with renowned financial institutions. The Group 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 Group's most important projects in progress. The counterparties are mostly state or multinational corporations, operating primarily in the energy, mining, and oil & gas 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 in trade receivables past due but not impaired at 31 December 2022 was €34,866 thousand (2021: €31,730 thousand).

The Group recognised an impairment loss on its financial assets of €127,370 thousand, which included the estimate of expected credit loss under IFRS 9 (Notes 2.11 and 11).

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 Group's Treasury Department is to maintain flexibility in funding by negotiating drawdowns of the committed guarantee facilities in the financing agreements so it can continue financing its projects. Management also monitors the forecasts for the Group's liquidity reserves based on estimated cash flows on an ongoing basis. In 2020, it set up a payments committee, which operates weekly.

Set out below is the Group's net cash position at 31 December 2022 and comparative data:

	€ thousand	
	2022	2021
Borrowings (Note 20)	(144,048)	(154,485)
Less: Cash and cash equivalents (Note 14)	24,097	88,542
Net cash/(debt) position	(119,951)	(65,943)
Undrawn credit lines (Note 20)	-	-
Total liquidity surplus/(shortfall)	(119,951)	(65,943)

The Group'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 Group also had €20,117 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 Group's expectations regarding recovery (Note 10). In addition, 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).

(€ thousand)

In relation to the agreement with its banks, the Group must comply with two ratios on a half-yearly basis (i.e., leverage and interest coverage). The first assessment period was the 12 months ended 30 June 2022 and the second assessment period the 12 months ended 31 December 2022.

The leverage ratio, understood as gross financial debt divided by operating profit/(loss) adjusted for depreciation and amortisation, and impairment and losses on assets, as defined in the financing agreement of 29 November 2021, which is not the same as EBITDA considered by the Duro Felguera Group as an alternative performance measure, calculated based on the latest 12 months, must be below 7.76.

On 21 June 2022, the Group 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 Group 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 Group 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 Group is confident that it will comply with the ratios at 31 December 2023.

The table below analyses the Group'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 20)	8,178	7,029	79,005	49,836
Convertible bonds (Note 20.a)	-	-	-	11,852
Trade and other payables (Note 21)	125,712	-	-	-

d) <u>Climate change risks</u>

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 Group's activities, such as requirements to switch to clean energy sources or cut greenhouse gas emissions generated directly or indirectly by the Group'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.

At its meeting of 18 January 2022, the parent company’s Board of Directors agreed to set up a Sustainability Committee as a specialised body tasked with supervising compliance with the Group's environmental, social and corporate governance policies and rules, as well as internal codes of conduct.

- 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 Group, 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 Group 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.

3.2. Capital risk management

The Group's objectives when 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 Group 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 Group 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 consolidated statement of financial position, less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated financial statements, plus net debt.

The interest-bearing loans and borrowings are subject to a range of mandatory prepayment clauses (Note 20).

4. Accounting estimates and judgements and fair value measurement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of the consolidated financial statements under IFRS 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 Group 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 Group 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 2.9. The Group recognised an impairment loss of €7,521 thousand in the 2020 statement of profit or loss. The change in value in 2021 and 2022 was immaterial. The fair value estimate of those assets was categorised within Level 2 of the fair value hierarchy.

The estimate of fair value, as described in Note 2.9, 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 two, 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.

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).

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

Estimate of recoverable amount of the assets of Duro Felguera Calderería Pesada

In 2022, the Group engaged independent appraisals of its buildings, constructions and machinery, and technical installations of Duro Felguera Calderería Pesada located at the Gijón production plant (classified as property, plant and equipment) at an alternative to a value-in-use calculation.

It recognised impairment losses where the estimated fair value was less than carrying amount, in line with the accounting policy described in Note 2.9.

The estimate of fair value, as described in Note 2.9, was performed by an expert in compliance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC). The sales comparison approach was used with an adjustment for the marketing cost. 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

The Group estimated that the recoverable amount of Duro Felguera Calderería Pesada's assets, calculated by both the net realisable value taken from the independent expert appraisal and the value-in-use calculation, exceeded cost.

This subsidiary's assets are located on a concession for the use of public space granted by the Gijón Port Authority, which runs until 2033 after extension of the arrangement granted by the Port Authority in December 2021.

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

Group 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 Group are disclosed in Notes 2.5, 2.6 and 2.7.

The Group 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 table below provides an analysis of financial instruments measured at fair value, classified by measurement method. The various levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market inputs (i.e. unobservable inputs) (Level 3).

The following table presents the Group’s assets and liabilities measured at fair value at 31 December 2022:

	€ thousand			
	Level 1	Level 2	Level 3	Total
Assets				
Financial instruments at fair value through other comprehensive income:				
Equity instruments (non-current assets)	1	-	7,822	7,823
Equity instruments (current assets)	-	-	5,320	5,320
Total assets	1	-	13,142	13,143

	€ thousand			
	Level 1	Level 2	Level 3	Total
Liabilities				
Convertible bonds (Note 20)	-	11,852	-	11,852
Total liabilities	-	11,852	-	11,852

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2021:

	€ thousand			
	Level 1	Level 2	Level 3	Total
Assets				
Financial instruments at fair value through other comprehensive income:				
Equity instruments (non-current assets)	1	-	8,159	8,160
Equity instruments (current assets)	-	-	5,320	5,320
Total assets	1	-	13,479	13,480

	€ thousand			
	Level 1	Level 2	Level 3	Total
Liabilities				
Convertible bonds	-	15,987	-	15,987
Total liabilities	-	15,987	-	15,987

The fair value of financial instruments traded in active markets (such as securities available for sale) is based on quoted market prices at the reporting date. The quoted market price used for financial assets is the current bid price. These instruments are included in Level 1.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using observable market inputs (Level 2), e.g., convertible bonds, or valuation techniques (Level 3), e.g., the equity interests in Ausenco, Ltd and Epicom, S.A.

In 2021, the Group classified as a financial instrument classified as a current asset at fair value the retained interest in Epicom, S.A. after the disposal of a 40% stake and the grant of a purchase option on the remaining 60% exercisable in a period of two years and subsequently extended until 31 December 2023 (Note 37). Fair value was determined using the price of the call option granted to the third-party acquirer as that price was consistent with the price at which 40% of the company was sold in the financial period and as the company was complying with its business plan, leaving the option in the money.

At 31 December 2022 and 2021, the amount recognised under non-current assets related in full to the equity interest in Ausenco, Ltd. Given the limited amount of updated information available to the Group on this investment, the Group 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. The Group engaged an independent expert to perform this assessment. 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 Group 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 method and main assumptions used to measure convertible bonds are disclosed in Note 20.a.

4. Calculation of provisions

Warranty claims

The Group 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 €5,006 thousand.

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

Litigation

The Group sets aside, based on the estimates of its internal and external 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 Group's provisions and contingent liabilities at 31 December 2022 are disclosed in Notes 9, 23, 29 and 33. 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 Group 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 liabilities for these employee obligations recognised at year-end and the main assumptions used in the measurement, for which the Group engaged an independent expert, are disclosed in Note 23.

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

   The Group 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 Group 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 Group also estimates the probable contingencies related to the increase in the total estimated cost and adjusts the revenue recognition accordingly.

   Revenue from variable consideration, claims and disputes

   The Group 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 11), and a €6 million claim from the Djelfa project customer following formal acceptance, by signing a protocol, of that amount by the customer, which is still pending formalisation in an addendum to the contract (Note 33).

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 2.17 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 Group's financial performance in recent years, 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 Group 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. The Group did not recognise any allowance for impairment for these receivables.

7. Impairment of receivables

   The Group 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 accordance with the policy described in Note 2.11 and in compliance with IFRS 9, the Group estimates the amount of the impairment loss based on expected credit losses.

These estimates were made on the basis of the best information available, at the date of preparation of these consolidated 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). In accordance with IAS 8, this would be done prospectively, with the impact of the change in estimates recognised in the consolidated statement of profit or loss.

5. Segment information

The Board of Directors is the chief operating decision-maker. Management has been defining operating segments based on the financial information reviewed by the Board of Directors and used to make strategic decisions. However segment reporting changed in January 2022 following the redefinition of the business lines on which the Group operates in execution of the viability plan.

This new structure centres on five business lines (Conventional Energy, Industrial Plants, Specialised 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.

Conventional energy

Duro Felguera undertakes EPC projects or integrations through all phases of the process for power plants, ranging from gas turbine power facilities to conventional thermal power plants, and including cogeneration plants, renewable energy facilities, biomass plants and waste-to-energy plants. It also carries out projects to improve the environment and increase the efficiency of existing plants.

Industrial Plants

The Industrial Plants business line includes Mining & Handling, Oil & Gas, Heavy Boiler-making and projects at industrial complexes

- Mining & Handling: Duro Felguera is a leading player in the construction of mineral processing and bulk handling facilities as well as port loading and unloading terminals. It is involved in all phases of the project: feasibility studies, basic design, detailed engineering, procurement, construction, commissioning, and the eventual operation and maintenance of the facility.

- Oil & Gas: Duro Felguera executes EPC and integration facilities for the Oil & Gas sector. It is highly specialised in the engineering and construction of storage projects for hydrocarbons, liquefied gases and other petrochemical products thanks to the extensive experience amassed in this field by its subsidiary Felguera IHI.

- Manufacturing of capital goods: Duro Felguera has its own workshops for the manufacture of capital goods, through subsidiary company DF Calderería Pesada. It is specialised in the manufacture of large and thick pressure vessels and special materials and alloys for the oil & gas, petrochemical and nuclear industries. The Group is an international benchmark in this field.

- Industrial plants/sites: EPC/integration projects for the engineering and construction of industrial plants.

Specialised Services

This business unit performs various services related to the assembly, commissioning and operation and maintenance of energy and industrial facilities. It has immense expertise and experience and has built up a significant presence in the national and international markets. It comprises subsidiary companies DF Operaciones y Montajes and DF Mompresa.

Renewables

This segment focuses on the development, integration, construction and promotion of photovoltaic facilities, securing the relevant EPC and O&M contracts. This segment would also include industrial onshore wind, energy storage and green hydrogen.

Smart Systems

This business line's aim is to have a more comprehensive product and service offering in existing segments, while expanding businesses and promoting new growth drivers. Duro Felguera grouped Felguera TI (focused on cybersecurity and digitalisation) and Logistics Systems (execution of heavy-duty warehouse automation projects):

The information reviewed by the Board of Directors does not include information on segment assets and liabilities or capital expenditure, as this is not considered relevant for decision-making at segment level. Rather, assets and liabilities are assessed from an overall perspective.

Comparative information in the statement of profit or loss for the 12 months ended 31 December 2021 for segment information was restated as explained previously to facilitate comparison.

Segment information provided to the Board of Directors for the segments for which financial information is reported for the years ended 31 December 2022 and 2021 is as follows:

Segment information provided to the Board of Directors for reported segments for the year ended 31 December 2022 is as follows:

	€ thousand							
	Conventional Energy	Industrial Plants	Specialised Services	Renewables	Smart Systems	Other	Inter-group transactions	GROUP
Revenue from external customers (Note 24)	6,557	53,008	53,315	190	2,690	1,425	-	117,185
Inter-segment revenue	943	899	2,447	23	371	8,767	(13,450)	-
Total revenue	7,500	53,907	55,762	213	3,061	10,192	(13,450)	117,185
Losses on, impairment of and changes in trade provisions	19,111	5,125	10	-	-	-	-	24,246
Interest income (Note 28)	5	367	1,501	-	-	884	(1,015)	1,742
Interest expense (Note 28)	-	(81)	(99)	-	(1)	(11,141)	6,880	(4,442)
Change in fair value of financial instruments (Note 28)	-	-	-	-	-	4,136	-	4,136
EBITDA	16,761	8,760	(5,015)	304	240	(16,791)	-	4,259
Profit/(loss) before tax	22,437	7,088	(3,759)	304	230	(19,331)	-	6,969

Segment information for the year ended 31 December 2021 is as follows:

	€ thousand							
	Conventional Energy	Industrial Plants	Specialised Services	Renewables	Smart Systems	Other	Inter-group transactions	GROUP
Revenue from external customers (Note 24)	(586)	46,437	35,138	-	2,810	669	-	84,468
Inter-segment revenue	770	641	7,821	-	336	8,370	(17,938)	-
Total revenue	184	47,078	42,959	-	3,146	9,039	(17,938)	84,468
Losses on, impairment of and changes in trade provisions	7,537	760	2,567	-	(8)	86	-	10,942
Interest income (Note 28)	15	248	913	-	-	41,861	(4,162)	38,875
Interest expense (Note 28)	(1,056)	(85)	(284)	(1)	(4)	(7,150)	4,162	(4,418)
Change in fair value of financial instruments (Note 28)	-	-	-	-	-	-	-	-
EBITDA	(7,999)	6,860	(243)	(380)	339	(7,706)	-	(9,129)
Profit/(loss) before tax	(9,871)	4,611	282	(381)	327	24,631	-	19,599

The amounts included under "Other" relate to income and/or expenses related to companies not allocated to any business area, which are mainly corporate activities.

"Inter-group transactions" details inter-segment eliminations and adjustments. Transfers or transactions between segments are carried out under the normal business terms and conditions that should also be available to unrelated third parties.

The reconciliation of Group EBITDA with the consolidated statement of profit or loss is as follows

	€ thousand	
	2022	2021
Operating profit/(loss)	(6,648)	(16,822)
Amortisation and depreciation (Notes 6.7 and 8)	5,025	5,121
Impairment and gains/(losses) on disposal of property, plant and equipment	415	(567)
Exchange differences (Note 28)	5,467	3,139
EBITDA	4,259	(9,129)

The Group operates internationally at present. The following table presents the geographical breakdown of revenue at year-end as presented to the Board:

	€ thousand			
Geographical area	2022	%	2021	%
- Spain	32,634	27.85%	37,049	43.86%
- Latin America	9,311	7.95%	3,642	4.31%
- Europe	43,229	36.89%	27,415	32.46%
- Africa and the Middle East	22,601	19.29%	12,725	15.06%
- Asia Pacific	1,712	1.46%	1,280	1.52%
- Other	7,698	6.56%	2,357	2.79%
Total	117,185	100%	84,468	100%

At 31 December 2022, segment sales to a single customer representing over 10% of the Group's revenue amounted to €16.3 million in the Netherlands for the Specialised Services segment (2021: €11.37 million in Algeria, €8.4 million in Bulgaria and €3.4 million in Croatia for the Manufacturing segment and €12.3 million in Spain for the Services segment in Industrial Plants).

6. Property, plant and equipment

Reconciliation of carrying amount of property, plant and equipment at the beginning and end of the period:

	€ thousand					
	Land and buildings	Technical installations and machinery	Other installations, equipment and furniture	Construction in progress and advances	Other property, plant, and equipment	Total
Balance at 1 January 2021	17,472	9,248	3,339	555	959	31,573
Cost	31,437	35,396	12,440	555	10,217	90,045
Accumulated depreciation	(11,236)	(25,903)	(8,988)	-	(9,257)	(55,384)
Impairment losses	(2,729)	(245)	(113)	-	(1)	(3,088)
Carrying amount	17,472	9,248	3,339	555	959	31,573
Additions	1,059	1	20	-	99	1,179
Decreases	(584)	(37)	(523)	(552)	(215)	(1,911)
Other movements	(17)	4	3	-	(9)	(19)
Depreciation allowance	(692)	(1,351)	(412)	-	(203)	(2,658)
Elimination of depreciation	68	23	246	-	209	546
Other depreciation movements	(5)	(2)	(13)	-	(8)	(28)
Impairment losses	365	-	10	-	1	376
Balance at 31 December 2021	17,666	7,886	2,670	3	833	29,058
Cost	31,895	35,364	11,940	3	10,092	89,294
Accumulated depreciation	(11,865)	(27,233)	(9,167)	-	(9,259)	(57,524)
Impairment losses	(2,364)	(245)	(103)	-	-	(2,712)
Carrying amount	17,666	7,886	2,670	3	833	29,058
Balance at 1 January 2022	17,666	7,886	2,670	3	833	29,058
Cost	31,895	35,364	11,940	3	10,092	89,294
Accumulated depreciation	(11,865)	(27,233)	(9,167)	-	(9,259)	(57,524)
Impairment losses	(2,364)	(245)	(103)	-	-	(2,712)
Carrying amount	17,666	7,886	2,670	3	833	29,058
Additions	-	55	312	-	127	494
Decreases	-	(547)	(13)	-	(317)	(877)
Other movements	4	(2)	12	(3)	56	67
Depreciation allowance	(679)	(1,185)	(385)	-	(254)	(2,503)
Elimination of depreciation	-	540	1	-	225	766
Other depreciation movements	(3)	3	(21)	-	(35)	(56)
Impairment losses	-	-	-	-	-	-
Balance at 31 December 2022	16,988	6,750	2,576	-	635	26,949
Cost	31,899	34,870	12,250	-	9,959	88,978
Accumulated depreciation	(12,547)	(27,875)	(9,571)		(9,324)	(59,317)
Impairment losses	(2,364)	(245)	(103)	-	-	(2,712)
Carrying amount	16,988	6,750	2,576	-	635	26,949

The main changes in 2021 related to the sale of shares representing 40% of the share capital of Epicom, S.A. (Note 2.2.e).

a) Property, plant and equipment under construction

There were no significant additions in 2022 and 2021.

b) Self-constructed property, plant and equipment

In 2022 and 2021, the Group did not capitalise any labour costs or sundry supplies for self-constructed property, plant and equipment.

c) Property, plant and equipment subject to guarantees

At 31 December 2022, there were items of property, plant and equipment amounting to €2,958 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: €3,224 thousand).

d) Insurance

The consolidated Group 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.

e) Operating leases

The consolidated statement of profit or loss also included operating lease expenses under “Operating expenses” relating mainly to leased machinery and assembly equipment for €3,502 thousand (2021: €1,755 thousand).

f) Subsidised assets

The net carrying amount of subsidised assets at 31 December 2022 was €14,762 thousand (2021: €15,685 thousand).

g) Fully depreciated assets

At 31 December 2022, there were fully depreciated assets still in use amounting to €38,444 thousand (2021: €26,938 thousand).

h) Service concession arrangement (El Tallerón)

The Group holds a concession for the use of public space granted by the Gijón Port Authority, with annual rent of €114 thousand. The concession ends in September 2033 after the Gijón Port Authority, at its meeting held on 17 December 2021, agreed to extend the concession term by 10 years.

The carrying amount of property, plant and equipment in use on the land whose right of use is linked to the concession arrangement in the port of Gijón at year-end 2022 was approximately €8,938 thousand (2021: €10,389 thousand), of which €1,536 thousand corresponds to buildings. Under the terms of the arrangement, the related land, works and facilities will be returned to the government in 2033. The concession holder may withdraw elements not covered by the arrangement and that are not permanently attached to the property and would not cause any damage or deterioration.

These assets are depreciated over the original term of the concession, with their useful life increased prospectively after the extension.

i) Right-of-use assets

Property, plant and equipment includes net assets, according to their nature, with a net carrying amount at 31 December 2022 of €1,102 thousand (2021: €1,237 thousand) following the recognition of operating leases according to IFRS 16. This item also includes the underlying assets related to finance leases. The accounting criteria for finance leases is the same as under the previous IAS 17.

j) Impairment losses

As described in Notes 2.9 and 4, an independent expert was engaged to value the land and buildings in order to determine whether there were any indications of impairment. Based on the appraisals made in 2020, impairment of €2,843 thousand was recognised in the 2020 statement of profit since the fair value of the assets was below carrying amount. In 2022, the appraisal made by an independent expert did not give rise to the recognition of any additional impairment losses on the Group's land and buildings.

7. Investment properties

The movements in items composing “Investment properties” are as follows:

	€ thousand		
	Land	Buildings	Total
Balance at 1 January 2021	16,457	5,776	22,233
Cost	21,112	18,438	39,550
Accumulated depreciation	-	(11,099)	(11,099)
Impairment losses	(4,655)	(1,563)	(6,218)
Carrying amount	16,457	5,776	22,233
Decreases	-	-	-
Depreciation allowance	-	(353)	(353)
Elimination of depreciation	-	-	-
Impairment losses	-	(27)	(27)
Reversal of impairment losses	195	68	263
Balance at 31 December 2021	16,652	5,464	22,116
Cost	21,112	18,438	39,550
Accumulated depreciation	-	(11,452)	(11,452)
Impairment losses	(4,460)	(1,522)	(5,982)
Carrying amount	16,652	5,464	22,116
Decreases	(2,504)	(2,711)	(5,215)
Depreciation allowance	-	(354)	(354)
Elimination of depreciation	-	1,338	1,338
Impairment losses	-	-	-
Reversal of impairment losses	344	216	560
Balance at 31 December 2022	14,492	3,953	18,445
Cost	18,608	15,727	34,335
Accumulated depreciation	-	(10,468)	(10,468)
Impairment losses	(4,116)	(1,306)	(5,422)
Carrying amount	14,492	3,953	18,445

The main changes in 2022 related to the sale of 10 registered properties of the office building owned by the Group 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.

Investment properties in 2022 included mainly land in the municipalities of Langreo and Oviedo (Asturias), of which €0.8 million (2021: €0.8 million) corresponded to plots zoned as rural estates located in various areas of the Langreo municipality, €8.2 million (2021: €8.2 million) to industrial plots and developable land, and €5.1 million (2021: €8.4 million) to buildings in Gijón, Oviedo and La Felguera.

As described in Notes 2.9 and 4, management engaged an independent expert to value the land and buildings comprising investment properties in order to determine whether there were any indications of impairment.

The appraisals by an independent expert valuer did not give rise to the recognition of any additional impairment losses on the Group's land and buildings. In 2021, the appraisal made by an independent expert gave rise to the reversal of a previously recognised impairment loss of €263 thousand.

At year-end 2022, the fair value of the Group's investment properties, as appraised by the independent expert valuer, amounted to €27,213 thousand (2021: €30,319 thousand).

a) Investment properties subject to guarantees

At 31 December 2022, there were items of investment properties amounting to €12,390 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: €12,482 thousand).

8. Intangible assets

The breakdown of items in 2022 composing “Intangible assets” by internally generated and other intangible assets is as follows:

	€ thousand					
	Goodwill	Development	Computer software	Construction in progress and advances	Other assets	Total
Balance at 1 January 2021	3,286	1,927	6,505	-	-	11,718
Cost	3,286	8,182	21,411	-	-	32,879
Accumulated amortisation	-	(6,255)	(14,906)	-	-	(21,161)
Carrying amount	3,286	1,927	6,505	-	-	11,718
Additions	-	673	3	-	-	676
Decreases	(3,286)	(3,327)	(3)	-	-	(6,616)
Transfers and other movements	-	(601)	-	-	-	(601)
Amortisation allowance	-	(151)	(1,958)	-	-	(2,109)
Elimination of amortisation	-	2,313	3	-	-	2,316
Balance at 31 December 2021	-	834	4,550	-	-	5,384
Cost	-	4,927	21,411	-	-	26,338
Accumulated amortisation	-	(4,093)	(16,861)	-	-	(20,954)
Carrying amount	-	834	4,550	-	-	5,384
Balance at 1 January 2022	-	834	4,550	-	-	5,384
Cost	-	4,927	21,411	-	-	26,338
Accumulated amortisation	-	(4,093)	(16,861)	-	-	(20,954)
Carrying amount	-	834	4,550	-	-	5,384
Additions	-	-	-	-	-	-
Decreases	-	-	-	-	-	-
Transfers and other movements	-	-	-	-	-	-
Amortisation allowance	-	(214)	(1,954)	-	-	(2,168)
Elimination of amortisation	-	-	-	-	-	-
Balance at 31 December 2022	-	620	2,596	-	-	3,216
Cost	-	4,927	21,411	-	-	26,338
Accumulated amortisation	-	(4,307)	(18,815)	-	-	(23,122)
Carrying amount	-	620	2,596	-	-	3,216

The main changes in 2021 related to the sale of shares representing 40% of the share capital of Epicom, S.A. (see Note 2.2.e).

a) Fully amortised assets

At 31 December 2022, there were fully amortised assets still in use amounting to €9,691 thousand (2021: €9,690 thousand).

b) Self-constructed intangible assets

In 2022, the Group did not capitalise labour and sundry materials costs for self-constructed intangible assets (2021: €72 thousand) under "Self-constructed assets".

c) Goodwill

At 31 December 2022, the Group did not recognise any goodwill in intangible assets (2021: €0 thousand following the derecognition of €3,286 thousand from the removal of Epicom, S.A. from the Group's scope).

d) Development expenditure

Capitalised development expenditure at 31 December 2022 relate to the following projects:

	€ thousand			
	Cost	Accumulated amortisation	Impairment	Carrying amount
Study into the manufacture of large-size equipment	673	(169)	-	504
Mock-up of Hydroprocessing Reactor	240	(192)	-	48
Improvement to welding processes – time optimisation	138	(83)	-	55
Design and development of sludge collectors	20	(20)	-	-
Other projects	3,856	(3,843)	-	13
	4,927	(4,307)	-	620

9. Investments accounted for using the equity method

	€ thousand	
	2022	2021
Opening balance at 1 January	20	20
Decreases	-	-
Share of profit/(loss)	5,699	(784)
Transfers	(5,699)	784
Closing balance at 31 December	20	20

The Group's interest in its main associates, all of which are unlisted, is as follows:

Name	Country of incorporation	€ thousand Assets	Liabilities	Revenue	Profit / (loss)	% ownership interest
2022						
• Zoreda Internacional S.A.	Spain	N/A	N/A	N/A	N/A	40%
• Sociedad de Servicios Energéticos Iberoamericanos S.A.	Colombia	(*)	(*)	(*)	(*)	(*)
• Dunor Energía, S.A.P.I. de C.V.	Mexico	26,898	75,022	-	5,219	50%
2021						
• Zoreda Internacional S.A.	Spain	N/A	N/A	N/A	N/A	40%
• Sociedad de Servicios Energéticos Iberoamericanos S.A.	Colombia	(*)	(*)	(*)	(*)	(*)
• Dunor Energía, S.A.P.I. de C.V.	Mexico	7,920	48,325	-	(1,568)	50%

(*) Dormant. Has no financial debt or collateral.
(N/A) Not available.

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.

Dunor Energía, S.A.P.I. de C.V.

On 26 August 2020 Dunor, lodged 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), the chances of it succeeding are remote.

Therefore, as at 31 December 2022, the Group 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 of IAS 37 for recognising a provision were not met. As a result, it recognised income of €5,699 from reversal of the provision under "Share of profit/(loss) of companies accounted for using the equity method" (Note 23).

10. Financial instruments

The accounting policies on financial instruments have been applied to the following line items:

31 December 2022	Amortised cost (€ thousand)	Fair value through OCI (€ thousand)	TOTAL (€ thousand)
On-balance sheet assets			
- Equity instruments	-	7,822	7,822
- Non-current financial assets	42	-	42
Total classified in non-current assets	42	7,822	7,864
- Equity instruments	-	5,320	5,320
- Trade and other receivables (Note 11) (*)	91,783	-	91,783
- Deposits	20,117	-	20,117
- Other current assets	4,596	-	4,596
Total classified in current assets	116,496	5,320	121,816
Total	116,538	13,142	129,680

31 December 2021	Amortised cost (€ thousand)	Fair value through OCI (€ thousand)	TOTAL (€ thousand)
On-balance sheet assets			
- Equity instruments	-	8,159	8,159
- Non-current financial assets	41	-	41
Total classified in non-current assets	41	8,159	8,200
- Equity instruments	-	5,320	5,320
- Trade and other receivables (Note 11) (*)	72,805	-	72,805
- Deposits	23,042	-	23,042
- Other current assets	3,978	-	3,978
Total classified in current assets	99,825	5,320	105,145
Total	99,866	13,479	113,345

(*) Does not include tax receivables and current tax assets since they do not meet the criteria for definition as a financial asset.

At 31 December 2022 and 2021, equity instruments included mainly the ownership interests in Ausenco, Ltd., recognised in non-current assets, and Epicom, S.A. recognised in current assets taking into consideration the call option granted on the shares.

The Group had €20.1 million of deposits and escrow accounts, of which €16.1 million related to the Iernut project in Romania, with enforcement of the security deposit for execution of the project due to the lack of guarantees and after notifying the customer of the termination of the contract in June 2021. The Group held negotiations following the contract termination, which resulted in the signing of a letter of internet on 31 December 2022 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.

	€ thousand		
31 December 2022	Fair value through profit or loss	Debts and payables (amortised cost)	TOTAL
On-balance sheet liabilities			
- Bank borrowings (Note 20)	-	13,242	13,242
- Finance lease liabilities (Note 20)	-	1,122	1,122
- Class A and C convertible bonds (Note 20)	11,852	-	11,852
- Government assistance (Note 20)	-	126,000	126,000
- Other financial liabilities (Note 20)	-	3,684	3,684
- Trade and other payables (Note 21) (*)	-	125,712	125,712
Total	11,852	269,760	281,612

	€ thousand		
31 December 2021	Fair value through profit or loss	Debts and payables (amortised cost)	TOTAL
On-balance sheet liabilities			
- Bank borrowings (Note 20)	-	23,056	23,056
- Finance lease liabilities (Note 20)	-	1,241	1,241
- Class A and C convertible bonds (Note 20)	15,987	-	15,987
- Government assistance (Note 20)	-	126,000	126,000
- Other financial liabilities	-	4,187	4,187
- Trade and other payables (Note 21) (*)	-	151,792	151,792
Total	15,987	306,276	322,263

(*) Does not include tax payables and current tax liabilities since they do not meet the criteria for definition as a financial liability.

11. Trade and other receivables

	€ thousand	
	2022	2021
Trade receivables	153,522	130,951
Less: Allowance for expected credit losses (Note 2.11.)	(91,061)	(90,258)
Completed work pending certification (*)	24,200	27,053
Trade and other receivables (*)	5,019	4,829
Personnel	103	230
Other taxes receivable (Note 22)	26,345	27,170
Total	118,128	99,975
Less: Non-current portion: Other receivables	-	-
Current portion	118,128	99,975

(*) Amounts net of the allowance for expected credit losses (Note 2.11)

Impairment losses and reversals of the provision for impaired receivables have been included in "Other operating expenses" in consolidated statement of profit loss.

a) Trade receivables and completed work pending certification

At 31 December 2022, in addition to receivables provisioned, receivables amounting to €34,866 thousand had fallen due (2021: €31,730 thousand).

The ageing analysis of these receivables is as follows:

	€ thousand	
	2022	2021
Up to 3 months	7,902	7,384
Between 3 and 6 months	8,639	358
Between 6 months and 1 year	6,185	3,197
More than 1 year	12,140	20,791
	34,866	31,730

For completed work pending certification, the Group did not recognise revenue from contract modifications/claims or disputes that were 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 as described later in this Note.

The movement in completed work pending certification was as follows:

	€ thousand	
	2022	2021
Opening balance at 1 January	27,053	22,645
Completed work pending certification and invoiced the previous year	(11,096)	(5,563)
Changes due to exchange rates and other	246	373
Impairment of completed work pending certification	-	(2,278)
Change of project progress (Revenue – Billings)	7,997	11,876
Closing balance at 31 December	24,200	27,053

At 31 December 2022, the amount of completed work pending certification over 12 months past due was €44,112 thousand, of which provisions had been recognised for €27,471 thousand (Note 2.11.).

Breakdown by project of completed work pending certification over 12 months past due at 31 December 2022:

	€ thousand		
	Completed work pending certification	Impairment	Net amount
> 1 year			
Termocentro	16,490	(16,490)	-
CVO	6,161	(6,161)	-
Tuticorin	2,292	(2,292)	-
Aconcagua	8,237	-	8,237
Petacalco Green	4,130	-	4,130
Pressure vessel manufacturing	5,428	(2,018)	3,410
Other	1,374	(510)	864
Total > 1 year	44,112	(27,471)	16,641
Other completed work pending certification	7,559	-	7,559
	51,671	(27,471)	24,200

Past due receivables and completed work pending certification over 12 months past due relate mainly to amounts receivable on contracts affected by claims or disputes between the Group and its customers. These amounts are classified as current to the extent that they are considered to form part of the Group's normal operating cycle, irrespective of their maturity beyond 12 months. The most significant past-due balances relate to:

- Termocentro (Venezuela)

At 31 December 2022, the Group had a past-due balance including completed construction work pending certification net of provisions, in connection with the Termocentro project in progress, of €14,983 thousand (2021: €15,112 thousand). No amounts related to this project were received between February 2017 and the date of authorisation for issue of these consolidated financial statements.

In the light of the country's economic, political and social situation over the past few years and more so since the sovereign rating was downgraded from CCC to C, the Group considered that the reduction in recovery rate to around 15% was warranted. As a result, the Group 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.

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

- Tuticorin (India)

Regarding the Tuticorin project, the customer filed for insolvency proceedings in 2020. Therefore, although it had received a ruling in its favour, the Group, based on legal opinions illustrating the difficulties collecting the amounts owed because of the company's insolvency and how the proceedings unfolded in the latter part of 2020, recognised an impairment loss for the full amount of unpaid invoices, completed work pending certification, and the guarantees called. There was no change in this situation in 2021 and 2022.

- Aconcagua

The Group recognised an amount of €6 million on its statement of financial position for this project based on the agreement entered into with the customer, ENAP Refinerías S.A., which stipulates that the owner will pay the contractor a performance bonus if energy output exceeds the guaranteed amounts (performance guarantees) described therein.

DF conducted performance tests on 22 August 2019, recording a higher reference amount than the guaranteed amount, thus becoming entitled to receive that bonus.

When the owner refused to pay the bonus, DF availed of the arbitration procedure set out in the agreement and submitted a request with the International Court of Arbitration of the International Chamber of Commerce (ICC) on 14 May 2020, claiming the right to collect all the amounts due under the agreement. The customer filed a reply to the request and a counter-claim for wilful misconduct and bad faith by DF (which by the Group considers unlikely) of €124 million and, if no fraud is found, at the 15% cap in the contract, i.e. €16.37 million. On 1 March 2021, the Group filed a lawsuit for an amount equal to €25 million.

Nevertheless, considering the technical results provided in the lawsuit and performance tests showing higher amounts than the guaranteed amounts, the Group considers it objective both technically and legally, and it is highly probable that there will be no reversal of the amount recognised. It also considered an EPC consultancy report containing an analysis with a technical and contractual opinion and an external legal opinion determining that "DF has contractual, legal and technical grounds showing that ERSA misinterpreted the agreement and that DF is entitled to receive the performance bonus. Therefore, based on the information available, the results of the performance test and the wording of the agreement, it is highly likely that DF will obtain the performance bonus".

The amount receivable for this project at year-end and shown on the Group's statement of financial position at 31 December 2022 was €11.6 million, of which €6 million related to the performance bonus and the remainder to other milestones in the contract.

b) Trade and other receivables

“Trade and other receivables” consists mainly of the following items:

	€ thousand	
	2022	2021
Liquidation of Carrington (*)	3,429	3,620
Other receivables	1,590	1,209
	5,019	4,829

(*) Net of expected-loss allowance based on the estimate of the liquidator in the UK (Carrington) case.

c) Allowance for expected credit losses

Reconciliation of provisions for impairment of receivables:

	€ thousand			
	Trade receivables	Completed work pending certification	Other receivables	Total
Balance at 1 January 2022	90,258	27,841	10,739	128,838
Allowance for impairment of receivables	210	-	-	210
Unused amounts reversed	(372)	-	(2,714)	(3,086)
Utilised	-	-	-	-
Transfers	-	-	-	-
Exchange differences	965	(48)	233	1,150
Balance at 31 December 2022	91,061	27,793	8,258	127,112

On 5 January 2022, the Group 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. The Group decided to derecognise from the provision of €2,714 thousand the amounts received and receivable. It kept an allowance for expected losses according to IFRS 9 for the amount receivable.

d) Foreign currency balances

The carrying amounts of the Group's receivables are denominated in the following currencies:

	€ thousand	
	2022	2021
Euro	101,347	66,280
US dollar	3,596	10,746
Argentine peso	2	537
Indian rupee	1,936	2,738
Algerian dinar	2,056	8,137
Mexican peso	100	1,791
Chilean peso	3,064	5,969
Peruvian nuevo sol	-	1,326
United Arab Emirates dirham	3,952	5
Brazilian real	126	2
Canadian dollar	-	1
Kuwaiti dinar	341	345
Costa Rican colón	-	953
Pound sterling	-	165
Colombian peso	1,595	846
Other currencies	13	134
	118,128	99,975

12. Derivative financial instruments and hedging activities

The Group arranges exchange insurance for projects involving different collection and payment currencies, but did not have any exchange insurance in effect at 31 December 2022 and 2021.

13. Inventories

	€ thousand	
	2022	2021
Production materials and supplies	1,560	1,344
Work in progress	-	194
Advances to suppliers	3,648	5,454
	5,208	6,992
Less: Impairment losses	(502)	(561)
	4,706	6,431

Production materials and supplies are mostly consumed within the year.

“Work in progress” basically includes goods being produced or processed at the Group's production facilities.

Impairment losses affect slow-moving or obsolete materials, bringing their cost into line with fair realisable value.

14. Cash and cash equivalents

	€ thousand	
	2022	2021
Cash and banks	23,846	88,408
Short-term bank deposits and promissory notes	251	134
Cash and cash equivalents (excluding bank overdrafts)	24,097	88,542

Short-term bank deposits relate to investments of cash surpluses maturing within three months (2021: €134 thousand related to a deposit in Indian rupees (INR) at an EIR of 5.75%).

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

	€ thousand	
	2022	2021
Euro	21,690	86,213
US dollar	1,503	1,294
Romanian leu	256	11
Canadian dollar	38	42
Brazilian real	64	34
Argentine peso	11	71
Algerian dinar	1	8
United Arab Emirates dirham	8	158
Mexican peso	26	8
Colombian peso	207	193
Indian rupee	174	337
Peruvian nuevo sol	81	96
Chilean peso	6	5
Other currencies	32	72
	24,097	88,542

(€ thousand)

Figures in currencies other than the euro are mainly designated to cover future transactions in those currencies.

15. Capital and share premium

a) Capital

Share capital at 31 December 2022 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 parent company's share capital:

Shareholder	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%

(*) Depositaries of securities held by others

b) Share premium

The Corporate Enterprises Act (Ley de Sociedades de Capital) expressly permits the use of the share premium account balance to increase capital and establishes no specific restrictions as to its use.

After the capital reduction to offset losses carried out in 2020, the share premium was reduced to zero.

c) Treasury shares

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

d) Convertible bonds

As explained in Note 20, the Class A Convertible Bonds were modified as a result of the refinancing agreement reached with banks on 29 November 2021 and the commitments with FASEE and reclassified to financial liabilities.

e) Equity attributable to equity holders of the Parent

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, 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 2021	(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 2021 (*)	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.

16. Share-based payments

No share delivery plan was agreed in 2022 or 2021.

17. Reserves and valuation adjustments

a) Reserves

Breakdown of reserves at 31 December 2022 and 2021:

	€ thousand	
	2022	2021
Other parent company reserves	(153,045)	(174,042)
Consolidation reserves in the parent	293,735	287,544
Consolidation reserves in subsidiaries	(203,536)	(199,296)
Reserves in jointly controlled entities and associates	(20,146)	(19,363)
	(82,992)	(105,157)

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.

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

Consolidation reserves

These reserves comprise mainly consolidation adjustments made by the parent company for the elimination of impairment losses on fully consolidated investees and the elimination of provisions for liabilities on those investments, for €294 million.

b) Valuation adjustments

Valuation adjustments at year-end 2022 and 2021 related primarily to:

	€ thousand	
	2022	2021
Exchange differences on intergroup loans	(103,012)	(73,235)
Translation differences	31,101	10,039
Financial assets at fair value through OCI	2,529	2,529
	(69,382)	(60,667)

The breakdown by company at year-end 2022 and 2021 of exchange differences on intergroup loans, which according to IAS form part of the net investment, is as follows:

	€ thousand	
Company	2022	2021
Duro Felguera Argentina, S.A.	(97,389)	(67,624)
Felguera Gruas India Private Limited	(1,303)	(1,291)
Other	(4,320)	(4,320)
	(103,012)	(73,235)

A breakdown of cumulative translation differences by company at year-end 2022 and 2021 is as follows:

	€ thousand	
Company	2022	2021
Duro Felguera, S.A.		
- 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	243	580
Felguera IHI, S.A.		
- Costa Rica branch	(333)	(417)
- Peru branch	346	320
- Bolivia branch	50	27
- Colombia branch	(52)	(661)
Felguera Tecnologías de la Información, S.A.	(4)	2
Equipamientos Construcciones y Montajes, S.A. de C.V.	140	(726)
Turbogeneradores del Perú, S.A.C.	(196)	(165)
Duro Felguera Argentina, S.A.	42,405	13,653
PT Duro Felguera Indonesia	193	193
Felguera Diavaz Proyecto México S.A. de C.V.	2	2
Duro Felguera Do Brasil Desenvolvimiento de Projectos Ltda.	(3,850)	(3,536)
Duro Felguera Saudí LLC	11	11
DF USA, LLC	40	40
Dunor Energía S.A.P.I. de C.V.	(1,318)	(99)
DF Canada Ltd	23	15
Felguera Gruas India Private Limited	(7,319)	(7,403)
Felguera IHI Canadá INC	(9)	(9)
Proyectos e Ingeniería Pycor, S.A. de C.V.	(100)	(109)
Duro Felguera Chile	2,409	3,189
Mopre Montajes de Precisión de Venezuela, S.A.	(171)	(171)
	31,101	10,039

18. Distribution of profit/(loss) and dividends

The proposed distribution of the 2022 profit of the parent company to be submitted for approval at the Annual General Meeting is as follows:

	€ thousand
Basis of distribution	
Profit (loss) attributable to the parent	685
Distribution	
Prior periods' losses	685

No interim dividends were paid in 2022 or 2021.

There are restrictions on dividend distributions linked to the new refinancing agreements with the banks, FASEE and SRP, as in the 2018 refinancing agreement.

19. Non-controlling interests

Movements in "Non-controlling interests" were as follows:

	€ thousand	
	2022	2021
Opening balance at 1 January	531	477
Profit/(loss) for the year	112	53
Other movements	(4)	1
Closing balance at 31 December	639	531

The distribution by company is as follows:

	€ thousand	
Company	2022	2021
Felguera Tecnologías de la Información, S.A.	674	566
Felguera-Diavaz Proyectos México, S.A. de C.V.	(23)	(23)
DF Saudí	(12)	(12)
	639	531

20. Financial liabilities

	€ thousand	
	2022	2021
Non-current		
Convertible bonds	11,852	15,987
Bank borrowings	13,178	13,000
Finance lease liabilities	932	1,079
Other financial liabilities	121,760	128,019
	147,722	158,085
Current		
Bank borrowings	64	10,056
Finance lease liabilities	190	163
Other financial liabilities	7,924	2,168
	8,178	12,387
Total financial liabilities	155,900	170,472

The carrying amounts of the Group's financial liabilities are denominated in the following currencies:

	€ thousand	
	2022	2021
Euro	155,900	170,472
US dollars	-	-
	155,900	170,472

The maturity of non-current financial liabilities is as follows:

	€ thousand	
	2022	2021
Between 1 and 2 years	7,029	662
Between 2 and 5 years	79,005	135,181
More than 5 years	61,688	22,242
	147,722	158,085

Reconciliation of the carrying amount of liabilities arising from financing activities distinguishing between those that give rise to cash flows and those that do not:

	€ thousand				
	2021	Cash flows	Other movements	Reclassifications	2022
Non-current bank borrowings	13,000	-	178	-	13,178
Current bank borrowings	10,056	(10,343)	351	-	64
Total liabilities arising from financing activities	23,056	(10,343)	529	-	13,242

a) <u>Convertible bonds</u>

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.

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 parent 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.

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

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 parent 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.

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 parent 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 parent 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 parent company's ordinary shares by the (ii) volume weighted average price (VWAP) of the parent 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 20 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:

  - First, exceeding the minimum market capitalisation threshold of €236 million; and

  - 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.

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 parent 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 Group'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) parent- of the syndicated loan into bonds convertible into ordinary newly issued shares of the parent 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 each, convertible into newly issued shares of the Issuer of the same class and series as the ordinary shares of the parent 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 parent 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 (Cp) is calculated at each conversion window as:

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

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.

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.

(€ thousand)

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 parent 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.

In the first half of 2020, the Group classified the €85 million syndicated loan as current since it was subject to early repayment and no waiver for breach of the gross financial debt/EBITDA ratio at 30 June 2020 had been given.

On 29 November 2021, the Group 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:

- 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

(€ thousand)

- 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 company, 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.
- +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):

(€ thousand)

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 parent- of the syndicated loan into bonds convertible into ordinary newly issued shares of the parent company (the Class C Convertible Bonds), in a debt-to-equity swap, to be issued by Duro Felguera on 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%	52,000,000.00

As explained in Note 3.1.c, on 30 December 2022, the banks participating in the syndicated loan facility granted the Group a waiver for compliance with financial ratios with effect on 31 December 2022.

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.

On 29 November 2021 the Group repaid the financial liability arising from enforcement of the guarantee on 50% of Dunor Energía S.A.P.I de C.V.'s financial debt of €3,535,970.81, owed by Duro Felguera S.A. as a necessary condition for the financial restructuring agreed with the banks.

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:

- 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 provided the Group makes the scheduled repayment of €5 million by that date.
  A fourth tranche of €20 million available as of 30 March 2022 provided the Group makes the scheduled repayment of €5 million by that date.

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 parent company's directors consider that as at the date of authorisation for issue of the consolidated 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) <u>Finance lease liabilities</u>

This item includes the present value of the remaining lease payments, excluding leases of low-value assets and short-term leases, in line with IFRS 16. It considered the presented value of the payments on the lease of offices in Madrid and the concession awarded by the Gijón Port Authority (Note 6.h).

d) <u>Other financial liabilities</u>

“Other financial liabilities” includes primarily:

- Solvency Support Fund for Strategic Companies (FASEE):

The Group signed a temporary public financial aid agreement from FASEE for €120 million, with the parent company, Duro Felguera, S.A., as recipient of the entire amount of the funds.

- Regional government of Asturias:

The Group 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.

Also included are updated debts with official bodies resulting from the loans received from "CDTI", "MINER", "Ministry of Industry, Tourism and Trade", "PROFIT", "FIT" and "FICYT", which do not bear any explicit interest.

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

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 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 parent company's 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 parent company's directors consider that as at the date of authorisation for issue of the consolidated financial statements, there was no cause triggering early prepayment of this temporary public financial aid. In 2023, as explained in Note 37, 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.

21. Trade and other payables

	€ thousand	
	2022	2021
Suppliers	71,457	102,016
Amounts due to related parties (Note 34)	17	17
Other payables	2,542	5,982
Personnel (salaries payable)	4,260	4,197
Current tax liabilities	780	209
Other taxes payable (Note 22)	10,495	7,707
Advances received for contract work	47,436	39,581
	136,987	159,709
Non-current portion	-	-
	136,987	159,709

Regarding "Advances received for contract work", in 2022 contract revenue was realised on 41% of the previous year-end balance (2021: 40%), with the remainder related to changes in the stage of project completion, in foreign exchange rates, and others.

The amounts of trade and other payables are denominated in the following currencies:

	€ thousand	
	2022	2021
Euro	88,847	102,378
Algerian dinar	17,123	31,917
US dollar	7,943	9,414
Mexican peso	3,566	616
Indian rupee	1,102	2,916
Argentine peso	1,606	2,172
Romanian new leu	13,732	4,033
Peruvian nuevo sol	3	264
Australian dollar	-	37
United Arab Emirates dirham	1,388	3,378
Kuwaiti dinar	-	1,246
Chilean peso	505	454
Brazilian real	123	55
Canadian dollar	2	23
Pound sterling	40	226
Colombian peso	964	483
Other	43	97
	136,987	159,709

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	516	509
Ratio of transactions paid	351	313
Ratio of transactions outstanding	758	795

	€ thousand	
	2022	2021
Total payments made	79,939	60,428
Total payments outstanding	54,459	41,345

	2022	
	Units	%
Invoices paid within the legally stipulated deadline	4,509	
Percentage of total invoices paid		42.34%

	2022	
	€ thousand	%
Invoices paid within the legally stipulated deadline	39,628	
Percentage of total invoices paid		56.72%

Excluding the Djelfa project, which resumed at the end of 2021 but, due to the diplomatic disputes with Algeria execution has been delayed, the average supplier payment period would be 397 days.

In keeping with the ICAC Resolution, in calculating the average supplier payment term in these consolidated financial statements, the Group considered the commercial transactions corresponding to goods or services delivered and accrued since effectiveness of Law 31/2014, of 3 December 2014, exclusively for fully or proportionately consolidated companies located in Spain.

Exclusively for the purposes of this Resolution, suppliers are trade creditors in respect of amounts due in exchange for the goods and services supplied presented under "Trade payables" in current liabilities in the accompanying statement of financial position, referring only to Spanish companies in the consolidated group.

“Average period of payment to suppliers” is the period that elapses from the delivery of the goods or the provision of the services by the supplier to the effective payment of the transaction.

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

At 31 December 2022, the Group had past-due balances with suppliers amounting to €52,603 thousand for services, works or supplies related mainly to projects, of 42% corresponded to the Djelfa project, which was halted on 22 March 2020 but resumed towards the end of 2021 after a protocol for action was signed with the customer. However, in March 2022, the pace of execution was slower than expected because of political tensions between Spain and Algeria.

Of the total amount of past-due balances at year-end, 22% were the subject of litigation and/or arbitration.

The Group is actively negotiating agreements to set new payment schedules or obtain forgiveness of outstanding past-due amounts.

22. Taxes receivable and payable and deferred taxes

a) Taxes receivable and payable

The main taxes receivable and payable are as follows:

	€ thousand	
	2022	2021
Taxes receivable		
Value added tax (*)	8,082	12,381
Value added tax (outside Spain)	16,705	13,222
Prepaid taxes, income tax of other countries and non-resident withholdings	459	425
Other	1,099	1,142
	26,345	27,170
Taxes payable		
Value added tax	(944)	(5,075)
Value added tax (outside Spain)	(6,699)	-
Social Security payables	(1,208)	(1,045)
Other	(256)	(364)
Personal income tax withholdings	(1,375)	(1,221)
Other taxes	(13)	(2)
	(10,495)	(7,707)

(*) 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 29 under an agreement dated 11 October 2018.

b) Deferred taxes

The timing of the reversal of recognised deferred tax assets and liabilities is as follows:

	€ thousand	
	2022	2021
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	8,197	11,663
Deferred tax assets to be recovered within 12 months	2,440	1,911
	10,637	13,574
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	(10,775)	(13,403)
Deferred tax liabilities to be recovered within 12 months	(2,561)	(1,872)
	(13,336)	(15,275)
Net amount	(2,699)	(1,701)

The gross movement on the deferred income tax account is as follows:

	€ thousand	
	2022	2021
Opening balance at 1 January	(1,701)	(33)
(Charge)/credit to income statement (Note 29)	(952)	(637)
Adjustment / Decreases	-	-
(Charge)/credit to reserves	(46)	(1,031)
Closing balance at 31 December	(2,699)	(1,701)

Reconciliation of deferred tax assets and liabilities in the year:

	€ thousand		
Deferred tax assets	Tax losses	Other	Total
At 1 January 2021	17,473	5,608	23,081
(Charge)/Credit to profit or loss	(8,468)	(653)	(9,121)
Decreases	-	-	-
Charge/(Credit) to equity	-	(386)	(386)
At 31 December 2021	9,005	4,569	13,574
(Charge)/Credit to profit or loss	(2,014)	(473)	(2,487)
Decreases	-	-	-
Charge/(Credit) to equity	-	(450)	(450)
At 31 December 2022	6,991	3,646	10,637

	€ thousand			
Deferred tax liabilities	Capital gains and asset revaluations	Class C Bonds	Other	Total
At 1 January 2021	1,966	17,465	3,683	23,114
Charge/(Credit) to profit or loss	-	(8,460)	(24)	(8,484)
Decreases	-	-	-	-
Charge/(Credit) to equity	714	-	(69)	645
At 31 December 2021	2,680	9,005	3,590	15,275
Charge/(Credit) to profit or loss	-	(2,014)	479	(1,535)
Decreases	-	-	-	-
Charge/(Credit) to equity	(345)	-	(59)	(404)
At 31 December 2022	2,335	6,991	4,010	13,336

The Group recognised a deferred tax liability for the accounting income related to conversion of the Class C Convertible Bonds under the refinancing agreement 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 Group recognised a deferred tax asset for the same amount. For the purposes of presentation, the Group presents the net position of deferred tax assets and deferred tax liabilities when the standard requires in its statement of financial position.

(€ thousand)

"Other" includes deferred tax assets amounting to €3,646 thousand (2021: €4,569 thousand) related mainly to warranties, holidays, risks and charges, and project losses.

c) Unrecognised deferred tax assets

The Group 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 Group 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 at 31 December 2022 of the Spanish tax group are as follows:

	2022		2021	
	Base	Tax charge	Base	Tax charge
Tax losses	136,475	34,119	134,564	33,641
Deductions	-	5,273	-	5,034
Losses of foreign operations	113,547	28,387	117,815	29,454
Losses of subsidiaries	419,422	104,856	406,831	101,708
Other	74,665	18,666	83,071	20,768
	744,109	191,300	742,281	190,603

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.

Breakdown of the main unrecognised tax assets from accumulated tax losses of foreign subsidiaries:

	2022		2021	
	Base	Tax charge	Base	Tax charge
Peru	621	183	199	59
Brazil	4,690	1,595	3,912	1,330
Argentina	4,126	1,238	42,656	12,797
Chile	25,850	6,979	21,724	5,865
	35,287	9,995	68,491	20,051

The tax bases from Argentina and Peru may be applied up to 5 and 4 years, respectively, from the year in which they arise. Tax bases from Brazil and Chile may be applied without any timing limit. Management did not consider recognising these tax bases at the end of the year since a reliable estimate could not be made of the timing of their recovery.

23. Provisions for other liabilities and charges

The breakdown of this item in the consolidated statement of position as at 31 December 2022 and 2021, irrespective of the current/non-current classification, is as follows:

	€ thousand	
	2022	2021
Provisions for pensions and similar obligations	1,260	1,218
Other pension funds	1,260	1,218
Provisions for contingent liabilities and commitments	75,405	93,500
Provisions for contingent liabilities	75,405	93,500
	76,665	94,718

Reconciliation of changes in "Provisions":

	€ thousand			
	Pensions and similar obligations	Provisions for completion of works and other trade provisions	Other provisions	Total
Balance at 1 January 2022	1,218	86,509	6,991	94,718
Provisions charged to profit or loss:				
Arising during the year	407	2,533	3,907	6,847
Reversals credited to profit or loss:				
Unused amounts reversed	(248)	(26,812)	(1,376)	(28,436)
Payments or amounts used:				
Payments of pensions	(134)	-	-	(134)
Other payments	-	(514)	(423)	(937)
Other movements	17	4,497	93	4,607
Balance at 31 December 2022	1,260	66,213	9,192	76,665

Changes in 2022 related primarily to provisions for completion of works and other trade provisions, as follows:

Provisions for completion of works and other trade provisions

- Provisions recognised included mainly termination of the Bellara contract in Algeria for €0.7 million after provisional acceptance of the project in 2022.

- The most significant reversals were reversals of warranty provisions for the Naftan project, of €2.5 million, the reversal of unused provisions for the Termocandelaria project for project losses materialising with execution of the project, of €2.7 million, reversals of provisions for the Jebel Ali project following the payment agreements reached with suppliers, for €9.4 million, and the cancellation of the provision for the termination of the Iernut project, for €2.7 million, after negotiations with the Romanian customer concluded successfully.

  The provision for liabilities on the Empalme project was also cancelled, for €6.3 million, following the arbitration award, which was favourable to the Dunor's interests, reflected in the consolidated statement of profit or loss under "Share of profit/(loss) of associates (Note 9).

- Other payments, which include mainly payments made by the Company in respect of employee benefit obligations and the conclusion of cases involving employees.

- Other movements, which includes mainly the amounts of transfers and adjustments for exchange differences in provisions recognised in foreign currency.

Other provisions

- Provisions for occupational risks and risks subject to legal proceedings and other matters. These are primarily for the outstanding amount for implementing the collective redundancy plan described in Notes 2.18.c) and 25, for €3.6 million.

a) Pensions and similar obligations

	€ thousand	
	2022	2021
Non-current obligations		
Coal vouchers	226	88
Other obligations with employees	1,034	1,130
	1,260	1,218

Annual provisions for coal vouchers and other employee obligations are calculated based on actuarial studies described in Note 2.18.

To measure these obligations, the Group 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 and an annual interest rate of 3.75% p.a. (2021: 0.79% p.a.) and increases in consumer prices of 1% p.a. (2021: 1%).

Coal vouchers (Note 2.18.a)

The movement in the liability recognised in the consolidated statement of financial position is as follows:

	€ thousand		
	Serving personnel	Retired personnel	Total
At 1 January 2021	-	100	100
Arising during the year	-	-	-
Payments	-	-	-
Unused amounts reversed	-	(12)	(12)
At 31 December 2021	-	88	88
Arising during the year	-	138	138
Payments	-	-	-
Unused amounts reversed	-	-	-
At 31 December 2022	-	226	226

Other obligations with employees (Note 2.18.b)

The movement in the liability recognised in the consolidated statement of financial position is as follows:

	€ thousand
At 1 January 2021	1,255
Provisions charged to profit or loss	133
Utilised	(240)
Surplus	(29)
Transfers	11
At 31 December 2021	1,130
Provisions charged to profit or loss	270
Utilised	(134)
Surplus	(247)
Transfers	15
At 31 December 2022	1,034

b) Provision for completion of works and other trade provisions

The breakdown of provisions for completion of works and other trade provisions is basically as follows:

	€ thousand	
	2022	2021
Provisions for warranties	5,006	8,358
Provisions for onerous contracts	5,131	7,186
Provision for project completion	2,431	63,227
Provisions for other risks and liabilities	53,645	7,738
	66,213	86,509

Provisions for onerous contracts includes mainly a provision of €4.0 million related to the Djelfa project and a provision of €0.4 million related to the Termocandelaria project.

The amount of the provision for other risks and liabilities covers, among other amounts, the estimate of losses on termination of the Jebel Ali Power Station project (Note 33), previously recognised under the provision for project completion.

Other provisions

The breakdown of "Other provisions" and the expected schedule for the outflow of the related economic benefits are as follows:

	Other provisions	
	€ thousand	Estimated schedule
Litigation with suppliers	3,312	Between 6 and 12 months
Liabilities and charges due to labour disputes	5,339	Between 3 and 24 months
Liabilities and charges due to legal proceedings	541	Between 6 months and 3 years
	9,192	

Transfers to and reversals of provisions for other liabilities and charges are included in "Other operating expenses" in the statement of profit or loss (Note 26).

	€ thousand	
	2022	2021
Analysis of total provisions:		
– Non-current	1,271	7,499
– Current	75,394	87,219
	76,665	94,718

24. Revenue

a) Revenue

The breakdown of revenue by activity is as follows:

	€ thousand	
	2022	2021
Energy	6,557	(586)
Industrial Plants	53,008	46,437
Specialised Services	53,315	35,138
Renewables	190	-
Smart Systems	2,690	2,810
Other	1,425	669
Revenue	117,185	84,468

"Other" includes the revenue generated by companies not assigned to a specific business activity, mainly industrial control, for €1,000 thousand (2021: €669 thousand).

The Group's revenue is denominated in the following currencies:

	€ thousand	
	2022	2021
Euro	94,656	67,008
Algerian dinar	4,339	965
US dollar	16,994	14,066
Argentine peso	-	92
Peruvian nuevo sol	18	251
Kuwaiti dinar	-	963
Chilean peso	162	168
Colombian peso	-	853
Mexican peso	359	102
Brazilian real	657	-
Other currencies	-	-
	117,185	84,468

b) Foreign currency balances and transactions

The amounts of foreign currency transactions are as follows:

	€ thousand	
	2022	2021
Sales	22,529	17,460
Purchases	(11,471)	(2,830)
Services received	(5,989)	(13,414)

25. Employee benefits expense

The breakdown of this item in the accompanying consolidated statement of profit or loss for 2022 and 2021 is as follows:

	€ thousand	
	2022	2021
Salaries and wages	(52,316)	(43,618)
Termination benefits	(4,960)	(28)
Social security costs	(14,853)	(13,586)
Other employee benefits expenses	(409)	(546)
	(72,538)	(57,778)

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, both times by agreement with union representatives. The furlough had a duration of 14 months (until 28 February 2022) and affected a total of 778 workers, with an upper limit of 400 workers per month. The furlough scheme produced savings in 2021 of €2,415 thousand, while the impact in 2022 was negligible.

Termination benefits includes the estimate considered most likely as at the date of authorisation for issue of these consolidated financial statements of the cost of implementing the workforce reduction plan explained in Note 2.18.c).

26. Supplies and other operating expenses

a) Cost of sales

The breakdown of this item in the accompanying consolidated statement of profit or loss for 2022 and 2021 is as follows:

	€ thousand	
	2022	2021
Consumption of goods for resale and raw materials	(29,344)	(4,624)
Subcontracted work	(13,643)	(18,768)
Write-down of merchandise, raw materials and other supplies	(502)	(561)
	(43,489)	(23,953)

b) Other operating expenses

The breakdown of this item in the accompanying consolidated statement of profit or loss for 2022 and 2021 is as follows:

	€ thousand	
	2022	2021
Leases	(4,087)	(2,391)
Repairs and maintenance	(1,451)	(1,756)
Independent professional services	(9,478)	(9,382)
Transportation	(528)	(727)
Insurance premiums	(2,076)	(2,146)
Banking and similar services	(3,123)	(2,474)
Advertising	(116)	(119)
Utilities	(1,677)	(1,126)
Other services	(5,442)	(5,830)
External services	(27,978)	(25,951)
Taxes	(1,545)	(1,233)
Losses, impairment and changes in trade provisions (Notes 11 and 23)	24,247	10,942
	(5,276)	(16,242)

27. Other income/(expense)

	€ thousand	
	2022	2021
Other income/(expense)	2,044	542
	2,044	542

28. Net finance income/(cost)

	€ thousand	
	2020	2021
Finance income from:		
– Financial interest/dividends	1,742	68
– Finance income net of restructuring (Note 22)	-	37,037
– Gain of purchasing power due to hyperinflation (Note 2.4.d)	1,014	1,770
	2,756	38,875
Finance expense and similar costs	(4,442)	(4,418)
Change in fair value of financial instruments	4,135	-
Net foreign exchange difference	5,467	3,139
Impairment/(reversal of impairment) of financial instruments	2	(391)
Total net finance income/(cost)	7,918	37,205

Financial interest includes €1,736 thousand from dividends received in 2022 on the parent company's ownership interest in Ausenco, Ltd (Notes 4.3 and 10).

The gain of purchasing power due to hyperinflation reflects the impact of inflation on the monetary items held by the Group in Argentina after the country's classification as a hyperinflationary economy (Note 2.4 d).

The change in the fair value of financial instruments, of €4,135 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 €1,465 thousand and €2,670 thousand, respectively (Notes 4.3, 10 and 20.a).

29. Income tax

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

Under the special tax consolidation system, the tax group reporting the taxable income is treated as single taxpayer for all purposes.

However, each consolidated company must calculate its own tax liability as if it were filing separately and account for corporate income tax payable or refundable (tax credit) on the basis of whether it contributes a profit or a loss.

a) Reconciliation

	€ thousand	
	2022	2021
Current tax	(73)	(26)
Foreign taxes	(884)	(1,100)
Adjustments to current tax in respect of prior years	58	1,295
Adjustments to deferred tax in respect of prior years (Note 22)	-	-
Current year deferred tax (Note 22)	(952)	(637)
Other	-	-
	(1,851)	(468)

The reconciliation of tax expense to accounting profit is as follows:

	€ thousand	
	2022	2021
Consolidated profit before tax	6,969	19,599
Tax at 25%	(1,742)	(4,900)
Inter-group/branch adjustments and eliminations	4,889	(1,071)
Other permanent differences	(578)	(7,119)
Adjustment in respect of prior years	58	1,295
Foreign taxes	(884)	(1,100)
Recognition of previously unused tax losses	-	15,292
Unrecognised tax losses, tax group	(1,571)	(3,180)
Unrecognised tax losses, non-tax group	(1,795)	-
Other	(228)	315
Tax charge/(refund)	(1,851)	(468)

The effective tax rate was 25.00% (2021: 25.00%).

Net temporary differences in the individual companies relate basically to the different treatment for accounting and tax purposes of the charge to and reversal of provisions, as well as the deferral of accounting income related to the conversion of the Class C 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 Group 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 Group'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.

- 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 management's 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 its 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 Group 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 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.

Duro Felguera Do Brasil is also being audited for income tax for 2012 and 2015, which it has appealed. The potential tax liability is estimated at €46 million Brazilian reais (approximately €8,165 thousand). In the opinion of the parent company's directors and external tax advisors, it is unlikely that the amounts will have to be paid.

30. Earnings per share

a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the parent by the weighted average number of ordinary shares in issue during the year (Note 15).

	2022	2021
Profit/(loss) attributable to the parent (€ thousand)	5,006	22,614
Weighted average number of ordinary shares in issue (thousand)	96,000	96,000
Basic earnings/(loss) per share (€)	0.05	0.24

b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. At 31 December 2021, the Group considered as dilutive potential shares those resulting from a potential conversion of Class A Convertible Bonds into 6,127,660 new shares by virtue of the contractually established exchange ratio following the reverse split described in Note 15 (previously 306,382,979 new shares)). At the closing date of these consolidated financial statements, conversion of the Class B Convertible Bonds (Note 20 a) was considered remote. In 2022, it considered conversion of the Class A and C Convertible Bonds, calculating the weighted average number of potential ordinary shares outstanding in the year.

	2022	2021
Profit/(loss) attributable to the parent (€ thousand)	5,006	22,614
Weighted average number of ordinary shares in issue (thousand)	116,472	104,288
Basic earnings/(loss) per share (€)	0.04	0.22

31. Dividends per share

No dividend was paid in 2022 or 2021.

32. Statement of cash flows

The consolidated statement of cash flows was prepared in accordance with IAS 7. It was not impacted by fluctuations in the exchange rates of the currencies in which the Group operates vis-à-vis the euro. The relevant classifications were made to correctly show the changes due to consolidations and deconsolidations. Key highlights for each of the main sections of the consolidated statement of cash flows are as follows:

a) Operating activities

	€ thousand	
	2022	2021
Profit/(loss) for the year before tax	6,969	23,135
Adjustments for:		
Amortisation and depreciation (Notes 6, 7 and 8)	5,025	5,120
Impairment	(559)	(611)
Changes in provisions	(14,411)	(10,288)
Grants released to profit or loss	(242)	(242)
(Gains)/losses on derecognition and disposal of assets	973	44
Gains/(losses) from derecognition and disposal of financial instruments (Note 9)	(4,135)	-
Finance income (Note 28)	(2,756)	(1,838)
Finance costs (note 28)	4,442	4,419
Exchange differences (Note 28)	(5,467)	-
Finance income, net of restructuring (Note 28)	-	(37,037)
Gain/(loss) on loss of control of subsidiaries	-	(3,009)
Share of profit/(loss) of companies accounted for using equity method	(5,703)	-
Other income and expenses	-	(72)
	(22,833)	(43,514)
Working capital changes		
Inventories	1,222	(1,980)
Trade and other receivables	(18,436)	8,169
Other current assets	171	-
Trade and other payables	(25,967)	(35,972)
Other current liabilities	93	(4,635)
Other non-current assets and liabilities	-	856
	(42,827)	(33,562)
Other cash flows from operating activities		
Interest paid	(3,433)	(10,110)
Interest received	874	68
Income tax (paid) / received	(245)	(720)
	(2,804)	(10,762)
Net cash flows used in operating activities	(61,495)	(64,703)

b) Cash flows from/(used in) investing activities

	€ thousand	
	2022	2021
Payments for investments		
Property, plant and equipment, intangible assets and investment properties	(494)	(508)
Other financial assets (*)	(3,835)	(339)
	(4,329)	(847)
Proceeds from sale of investments		
Property, plant and equipment, intangible assets and investment properties	3,000	-
Other financial assets	9,883	16,121
	12,883	16,121
Other cash flows from investing activities		
Interest received	-	-
Loss of control, Epicom (Note 2.2.e))	-	(903)
	-	(903)
Net cash flows used in investing activities	8,554	14,371

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

c) Financing activities

	€ thousand	
	2022	2021
Proceeds from and payments for financial liability instruments		
Issue	-	126,000
Redemption and repayment	(11,504)	(12,022)
	(11,504)	113,978
Net cash flows from/(used in) financing activities	(11,504)	113,978

33. Contingencies

The Group has contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business, from which it does not expect any material liabilities to arise.

At 31 December 2022 and 2021, the Group had extended the following bank guarantees:

	€ thousand	
	2022	2021
Guarantees provided in sales contracts in progress	229,124	225,880
Other	1,371	1,267
	230,495	227,147

In addition, as explained in Notes 6, 7 and 20, the Group has pledged certain assets as collateral to third parties, including its syndicated bank creditors and FASEE, Spain's support fund for strategic businesses, which granted the financing described in Note 20. This collateral includes pledges over specific properties, over shares in specified subsidiaries, over potential receivables arising from a range of claims, and over bank accounts. Certain project contracts signed by Group subsidiaries with customers are backed with the corporate guarantee of the Group's parent company to ensure compliance with the commercial terms agreed upon.

The Group has also received bonds and other guarantees from third parties for execution of its projects amounting to €12,701 thousand.

Group management considers that the provisions for risks of tax assessments (Note 29), litigation, arbitration and claims are reasonably covered by the provisions recognised in these consolidated 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 Group's interests is considered remote. As at 31 December 2022 and 2021, the Group did not recognise any provision in this connection.

National Markets and Competition Commission (CNMC)

In Case S/DC/612/17 instituted by the CNMC against various companies operating in the industrial assembly and maintenance services market, including DF Operaciones y Montajes, S.A., a ruling was delivered on 1 October 2019 declaring the existence of an infringement and imposing penalties upon 19 companies, including DF Operaciones y Montajes, S.A. and, subsidiarily, Duro Felguera, S.A., such penalty amounting to €1,323 thousand, and prohibiting those companies from dealing with public sector companies for an as-yet unspecified scope and duration.

On 26 March 2021, DF Operaciones y Montajes, S.A. and Duro Felguera, S.A. submitted a statement of claim. and the proceedings continued until the statement of conclusions was presented on 4 May 2022. The proceedings are now awaiting a ruling.

To cover this risk, the Group recognised a provision of €0.5 million, which in the opinion of its directors and advisors is considered sufficient.

Contingencies and project claims

As is customary in its industry, the Group 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 Group 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 Group.

An in-depth assessment was performed on project claims, after which provisions were recognised at the amounts considered probable (Note 23). 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 Group considers probable or possible that a ruling will be issued for or against it as plaintiff or defendant are described below. In the opinion of the parent company's directors and legal advisors, the potential impact on the Group of the remaining claims would not be material:

1) Recope

To date, the Group has two appeals for judicial review under way against Recope. The first seeks a declaration of 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 over-stay 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) Jebel Ali Power Station Project

In June 2022, DEWA requested that its lawsuit against the Group, in which it is claiming 1,082,705,150.80 AED (approximately €275 million), be resumed. On 8 August 2022, the Group 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 parent 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. Estimate of risk: it would be premature to estimate risk. 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. Therefore, the Group maintained the provision recognised in previous periods for this situation, although it has reversed the provision for progress billings receivable for €4.1 million.

3) Djelfa

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.

4) Aconcagua

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, 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. 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.

5) 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.

6) 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 recorded 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 Duro Felguera Group for cost overruns due to scope modifications. The contract between EAN and Equipamiento, Construccion 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.

34. Related party transactions

The following transactions were carried out with related parties:

a) Sale of goods and services

	€ thousand	
	2022	2021
Sale of goods and services:		
- Associates	1,137	349
- Related parties	659	125
	1,796	474

b) Compensation and other benefits paid to the Board of Directors of the parent and Senior Management

Board of Directors

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

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

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 parent 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.

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

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

Senior management

For the purposes of these consolidated financial statements, 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, perform 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 Group 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) Dividends and other benefits

	€ thousand	
	2022	2021
Dividends and other benefits distributed:		
- Significant shareholders (Note 15)	-	-
	-	-

d) Year-end balances arising from sales/purchases of goods/services

	€ thousand	
	2022	2021
Receivables from related parties:		
- Associates	338	-
- Related parties	-	-
	338	-
Payables to related parties (Note 21):		
- Associates	17	17
- Related parties	-	-
	17	17

e) Loans to related parties

	€ thousand	
	2022	2021
Opening balance at 1 January	-	-
Additions	-	-
Loan repayments received	-	-
Other movements	-	-
Closing balance at 31 December	-	-

f) 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 Group, 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.

The parent company's directors have no issue to disclose regarding article 229 of the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010 of 2 July.

35. Joint operations

The Group has interests with other companies is several joint operations. The following amounts represent the Group's share of the assets and liabilities, income and expenses of the joint operations:

	€ thousand	
	2022	2021
Assets:		
Non-current assets	-	-
Current assets	72,586	70,264
	72,586	70,264
Liabilities:		
Non-current liabilities	-	-
Current liabilities	(138,618)	(137,566)
	(138,618)	(137,566)
Net assets	(66,032)	(67,302)
Revenue	3,283	3,456
Expenses	(751)	(410)
Profit/(loss) after tax	2,532	3,046

(€ thousand)

36. Other information

a) Average number of Group employees by category

	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	29	29	18	18
Middle managers	113	112	111	105
Qualified staff	433	428	433	377
Support positions	68	67	69	61
Operators	639	639	430	429
	1,292	1,285	1,067	996

b) Number of men/ women by category

The distribution of Group employees 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	22	6	28	15	5	20
Middle managers	92	16	108	95	17	112
Qualified staff	317	82	399	328	104	432
Support positions	21	38	59	31	41	72
Operators	494	2	496	458	2	460
	951	147	1,098	932	170	1,102

At 31 December 2022, there were ten (10) employees with a disability of greater than 33% (2021: 9 employees), all men.

c) Environmental disclosures

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

d) Fees paid to the auditors and their group of companies or associates

In 2022 and 2021, the amounts payable to the auditor of the Group's consolidated financial statements, 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	487
Non-audit services	91
Services required by applicable law and regulations	38
Other assurance services	17
Tax services	34
Other services	2
Total professional services	578

- 2021 (€ thousand)

Description	Fees payable to the principal auditor or companies belonging to its network
Audit services	466
Non-audit services	93
Services required by applicable law and regulations	67
Other assurance services	6
Tax services	18
Other services	2
Total professional services	559

37. Events after the reporting period

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

  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 the parent 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 parent 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:

    - 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 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.

    - 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.

    - Ratification of the appointment of María Jesús Álvarez González as director.

    - 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:

    - Strengthening the Company's financial position.
    - Respecting minority shareholders' subscription rights.
    - Injecting €90 million of capital.
    - Bringing in renowned industrial shareholders.
    - Providing stability to the Company's shareholder body.
    - 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.
    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 parent 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 condensed consolidated 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 33.

38. Additional note for English translation

The consolidated financial statements for the year ended 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS), the interpretations issued by the IFRS Interpretation Committee (IFRIC) and mercantile law applicable to companies reporting under EU-IFRS. 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.

DURO FELGUERA, S.A. AND SUBSIDIARIES

2022 Management Report

GENERAL PERFORMANCE

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.

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 Group 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.

Revenue rose 39% in 2022 to €117 million, driven primarily by higher sales in the Industrial Plants business segment.

The Group reported EBITDA for the year of €4.3 million, compared to an EBITDA loss of €9.1 million the year before. This, coupled with the marked change in trend in the over the past year, reflected the hard work done by the Group despite the challenging situation of the sector and enabled the Group to report a net profit attributable to equity holders of the parent for 2022 of €5.1 million.

Order intake for the year totalled €348.1 million, of which €21 million corresponds to Epicom, which is no longer included in the Group's scope of consolidation, compared to the year-earlier figure of €175.1 million; i.e., an increase of 99%. The order backlog at the end of the year stood at €556.5 million, of which 90% related to international projects. Of this amount, Epicom accounted for €16 million.

The Group had €120 million of net financial debt as at 31 December 2022, with €144.1 million of gross debt and €24.1 million of cash, as explained in Note 4 to the financial statements.

Average headcount for the Group went from 996 employees at 31 December 2021 to 1,292 employees at 31 December 2022.

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 Group 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 Group 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 37, is designed to ensure Duro Felguera's long-term financial recovery. This will provide a significant boost to the Group and shore up a viability project in 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 Group'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 gained momentum toward the end of 2022 after the difficulties caused by the market and the geopolitical situation in the first months of the year. As at the date of authorisation for reissue of these consolidated financial statements, order intake in 2022 amounted to €348.1 million. This enabled Duro Felguera Group to easily exceed the order intake target in the viability plan, which was €276 million for the year.

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, the Group'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.

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 Group operates internationally and is exposed to foreign currency risk on transactions in foreign currencies, mainly the US dollar (USD) - so in principle, depreciation in emerging countries would not have a direct impact on the project revenue - and to a lesser extent, local currencies in emerging countries, the most important of which at present are the Argentine peso (ARP), Algerian dinar (DZD) and United Arab Emirates dirham (AED). 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 parent company's functional currency, i.e. the euro, which is also its presentation currency.

Foreign-currency denominated financial assets and liabilities and foreign currency transactions are disclosed in Note 24.b. Translation differences are disclosed in Note 17.

To manage the foreign currency risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use 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.

- Accordingly, a portion of costs is arranged in the contract's reference currency or in a currency with a high correlation to the reference currency, providing a natural hedge and reducing exposure to currency risk. 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.

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 €150 thousand lower (2021: €138 thousand higher), whereas if it had strengthened by 5%, post-tax profit for the year would have been €135 thousand higher (2021: €125 thousand lower), mainly as a result of foreign exchange gains/losses on translation to USD of trade and other receivables, cash, suppliers and advances from customers, 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.

(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 (mainly 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 Group had been reassessing its estimate of the total costs in the budgets used to calculate the stage of completion (Note 2.20) 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 Group has no significant non-current interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from non-current borrowings. There was a substantial modification of the terms of these borrowings at year-end 2021. Floating rate loans expose the Group to cash flow interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. 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 shift would be an increase/decrease of €1,390 thousand (2021: €1,490 thousand).

b) Credit risk

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

- Assets arising from financial instruments and sundry balances included in cash and cash equivalents (Note 14).
- Trade and other receivable balances (Note 11).

Transactions with financial institutions included in cash and cash equivalents are arranged with renowned financial institutions. The Group 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 Group's most important projects in progress. The counterparties are mostly state or multinational corporations, operating primarily in the energy, mining, and oil & gas 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 in trade receivables past due but not impaired at 31 December 2022 was €34,866 thousand (2021: €31,730 thousand).

The Group recognised an impairment loss on its financial assets of €127,370 thousand, which included the estimate of expected credit loss under IFRS 9 (Notes 2.11 and 11).

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 Group's Treasury Department is to maintain flexibility in funding by negotiating drawdowns of the committed guarantee facilities in the financing agreements so it can continue financing its projects. Management also monitors the forecasts for the Group's liquidity reserves based on estimated cash flows on an ongoing basis. In 2020, it set up a payments committee, which operates weekly.

Set out below is the Group's net cash position at 31 December 2022 and comparative data:

	€ thousand	
	2022	2021
Borrowings and derivatives (Notes 12 and 20)	(144,048)	(154,485)
Less: Cash and cash equivalents (Note 14)	24,097	88,542
Net cash/(debt) position	(119,951)	(65,943)
Undrawn credit lines (Note 20)	-	-
Total liquidity surplus/(shortfall)	(119,951)	(65,943)

The Group'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.

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).

The Group also had €20,117 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 Group's expectations regarding recovery (Notes 10 and 33).

In relation to the agreement with its banks, the Group must comply with two ratios on a half-yearly basis (i.e., leverage and interest coverage). The first assessment period was the 12 months ended 30 June 2022 and the second assessment period the 12 months ended 31 December 2022.

The leverage ratio, understood as gross financial debt divided by operating profit/(loss) adjusted for depreciation and amortisation, and impairment and losses on assets, as defined in the financing agreement of 29 November 2021, which is not the same as EBITDA considered by the Duro Felguera Group as an alternative performance measure, calculated based on the latest 12 months, must be below 7.76.

On 21 June 2022, the Group 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 Group 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 Group 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.

The table below analyses the Group's non-derivative financial liabilities grouped based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities are included in the analysis where the contractual maturities are essential for understanding the cash flow schedule. 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 20)	8,178	7,029	79,005	49,836
Convertible bonds (Note 20.a)	-	-	-	11,852
Trade and other payables (Note 21)	125,712	-	-	-

In any event, the financing obligations include certain 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 (Notes 29, 33 and 37).

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.

At its meeting of 18 January 2022, the parent company’s Board of Directors agreed to set up a Sustainability Committee as a specialised body tasked with supervising compliance with the Group's environmental, social and corporate governance policies and rules, as well as internal codes of conduct.

• 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.

DERIVATIVE FINANCIAL INSTRUMENTS

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

TREASURY SHARE TRANSACTIONS

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

RESEARCH AND DEVELOPMENT ACTIVITIES

The Group'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).

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Between 31 December 2022 and the date of authorisation for issue of the consolidated management report, no events occurred that could result in any material change to the information presented other than those explained in Note 37 to the consolidated financial statements.

ALTERNATIVE PERFORMANCE MEASURES

An alternative performance measure (APM) is a financial measure, based on the financial statements or other supporting information used by the Group, of historical or future financial performance, financial position or cash flows other than measures defined or specified in the applicable accounting and financial reporting framework.

In the preparation of the annual financial information, the Board of Directors of Duro Felguera presents the following APMs, which it considers useful and appropriate for investors' decision-making and better understanding of business performance.

Performance measure	Definition
Revenue	Gross inflow of economic benefits arising from ordinary activities.
Order intake for the period	Volume of orders received during the period for which the Group has no doubt that they will be fulfilled.
Order backlog	Volume of orders received that will probably be recognised under "Revenue" in the consolidated 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.
EBITDA	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.
Net cash/debt	Cash and cash equivalents minus gross financial debt.
Equity for company law purposes.	Accounting equity plus profit participating loans.

	€ thousand	
Economic-financial indicators	2022	2021
Revenue	117,185	84,468
EBITDA	4,259	(9,129)
Order intake for the year (*)	348,053	175,116
Order backlog (**)	556,482	335,614
Profit/(loss) before tax	6,969	19,599
Net financial debt	(119,951)	(65,943)
Gross financial debt	(144,048)	(154,485)
Cash and cash equivalents	24,097	88,542
Equity attributable to the parent for company law purposes (1)	140,266	162,668

(1) Does not include losses for 2020 in accordance with RDL 20/2022.

(*) includes €22 million of order intake from Epicom (2021: €8.6 million)

(**) includes €16 million of order backlog from Epicom (2021: €6.6 million)

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

Also included, in a separate section, is the literal text of the non-financial statement, which was prepared by the Board of Directors of Duro Felguera, S.A. and forms part of the 2022 consolidated management report. It is also available on the CNMV's website (www.cnmv.es) and the Company's website (www.durofelguera.com).

OTHER RELEVANT INFORMATION

Stock market data

The main stock-market data for the Group in 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

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:

	Attendance data				
			% distance voting		
Date of general meeting	% physically present	% present by proxy	Electronic voting	Other	Total
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

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).

	Member of the Board of Directors of TELECABLE. Member of the Governing Board of the Consorcio de la Feria Internacional de Muestras de Asturias. Chair of the Control Committee of Caja de Ahorros de Asturias. Chair of the Board of Directors of AUCALSA (Autopista Concesionaria Astur-Leonesa). Chair of the Board of Directors of VIASTUR (Autopista Concesionaria Principado de Asturias). 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. 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. 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.
JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO	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. 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. He has extensive experience as a director of several companies, including Hunosa, Repsol Exploración, MexDer, AIAF, ECofex, Enusa, Bandesco and RegisTR. He also teaches finance at CUNEF, a university that focuses on economics, business, law and finance.
JORDI SEVILLA SEGURA	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. 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. From 2000 to 2004 he held the position of Secretary of Economic Policy and Employment on the Federal Executive Committee of the PSOE party. From 2004 to 2007, he was the Minister of Public Administration. He is a former Senior Counselor at PwC, and Vice President at Llorente y Cuenca. He is the Chairman of the Red Eléctrica Group and of the Board of Directors of Red Eléctrica Corporación, a listed company. 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.
VALERIANO GÓMEZ SÁNCHEZ	Graduate in Economics from the University of Barcelona. He has dedicated his entire career to public service and held senior positions at government agencies and departments. He is a former Director General of the Employment Promotion Fund of the Integrated Iron and Steel Sector. From 1988 to 1994, he was an Executive Advisor to the Technical Office of the Minister of Labour and Social Security. He was a member of the Consejo Económico y Social (Economic and Social Council) of Spain from 2001 to 2003. 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. 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.

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	.- Lecturer at CUNEF Universidad .- External consultant of the IMF
VALERIANO GÓMEZ SÁNCHEZ	.- Economist at A25 Abogados&Economistas .- Consultant and advisor in Grupo Correos 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	- 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 HERNÁNCEZ 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), Mª 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

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

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 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	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: 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. 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. 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. 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.

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 orof any of its subsidiaries	% Stake	Name or corporate name of thecompany orsubsidiary	Amount (€ thousand)	Approving body	Identification of the significant shareholder or director who abstained.	The proposalto the board,if any, has been approved bythe board without a majority of independent directors voting against it.
No data						

Name or corporate nameof 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 orof their controlled orjointly controlled entities	Name or corporate name of thecompany orsubsidiary	Link	Amount (€ thousand)	Approving body	Identification ofthe significant shareholder or director who abstained.	The proposal tothe board, if so,has been approved by the board without a majority of independent directors voting against it.
No data							

	Name or corporate nameof 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 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 [X] 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 [X]

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 [X] 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 [X] 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 submits 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 [X] 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 [X] 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 [X] 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 [X] 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 [X] 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 [X]

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 [X] 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 [X] 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 [X]

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 [X]

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 [X] 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 [X] 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 [X] 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 [X]

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 [X] 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 [X] 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 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 logics 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/her 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

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), Mª 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 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. Explique 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, thier 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:

a) 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.

b) 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), Mª 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	Nºof equivalent/ consolidated shares	Price of consolidated shares	Gross profit of consolidated shares or financial instruments (Thousands €)	Nº of instruments	Nº of instruments	Nº of equivalents 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

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	

	Company's contribution fpr the fiscal year (thousands €)				Amount of accumulated funds (thousands €)			
Name	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

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

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

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	Nºof equivalent/ consolidated shares	Price of consolidated shares	Gross profit of consolidated shares or financial instruments (Thousands €)	Nº of instruments	Nº of instruments	Nº of equivalents 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

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 fpr 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

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

c) Summary of remuneration (in thousands €):

The amounts corresponding to all the remuneration ítems included in this report that have been accrued by the Director should be included in the summary, in thousands of euro.

	Remuneration accrued in the company					Remuneration accrued in group companies					
Name	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	Total company + 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

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 payagle and anual 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), Mª 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), Mª 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

Deloitte, S.L.
Palacio Valdés, 9
33002 Oviedo
Spain

Tel: +34 985 21 98 49
www.deloitte.es

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

INDEPENDENT ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT OF DURO FELGUERA, S.A. AND SUBSIDIARIES FOR 2022

To the shareholders of DURO FELGUERA, S.A.:

In accordance with article 49 of the Spanish Commercial Code, we have verified, with a limited scope, the Consolidated Non-financial Statement ("NFS") for the year ended 31 December 2022 of DURO FELGUERA, S.A. and subsidiaries ("Duro Felguera Group", "DF Group" or "the Group"), which is part of the Group's accompanying Consolidated Management Report.

The content of Group's management report includes additional disclosures to those required under prevailing company law with respect to non-financial reporting that was not part of our assurance engagement. In this regard, our work was limited exclusively to verifying the information identified in the "Reference table of requirements under Law 11/2018 and Content of the Global Reporting Initiative (GRI Indicators)" included in the Management Report.

Responsibility of the directors

The preparation of the NFS included in Duro Felguera Group's Consolidated Management Report and its content are the responsibility of the Group's directors. The NFS has been prepared in accordance with the content required by prevailing Spanish company law and following the criteria of the selected Sustainability Reporting Standards issued by the Global Reporting Initiative (GRI Indicators), as well as other criteria described as outlined for each matter in the "Reference table of requirements under Law 11/2018 and Content of the Global Reporting Initiative (GRI Indicators)" of the Consolidated Management Report.

This responsibility also includes the design, implementation, and maintenance of such internal control as considered necessary to ensure that the NFS is free of material misstatement, due to fraud or error.

The directors of DURO FELGUERA, S.A. are also responsible for defining, implementing, adapting, and maintaining the management systems from which the necessary information for preparing the NFS is obtained.

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Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Our independence and quality management

We have complied with the independence and other ethics requirements laid down in the International Code of Ethics for Professional Accountants (including the international standards on independence) issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

Our firm applies prevailing international standards on quality, which means that it has a quality system that includes policies and procedures covering compliance with its ethics requirements, professional rules and applicable legal and regulatory provisions.

The engagement team comprised professionals specialised in the review of non-financial information and, specifically, information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed. We have performed our work in accordance with the requirements established in the International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Audit and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and considering the guidelines for assurance engagements of non-financial statements (Guía de Actuación sobre encargos de verificación del Estado de Información No Financiera), issued by the Spanish Institute of Chartered Auditors (Instituto de Censores Jurados de Cuentas de España).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and, consequently, the level of assurance obtained is substantially lower.

Our work consisted of making inquiries of management and of the Group's various business units that participated in the preparation of the NFS, reviewing the processes used for compiling and validating the information presented in the NFS, and applying certain analytical procedures and sample review tests as described below:

- Holding meetings with Group staff to obtain an understanding of the business model, the policies and management approaches applied and the main risks related to these matters and to gather the information needed to perform the independent assurance work.

- Analysing the scope, relevance and completeness of the content of 2022 NFS based on the materiality assessment performed by DURO FELGUERA Group and described in the "Progress made towards GRI 3 and double materiality" section of the NFS, considering content required in prevailing company law.

- Analysing the processes used to compile and validate the data presented in the 2022 NFS.

- Reviewing the disclosures relating to the risks, policies and management approaches applied with respect to the material topics presented in the 2022 NFS.

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- Checking, through sample testing, the information underlying the content of the 2022 NFS and whether it has been adequately compiled based on data provided by information sources.
- Obtaining a representation letter from the directors and management.

Conclusion

Based on the procedures performed in our assurance and the evidence obtained, no matter has come to our attention that would lead us to believe that DURO FELGUERA Group's NFS for the year ended 31 December 2022 has not been prepared, in all material respects, in accordance with the content required by prevailing Spanish company law and the criteria established by the GRI Standards selected, as well as other criteria described as explained for each matter in the "Reference table of requirements under Law 11/2018 and Content of the Global Reporting Initiative (GRI Indicators)" of the Consolidated Management Report.

Emphasis of matter paragraph

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment requires disclosure of how and to what extent the Company's activities are associated with economic activities that are aligned with climate change mitigation and climate change adaptation objectives for the first time for 2022, in addition to the disclosures regarding eligible activities required in 2021. Therefore, the accompanying NFS does not include comparative information on alignment. Moreover, to the extent that the level of disclosures on Taxonomy-eligible economic activities in 2021 is not the same as for 2022, the breakdowns provided regarding eligibility in the accompanying NFS are not completely comparable. Therefore, the directors of DURO FELGUERA, S.A. included disclosures on the criteria that, in their opinion, best enable compliance with those obligations and are defined in Note 6 EU Taxonomy (Regulation 2020/852) of the accompanying NFS. Our conclusion is not modified in respect of this matter.

Use and distribution

This report was prepared in response to the requirements established in prevailing company law in Spain and may not be appropriate for other purposes and jurisdictions.

DELOITTE, S.L.

Alicia Izaga

30 April 2023

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Letter from the CEO

Dear reader,

First and foremost, thank you all for showing an interest in this Non-Financial Statement, which describes the Duro Felguera Group's performance in the non-financial realm throughout 2022.

It proved to be a challenging year, to say the least. Despite the macroeconomic uncertainty and geopolitical turmoil, which prompted many operators within the sector to put back their investment decisions, especially in the first half of the year, we ended the year with moderately positive results overall and very strong performance in order intake. We also delivered a solid performance in terms of our environmental and social commitments. We accomplished many of the objectives we had set ourselves and strengthened our management model in the process.

In this letter to you, I will summarise some of our endeavours and main priorities along these lines.

Not long into the year, on 18 January to be precise, we reached a major milestone by setting up our **Sustainability Committee**, attached to the Board of Directors. The committee is tasked with supervising and ensuring compliance with Duro Felguera's policies and regulations when it comes to environmental, social and corporate governance matters, and with the internal codes of conduct that enshrine the principles and values on which our behaviour as a company is based.

As a further show of these commitments, we continued to improve our corporate governance practices. For instance, on 20 June Duro Felguera joined the **IBEX Gender Equality** index, which measures the presence of women on the decision-making bodies of Spanish listed companies.

Duro Felguera is firmly committed to operating a sustainable business model, and to succeed in this task we work hard to establish and follow best practices when running our business. Notably, on 27 December 2022 our Board of Directors approved a **new Sustainability Policy** to replace the Corporate Social Responsibility Policy effect until then.

This policy reflects the Company's pledge to comply with sustainability regulations and to embrace and practise the highest standards in each activity it carries out. It extends to all employees and representatives of the Duro Felguera Group, no matter their company or country.

We have set our general principles of action within the framework of the Sustainable Development Goals (SDGs) of the United Nations, meaning that we must always strive to meet the needs of the present without compromising the needs of future generations, while at the same time ensuring environmental protection, social inclusion and economic development for all.

I should also point out that **occupational health and safety** is a key priority for us. The safety and health of our people comes first. In November 2022, we acted on our commitment to safety by implementing an action plan at our Services business line, with the aim of entrenching a culture of prevention across all levels of the organisation, reducing the risks associated with our activities and promoting safe behaviour among all employees.

This initiative will significantly strengthen our occupational health and safety (OHS) structure by enhancing the initial and further training provided to employees and making preventive activities part of the chain of command.

Highlights in the period also included the **EcoVadis bronze medal**, for achieving a score of 70 out of 100 points in mainstreaming environmental policies into the management of the Duro Felguera Group's activities. This recognition allows us to share and add value to our sustainability performance as it showcases our alignment with sustainability best practices.

Last but not least, I would like to praise each and every individual who makes up the Duro Felguera team for their hard work, talent and dedication. I would also like to thank our customers, suppliers and shareholders for continuing to place their trust in us during these uncertain times. Their ongoing support has been essential for us as we move resolutely from viability to growth.

Our greatest strength lies in the people who make up the company, and their engagement is essential if we are to successfully accomplish the objectives that this company, now 166 years-old, has set itself for the future. Our human team is the key to our success and allows us to remain benchmarks within our sector.

Yours faithfully,

Jaime Argüelles Álvarez

Chief Executive Officer of Duro Felguera

1. About us

Duro Felguera is an industrial company with a long and illustrious track record spanning more than 160 years. It has been listed on the stock exchange since 1902. The Duro Felguera Group is a key part of the Asturian business landscape and has been driving and diversifying the local economy alongside other players, while also opening up markets and developing innovative products and services. It is a pioneer in large-scale engineering projects.

It has a well-recognised brand name in the market and is known around the world for its technical prowess and expertise in project execution.

Its human team is a key strategic asset, with a wealth of experience, knowledge, talent and commitment.

Duro Felguera offers customers something different and unique compared to its competitors, due to the added value it generates by leveraging its experience in project execution and integrated presence all along the value chain.

It provides a broad range of specialised products and services and offers broad international coverage: the organisation has been streamlined into five business lines, to consolidate its core activities while at the same time focusing on renewable energies, the hydrogen sector and smart systems.

- Duro Felguera currently performs end-to-end projects for the construction of all manner of power generation plants, mineral processing and bulk handling facilities, fuel storage plants and other infrastructure in the oil and gas sector. Duro Felguera carries out the entire project from end to end: engineering, supply, assembly, commissioning, operation and maintenance. In the field of manufacturing, Duro Felguera designs and manufactures large pressure equipment for the petrochemical industry and other industrial assets.

- It has also been busy developing new business segments in renewables and smart systems —both high-growth sectors— with the aim of growing in "green" and "digital intelligence" businesses.

1.1 Mission, vision and values

Mission

Group specialised in executing turnkey projects for power generation, industrial and oil & gas facilities, the provision of industrial services and the manufacture of equipment for industry, running an innovative and sustainable business, with a clear international business orientation.

Vision

International growth in the area of turnkey projects, providing customers with a quality service that meets their needs in the construction of industrial facilities, sustained profitability for shareholders and an opportunity for professional development of its employees.

Values

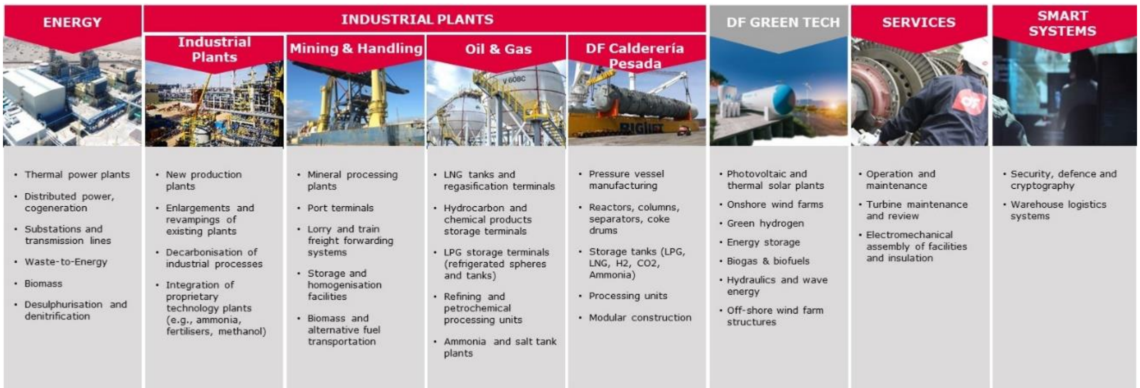
- Customer satisfaction through rigorous compliance with our contractual obligations in terms of time and quality.
- Commitment to our shareholders, assuring them an attractive return on their investments.
- Sustained growth through technological development and internationalisation.
- Reinvestment in assets and technological development to ensure continuing competitiveness.
- Supporting our employees' personal and career development.
- Fairness to our partners and suppliers.
- Integration with our community and social environment.
- Strict adherence to legislation in all countries where we operate.
- Respect for the environment and occupational health and safety.

1.2 Business model

Duro Felguera specialises in projects that are tailored to its customers' needs. Its international presence requires the Company to analyse and manage risks in highly diverse economic, political and social environments.

Specialised services ensure excellence when undertaking major projects. Duro Felguera benefits from a flexible and streamlined decision-making structure, which enables it to adapt quickly to the changes inherent in the market in which it operates.

The Group's main activities are structured around the following business lines:



Conventional Energy

Duro Felguera undertakes EPC projects for all types of power plants, ranging from gas turbine power facilities to conventional thermal power plants, cogeneration plants, renewable facilities, biomass plants and waste-to-energy plants, among others. Duro Felguera carries out the entire project from end to end, from project management all the way through to engineering, procurement, assembly, commissioning, operation and maintenance.

It also carries out projects to improve the environment and increase the efficiency of existing power plants.

Duro Felguera has been performing turnkey power generation projects for more than 20 years, either as the main contractor or in collaboration with other big technology players in the energy sector, across numerous countries in Europe, Latin America, the Middle East and Africa, with a total installed capacity of over 26,000 MW.

Industrial Plants

Mining & Handling

The Group's Mining & Handling segment is a leading player in the construction of mineral processing and bulk handling facilities as well as port loading and unloading terminals. Duro Felguera is involved in all phases of a project: feasibility studies, basic design, detailed engineering, procurement, construction, commissioning, and the eventual operation and maintenance of the facility. Over the years, Duro Felguera has amassed extensive know-how and the necessary capabilities to perform EPC and EPCM projects efficiently.

Oil & Gas

The business unit executes EPC and integration facilities around the world for the leading multinational petrochemical firms. It is highly specialised in the engineering and construction of storage projects for hydrocarbons, liquefied gases and other petrochemical products thanks to the extensive experience amassed in this field by its subsidiary Felguera IHI (now DF Energy Storage).

DF Calderería Pesada

Duro Felguera has its own workshops for the manufacture of capital goods, through subsidiary DF Calderería Pesada. This business segment specialises in the manufacture of large and thick pressure vessels and special materials and alloys for the oil & gas, petrochemical and nuclear industries. Duro Felguera is an international benchmark in this field.

Industrial plants

Duro Felguera also undertakes projects for complex industrial plants in the iron and steel, chemical, cellulose and other sectors.

Services

This business line specialises in various disciplines related to the assembly, commissioning and operation and maintenance of energy and industrial facilities and comprises subsidiaries DF Operaciones y Montajes and DF Mompresa. Boasting a wealth of expertise and experience, it is currently a benchmark in the Spanish market and has a growing international presence. It is highly adept at repair and maintenance work and in carrying out scheduled and emergency shutdowns for the main equipment manufacturers.

Renewable Energies

Duro Felguera has set up the renewables business unit, DF Green Tech, with the aim of centralising the strategic development of Renewable Energies. DF Green Tech focuses on solar, wind and offshore technologies, while also targeting new technologies, especially hydrogen and energy storage. DF Green Tech is present across the entire renewables value chain, including development, construction and operation, though focusing on EPC generation. In light of the offshore wind market's strong growth in Europe, Duro Felguera is also committed to diversifying its product range by ensuring that the Group's manufacturing line remains sustainable and continues to grow. It will therefore manufacture foundation structures for offshore wind turbines.

Smart Systems

Duro Felguera has grouped EPICOM, DF Digital Security (design and implementation of communications and security engineering solutions for the protection of critical infrastructure), Felguera TI (focusing on cyber security and digitalisation) and DF Sistemas Logísticos into a single business unit known as Smart Digital Systems, which has been set up to offer a comprehensive range of products and services across all segments in which it operates. It also promotes new growth areas such as automation solutions, digitalisation, cyber security, energy efficiency and smart energy storage.

1.3 Duro Felguera in the world

Duro Felguera is present in the main countries across Latin America, Europe, Asia and North Africa, with an extensive network of offices that gives it a stable structure within the vicinity of the projects it carries out, thus allowing it to manage them with the utmost efficiency:

1.4 Strategy

Duro Felguera is optimistic about the Group's future, as it focuses 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.

Notably, further progress has been made in the process of attracting a private investor, following the filing of Inside Information with the Spanish Securities Market Commission (CNMV) on 21 February 2023, announcing the signing of a binding memorandum of understanding to bring certain industrial partners into the Group's share capital.

Duro Felguera's business model integrates EPC, manufacturing, services and smart systems in traditional and disruptive technologies. The Group is remarkably competitive, boasting a highly skilled and experienced team in key areas that will be in great demand in the short, medium and long term. The market knows what Duro Felguera is capable of and the differences that it brings to the table.

In its Core Businesses (Conventional Energy, Industrial Plants and Services) Duro Felguera operates in a sector that remains strong globally, although the EPC segment is fiercely competitive, with inherently greater risks and complexity in terms of project execution.

The Group has a highly experienced and knowledgeable team and excellent customer references across the various lines that make up the traditional business segment:

Duro Felguera's strategy here is to build stronger relations with recurring customers and leverage alliances to build capacities and grow in Latin America and in non-domestic but stable markets with local alliances, all complemented with the development of new products.

In the field of Renewable Energies, 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 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.

Meanwhile, the Smart Systems business line plans to grow the civil encryption business, based on our experience in the military sector, and complex logistics systems, supporting the digitalisation and data-driven growth of the Group's current and future businesses.

2. Corporate Governance

Duro Felguera's governing bodies are compliant with the recommendations established in the Good Governance Code of the CNMV, Spain's securities market regulator, and are aligned with best practices in the industry. The essentials of value creation are transparency, improved efficiency and stronger investor confidence. Therefore, we need to strengthen governance through ongoing assessment and updating of the relevant rules.

2.1 Ownership structure

Share capital

Date of last change	Share capital (€)	Number of shares	Number of voting rights
31/05/2019	4,800,000	96,000,000	96,000,000

*Shares are not divided into different classes with different rights.

Direct holders of significant shareholdings, excluding directors

2022

Name of shareholder	% of shares carrying direct voting rights
UBS Switzerland, AG (*)	3.95
Morgan Stanley and Co International PLC (*)	2.71
TSK Electrónica y Electricidad, S.A.	3.12

(*) Depositories of securities held by others

2021

Name of shareholder	% of shares carrying direct voting rights
UBS Switzerland, AG (*)	4.02
Morgan Stanley and Co International PLC (*)	2.97
TSK Electrónica y Electricidad, S.A.	3.12

(*) Depositories of securities held by others

In 2022, there were no shareholders with financial instruments carrying voting rights (nor in the previous year).

Treasury shares

There were no treasury shares in either 2022 or 2021.

Estimated free float

To calculate the estimated free float, the criterion used is to discount from Duro Felguera's total share capital the shareholdings held by direct and indirect holders of significant stakes in the company. Free float therefore means the portion of the Company's shares that are highly fragmented and not controlled by shareholders on a stable basis.

2022

Estimated free float	90.22%

2021

Estimated free float	89.89%

2.2 Corporate governance

Duro Felguera's **Corporate Governance Policy** was approved by the Board of Directors in December 2015 and sets out the criteria and principles that guide the organisational structure and functioning of the Company's governing bodies. The Policy, which is posted on the Company's website, is based on the corporate values and is inspired by the principles and recommendations contained in the Good Governance Code of Listed Companies approved and regularly updated by the CNMV, Spain's securities market regulator.

For its corporate governance, Duro Felguera follows these principles and practices:

- Efficient and organised functioning of the Board of Directors.
- Diversity of membership of the Board.
- Diligent and loyal conduct of directors.
- Remuneration practices designed to further the interests of the Company
- Fostering sustained growth, technological development and internationalisation, while respecting the environment and occupational health and safety.
- Commitment to and promotion of shareholders' rights.
- Compliance with the law and adoption of best governance practices within the Group.
- Commitment to transparency.

The Board and its committees are regulated by the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), the Articles of Association and the Internal Regulations of the Board of Directors.

Board of Directors

The Company's **Board of Directors** is the highest governance body. The main responsibilities of the Board of Directors are to define, supervise and monitor the strategies and general guidelines that Duro Felguera and its Group must follow, report and render accounts to shareholders, propose dividend distributions at the Annual General Meeting, and oversee financial reporting.

The Board of Duro Felguera, within the scope of its powers, meets all requirements prescribed by law and the Group's own internal rules and regulations. Both the Board and its committees (Audit, Risk and Compliance Committee, Nomination and Remuneration Committee and the recently created Sustainability Committee) have an appropriate balance in their composition, ensuring diversity of gender and experience in their structure.

At 31 December 2022, the Board was composed of seven (7) members, five (5) of whom were independent and two (2) were external, and five (5) vacancies.

Name of director	Category	Position	Length of tenure	Method of selection
Rosa Isabel Aza Conejo	Independent	Chairman	Since 30 September 2019	Ratified at the General Meeting
José Jaime Argüelles Álvarez	Executive	Chief Executive Officer	Since 3 May 2021	Co-option by the Board
Jordi Sevilla Segura	Independent	Director	Since 17 April 2020	Co-option by the Board
Valeriano Gómez Sánchez	Independent	Director	Since 30 January 2020	Co-option by the Board
José Julián Massa Gutiérrez del Álamo	Independent	Director	Since 30 September 2019	Co-option by the Board
César Hernández Blanco (*)	External	Director	Since 30 April 2021	Co-option by the Board
María Jesús Álvarez González (*)	External	Director	Since 28 July 2021	Co-option by the Board

(*) Directors appointed as a requirement under the FASEE bail-out agreement.
At 31 December 2021, the Board was composed of seven (7) members, five (5) of whom were independent and two (2) were external, and three (3) vacancies.

Name of director	Category	Position	Length of tenure	Method of selection
Rosa Isabel Aza Conejo	Independent	Chairman	Since 30 September 2019	Co-option by the Board
José Jaime Argüelles Álvarez	Executive	Chief Executive Officer	Since 3 May 2021	Co-option by the Board
Jordi Sevilla Segura	Independent	Director	Since 17 April 2020	Co-option by the Board
Valeriano Gómez Sánchez	Independent	Director	Since 30 January 2020	Co-option by the Board
José Julián Massa Gutiérrez del Álamo	Independent	Director	Since 30 September 2019	Co-option by the Board
César Hernández Blanco (*)	External	Director	Since 30 April 2021	Co-option by the Board

María Jesús Álvarez González (*)	External	Director	Since 28 July 2021	Co-option by the Board

(*) Directors appointed as a requirement under the FASEE bail-out agreement.

Independent directors

In 2022 and 2021, no independent director received from the Group's parent company any form of remuneration beyond the remuneration expressly assigned to this position.

Deputy Chairman

In 2022, the Board of Directors of Duro Felguera appointed José Julián Massa Gutiérrez del Álamo to act as Deputy Chairman.

Board diversity

The Company's Corporate Governance Policy provides that the Company should ensure that the procedures for selecting members 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.

Accordingly, the Nomination and Remuneration Committee states in relation to "positive discrimination" that in the search for candidates that best adapt to the corporate interest, the professional profile that generates the greatest value for Duro Felguera, regardless of gender, age, or race, shall be considered. However, where two profiles are objectively similar, priority will be given to the least represented gender.

At year-end, women accounted for 28.57% of total Board membership (28.57% at year-end 2021).

Duro Felguera has been listed on the IBEX Gender Equality index since 10 February 2022, reflecting the importance that the Group attaches to female representation on the Board of Directors and among its senior management. The IBEX Gender Equality index recognises those companies in which the presence of women on the board of directors is between 25% and 75%, and in which they account for between 15% and 85% of senior management positions.

Committees

Audit, Risk and Compliance Committee

At the end of financial years 2021 and 2022, the Committee comprised the following members elected by the Board of Directors from among its non-executive directors:

2022

Name	Position	Category
José Julián Massa Gutiérrez del Álamo	Member and Chairman	Independent
Jordi Sevilla Segura	Member	Independent
Valeriano Gómez Sánchez	Member	Independent

2021

Name	Position	Category
José Julián Massa Gutiérrez del Álamo	Member and Chairman	Independent
Jordi Sevilla Segura	Member	Independent
Valeriano Gómez Sánchez	Member	Independent

Committee members, particularly the Chairman, are appointed with regard to their knowledge and experience in accounting, auditing, or risk management 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 15 days following the end of each calendar quarter. In 2022, the Audit, Risks and Compliance Committee met on 15 occasions, having met 13 times in 2021.

On 21 June 2019, the Board of Directors agreed to amend the Regulations of the Board of Directors and to approve a separate set of regulations for both the Nomination and Remuneration Committee and the Audit Committee, the latter to be renamed the Audit, Risk and Compliance Committee. This decision was based on a report issued by the Nomination and Remuneration Committee and followed the CNMV's practical guidance for Audit Committees and Appointments and Remuneration Committees.

This committee is composed of independent directors, thus allowing it to discharge its duties without the risk of encountering any conflict of interest.

The functions of the Audit, Risk and Compliance Committee are to:

» Define the procedure for selecting the statutory auditor, including the relevant selection criteria, such as training, experience and independence.

» Report 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.

» Supervise the effectiveness of the Group'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 and the corresponding time frame for follow-up activities.

» In particular, the Group 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 Group 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 framework of the policy drawn up by the Board of Directors.

» Supervise 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.

» Ensure the independence of the internal audit, risk and compliance functions that 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 Group 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.

» Examine and review the annual work plan of the internal audit, risk and compliance areas, 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.

» Escalate 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/her 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.

» Establish 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.

» The Board of Directors is informed, with prior notice, about all matters foreseen in law, the Articles of Incorporation and the Board Regulations; in particular, those regarding:

- The financial information that the Company must periodically make public;
- The non-financial information that the Company must periodically make public;
- The creation or acquisition of shares in special purpose entities or those registered in countries or territories considered tax havens; and
- 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.

- 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.

» Receive from Senior Management the justification for any change of accounting criteria or principles, and to review such reasons.

» 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.

» Supervise the Internal Codes of Conduct and regulatory compliance not expressly attributed to another Committee or to the Company's Board of Directors.

» Verify compliance with the Company's corporate governance rules.

» Monitor compliance with the Company's corporate social responsibility policy.

» Supervise the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.

» Perform any other duties entrusted to it by the Board of Directors.

Nomination and Remuneration Committee

At 31 December 2022 and 2021, the committee had three members:

2022

Name	Position	Category
Valeriano Gómez Sánchez	Member and Chairman	Independent
Jordi Sevilla Segura	Member	Independent
José Julián Massa Gutiérrez del Álamo	Member	Independent

2021

Name	Position	Category
Valeriano Gómez Sánchez	Member and Chairman	Independent
Jordi Sevilla Segura	Member	Independent
José Julián Massa Gutiérrez del Álamo	Member	Independent

Committee members were chosen from among non-executive directors, with a majority of independent directors. Its members, particularly the chairman, are appointed with regard to their knowledge, skills and experience on matters that fall within the Committee's remit.

The Committee meets whenever called by its chairman or a majority of its members, or when required by a resolution passed by the Company's Board of Directors. In 2022, the Nomination and Remuneration Committee met on five occasions, having met nine times in 2021.

The main functions of the **Nomination and Remuneration Committee** are to:

» In relation to directors and the Board of Directors:

- 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.
- Set a target for representation for the least represented gender on the Board, and draw up guidelines on how to achieve that objective.
- 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.
- 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.
- 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.
- 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.
- Periodically review 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.
- Verify the information on director pay contained in corporate documents, including the Annual Report on Director Remuneration.
- Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
- 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 provided for in applicable law and regulations.

» In relation to Senior Management personnel and executive remuneration policies:

- Advise the Board of Directors on the 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.
- 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.
- 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.
- Verify the information on senior officers' pay contained in corporate documents, including the Annual Directors' Remuneration Report.
- Verify, each time substantial amendments are made to the contracts or changes made to the policies, that the terms of the contracts of the senior management are consistent with the remuneration policies in force.
- 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.
- Periodically review the general remuneration systems for the Group's staff, including an assessment as to their suitability and results.

» 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.

» 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.

» Perform any other duties entrusted to it by the Board of Directors.

Sustainability Committee

Set up in January 2022, the committee currently has three members:

Name	Position	Category
Rosa Aza Conejo	Member	Independent
Jordi Sevilla Segura	Member and Chairman	Independent
José Julián Massa Gutiérrez del Álamo	Member	Independent

The Sustainability Committee is a permanent, consultative body, without executive functions and vested with powers to offer information and advice and make proposals.

The Committee is governed by its own terms of reference (the "Terms of Reference"), which supplement the Regulations of the Board of Directors, and also by applicable law and other internal rules and regulations.

The Terms of Reference seek to promote the Committee's and set out the principles of action and basic tenets of its organisation and internal functioning, as well as conduct expected of its members.

The Committee shall comprise a minimum of three (3) and a maximum of five (5) members, selected from among non-executive directors, with at least a majority of independent directors, and appointed with regard to their knowledge, skills and experience on matters that fall within the Committee's remit.

Diversity in its composition shall be sought, in particular with regard to gender, professional experience, skills and knowledge of the industry.

Committee members shall be appointed and removed by the Board of Directors.

Committee members shall be appointed for a maximum term of four years and may be re-elected for further terms of the same duration.

Committee members who are re-elected as directors of the Company shall continue to sit on the Committee unless the Board of Directors resolves otherwise.

Functioning

The Committee shall meet whenever convened by its Chairman or at the behest of the majority of its members, or when convened by resolution of the Board of Directors. In any case, it shall meet at least three (3) times a year and the members of the committee may requisition the Chairman to include matters to be addressed at its meetings and the Chairman shall be obliged to include such matters.

Committee meetings will be subject to the provisions of the Articles of Association and the Regulations of the Board of Directors regarding the possibility of voting remotely in writing without a face-to-face meeting taking place, and of holding meetings by videoconference or telephone conference.

Remit of the Committee

The main functions of the Sustainability Committee include:

- 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:

- 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.

- Overseeing compliance with the Company’s corporate governance rules. In this respect, the Sustainability Committee responsibilities include:
- Supervising compliance with transparency in corporate actions.
- 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.
- 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.
- Supervising compliance with the Company’s corporate social responsibility policy.
- 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
- 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, participation and dialogue.
- Responsible communication practices that prevent the manipulation of data and protect the company’s honour and integrity.
- 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.
- Any other duties entrusted to it by the Board of Directors.

The Sustainability Committee met five times during the year.

Nomination and appointment to the Board

In 2015, the Board approved a Director Nomination and Selection Policy, which can be found on the Group's corporate website and explains the natural persons eligible to serve as directors and, in the case of legal person candidates, the natural persons who will represent them.

In terms of procedure, proposals for the appointment or re-election of independent directors fall to the Nomination and Remuneration Committee of Duro Felguera, or to the Board itself in the case of proprietary, executive and other external directors.

Remuneration

The Directors' Remuneration Policy is approved by shareholders at a General Meeting, on the recommendation of the Board and following a report from the Nomination and Remuneration Committee. The current Policy was approved at the General Meeting of 29 October 2020, and is effective for 2021, 2022 and 2023.

Average remuneration of directors and Senior Management

In 2022 and 2021, the average remuneration of the Board of Directors and Senior Management, broken down by gender in euros, was as follows:

2022

	Total	Men	Women
Directors[1]	114,921	132,592	70,745
Senior Management	228,502	271,203	139,482

2021

	Total	Men	Women
Directors[2]	114,073	123,077	83,065
Senior Management	191,564	201,251	152,815

(i) The average remuneration of the Chief Executive Officer is included under the category of "Directors".
(ii) Does not include attendance fees and/or fees for seats held on Board committees.
(iii) Average remuneration has been calculated as an arithmetic average taking into account the length of time spent in office during the financial year.
(iv) Both fixed remuneration and remuneration in kind count towards average remuneration.
(v) The Senior Management comprises each and every person who sat on the Management Committee throughout 2022, based on how long they remained in office. It does not include the Chief Executive Officer.
(vi) The Group has a provision of €1,550 thousand to cover the probable amounts, in the opinion of its legal counsel, of the cash outflow derived from

[1] For further information, please see the Directors' Remuneration Report for 2022.
[2] For further information, please see the Directors' Remuneration Report for 2021.

ongoing employment proceedings, specifically including coverage of the potential payment of a termination benefit to the Group's former CEO, as well as other termination benefits potentially payable in connection with other ongoing cases. However, in 2023, a judicial agreement was reached before the 14th Court of First Instance of Madrid, under ordinary proceedings 1201/2021 — section on precautionary measures, between the Group and its former CEO until 2021, thereby settling all legal proceedings brought by the latter and marking an end to the lawsuits in progress stemming from the termination of his contract.

Breakdown of remuneration received by item

2022

Type of remuneration (%)	Directors	Senior Management
Pension plans and funds	0%	0%
Fixed remuneration	86.79%	89.95%
Variable remuneration (*)	0%	9.16%
Items under the Company's articles (**)	9.91%	0%
Other forms of remuneration (***)	3.30%	0%

(*) The following temporary exemptions were applied in the case of the directors:

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.

b) From the signing of the Management Agreement with FASEE, the remuneration of Board members, of the directors, or of those who hold senior management positions, may not exceed the fixed part of their remuneration in force at the end of the financial year, so no variable remuneration or other type of long-term incentives were applicable or, accordingly, accrued.

(**) Attendance fees and/or fees for seats held on Board committees.
(***) In-kind remuneration.

2021

Type of remuneration (%)	Directors	Senior Management
Pension plans and funds	0%	0%
Fixed remuneration	91.60%	98.63%
Variable remuneration (*)	0%	0%
Items under the Company's articles (**)	7.65%	0%
Other forms of remuneration (***)	0.75%	1.37%

(*) The following temporary exemptions were applied in the case of the directors:

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.

b) From the signing of the Management Agreement with FASEE, the remuneration of Board members, of the directors, or of those who hold senior management positions, may not exceed the fixed part of their remuneration in force at the end of the financial year, so no variable remuneration or other type of long-term incentives were applicable or, accordingly, accrued.

(**) Attendance fees and/or fees for seats held on Board committees.
(***) In-kind remuneration.

3. Ethics and compliance

Duro Felguera's Regulatory Compliance Policy was approved by the Board of Directors on 19 December 2019 and has undergone regular updates since then, the last one taking place on 2 August 2022. The Regulatory Compliance Policy is the bedrock of the Crime Prevention Model and reflects the Group's commitment to instilling a culture of regulatory compliance that is conducive to diligent professional conduct and its absolute condemnation of any kind of unlawful action or business, which shall never be justified on the grounds that it benefits the organisation.

Duro Felguera has developed and implemented a Crime Prevention Handbook, which was first approved on 23 December 2015 and has since undergone regular updates, the last of which took place on 2 August 2022. This handbook is the reference framework of the Crime Prevention Model. It sets out the Group's crime risk organisation, prevention, management and control model and includes the Criminal Risk Map and controls underpinning the model.

To ensure a suitable degree of control of its business activities, Duro Felguera has continuous control mechanisms in place and has set up internal bodies entrusted with internal control functions and, in particular, for the monitoring and sound functioning of the Crime Prevention Model.

The Board of Directors is the supreme governing and representative body and is therefore tasked with implementing and overseeing the approval and effective implementation of the Group's risk management policy. Meanwhile, the Audit, Risk and Compliance Committee has responsibilities in the realm of regulatory compliance and monitors the Codes of Conduct and matters of regulatory compliance, responsibility for which is not expressly vested in another committee or in the Board of Directors.

Along these lines, Duro Felguera has adopted a model consisting of three clearly differentiated lines of defence, which allows for a specific allocation of responsibilities.

The first line of defence comprises Senior Management, which must ensure compliance with the policies and procedures prescribed by Duro Felguera and act ethically and responsibly at all times. It is responsible for maintaining an effective control environment, ensuring that its actions comply with applicable legislation and internal rules and regulations. It is also responsible for ensuring the optimal implementation of controls by supervising that the different areas carry them out correctly.

The second line of defence is the Compliance Committee, a collegiate control body tasked with specific regulatory compliance functions at Duro Felguera. The Compliance Committee is responsible for the periodic supervision and monitoring of the Crime Prevention Model in place at Duro Felguera, so that the main criminal risks are adequately identified, managed and reported internally. This committee is entrusted with the duties described in Article 31 bis.2. 2 of the Criminal Code (*Código Penal*).

The Compliance Committee is independent and stand-alone and reports directly to the Audit, Risk and Compliance Committee, which in turn reports to the Board of Directors on the work carried out by the committee and on the reports and other documents drawn up.

The Head of Internal Audit and Regulatory Compliance holds a permanent seat on the Compliance Committee of Duro Felguera, ensuring the proper and effective fulfilment of its duties, without prejudice to any further support that may be requested or provided by other divisions of the Company, whether on an *ad hoc* or regular basis.

The effective implementation of the crime prevention plan and, in general, of the crime prevention policy is the responsibility of the Head of Internal Audit and Regulatory Compliance, who reports directly to the Audit, Risk and Compliance Committee.

The Crime Prevention Model has been revised and updated to bring it in line with the current structure and standards. The last update was approved by the Board of Directors at its meeting of 15 February 2022. The model includes, among other aspects, a review of the structure and functioning of the oversight and control body (Compliance Committee and Regulatory Compliance Officer).

The Internal Audit function, as the third line of defence, supports the process of overseeing the Crime Prevention Model. Internal Audit ensures that the controls in place are sufficient and effective, i.e. by determining whether or not the defined control environment reasonably mitigates the criminal risks to have been identified.

In 2021, the Internal Audit and Compliance functions were merged to carry out specific work on the compliance model. To ensure the full effectiveness of the model and to prevent the risk of incompatibilities arising, the Internal Audit Department is supervised by a Compliance Committee, as per the recommendations of the Institute of Internal Auditors published in its good governance practices.

The Group provides a global framework enabling all employees to identify their legal obligations. This framework, which aims to strengthen stakeholders' confidence in Duro Felguera, comprises:

- Codes of Conduct for employees and third parties: enshrining the values and principles that underpin the actions of Duro Felguera, and to which all covered persons, third parties looking to work with any Group company, and all of Duro Felguera's other stakeholders have access.
- Crime Prevention Handbook: sets out a model for organising, preventing, managing and controlling criminal risks at Duro Felguera. All of this relating to the criminal liability of legal persons. The handbook describes the entire governance model when it comes to crime prevention, identifying and defining the structure and functions of the bodies entrusted with internal control and explaining how the Crime Prevention Model should be implemented and monitored.
- Identification of criminal risks, as well as general and specific policies and controls to mitigate the criminal risks identified.
- Methodology for the assessment and identification of criminal risks: serves as the basis for identifying and evaluating criminal risks in relation to each of the

business activities carried out by Duro Felguera, and then prioritising them accordingly.

- Crime prevention and compliance training: aimed at all Covered Persons.
- Standard on how to report incidents and conduct internal investigations: which explains how the Ethics Line at Duro Felguera works.
- Standard on Third Party Due Diligence: requires Duro Felguera to assess the risks arising from its commercial relations with: (i) commercial intermediaries; (ii) potential partners in associative contracts; and (iii) external advisers and consultants.

The Group also has policies and regulations to ensure compliance with legal obligations and regulatory requirements relating to its business activities, as mentioned in section 2 — Corporate Governance. The following updates became effective in 2022: (i) the Anti-Corruption Policy; (ii) the Code of Conduct; (iii) the Third Party Code of Conduct; (iv) the Whistleblowing and Internal Investigation Standard; (v) the Regulatory Compliance Policy; (vi) the Crime Prevention Handbook; (vii) the Criminal Risk Matrix; (viii) Internal Code of Conduct on matters relating to the Securities Market and the treatment of confidential and inside information; (ix) the Competition Policy; (x) the Regulations of the Internal Audit Department; and (xi) the Regulations of the Regulatory Compliance Department.

In January 2023, the Group earned the Anti-Bribery Management System certificate (ISO 37001) and the Crime Prevention Management System certificate (UNE 16901) from AENOR, which evidence the robustness of the Group's Compliance systems and its commitment to compliance.

3.1 Code of conduct

On 15 February 2022, the Board of Directors of Duro Felguera approved the latest version of the **Code of Conduct** (modifying the previous version approved in December 2018) to meet the requirements of both stakeholders and the markets in general. The Code is mandatory for all employees, executives and members of the Board, and for subsidiaries and investees that do not have a code of their own covering the same matters.

Each person in the organisation is key to Duro Felguera's reputation through their conduct and day-to-day interactions with our stakeholders. For this reason, the Code of Conduct states, by way of summary, that Duro Felguera employees must act in a manner that is transparent, objective, upright, responsible, honest and respectful. The principles and guidelines of behaviour described in the Code are:

» Compliance with the law
» Respect for people
» Relations with government authorities and third parties
» Commitment to the market
» Prevention of contraband
» Commitment to the environment
» Protection of information
» Financial and accounting transparency
» Responsible use of resources and assets
» Use of facilities

» Protection of third-party intellectual and industrial property rights

To ensure that it is properly disseminated, the Code of Conduct is made available to all employees via Duro Felguera's corporate Intranet and to all stakeholders on the website in both its Spanish and English versions. Moreover, regular training on the code is delivered to all Group employees.

Ethics Line

As mentioned in the Internal Incident and Investigation Reporting Standard approved by the Board of Directors on 7 September 2017 and subsequently reviewed on 15 February 2022, Duro Felguera has set up an Ethics Line as a communication channel available to all Covered Persons and third parties with whom the Company maintains or may maintain business relations. The Ethics Line allows all such persons to report incidents related to conduct that may violate Duro Felguera's corporate policies, the Crime Prevention Model, the Code of Conduct, or other internal rules, including financial and/or accounting rules, and especially any conduct that could qualify as criminal.

All incidents will be properly investigated and/or managed with all legal safeguards in place, particularly the need to respect the fundamental principles of presumption of innocence, confidentiality and non-reprisal.

To ensure absolute respect for these principles, Duro Felguera has created a web portal that can be accessed through links on the corporate Intranet and website, as well as through the following address: https://lineaetica.durofelguera.com/. Both the incident report form and the applicable regulations can be found on the specific website set up for this purpose. The handling of reports is governed by the Standard on the Reporting of Internal Incidents and Investigations.

These incidents are typically received by the Head of Internal Audit and Regulatory Compliance (though the special cases defined in the Standard may be heard by other profiles), who then conducts a preliminary analysis of the facts reported and informs the Compliance Committee as to whether or not they are admissible. If so, an investigation is launched.

During the investigation process, the Instructing Officer, who will normally be the Head of Internal Audit and Regulatory Compliance (except in the event of a conflict of interest), may be assisted by internal and/or external investigators. The investigation process shall culminate in the transfer of the motion for a resolution to the relevant executive body, which shall decide on the matter in accordance with the legislation in force. Once a decision has been reached, it will be communicated to the parties concerned and the case will be closed.

This channel may also be used to handle queries relating to matters of regulatory compliance. These matters are typically heard and resolved by the Head of Internal Audit and Regulatory Compliance.

Duro Felguera entertains both queries and reports of incidents made anonymously.

The Audit, Risk and Compliance Committee, among the powers vested in it, is responsible for supervising the sound functioning of the Ethics Line.

In 2022, four complaints were received over the Ethics Line and all of them were addressed and resolved in due course. In addition, a total of four disclosures or consultations were received by email (dcn@durofelguera.com), all of which were likewise addressed in due course.

To ensure that the Compliance Policies are fully known and understood, various awareness-raising campaigns were conducted throughout 2022 targeting all DF Group employees around the world. In 2022, the Group delivered training to 548 employees in relation to compliance and to 559 further employees in the use of the Whistleblower Channel. The Group also teamed up with an external provider to provide in-house training on criminal risks to all Group employees and personal training to members of the Group's senior management.

3.2 Compliance and Anti-Corruption

The creation of an independent compliance area, reporting directly to the Audit, Risk and Compliance Committee, reinforces Duro Felguera's commitment to transparency and ethics by encouraging all stakeholders to participate in a corporate culture based on integrity.

Anti-corruption measures

Duro Felguera and its Group reject all forms of corruption, fraud or bribery. It therefore establishes measures to prevent and combat this type of conduct, such as the drafting of regulations and the implementation of a whistleblower channel. All Duro Felguera employees are also subject to the obligations set out in the Code of Conduct.

No reports or complaints of corruption were received during the year.

Meanwhile, a number of preliminary proceedings are still being heard before the Audiencia Nacional (National High Court), having been lodged in September 2017, for a possible offence of corruption of an authority or foreign official against Duro Felguera. The deadline for investigating the case has been extended until 29 July 2023, without prejudice to any further six-month extensions that the court may agree upon in accordance with Law 2/2020, of 27 July, amending Article 324 of the Criminal Procedure Act. For further information, see Note 33 to the 2022 consolidated financial statements.

It was also agreed at the Board meeting held on 26 February 2020 that immediate action would be taken in response to any evidence of fraudulent practices committed against or on behalf of Duro Felguera, with the aim of fostering a culture of compliance across the entire Group. Several lines of investigation have been initiated since that meeting.

These actions effectively show that the Group has been promoting and strengthening its compliance culture since 2022, with an active review and updating of policies and procedures in this realm, the most important of which are as follows: (i) the Anti-Corruption Policy; (ii) the Whistleblowing and Internal Investigation Standard; (iii) the Third Party Due Diligence Standard; and (iv) NIG.03 Project Risk Management and Control, as published on 11 November 2019 and which remains in force.

Furthermore, Duro Felguera's Code of Conduct, Anti-Corruption Policy and Competition Policy all strictly prohibit corruption in all its forms. In particular, it is prohibited to offer, promise or give, directly or indirectly, anything of value in a bid to influence the recipient to carry out some action, or refrain from carrying out some action, for the benefit or gain of Duro Felguera, other Group companies or any third party. Not only is it prohibited to offer, promise or give anything of value, but also to solicit, accept or receive any such item as consideration for performing or abstaining from some action for the benefit or gain of any third party.

Under no circumstances may monetary or in-kind gifts, loans, individual benefits or actions of third parties, whether natural or legal persons, be accepted in connection with the Group's activities when doing so could lead to a loss of independence and fairness in relations with the Company's different stakeholders.

The Group encourages the utmost collaboration and diligence among all of its employees when interacting with the public authorities, and also during inspection proceedings and in response to any requests, requirements or other processes received from or initiated by those authorities or other regulatory bodies. When engaging in tendering, bidding or contract award procedures, Duro Felguera rigorously abstains from influencing or altering, or attempting to influence or alter, the normal course of these processes in a bid to obtain a favourable outcome or more advantageous terms for the future contract holder, or with the aim of substantially modifying the requirements, conditions and criteria of the tender or award of the contract in question.

The Duro Felguera Code of Conduct and Anti-Corruption Policy forbids us from making political contributions in the Group's name or on its behalf, where doing so constitutes, or may constitute, any form of political affiliation or involvement. There have been no known breaches in relation to contributions to political parties.

Duro Felguera has pledged not to engage in practices that may be considered irregular in its relations with government bodies or regulators, market operators, suppliers and other stakeholders, including any practice related to money laundering.

Duro Felguera also has a Standard on Third Party Due Diligence in place, the last update of which was approved by the Board of Directors on 2 August 2022. It explains the procedure that the Group must follow when launching any procurement process or entering into any partnership agreement with external third parties. It also insists that a preliminary analysis and study be conducted prior to the commencement of any professional or commercial relationship, thus helping to ensure that the Group does not incur any possible liability should any technical, financial or compliance risk arise from such relations.

3.3 Tax transparency

Duro Felguera's tax strategy identifies, adopts and implements effective methods to reduce tax risks. Note 29 to the consolidated financial statements for 2022 expressly describes all tax contingencies and events affecting Duro Felguera for the years open to inspection or currently under inspection.

Duro Felguera's tax policy sets out the principles to be followed by Group companies as to tax performance and transparency. The policy, approved by the Board in December 2015, is designed to implement a responsible tax strategy within the framework of the Company's interests, sustainable value creation and the reduction of tax risks surrounding the activities of Duro Felguera.

The Group founds its practices on transparency, accurate reporting, good faith, cooperation with tax authorities, the principle of prudence, and compliance with the law and best practices. Our principles of action are:

- Design of tax structure without using opaque or artificial tax structures. Duro Felguera is committed to the fight against tax havens and international tax evasion.
- Commitment to payment on time and in proper form of all tax obligations.
- Cooperation with tax authorities and proper application of tax law to relevant business factors to reduce uncertainty and minimise any non-compliance.
- Management of tax risks arising from business interactions: Duro Felguera carries out an exhaustive analysis of tax aspects.
- Academic training of relevant employees to enable them to comply with the Group's Tax Strategy and build up practices that prevent and reduce tax risks in the design and implementation of their activities.

The Board, as the most senior management body, is responsible for framing Duro Felguera's tax policy and strategy.

Duro Felguera applies a transfer pricing policy for all transactions between related parties to ensure value creation through functions, assets and assumption of business risk.

Tax contribution

Duro Felguera properly fulfils its tax obligations under the law and regulations of each country in which it operates.

More precisely, the amounts paid in euros for corporate income tax in each of the countries in which the Group operates were as follows in 2022 and 2021:

	2022	2021
Algeria	69	64
Belgium	0	0
Eastern Europe (*)	224,264	665,551
Chile	9,751	3,286
Mexico	111,629	10,869
Peru	3,730	4,680
India	2,940	35,671
Total	**352,383**	**720,120**

(*) Eastern Europe consists of Romania and post-Soviet states.

The above amounts reflect the taxes effectively paid in 2022 and 2021. Different countries have different rules on when to recognise income and it is often not when the tax expense is recorded, but rather based on an accrual's basis. Information on the reconciliation between the "Income tax" recorded and that which would result from applying the nominal tax rate in force in the country of the parent company (Spain) to "Profit before tax" is detailed in Note 29 "Income tax" of the consolidated financial statements.

The change in taxes paid in 2022 compared to 2021 was largely down to a drop-in activity in Eastern Europe compared to the previous year and the positive impact of exchange rate differences in Mexico in 2022.

Grants received

In 2022, public subsidies were received in the form of direct aid for "support for the business solvency of companies in response to the Covid-19 pandemic", and aid for energy improvement, for a total amount of €205,000 (€6,494 in 2021). These grants and subsidies were applied for in 2021. No government grants or subsidies were received in connection with R&D&I, occupational risk prevention, or investment.

Duro Felguera also received relief of €93,940 in relation to social security contributions for further training initiatives (€52,593 in the previous year).

4. Sustainable growth

4.1 Main financial indicators

Revenue was up 39% year on year in 2022 to €117 million, driven primarily by higher sales in the Industrial Plants business segment.

The Group reported EBITDA for the year of €4.3 million, compared to an EBITDA loss of €9.1 million the year before. This, coupled with the marked change in trend in the over the past year, reflected the hard work done by the Group despite the challenging situation of the sector and enabled the Group to report a net profit attributable to equity holders of the parent for 2022 of €5.1 million.

Order intake during the year amounted to €348.1 million, up 99% on the €175.1 million reported in the previous year. The order backlog at the end of the year stood at €555.5 million, of which 90% related to international projects.

The Group had €120 million of net financial debt as at 31 December 2022, with €144.1 million of gross debt and €24.1 million of cash, as explained in Note 4 to the financial statements.

Average headcount for the Group went from 996 employees at 31 December 2021 to 1,292 employees at 31 December 2022.

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 37, 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 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 gained momentum toward the end of 2022 after the difficulties caused by the market and the geopolitical situation in the first months of the year. As at the date of authorisation for reissue of these consolidated financial statements, order intake in 2022 amounted to €348.1 million. This enabled Duro Felguera Group to easily exceed the order intake target in the viability plan, which was €276 million for the year.

Main economic indicators	2022	2021
Revenue	117,185	84,468
EBITDA (*)	4,259	(9,129)
Working capital	(43,692)	(32,032)
Cash position (net of debt)	(119,951)	(65,943)
Order intake (**)	348,053	175,116
Order backlog (***)	556,482	335,614
Basic earnings per share	0.05	0.24
Diluted earnings per share	0.04	0.22
Gearing ratio	45.80%	32.35%

(*) 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.

(**) Volume of orders received during the period for which the Group has no doubt that they will be fulfilled.

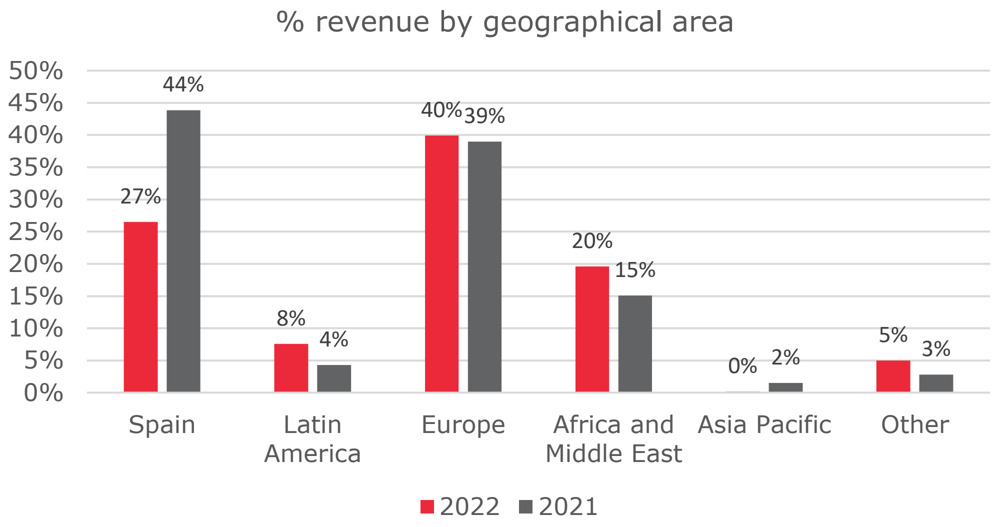
(***) Volume of orders received that will probably be recognised under "Revenue" in the consolidated statement of profit or loss. An order is considered to be part of the backlog only when the Group is certain that it will be fulfilled.

The following table presents the breakdown of revenue at year-end by the geographical distribution of the entities generating the revenue as presented to the Board:

Revenue by geographical region	2022	2021
Spain	32,634	37,049
Latin America	9,311	3,642
Europe	43,229	27,415
Africa and the Middle East	24,105	12,725
Asia Pacific	208	1,280
Other	7,698	2,357
TOTAL	**117,185**	**84,468**

The following countries make up the geographical areas described in the table above:

Latin America: Chile, Mexico, Brazil, Colombia, Costa Rica, Honduras, Peru
Europe: United Kingdom, Belgium, post-Soviet states, Bulgaria, Croatia, Lithuania, Greece, France, Portugal, Germany, Austria, Netherlands, Italy and Poland
Africa and the Middle East: Algeria, Egypt, Morocco, Tunisia, Kuwait, Qatar, Israel, Liberia and Mauritania
Asia Pacific: India, Australia, Turkey, New Caledonia
Other: United States and Canada

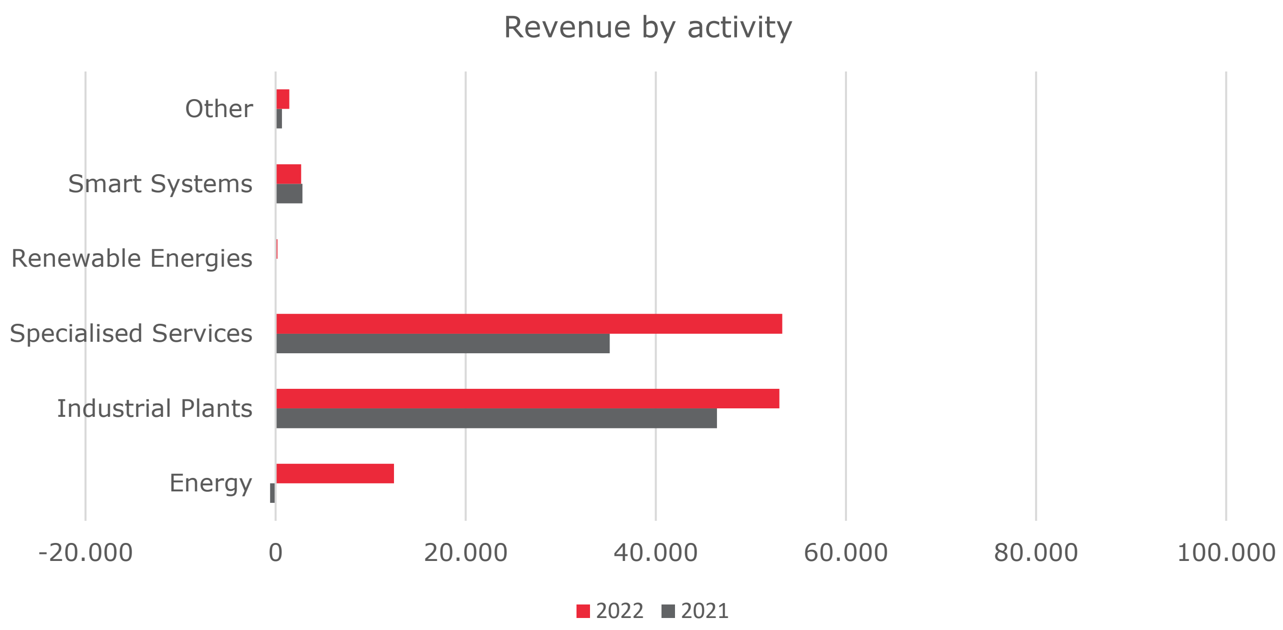


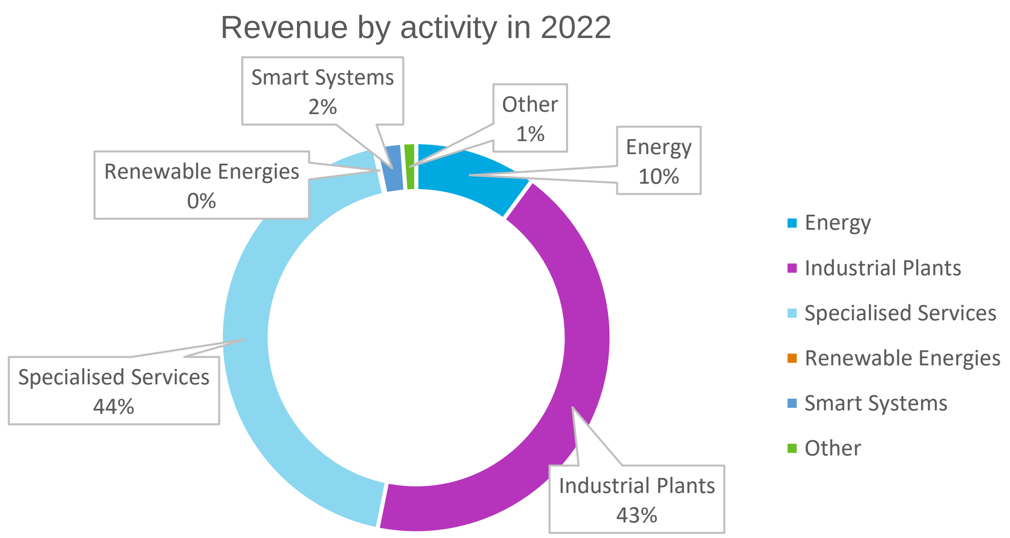
Revenue by activity, graphs for 2022 and comparison.

The data shown below for 2022 refer to the new organisation established in that year. As mentioned in Chapter 1.2 — Business Model of this report, the Group's businesses are structured as follows:

- Conventional and Renewable Energy, formerly Energy.
- Industrial Plants, formerly Manufacturing, Oil & Gas and Mining & Handling.

Business lines	2022	2021
Conventional Energy	6,557	(586)
Industrial Plants	53,008	46,437
Specialised Services	53,315	35,138
Renewables	190	0
Smart Systems	2,690	2,810
Other	1,425	669
TOTAL	**117,185**	**84,468**


Revenue by activity
Other
Smart Systems
Renewable Energies
Specialised Services
Industrial Plants
Energy
-20.000
0
20.000
40.000
60.000
80.000
100.000
2022
2021


Revenue by activity in 2022
Smart Systems 2%
Other 1%
Energy 10%
Renewable Energies 0%
Specialised Services 44%
Industrial Plants 43%
Energy
Industrial Plants
Specialised Services
Renewable Energies
Smart Systems
Other

Profit by geographical region

Pre-tax profit was as follows in 2022 and 2021, broken down by geographical market:

Geographical market	2022	2021
Spain	(11,806)	17,932
Europe	10,866	(987)
Africa and the Middle East	13,571	2,103
Asia Pacific	1,883	283
Latin America	(7,399)	256
Other	(146)	11
TOTAL	**6,969**	**19,599**

** (€ thousand)*

The following countries make up the geographical areas described in the table above:

Europe: Belgium, Netherlands, post-Soviet states, Romania
Africa and the Middle East: Algeria, Mauritania, United Arab Emirates, Mauritania
Asia Pacific: India
Latin America: Chile, Mexico, Argentina, Peru, Brazil, Colombia and Costa Rica
Other: Canada

Economic value generated and distributed

Economic value generated	2022	2021
Revenue	117,185	84,468
Other non-financial income	625	386
Finance income	2,757	1,838
Share of profit/(loss) of associates	5,699	(784)
Gains/(losses) on disposals of assets	(415)	(44)
TOTAL economic value generated	**125,851**	**85,864**
Economic value distributed**		
Relations with suppliers	71,467	49,904
Employee remuneration	72,538	57,778
Payments to providers of capital	-	-
Total taxes payable by DF	(1,851)	(468)
Discontinued operations	-	3,536
TOTAL economic value distributed	**142,154**	**110,750**
Value retained	**(16,303)**	**(24,886)**

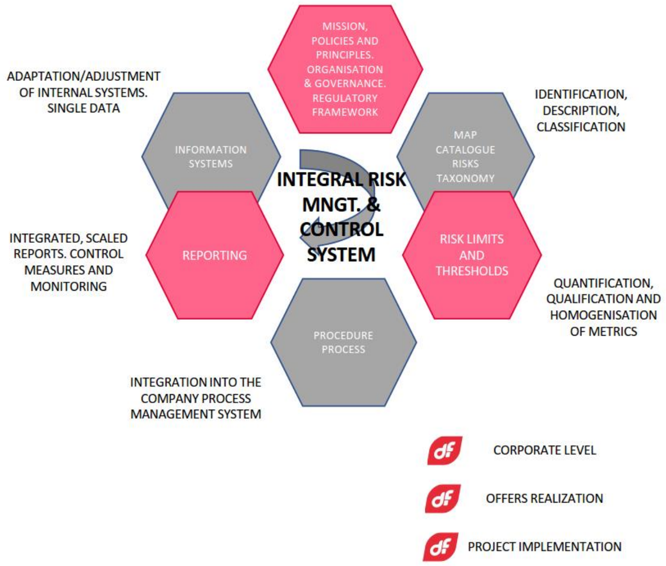
** (€ thousand)*
*** Does not include finance cost*

4.2 Risk management

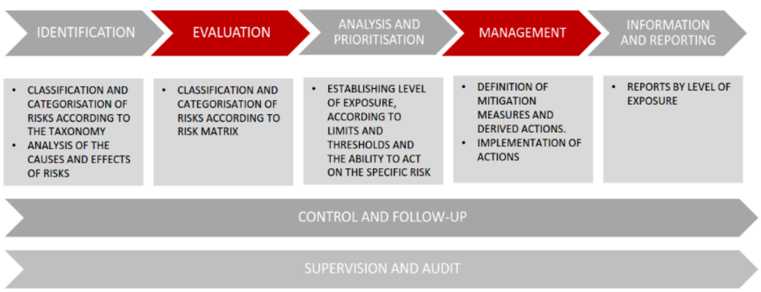
The Company has adopted an integrated risk management and control system, which considers all material risks, of any kind, to which Duro Felguera may be exposed. Specifically, it covers risks that could affect the Company’s sustained growth, business performance, respect for the environment, quality, health and safety, and responsibility to its stakeholders.

The Group’s end-to-end methodological framework for key risk management extends to all corporate and production units, covering both bidding and construction/project processes, thus improving risk monitoring and control while reducing operational uncertainty.

Duro Felguera’s integrated risk management and control system, for both corporate and operational risks, is backed by six lines of action:



The Group has also drawn up a series of policies and procedures to complement its risk management system, including the Code of Conduct and Third Party Code of Conduct, Crime Prevention Model, Regulatory Compliance Policy, Sustainability Policy, and Ecological Transition Plan 2021–2027.



The Company bases its risk management and control on the international UNE-ISO 31000:2009 standard and applies this standard along its entire value chain.

RISK	RISK MANAGEMENT MECHANISMS
Financial management. Economic variables Economic circumstances that could have an impact on the Group's business and earnings.	Tax. In the bid phase, risk-minimising tax strategies are draw up alongside 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 analyses its interest rate exposure dynamically and assesses the possibility of hedging to minimise the effect of adverse interest rate developments. 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 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. 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.	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.

RISK	RISK MANAGEMENT MECHANISMS
Slowdown or halt to the global economic recovery. Slower pace of investments The global economic scenario is currently one of rampant inflation, initially caused by the pandemic and subsequently exacerbated by the war. This situation has pushed up energy prices and caused inflation to become entrenched, leading to heavy disruptions along the industrial supply chain, higher prices for raw materials, and uncertainty regarding agreements with suppliers and as to whether investments in large industrial projects will ultimately materialise. These situations can have an adverse impact on the Company's business and earnings.	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 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. Non-compliance with established SDG commitments could also negatively affect the Company's positioning.	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 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. A lack of processes and procedures to accompany change, as well as the mismanagement of a structural pyramid investment or talent retention, can impact the Company's business and earnings.	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.

RISK	RISK MANAGEMENT MECHANISMS
Order backlog. Energy transition 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 or 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.	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, ammonia). 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, CO_2 recovery, wave energy, etc.
Suppliers/Subcontractors Vertical integration Stress in managing debt with suppliers carries the risk of restricting operations and competitiveness and tarnishing the Company's reputation. 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.	The Company is managing strategic agreements with critical suppliers and tech companies in the areas of conventional energy, renewable energy, M&H and logics systems, among others.
Partners/agents Regarding diversity and conditions of countries where the Company operates, in addition to the need for risk sharing in major 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.	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.

RISK	RISK MANAGEMENT MECHANISMS
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. Notably, the Company continuously looks to improve its internal procedures in order to meet its compliance requirements as a listed company.	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 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.	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 various internationally renowned institutions. Another is the inclusion in contracts, where possible, of clauses to refer disputes to arbitration courts in countries in which the Company has experience and/or to arbitration forums, such as the International Chamber of Commerce. The Company has set up a contract management organisation in parallel with project management, from development to guarantees.

5. Our sustainability model

For Duro Felguera, sustainability is part and parcel of how the business is managed, affecting not only the design of the organisation's strategy, but also its decision-making and the way it operates. The Group encourages the use of best practices when running its business, especially when it comes to sustainability.

The Sustainability Policy sets out the sustainability management framework of Duro Felguera, in accordance with applicable regulations, internal management standards and best corporate governance practices.

Sustainability Policy

In 2022, the Board of Directors of Duro Felguera approved the Sustainability Policy, which enshrines the basic principles and framework for action that guide and steer the Group's sustainability strategy and practices.

The approval of this policy reaffirms Duro Felguera's unflinching commitment to sustainability regulations. The policy extends to all employees and representatives of the Group, no matter their company or country.

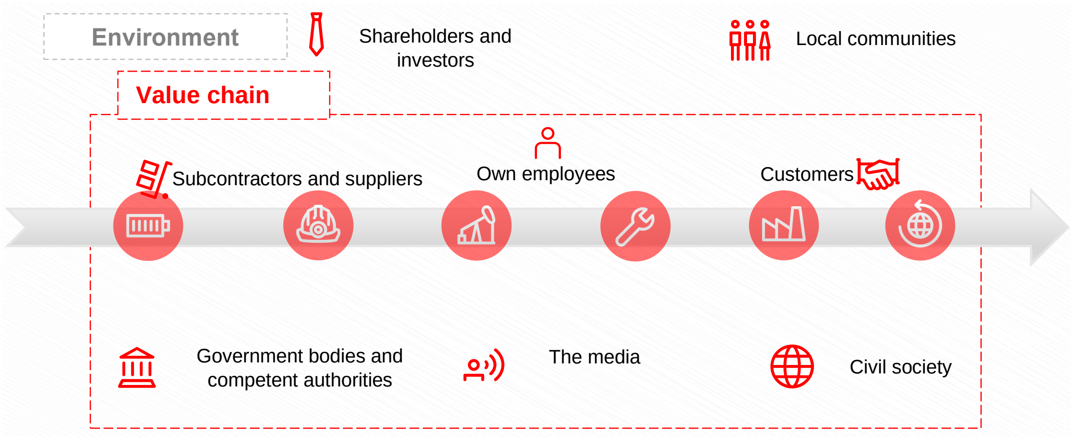
The general principles of action set out in the policy have been built from the SDGs and allow Duro Felguera to guarantee the needs of the present without compromising the future, ensuring environmental protection, economic growth and social development all at the same time:

- Reduce environmental impacts.
- Make the Group's activities more energy efficient.
- Promote awareness of environmental protection.
- Ensure product quality.
- Shore up a responsible supply chain.
- Ensure occupational health and safety.
- Attract, retain and develop human capital.
- Contribute to the protection of human rights and communities.
- Comply with applicable law and regulations in the countries and territories in which the Group operates and with the public authorities.
- Oversee responsible corporate governance.
- Promote responsible conduct.
- Exercise tax responsibility.

Duro Felguera's Sustainability Policy is publicly available on the corporate website.

Dialogue with the value chain and stakeholder engagement

Dialogue and engagement with the value chain, meaning all parties involved in the production process, serves a key purpose of sharing the commitments assumed under the Sustainability Policy, while also sharing strategies and strengthening the business.



Fluid dialogue with stakeholders is key to creating a long-lasting climate of trust across all the different countries and regions in which Duro Felguera operates.

The communication channels in place in 2022 for each stakeholder group are as follows:

Stakeholder group	Communication channel
1. Customers	Regular meetings and conversations, conferences and forums, surveys, corporate website
2. DF shareholders	Creation in 2022 of a dedicated area on the corporate website, the Investor relations department: online and/or telephone contact, contact form on the corporate website
2.1 SEPI	Direct contact via telephone and e-mail
3. Technology and other partners	Direct contacts, meetings and working groups, forums and workshops
4. Suppliers and subcontractors	Quality surveys, periodic presentations, direct contact via telephone and e-mail, site visits, visits and inspections carried out by DF
5. Employees	Suggestion box, Intranet, communications from relevant corporate departments, working groups, newsletter: “En Compañía” (In Company)
6. Trade unions	Direct contact via telephone and e-mail
7. Government bodies	Institutional relations, legal communications
8. Society	Corporate website, annual report, press and media, social networks (LinkedIn, Twitter), communication with local organisations, business associations, public and private organisations
9. The media	Corporate website, annual report, press and media, social networks (LinkedIn, Twitter), communication with local organisations, business associations, public and private bodies, new communication, marketing and public administration department set up
10. Regulatory bodies	Institutional relations, legal communications
11. Lessees/concessionaires (port authority)	Institutional relations, legal communications

Progress made towards GRI 3 and double materiality

Due to the Group's commitment to sustainability and its deep interest and concern in understanding not only how its activities affect environmental, social and governance issues, but also how these issues affect the Company itself —especially its value—, it has set itself the objective of bringing its materiality analysis model in line with international reference standards, more precisely GRI 3, which calls on companies to calculate their impacts and proposes the concept of double materiality, calculated on the basis of the considerations set out by EFRAG.

Although this target was not fully achieved in 2022, clear steps were taken to move the FD methodology towards the calculation of impact materiality, by dividing into the four key phases explained below:

1. Context analysis aligned with GRI 3

An analysis of the Group has been carried out, based on:

- the internal context, including DF's various activities, business relationships and business model;
- national and international context, taking into account applicable law and regulations and both voluntary and compulsory documentation, demands of stakeholders, especially governments, financial institutions and investors, and the international and geopolitical landscape in 2022;
- the sustainability context, addressing all contingencies and other procedures related to ESG aspects and the Group's own sustainability management and commitments.

2. Method for analysing actual and potential impacts

Several sources have been used in this step:

- Documentary references, used to identify a number of relevant aspects and issues and potential impacts.
- Analysis of sustainability reports and other references from companies operating in the sector.
- Direct and indirect dialogue with stakeholder representatives through eight interviews held throughout October, November and December of 2022; roundtables, discussions and working groups.

3. Assessment of potentially material topics

In line with the 2021 materiality analysis, each relevant or potentially material topic was analysed according to its importance, considering this time the financial materiality in the interviews conducted during step two.

4. Material topics and impacts

A total of 18 material topics were identified by establishing a threshold or cut-off point for a joint criticality greater than or equal to 7/10.

Material topics

Our analysis showed that the following 18 topics are material:

Good governance

- Anti-corruption
- Regulatory compliance
- Risk management
- Transparency
- Ethics
- Corporate governance

Economic dimension

- Strategy and business performance
- Shareholder relations
- Business and financial performance

Environmental dimension

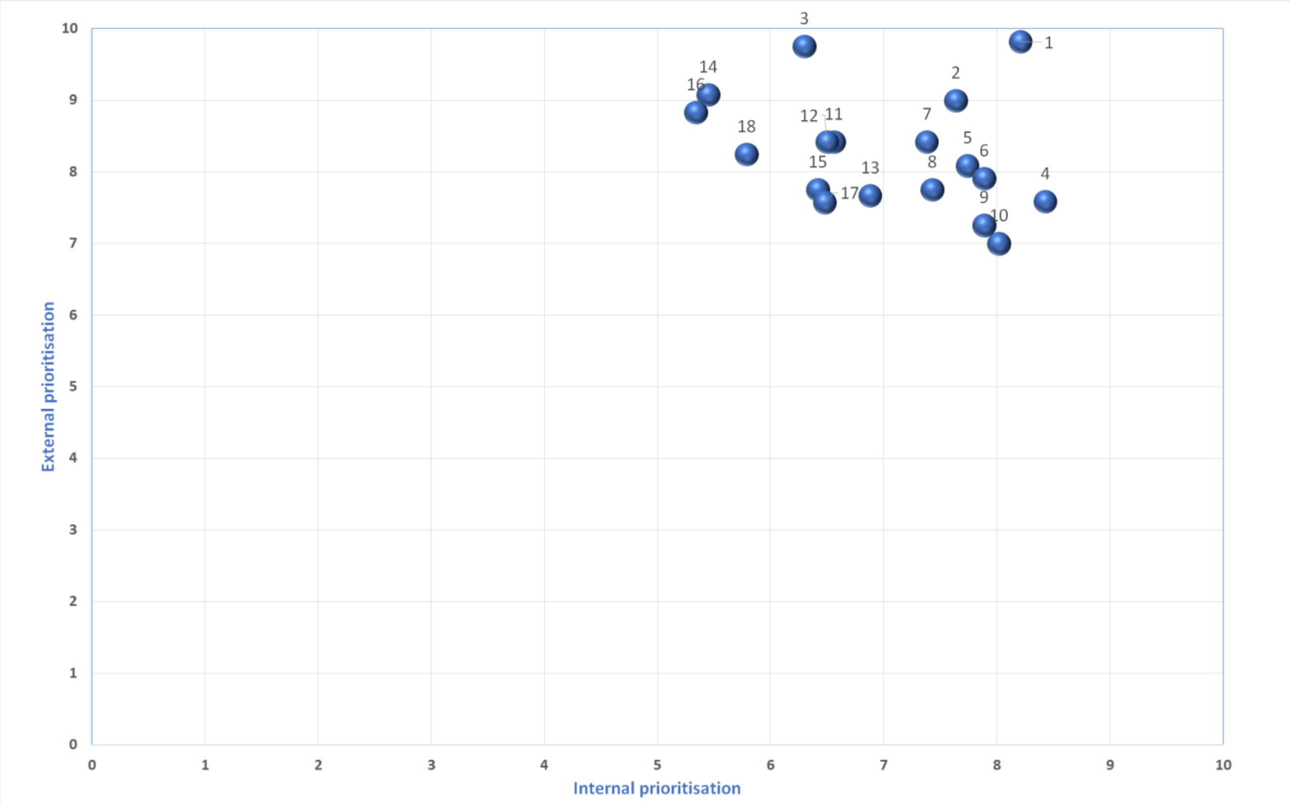
- Climate change
- Environmental impact
- Energy transparency
- Environmental management system

Social dimension

- Company-employee relations
- Health and safety throughout the value chain
- Talent management
- Local communities
- Quality employment

Number	Topic
1	Company-employee relations
2	Climate change
3	Anti-corruption
4	Strategy and business performance
5	Shareholder relations
6	Regulatory compliance
7	Environmental impact
8	Risk management
9	Business and financial performance
10	Transparency
11	Health and safety throughout the value chain
12	Ethics
13	Talent management
14	Energy transition
15	Environmental Management System
16	Local communities
17	Corporate governance
18	Quality employment

The combined analysis of the internal and external priorities yields the materiality matrix, which describes the relevant issues that make up the Group’s sustainability strategy.



Contribution to the Sustainable Development Goals

The 2021–2027 Strategic Plan and the 2021–2027 Ecological Transition Plan reflect Duro Felguera's commitment to the 2030 Agenda.

After defining the 18 topics considered material, we analysed their degree of alignment with each SDG and defined, for each topic, a Primary SDG and, if needed, one or more Secondary SDGs to help understand the alignment.

This analysis allowed us to identify the following priority SDGs for DF, on which we can have the greatest impact:

Goals **8**, **12**, **13** and **16**, on promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; ensuring sustainable consumption and production patterns; combating climate change and achieving transformative governance, respectively.

SDG	Goal	Material topic	Duro Felguera approach
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Company-employee relations Quality employment Strategy and business performance Business and financial performance Talent management Health and safety throughout the value chain Local communities Risk management	Positioning ourselves in the renewables sector by manufacturing products, carrying out projects and providing services that ensure sustainability Reinforcing our commitment to innovation and technological progress as key components for developing lasting solutions that meet economic and environmental challenges Promoting youth employment in the Company through internships: on-the-job training for vocational training students; scholarships for recently graduated students and completion of bachelor's/master's degree projects at the Company.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns	Environmental impact Transparency Environmental management system	Developing and applying circular economy criteria throughout the project life cycle Improving the product life cycle analysis approach Effective application of the waste hierarchy principle
13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts	Climate change Energy transition	Studying energy efficiency improvements through audits and implementing management systems according to the ISO 50001 standard Registration in the MITECO Carbon Footprint Register Implementation of the Mobility Plan: e-vehicle charging stations and renewal of the FD fleet with electric or hybrid vehicles Electricity supply contract renewal plan in favour of 100% renewable bilateral energy contracts
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all	Anti-Corruption Shareholder relations Regulatory compliance Ethics Corporate governance	Through the Code of Conduct, which sets out the principles of corporate conduct that must guide the behaviour and steer the decision-making of those who form part of Duro Felguera With the implementation and update of policies and procedures; e.g. the Anti-Corruption Policy; the Code of Conduct; the Third Party Code of Conduct; the Whistleblowing and Internal Investigation Standard; the Regulatory Compliance Policy; the Crime Prevention Handbook and; the Criminal Risk Matrix Having a whistleblower channel (Ethics line) for reporting incidents arising from irregular behaviour or conduct that might violate the Code of Conduct

The analysis also allowed us to identify one or more secondary SDGs (seven Energy and nine Infrastructure) directly below the priority SDGs, as shown in the following table:

Secondary SDGs	Goal	Material topic	Duro Felguera approach
7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy for all	Environmental Management System (SDG 12) Climate change (SDG 13)	Through a firm commitment to renewable energy with reinforcement of the DF Green Tech subsidiary Electricity supply contract renewal plan in favour of 100% renewable bilateral energy contracts
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Promote sustainable industrialization	Strategy and business performance (SDG 8) Risk management (SDG 8) Local communities (SDG 8) Shareholder relations (SDG 16)	Positioning ourselves in the renewables sector by manufacturing products, carrying out projects and providing services that ensure sustainability Reinforcing our commitment to innovation and technological progress as key components for developing lasting solutions that meet economic and environmental challenges

5.2 People and organisation

2022 Furlough Scheme (*Expediente de Regulación Temporal de Empleo*, ERTE)

On 4 January 2021, Duro Felguera notified the General Directorate for Labour of the decision to apply a furlough scheme based on productive grounds in the wake of the Covid-19 pandemic. This contract suspension process was applied to most of the Group's workers, though excluding the subsidiaries Duro Felguera Calderería Pesada and Felguera Tecnologías de la Información.

The furlough ran for four months until 31 May 2021, simultaneously affecting a total of 425 workers.

It was subsequently agreed with the legal representatives of the workers to extend the furlough scheme to 31 October 2021 due to the lingering effects of the pandemic. During this extended period, it was agreed that the measure could be applied simultaneously to no more than 400 workers, although none of them would be affected for more than 5.5 months from 7 January 2021.

As the pandemic is still with us, it was once again agreed with the workers' legal representatives to extend the scheme to 28 February 2022. Again, no more than 400 workers can be placed on furlough at the same time, and no worker can be affected for more than 8.5 months from 7 January 2021.

In accordance with additional provision one of Royal Decree-Law 2/2022 of 22 February, the furlough scheme was automatically extended until 31 March 2022, under the terms agreed therein.

2022 Furlough Scheme, continuation (*Expediente de Regulación de Empleo*, ERE)

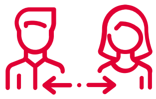
On 20 September 2022, Duro Felguera notified the workers' legal representatives of its intention to initiate a further furlough scheme, founded on legitimate and objective economic, productive and organisational needs and potentially affecting workers assigned to various companies of the DF Group.

After finishing the mandatory worker consultation period, the Group notified the labour authority of the agreement reached with the majority of the workers' legal representatives to implement a furlough plan. The plan will run for 18 months and will affect a maximum of 180 jobs at Group companies Duro Felguera, SA, DF Operaciones y Montajes, SAU, DF Mompresa, SAU and Felguera IHI, SA. The measure took effect in December 2022.

The agreement will allow the Group to become more competitive, productive and profitable by streamlining its structure and workforce to the needs of the business. It is ultimately an important step in the ongoing transformation process at Duro Felguera.

Workforce distribution at year-end

At year-end 2022, Duro Felguera had a team comprising 1,098 employees (1,102 employees in 2021) Group-wide, with average length of service of 8.99 years (9.79 years in 2021).



951 men

147 women

Employees by gender	2022	2021	Change (%) in 2022–2021 vs. total
Men	951	932	2.04%
Women	147	170	-13.53%
TOTAL	**1,098**	**1,102**	**-0.36%**

Employees by age	2022	2021	Change (%) in 2022–2021 vs. total
Employees < 30 years-old	77	52	48.08%
Employees 30–50 years-old	654	651	0.46%
Employees > 50 years-old	367	399	-8.02%
Total	**1,098**	**1,102**	**-0.36%**

Employees by category	2022	2021	Change (%) in 2022–2021 vs. total
Senior Management	8	6	33.33%
Managers	28	20	40.00%
Middle managers	108	112	-3.57%
Qualified staff	399	432	-7.64%
Support positions	59	72	-18.06%
Operators	496	460	7.83%
Total	**1,098**	**1,102**	**-0.36%**

Employees by country	2022	2021	Change (%) in 2022–2021 vs. total
Algeria	70	69	1.45%
Colombia	133	129	3.10%
Dubai	1	1	0.00%
Spain	867	873	-0.69%
Mexico	9	8	12.50%
Romania	2	2	0.00%
Other	16	20	-20.00%
Total	**1,098**	**1,102**	**-0.36%**

This figure represents a reduction in absolute terms of 0.36% compared to the 2021 headcount. There was a notable increase in personnel aged under 30 years of age (48.08% more than at the end of 2021), due to the reactivation and start-up of projects.

Workforce distribution by category and age

At the end of 2022 and 2021, the distribution by category and age of the total workforce of Duro Felguera was as follows:

2022

	Employees < 30 years-old		Employees 30–50 years-old		Employees > 50 years-old	
Category	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**
Senior Management	-	-	-	0.18%	7.69%	1.22%
Managers	-	-	1.98%	1.63%	10.26%	3.96%
Middle Managers	-	-	11.88%	9.76%	10.26%	11.59%
Qualified staff	71.43%	22.86%	63.37%	32.19%	33.33%	37.50%
Support positions	28.57%	4.29%	20.79%	2.17%	38.46%	1.83%
Operators	-	72.86%	1.98%	54.07%	-	43.90%
TOTAL	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

2021

	Employees < 30 years-old		Employees 30–50 years-old		Employees > 50 years-old	
Category	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**
Senior Management	-	-	-	0.38%	2.27%	0.85%
Managers	-	-	1.65%	0.57%	6.82%	3.38%
Middle Managers	20.00%	-	9.92%	10.19%	9.09%	11.55%
Qualified staff	40.00%	10.64%	68.60%	35.85%	43.18%	37.46%
Support positions	40.00%	10.64%	18.18%	3.21%	38.64%	2.54%
Operators	-	78.72%	1.65%	49.81%	-	44.23%
TOTAL	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

The percentage of women increased compared to the previous year across almost all categories.

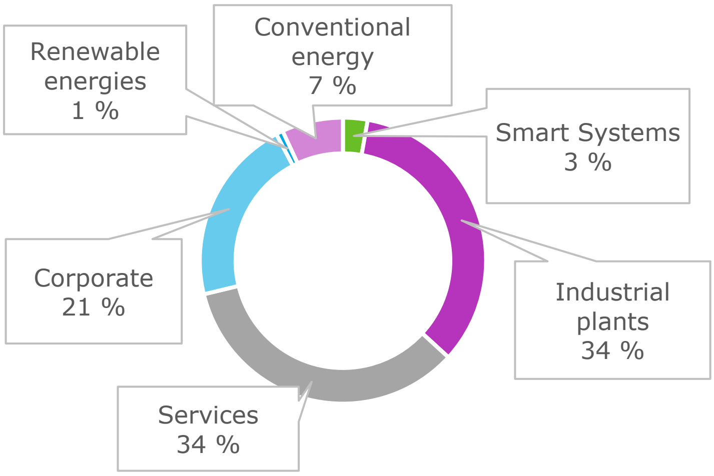
Average headcount by business

The data shown below for 2022 refer to the new organisation established in that year. As mentioned in Chapter 1.2 Business Model of this report, the Group's businesses are structured as follows:

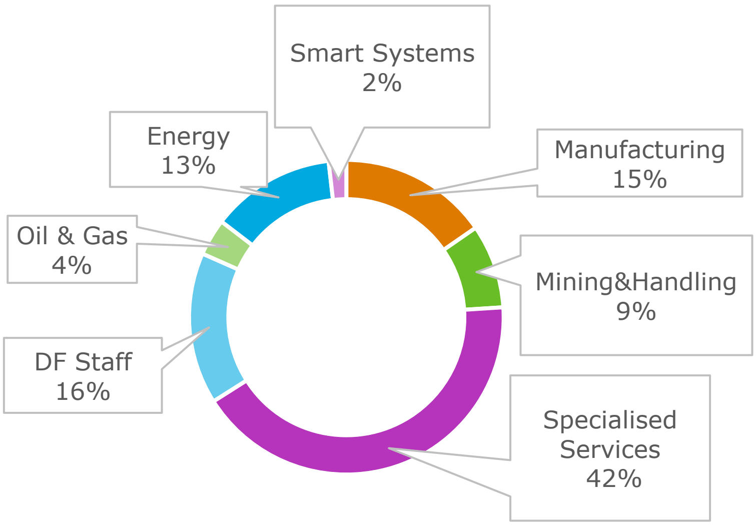
- Conventional Energy and Renewable Energy, formerly Energy.
- Industrial Plants, formerly Manufacturing, Oil & Gas and Mining & Handling.
- Services, formerly Specialised Services.
- Smart Systems.
- Corporate, formerly Staff.

The average headcount[3] is distributed according to the needs of each business and related activities. The distribution was as follows in 2022 and 2021:

2022



2021



Annual average by contract type

When it comes to job stability, 63% of our total staff (average workforce) have permanent employment contracts, compared to 67% in 2021. There was also a

[3] The effect of the furlough scheme was taken into account when calculating the average headcount in 2022, i.e., the time actually worked during the year was counted for each employee, deducting the period not worked while on furlough.

notable increase in temporary contracts to cover the needs of international projects (Colombia and Algeria).

The distribution of permanent and temporary contracts in 2022 and 2021 is shown below, based on average headcount. As can be seen, there was an increase in the average number of staff (21.08%) following the reactivation of various projects, which also led to an increase in the hiring of local staff, mostly temporary.

The data shown in the following tables are averages (average workforce).

2022 (without furlough effect[4])

	Employees < 30 years-old		Employees 30–50 years-old		Employees > 50 years-old	
Contract type	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**
Permanent contract	1	7	98	384	43	280
Temporary contract	5	84	18	263	1	108
TOTAL	**6**	**91**	**116**	**647**	**44**	**388**

2022 (with furlough effect[5])

	Employees < 30 years-old		Employees 30–50 years-old		Employees > 50 years-old	
Contract type	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**
Permanent contract	1	7	96	382	43	277
Temporary contract	5	84	18	263	1	108
TOTAL	**6**	**91**	**114**	**645**	**44**	**385**

2021 (without furlough effect)

	Employees < 30 years-old		Employees 30–50 years-old		Employees > 50 years-old	
Contract type	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**
Permanent contract	2	1	103	316	43	252
Temporary contract	3	23	21	203	0	100
TOTAL	**5**	**24**	**124**	**519**	**43**	**352**

2021 (with furlough effect)

	Employees < 30 years-old		Employees 30–50 years-old		Employees > 50 years-old	
Contract type	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**
Permanent contract	2	1	86	292	36	233
Temporary contract	3	23	20	201	0	99
TOTAL	**5**	**24**	**106**	**493**	**36**	**332**

[4] To calculate the average headcount in 2022 and 2021 without the furlough effect, we counted the time actually worked by the employee in the numerator, whether or not he/she was placed on furlough at any time during the year.

[5] To calculate the average headcount in 2022 and 2021 with the furlough effect, we counted the time actually worked by each employee during the year in the numerator, ignoring the period not worked while on furlough.

Annual average by contract type and by employee category

The data shown in the following tables are averages (average workforce).

2022 (without furlough effect[6])

Category	Permanent contract	Temporary contract	Total
Senior Management	10	0	10
Managers	29	0	29
Middle managers	108	5	113
Qualified staff	342	91	433
Support positions	44	24	68
Operators	280	359	639
TOTAL	**813**	**479**	**1,292**

2022 (with furlough effect[7])

Category	Permanent contract	Temporary contract	Total
Senior Management	10	0	10
Managers	29	0	29
Middle managers	107	5	112
Qualified staff	336	91	427
Support positions	44	24	68
Operators	280	359	639
TOTAL	**806**	**479**	**1,285**

2021 (without furlough effect)

Category	Permanent contract	Temporary contract	Total
Senior Management	6	0	6
Managers	18	0	18
Middle managers	106	5	111
Qualified staff	347	86	433
Support positions	46	23	69
Operators	193	237	430
TOTAL	**716**	**351**	**1,067**

[6] To calculate the average headcount in 2022 and 2021 without the furlough effect, we counted the time actually worked by the employee in the numerator, whether or not he/she was placed on furlough at any time during the year.

[7] To calculate the average headcount in 2022 and 2021 with the furlough effect, we counted the time actually worked by each employee during the year in the numerator, ignoring the period not worked while on furlough.

2021 (with furlough effect)

Category	Permanent contract	Temporary contract	Total
Senior Management	6	0	6
Managers	18	0	19
Middle managers	100	5	105
Qualified staff	295	82	377
Support positions	38	23	61
Operators	193	236	428
TOTAL	**650**	**346**	**996**

Average number of new contracts

Information on the average number of new contracts in 2022 and 2021 is presented below:

The data shown in the following tables are averages (average workforce).

2022

Average number of new contracts (2022)

Gender						
Permanent contract		Temporary contract		Part-time contract		TOTAL
Men	Women	Men	Women	Men	Women	
50	6	287	8	0	0	351

Contract type	Age						TOTAL
	Employees < 30 years-old		mployees 30–50 years-ol		Employees > 50 years-old		
	Women	Men	Women	Men	Women	Men	
Permanent	0	3	3	26	3	21	56
Temporary	2	61	6	154	0	72	295
Part-time							0
TOTAL	**2**	**64**	**9**	**180**	**3**	**93**	**351**

Category	Permanent contract	Temporary contract	Part-time contract	Total
Senior Management	5	0	0	5
Managers	2	0	0	2
Middle managers	15	39	0	54
Qualified staff	3	1	0	4
Support positions	1	4	0	5
Operators	29	252	0	281
TOTAL	**55**	**296**	**0**	**351**

2021

Average number of new contracts (2021)

Gender						
Permanent contract		Temporary contract		Part-time contract		TOTAL
Men	Women	Men	Women	Men	Women	
13	1	149	4	0	0	167

Contract type	Age						TOTAL
	Employees < 30 years-old		mployees 30–50 years-ol		Employees > 50 years-old		
	Women	Men	Women	Men	Women	Men	
Permanent	1	0	0	9	0	4	14
Temporary	1	16	3	85	0	48	153
Part-time							0
TOTAL	**2**	**16**	**3**	**94**	**0**	**52**	**167**

Category	Permanent contract	Temporary contract	Part-time contract	Total
Senior Management	1	0	0	1
Managers	0	0	0	0
Middle managers	1	1	0	2
Qualified staff	1	18	0	20
Support positions	0	6	0	6
Operators	11	128	0	139
TOTAL	**14**	**153**	**0**	**167**

Remuneration policy

The Company's remuneration policy is consistent with applicable collective bargaining agreements. However, there is a group of employees whose remuneration is agreed on an individual basis. Their salary may be reviewed and updated annually if the relevant conditions are met.

The fixed remuneration of permanent and temporary employees was used to calculate average remuneration, as there was no variable remuneration in the last year, based on the Group's average headcount in 2022 and 2021[8].

The table including furlough effect factors in the effects of the furlough scheme that affected the workforce from January to March of 2022.

Excluding furlough effect[9]

	Women	Men
Average remuneration in 2022	€33,407.08	€34,209.95
Average remuneration in 2021	€33,510.59	€38,959.42
Chg. 2022/2021 (%)	-0.31%	-12.19%

[8] Senior Management is excluded from the calculation.

[9] To calculate the average remuneration in 2022 without the furlough effect, the basis is the headcount at year-end without counting Senior Management personnel and without disregarding the period in which each employee was placed on furlough. In other words, the calculation is based on the remuneration that the workers would have received had they not been placed on furlough. This same criterion was used to calculate the figure for 2021.

With furlough effect[10]

	Women	Men
Average remuneration in 2022	€33,305.22	€32,850.38
Average remuneration in 2021	€27,909.27	€27,415.94
Chg. 2022/2021 (%)	19.33%	19.82%

The pay gap at Duro Felguera in 2022 was 2.35% without the furlough effect (13.99% in 2021), and 1.38% with the furlough effect (1.80% in 2021).

In calculating the pay gap, the average remuneration (average headcount) of women was subtracted from that of men, and then divided by the average remuneration payable to men (average headcount).

The wage difference we can observe is down to a particular trait of the sector in which Duro Felguera operates, and that is that directly employed staff (operators) is, and always has been, very male-dominated, thus increasing the gap.

Without furlough effect[9]

	Employees < 30 years-old	Employees 30–50 years-old	Employees > 50 years-old
Average remuneration in 2022	€14,604.55	€32,448.14	€41,437.30
Average remuneration in 2021	€16,675.40	€33,932.58	€45,371.41
Chg. 2022/2021 (%)	-12.42%	-4.37%	-8.67%

The change in the average remuneration of the under-30 group was largely down to the increase in the hiring of local staff within this age group in 2022 in order to cover international projects (Colombia and Algeria).

With furlough effect[10]

	Employees < 30 years-old	Employees 30–50 years-old	Employees > 50 years-old
Average remuneration in 2022	€14,029.66	€31,338.16	€40,086.15
Average remuneration in 2021	€9,914.24	€25,452.05	€32,208.12
Chg. 2022/2021 (%)	41.51%	23.13%	24.46%

[10] When calculating average remuneration for 2022 with the furlough effect, we counted the remuneration effectively accrued during the year at the Company, deducting the period not worked while the worker was on furlough. The calculation was also based on the average headcount for the year, whether or not the employees remained in the Company's employ at 31 December 2022. This same criterion was used to calculate the figure for 2021.

The increase in the average remuneration of staff placed on furlough was due to the fact that the duration of the furlough scheme was three months in 2022 (from January to March), while in 2021 it lasted 12 months.

The wages of the average workforce for the years 2022 and 2021 were used to calculate the average remuneration per employee category shown below.

Without furlough effect[9]

	Management[11]	Middle Managers	Qualified staff	Support positions	Operators
Average remuneration in 2022	€106,473.14	€55,231.14	€35,010.28	€22,295.55	€27,254.60
Average remuneration in 2021	€108,479.05	€60,185.17	€36,884.91	€22,396.18	€28,762.77

With furlough effect [10]

	Managers	Middle Managers	Qualified staff	Support positions	Operators
Average remuneration in 2022	€106,167.76	€55,018.83	€34,795.18	€21,967.13	€25,654.91
Average remuneration in 2021	€93,297.96	€52,519.64	€28,774.94	€18,150.31	€18,693.17

The above figures do not include unemployment benefits received by workers as a result of the furlough schemes.

Distribution of dismissals by gender, age and employee category

The following tables show the number of dismissals that took place within the Group in 2022 and 2021, broken down by gender, age and employee category, including employee churn. It includes dismissals on both objective and disciplinary grounds, as well as those that took place under the 2022 furlough scheme, which started in December.

2022

	Women	Men	Total
Number of dismissals	8	32	40
Voluntary turnover	18.67%	9.93%	11.19%

[11] Senior Management is excluded from the calculation.

2021

	Women	Men	Total
Number of dismissals	1	7	8
Voluntary turnover	4.61%	5.70%	5.53%

In 2022, the average churn at Group companies with registered offices in Spain was 11.19%, compared to 5.53% in the previous year.

Voluntary turnover

	Employees < 30 years-old	Employees 30–50 years-old	Employees > 50 years-old
Voluntary turnover – 2022	23.58%	13.26%	7.22%
Voluntary turnover – 2021	12.04%	4.76%	1.87%

Dismissals by age

	Employees < 30 years-old	Employees 30–50 years-old	Employees > 50 years-old	Total
Number of dismissals – 2022	0	21	19	40
Number of dismissals – 2021	0	6	2	8
Change (%) in 2022–2021 vs. total	0.00%	250.00%	850.00%	400.00%

Dismissals by category

Category	2022	2021
Senior Management	3	0
Managers	1	1
Middle managers	2	1
Qualified staff	26	1
Support positions	2	0
Operators	6	5
Total	**40**	**8**

Talent management at Duro Felguera

People management at Duro Felguera aims to ensure orderly, robust and sustainable growth by managing and nurturing human talent and working to engage employees.

Duro Felguera is working towards competitive working conditions and remuneration on the path to achieving the Group's objectives. It is also essential to have a structure that reflects the needs and requirements of the business at all times.

Duro Felguera's People and Organisation Department works hard to design and deploy people management systems that are aligned with the business strategy, thus allowing for modern, agile and flexible management that focuses on the well-being of the workforce and the need to develop human talent.

Duro Felguera is relentlessly committed to its magnificent human team; the driving force behind its continued growth and internationalisation. People are the key to its success.

Work continued throughout 2022 to design the bedrocks of Duro Felguera's transformation process, with the People and Organisation Department being a key piece in the process as the enabler of cultural and organisational change.

Attracting and retaining talent

Duro Felguera's internal recruitment procedure is there to foster loyalty and nurture talent across the organisation. The People Department regularly publishes a list of vacancies that the Company is looking to fill internally on the corporate intranet. Employees who believe that they possess the training and qualities required for the position and who wish to pursue other career opportunities may then apply for the opening.

This process is conducive to internal promotion and employee mobility across the Group. It also gives the Company and its employees the opportunity to harness the experience and knowledge of DF professionals in other areas or positions within the Company at which they may like to continue their professional development.

As for the external recruitment procedure, Duro Felguera is committed to attracting new professionals through its presence on social networks and by posting job openings on its own corporate website under the specific "Work with us" section.

Professional training and development

One of the main objectives of the People and Organisation Department is to strategically plan the training and career development of our people to aid the achievement of our business goals.

Duro Felguera has been firmly committed to the training of its employees for more than 25 years. Training is managed through the FORMA-T tool, which allows us to control and monitor three key phases of the training process, namely implementation, certification and assessment of training effectiveness.

Duro Felguera runs annual training plans that are agreed upon with the departments concerned and look to the training needs of the workforce at each Group company. In 2022, a total of 14,384 training hours were delivered to 733 employees, giving an average training time of 11.13 hours/employee (4.93 hours/employee in 2021).

In 2022, more than 17,980 hours of talks in occupational health and safety were given at different locations and worksites, mainly for shop floor personnel.

2022

Post hierarchy	No. of employees trained		Training hours	
	MEN	WOMEN	MEN	WOMEN
Managers*	12	9	560	292
Middle Managers	33	7	1,611	474
Qualified staff	114	39	3,349	2,254
Support positions	1	15	40	507
Operators	502	1	5,291	6
TOTAL 2022	**662**	**71**	**10,851**	**3,533**

*Includes training provided to Senior Management and Management

2021

Post hierarchy	No. of employees trained		Training hours	
	MEN	WOMEN	MEN	WOMEN
Managers	-	3	-	24
Middle Managers	23	2	795	60
Qualified staff	68	12	2,419	608
Support positions	3	3	37	23
Operators	72	1	1,664	12
TOTAL 2021	**166**	**21**	**4,915**	**727**

In 2022, Duro Felguera reported a considerable increase in the number of training hours delivered. In 2022, 8,742 more training hours were delivered compared to the previous year. This significant increase compared to the hours delivered in 2021 reflects the Group's commitment to developing its internal talent in response to emerging requirements within the sector and the market in which Duro Felguera operates.

In 2022, 9.6% of women received training. The number of women who received training was almost three times as many as in the previous year. The same analysis applies to the hours of training undertaken. It is considered a positive development that women who received training in 2022 were represented at all job levels, including Management and Operational Staff. This is without question an improvement in women's representation and training across all levels of the organisation.

During the period, the Group delivered a Group-wide compliance training programme, including: Whistleblower Channel, Competition Policy, Anti-Corruption Policy and Code of Conduct, among others. The uptake of this training among the learners was evaluated through a final test.

A further highlight in 2022 was the launch of a specific leadership programme to develop high-performance team management skills, which is key amid the transformation process that Duro Felguera is currently undergoing.

International mobility

Given the Group's international presence, the People and Organisation Department has an International Mobility Service. which carries out all the necessary formalities for any international movement of personnel hired in Spain or personnel from third countries.

External internship programme for young talent

In 2022, Duro Felguera set out to extend its alliances with different entities in order to promote the recruitment of young talent and initiate a planned, orderly and efficient generational handover process in which the Group's existing talent will pass on their know-how to young graduates embarking on their professional careers. This collaboration is carried out with university graduates from different disciplines and with recent graduates of vocational training in various specialities, including mechatronics, mechanical manufacturing and industrial design.

This external internship programme has led to partnerships with entities such as: Integrated Centre for Vocational Training in the Industrial and Services Sectors, Comunidad Natahoyo – Escuela Revillagigedo, Fundación Universidad de Oviedo and Fundación General de la Universidad de León.

A total of 14 young graduates were hired in 2022 under this programme across various specialities, ranging from welding and boilermaking to industrial mechatronics and wave-powered renewable energy, among others.

Duro Felguera wants to further strengthen this programme for recruiting young talent in order to provide the opportunity to learn alongside the fantastic talent that DF already possesses, and to create a pool of young professionals who will be the generational successors to our current experts.

Meanwhile, Duro Felguera has been running an in-house internship programme since 2020 whereby the daughters of female employees can get to work at the Company.

Work-life balance and time management

Duro Felguera complies with all legal requirements regarding paternity and maternity leave. Duro Felguera also has an agreement in place governing flexible working hours, through which it also provides its employees with telecommute equipment and facilities. Everyone is able to adapt their working day to their needs through flexible entry, meal and exit times.

Almost all of Duro Felguera's employees are subject to collective bargaining agreements (78.23%)[12] (79.44% in 2021), with the exception of those employees who qualify as Senior Management and local workers hired in foreign countries, who are subject to local legislation.

The majority of the Group's employees are covered by the collective bargaining agreement for the metal industry of the Principality of Asturias. However, there are other subsidiaries with different collective agreements in effect: for example, Duro Felguera Calderería Pesada has its own company agreement which is currently under negotiation for renewal; DF Mompresa is covered by the collective agreement for assembly and auxiliary companies in the Principality of Asturias; and Felguera Tecnología de la Información is covered by the collective agreement for offices and firms of the Principality of Asturias.

The annual working hours for most Group employees are therefore as set out in the applicable collective agreement (metal industry of the Principality of Asturias), specifically 1,736 hours.

Working hours are set at 8.75 h/day including a lunch break, except in the months of July and August and on working Fridays all year round, when there is a continuous workday of 6 h/day with no break.

During workdays with a lunch break, working hours are flexible, with entry permitted between 08:00 and 09:30, lunch between 13:30 and 15:30 and departure from

[12] As almost all employees are covered by collective bargaining agreements (78.23%), a breakdown of the percentage of those not covered by collective bargaining agreements by country is not considered a material disclosure for the Group.

17:30 onward once all hours have been effectively worked. This flexible system of entering and leaving work also applies to days of uninterrupted work with no break, with entry permitted between 08:00 and 09:30 and exit between 14:00 and 15:30.

Duro Felguera keeps close track of absenteeism. Total absenteeism in 2022 came to 131,704[13] hours, compared to 135,045 hours in 2021. Absenteeism comprises all absences from work on working days, no matter the cause, excluding holiday leave and public holidays, and rest days granted to ensure that total annual working hours are not breached. To calculate these hours, the figure has been multiplied by eight.

Finally, as regards the minimum period of notice for operational changes, Duro Felguera complies with the terms under the applicable legislation.

Diversity and equal opportunities

The Group's Code of Conduct includes, as one of its core principles, respect for people and non-discrimination on grounds of, among others, age, race, colour, sex, religion, political opinion, national origin, social origin or disability.

Duro Felguera views diversity as an opportunity to identify, develop and promote talent. Women currently account for 13.39% of Duro Felguera's total workforce. As we mentioned earlier, the industry in which Duro Felguera operates tends to have a greater presence of men than women, especially when it comes to direct personnel (Operators), which is, and always has been, heavily male-dominated. It is a key priority for Duro Felguera to understand the particular traits of this sector and to work to reduce the gap by promoting a better balance between men and women in the workforce.

Duro Felguera promotes gender diversity by getting more and more women to join the workforce. The system of recruitment and promotion is based on meritocracy.

In line with the foregoing, Duro Felguera is currently in the process of drawing up and implementing an Equality Plan.

As mentioned earlier in section 2.2 — Corporate Governance, in June 2022 Duro Felguera was listed on the **Ibex Gender Equality** index, the first index to measure gender equality among Spanish listed companies. To make the index, companies must have between 25% and 75% female presence on their board of directors and between 15% and 85% in senior management, meaning that only those companies that display the clearest commitment to achieving gender equality within their management teams and control bodies have any chance of featuring on the index.

Turning to the workforce representation of employees with disabilities, there were ten such individuals at Duro Felguera at the end of 2022, compared to nine the previous year.

The office building at the Gijón Science and Technology Park is fully compliant with applicable law governing the universal accessibility of facilities. It now has, among other improvements, lifts for staff with reduced mobility, special bathroom facilities and parking spaces reserved for disabled individuals.

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[13] Absenteeism hours are tracked and measured at all companies located in Spain. The calculation excludes hours of absenteeism hours resulting from the Covid-19 lockdowns.

Non-discrimination

Duro Felguera has a protocol for action against sexual, gender-based and moral harassment, which was updated in May 2017. This protocol includes the principles of non-discrimination on the grounds of gender enshrined in Article 33 of the Collective Bargaining Agreement for the Metal Industries of the Principality of Asturias. This protocol was drafted in partnership with the workers' legal representatives.

Employees have various channels for reporting such cases:

- An "ethics" or whistleblower channel through which they can report known or suspected incidents.
- Communication to the People and Organisation Department.
- Employees may also bring the matter to the attention of one of the workers' representatives, who will then notify the People and Organisation Department.
- Directly to the Compliance team.

DF Length of Service Awards

Duro Felguera recognises the loyalty displayed by its employees by handing out silver and gold Length of Service Awards to those employees who have reached 25 and 35 years of service, respectively.

This reinforces the pride of belonging to Duro Felguera and the development of a culture of recognition for all those who form part of the organisation.

Response to Covid-19

Given the lingering threat of the Covid-19 pandemic from January through to November 2022, the Covid-19 Monitoring Committee remained in place, composed of members of the Management from different departments and workers' legal representatives.

A series of organisational measures were also kept in place during part of 2022, always with the overriding goal of ensuring the health and safety of employees, including the initiative to alternate between on-site work and teleworking.

Duro Felguera also continued to deliver information and news on Covid-19 to workers through various media, and it also provided a consultation line for handling and resolving incidents related to Covid-19 (@INFOCovid), and the MECUIDA Plan for workers through to 30 June 2022.

Legal representation of the workers and communication channels

Duro Felguera views its workers as key agents in carrying on its activities. Therefore, the companies Duro Felguera, S.A., DF Operaciones y Montajes, S.A.U., Duro Felguera Calderería Pesada, S.A.U. and Felguera Tecnologías de la Información, S.A. have workers' legal representatives (WLRs) and hold meetings at least once a quarter to share information on the general state of the industry in which the company operates, its financial position, the recent and probable outlook for its business, production and sales figures, the Company's forecasts regarding new contracts, statistics on accidents at work, and so forth. In other words, the meetings are held to provide all information considered relevant for the Duro Felguera team. Further meetings may also be held at the request of the Company or the workers to discuss any specific issues that may arise.

In order to bring information even closer to employees, Duro Felguera continues to run its *En Compañía* (In Company) internal communication channel. Created in 2020, this newsletter is sent out to the entire organisation via corporate email. The newspaper is enormously useful in rapidly and transparently transmitting information on the Group's activities to all employees: presence at institutional events, sector presentations, contracts won, presence at trade fairs and events, CEO communications, and so forth.

Notably, the corporate website was redesigned in 2022 to give it a new look and to add some much-needed features. The website has been equipped with a new content management system and responsive technology (which adapts equally to the various devices from which the site is accessed, be they personal computers, smart phones or tablets). In addition, it is now able to host more audio-visual content and users can easily share posts or news on social networks. One of the most important new features is the Premium Channel for Shareholders and Investors, featuring exclusive information for registered shareholders.

5.3 Health and safety[14]

The DF Group's Sustainability Policy enshrines its firm commitment to health and safety, using all means at its disposal to achieve safe and healthy working environments for its employees, representatives and collaborators. Further to this commitment, Duro Felguera has ratified the principles set out in its current Occupational Health and Safety Policy for the year 2022, which is both an internal document for employees and an external reference for our partners and other collaborators. The policy is available to anyone who might be interested on the corporate website and on the DF Intranet.

In the first half of 2022, the Group's health and safety actions were heavily affected by the ongoing Covid-19 pandemic. The Group has continued to closely monitor the health crisis, in terms of both public health and the successive regulatory updates issued by the competent authorities to keep the pandemic under control.

The Covid-19 Monitoring Committee — a multidisciplinary pandemic monitoring group created at Duro Felguera soon after the onset of the pandemic — held a total of 22 meetings in 2022. The committee, comprising representatives from all corporate departments and with the involvement of employees through their legal representatives, has been tasked with coordinating and advising on this contingency situation. The committee reviewed and updated the general actions and measures put in place under the Covid-19 Contingency Plan, along with specific action plans for construction sites, centres and projects, guidelines to ensure the proper monitoring of infections and contacts, and guidance on international travel and assignments.

Duro Felguera also continued its partnerships and collaborations with entities specialised in occupational medicine, carrying out, when necessary, screening and additional testing in order to track, at all times, the extent of the pandemic within the workforce. During the first half of 2022, the People and Organisation department continued to run the InfoCovid initiative, through which queries can be raised and

[14] All reported information is consistent with Directive 89/391/EEC, as subsequently amended, on the introduction of measures to encourage improvements in the safety and health of workers at work.

confirmed cases tracked and monitored, as well as the *Me Cuida* plan for minors and other dependants.

Following on from 2020 and 2021, Duro Felguera successfully passed the 2022 audit carried out by TÜV Austria in order to renew its V-Safe certification until 13 October 2022, demonstrating the effectiveness of Duro Felguera's response to Covid-19 while running its business.

Despite the difficult environment, Duro Felguera managed to renew the certification for its Occupational Health and Safety Management System under international standard ISO 45001:2018 (first earned in April 2021) for several of its business units[15]. Internal follow-up audits were conducted in relation to various projects envisioned in its OSHMS Audit Plan for 2022 (DF Calderería Pesada, Djelfa, DFOM Sulquisa, DF MOMPRESA Besós and Herramental, among others).

Further to Duro Felguera's duty to consult and involve its workers in matters relating to occupational health and safety, all pertinent information on this important subject was made available to their representatives at the various business units (where such representatives exist), either through the Health and Safety Committees or the Prevention Officers. There are currently three Health and Safety Committees set up at companies belonging to Duro Felguera: Duro Felguera Operaciones y Montajes (four ordinary meetings), Duro Felguera Calderería Pesada (three ordinary meetings and three extraordinary meetings) and Duro Felguera, S.A. (four ordinary meetings).

On the subject of industrial hygiene, 23 actions were carried out during the period at the various units, sites, projects and centres of Duro Felguera, on a representative population of 52 employees, based on 85 samples and 193 laboratory analyses. In addition, a total of 10 fixed environmental samples were taken to complement the employee readings and provide the inputs needed for an overall evaluation of the working environments in which the work is carried out, and to establish the mandatory control measures.

In relation to Health Surveillance, a total of 1,384 health screenings were conducted under the medical protocols in place, in accordance with the risk assessment carried out for each workstation. These screenings were complemented, when required, by a further 597 specific analytical tests and 42 diagnostic tests. Following on from previous years, a specific campaign of gynaecological medical screenings for female employees of DF was also carried out.

In 2022 and 2021, no work-related accidents with fatalities were reported in any location or country. The following table provides a quantitative breakdown of the claim's ratios for both years, according to ESAW[16] calculation criteria:

[15] DURO FELGUERA S.A, DURO FELGUERA CALDERERÍA PESASA S.A, DF MOMPRESA S.A.U., DF OPERACIONES Y MONTAJES S.A Y DF ENERGY STORAGE (FELGUERA IHI S.A.)

[16] EUROPEAN STATISTICS ON ACCIDENTS AT WORK. This criterion does not include: accidents going to or from work, relapses, occupational diseases, or accidents without lost time or with lost time lasting three days or less.

	Own employees	
	2022	2021
Accidents involving absence from work[17]	27	24
Frequency[18]	15.78	11.65
Severity[19]	0.67	0.90
Occupational diseases[20]	3	3

Duro Felguera reported an accident frequency rate among subcontracted external personnel at its various business units of 3.04[21] (2021: 3.31).

Compared to 2021, the number of lost-time accidents increased slightly, but so did the number of own personnel due to an increased assignment of workers to projects as the global health crisis abated. However, the severity rate (ratio of days lost due to accidents to total hours worked) fell during the period, meaning that the duration of medical leave due to accidents was shorter than in 2021. Meanwhile, the accident frequency rate for subcontracted personnel remained stable compared to the previous year.

To mark the occasion of the World Day for Safety and Health at Work, which was held on Thursday, 28 April, Duro Felguera's CEO delivered an address to all employees, reiterating the Company's firm pledge and ongoing efforts to foster a positive culture of safety and health at work. To succeed in this task, management and employees alike must drive the continuous improvement of a safe and healthy working environment by engaging stakeholders in a meaningful way within the Company.

In November, Duro Felguera approved and implemented a commitment to safety and related action plan at DF Services, with the aim of entrenching a culture of prevention across all levels of the organisation, reducing risks associated with the business and promoting safe behaviours among all employees. The Plan covers all centres and processes of the Services business line and is built around four blocks of action. It significantly improves levels of occupational risk prevention at the unit by strengthening the initial and refresher training delivered to employees and integrating OHS activities into the chain of command and raising awareness among operators through an increase in the number of regular inspections and proposals for improvement. It also looks to consolidate a culture of preventive awareness by granting employees incentives for being proactive in relation to safety and health, and through a procedure for assessing and continuously monitoring professional training.

In 2022, Duro Felguera took part in various forums, conferences and lectures on occupational risk prevention, organised by partners and public or private organisations, as a further show of its knowledge, experience, track record and outstanding performance when it comes to health and safety. In March 2022, it took

[17] 27 accidents involving national employees (24 accidents involving national employees in 2021). All the victims were men in both 2022 and 2021.

[18] Frequency ratio: Number of accidents with leave occurring during working hours per million hours worked: 27 accidents / 1,710,061 hours worked x 1,000,000

[19] Severity ratio: Number of days lost per thousand hours worked: 1,158 days lost / 1,710,061 hours worked x 1,000

[20] Occupational diseases with lost time. All lost-time occupational diseases in 2022 and 2021 affected men and took place in Spain.

[21] Frequency ratio among subcontractor personnel (2022): 4 accidents / 1,314,080 hours worked x 1,000,000

part in the 13th Prevention Forum held in the Auditorium of the Universidad Laboral de Gijón. In April, it attended the meeting held by IBERMUTUA's Territorial Board for Asturias, currently made up of representatives from 22 companies and public administrations in the Principality of Asturias. The mutual society's financial results were presented at the event, speeches were given by the organisation's leaders and various presentations were delivered on related topics. In June, Duro Felguera was the guest speaker at a practical workshop on the Coordination of Business Activities, organised by the Asturian Institute for the Prevention of Occupational Risks and the Asturian Quality Club. The aim is to raise awareness and ensure standardisation across the industry in a bid to establish protocols and resolve doubts.

Duro Felguera received several accolades and awards in 2022 for its admirable performance and management in the realm of health and safety. In May, the Asturian Institute for the Prevention of Occupational Risks and the Asturian Quality Club recognised Duro Felguera's endeavours in implementing ISO 45001:2018 certification, as well as its proactive approach to improving workplace safety and its commitment to achieving excellence in occupational safety and health. Aside from Duro Felguera S.A., the following four Group subsidiaries also earned certification: Duro Felguera Calderería Pesada, DF Mompresa, Felguera IHI and DF Operaciones y Montajes.

Moreover, several employees of subsidiary company DF Mompresa, which specialises in the assembly and maintenance of gas, steam and hydro turbogenerators in power generation plants, earned praise from their customers for their performance in relation to health and safety. In particular, Ansaldo praised four workers for observing safety standards while inspecting the gas turbines and generator at the Niehl 3 combined cycle power plant in Cologne, Germany. It also singled out a worker for "their tireless efforts to promote an incident-free environment" and for their outstanding conduct in occupational risk prevention, during the inspection of main valves, bearings and auxiliary systems at the combined cycle power plant in Bahía de Algeciras, Cádiz. Meanwhile, FieldCore recognised the outstanding work of a DF Mompresa work team (comprising a shunting manager and two crane operators) in carrying out a particularly complex manoeuvre during the support service accompanying the major inspection of the steam turbine at the Grain power station in Kent, England.

5.4 Environment

Duro Felguera's business activities impact the environment. The Group therefore works to minimise the environmental impact of its projects by making environmental concerns an integral part of its business strategy and management.

As a global group, Duro Felguera carries out various types of processes, from managing EPC projects and providing a range of services to manufacturing capital goods at its DF Calderería Pesada workshop, not to mention the engineering work that goes on at its central offices.

All the environmental risks associated with these activities are controlled through the existence of a certified Environmental Management System and are identified and assessed for each of the projects in which the Group is involved. The environmental risks and the impact of the Group's activity on such risks were not considered significant in 2022.

Environmental aspects and their associated impacts are suitably appraised in order to ensure proper operational control of the different activities involved in any given project. The most recurrent aspects that are taken into account when attempting to minimise the environmental impact on the surrounding area are as follows:

Activity	Aspect	Impact	Action
Handling of chemical products when performing work units.	Emissions of gases and vapours into the atmosphere. Spills affecting soil/water. Generation of hazardous and non-hazardous waste.	Alteration of air quality. Alteration of soil quality/watercourses.	Ensuring that containers remain closed and are properly stored and seeing to it that they are properly managed upon reaching the end of their useful life.
Environmental accidents.	Spills affecting soil/water. Emission of combustion gases. Emission of fire extinguishing gases.	Alteration of soil quality/watercourses. Alteration of air quality.	Providing training on the steps to follow in response to an emergency.

As for the foreseeable effect of Duro Felguera's activities on the environment, note that the latest strategic plan approved for financial years 2021-2027 seeks to develop new sustainable business lines to support the energy transition, thus positioning Duro Felguera as a benchmark company in renewable energies. It also expresses the Group's commitment to sustainability as part of its DNA, making it an integral part of the way Duro Felguera operates in order to reduce both emissions and the consumption of paper, water and energy.

In November 2022, Duro Felguera was awarded the bronze medal in the EcoVadis sustainability assessment, in recognition of its achievements towards sustainability. It received an overall rating of 54/100 points. Its work on the environmental front was a particular highlight, where it earned a score of 70/100, placing it among the 11% of certified companies operating in the same sector.

BRONZE 2022 ecovadis Sustainability Rating

Sustainability Policy

The Duro Felguera Sustainability Policy was approved on 27 December 2022, thus replacing the Corporate Social Responsibility Policy hitherto in effect.

The new policy reflects the Company's tireless commitment to comply with sustainability regulations and to embrace and practise the highest standards in each activity it carries out.

Environmental Policy

In 2022, the Environmental and Quality Management Systems were further integrated into the business. This process began in December 2019 —with the signing of the corporate Quality and Environment Policy for the entire Group— and ended in March 2020, upon obtaining ISO 14001 and 9001 certifications at corporate level, the scope of which extends to all of the Group's businesses. Both the Policy and the ISO certifications can be found on Duro Felguera's Intranet.

The policy aims to establish a common framework for environmental matters and quality, enabling the Company to coordinate the various plans and measures in place while respecting the autonomy and unique circumstances and needs of each business unit.

Environmental management

The environmental department at Duro Felguera is a Group-wide discipline that is fully integrated into all of the Group's processes. This translates into absolute compliance with the law, meaning no fines or sanctions were received in 2022. See Note 36.c) to the accompanying consolidated financial statements for 2022.

The department reports to the corporate centre and is tasked with providing answers and technical advice on environmental matters to all of the Group's business units. Its remit starts with the commercial phase, where it flags potential risks associated with future bids, and then extends throughout the execution of the projects/services, ensuring sound environmental performance across all phases: design, construction and manufacturing, operation and maintenance.

Duro Felguera's own qualified staff work out of its central offices to coordinate and ensure that the performance of these activities is in line with the corporate environmental strategy. This control work takes the form of visits to construction sites and regular internal audits.

Aside from central office personnel, larger EPC projects include human resources attached to the environmental department (Technicians), who oversee the environmental performance of the subcontractors present on site, by conducting audits to track and control environmental aspects such as waste management, response to environmental emergencies (spillage management) and emissions management (vehicle maintenance control).

As subcontracting accounts for a large part of any EPC project, the Group has developed a specific operational procedure for the environmental control of subcontractors, so as to ensure that the environmental performance of all companies working on Duro Felguera projects meets the Company's own rigorous standards.

Efficient management of natural resources

Specific procedures describing the operational control of significant environmental impacts have been integrated into the corporate Environmental Management System.

More precisely, DF-PO-004 is the Operational Procedure in place for the control of natural resources. It applies to resources that have been flagged as environmental items necessary for the performance of Duro Felguera's activities and services, mainly electricity, water and fuel.

Once all inputs have been identified, they are suitably controlled and metrics and indicators are taken monthly or quarterly to generate annual figures.

Notably, in 2022 a framework agreement was signed with energy supplier Iberdrola to guarantee the supply of renewable energy with Guarantee of Origin (GoO), thus ensuring that all the electricity consumed by Duro Felguera comes from renewable energy sources.

Monthly records of water, electricity and other consumables (paper and fuels, where applicable) are kept at all of the Group's fixed centres (Central Offices, Tooling and DFCP).

Activities were resumed in 2022 at the former facilities of Felguera Construcciones Mecánicas (FCM) in Barros (Langreo), thus leading to the consumption of natural resources, specifically water and electricity.

When it comes to project management, subcontractors present on site are required to apply natural resource control measures through the inspections and audits previously discussed in the section above on Environmental management.

As regards consumption in offices, the environment department has drawn up a Good Environmental Practices Handbook, the content of which is disseminated through environmental awareness campaigns, including informative talks and the placement of explanatory posters in different areas of the buildings.

Water consumption

While direct water consumption is monitored at all of the Group's fixed centres (Central Offices, Tooling and DF Calderería Pesada), it is not considered a relevant aspect on which Duro Felguera's business has a direct impact, as all such centres are connected to the municipal sewage network and their impact on the water environment is not considered material.

In 2022, a total of 18,938 m^3 of water was consumed, broken down as follows: 2,428 m^3 of water was consumed at the Company's fixed centres (Science and Technology Park in Gijón and Tooling Centre in Llanera); 9,191 m^3 at the workshop of DF Calderería Pesada, and 7,561 m^3 at the FCM centre in Barros.

	2022			2021			Change (%)		
m3	Offices	DF Calderería Pesada	FCM Barros	Offices	DF Calderería Pesada	FCM Barros	Offices	DF Calderería Pesada	FCM Barros
Water	2,428	9,191	7,561	2,886	24,854	7,222	-16%	-63%	5%

In the case of DFCP, the actual water consumption obtained from direct meter readings was adjusted accordingly in 2022. In previous years, the water consumption billed by Empresa Municipal de Aguas de Gijón (EMA) had been based on estimates, rather than actual meter readings.

As the Group carries out many of its projects on its customers' own premises or facilities (refineries or power plants), it is typically the customer that monitors consumption, with Duro Felguera therefore unable to exercise any direct control.

Consumption of raw materials

In 2022, DF Calderería Pesada (Duro Felguera's manufacturing unit) acquired 4,391.56 tonnes of metal laminates (2021: 414 tonnes). This is consistent with usual consumption figures, according to available production capacity, standard specifications, thicknesses and type of products to be manufactured. The change compared to 2021 does not really qualify as an increase. Instead, it is the result of the change in the way raw inputs were purchased in 2021 (purchased directly by the customer), whereas in 2022 the usual/traditional method was resumed, with DFCP rather than the end customer acquiring the inputs directly.

Any surplus from this manufacturing process is stored for potential reuse in new manufacturing or auxiliary processes. In a bid to reduce the consumption of these raw materials, DF Calderería Pesada evaluates, from the initial design stage, the possibility of reusing this stock material, quality standards and manufacturing codes permitting and assuming also that the end customer agrees. It is also proactive in making the necessary changes and raising proposals to the customer in order to optimise the total amount of material used.

Once this stock material has become too small to be used, it is recycled and therefore enters the life cycle of the raw material once again to produce new metal products.

In 2022, a total of 288 tonnes of metal waste was recycled.

Waste and the circular economy

Duro Felguera's waste management and handling strategy is essentially to minimise, reuse and recycle the waste generated when carrying on its business activities.

Waste management is performed with strict regard for local environmental law in each country and Duro Felguera's own policies and procedures and by selecting the right final disposal method for each type of waste generated.

Significantly, all of Duro Felguera's activities (offices, projects and manufacturing) are carried out with adequate separation and management of waste, with special attention paid to polluting hazardous waste. Duro Felguera's Environmental Management System contains a specific operational procedure, DF-PO-002, to describe how waste should be managed and to explain proper environmental signposting.

The following table shows the waste generated by Duro Felguera's activities and then managed in 2021 and 2022, broken down by business unit.

Kg	Hazardous waste – 2022	Hazardous waste – 2021	Change (%)
DF Services	140	1,845	-92%
Calderería Pesada	14,158	5,144	175%
Total	**14,298**	**6,989**	**105%**

Kg	Non-hazardous waste – 2022	Non-hazardous waste – 2021	Change (%)
DF Services	18,820	42,360	-56%
Calderería Pesada	112,520	131,640	-15%
Total	**131,340**	**174,000**	**-25%**

There was a reduction in the amount of waste generated at the DF Servicios centre (Herramental) because extensive cleaning and maintenance work took place at the facilities in 2021 (taking advantage of the lull in project activity due to the lingering effects of the pandemic), thus generating a considerable volume of waste in the process. As project procurement activities resumed in 2022, the amount of waste generated was inevitably lower.

At DF Calderería Pesada, there was an exceptional increase in the quantity of hazardous waste generated in 2022 due to the specific preventive maintenance work that took place at certain facilities and that is not carried out every year.

More precisely, DF Calderería Pesada's non-hazardous waste is ultimately sent to the COGERSA recycling plant (treatment manager authorised by the Principality of Asturias).

As for the management of waste generated by the remaining businesses, Duro Felguera, in compliance with applicable law, relies on authorised waste management companies to handle all its hazardous and non-hazardous waste.

Climate change

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.

In 2022, further progress was made towards ensuring third-party verification of the Group's report, under ISO 14064-1, on the greenhouse gas (GHG) emissions generated in 2021 by its central offices in Gijón. The report was ultimately verified by the accredited body LRQA on 26 October. An application for registration with the Ministry for Ecological Transition and the Demographic Challenge was submitted on 15 December.

Following the approval of the 21–27 Ecological Transition Plan in December 2021 and the setting up of the Sustainability Committee in February 2022, DF has achieved the following strategic milestones aligned with the SDGs:

SDG 12: SUSTAINABLE CONSUMPTION AND PRODUCTION:

- ✓ Improved supply chain management:
  1 – Ecovadis rating: bronze medal
  2 – Implementation of supplier pre-assessment questionnaire incorporating ESG criteria.
- ✓ Increased presence of DF in specialised forums: sustainability and circular economy

SDG 13: CLIMATE ACTION

- ✓ The Group's carbon footprint was verified (reference year 2021) and will soon be recorded in the state registry kept by the Ministry for Ecological Transition and the Demographic Challenge.
- ✓ Sustainable mobility: project to implement electric chargers in central offices.
- ✓ Project to deploy ISO 50001 targeting energy efficiency.

SDG 7: AFFORDABLE AND CLEAN ENERGY

- ✓ Implementation of a new renewable energy business line: DF Green Tech
- ✓ Framework contract for electricity from 100% renewable energy sources.

SDG 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

- ✓ Award of the project to build a pilot green hydrogen production plant at the Galp refinery in Sines, Portugal.

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

<u>Direct emissions</u>

While Duro Felguera does not have any production processes that possess special relevance in relation to direct emissions (Scope 1), it does need to consume fossil fuels to carry out its activities. For example, natural gas is needed to provide heating for its offices.

In addition, its Tooling facilities (tool and logistics warehouse) and DF Calderería Pesada (manufacturing workshop) also use fuels such as diesel and petrol for vehicles and machinery.

	Fuel consumption – 2022		
	Offices	**DF Calderería Pesada**	**Unit**
Natural gas	609,180	815,317	kWh
Gas oil	5,312	52,951	L
Gasoline	1,314	2,454	L

In 2022, direct emissions from fuel consumption amounted to 412 tonnes of CO_2 equivalent: The conversion factors used to calculate emissions are the official ones published by the Ministry for Ecological Transition. As a brand new feature in 2022, the Ministry's website provides the direct conversion factor for converting from litres to kilograms of CO2.

	Fuel consumption – 2021		
	Offices	DF Calderería Pesada	Unit
Natural gas	831,253	2,562,594	kWh
Gas oil	1,107	61,013	L
Gasoline	-	590	L

The following table shows the percentage change in CO2 consumption from direct emissions over the reference years:

	CO2 equivalent (kg)				Change (%)	
	2022		2021			
	Offices	DF Calderería Pesada	Offices	DF Calderería Pesada	Offices	DF Calderería Pesada
Natural gas	110,871	148,388	151,288	466,392	-26.72%	-68.18%
Gas oil	13,216	131,742	2,909	150,478	354.37%	-12.45%
Gasoline	2,784	5,324	-	1,398	-	280.82%

In 2022, the Group began to measure fuel consumption (diesel and petrol) for owned vehicles located at the Science and Technology Park in Gijón. Therefore, the observed increase is down to the addition of these new consumptions.

There was an increase in natural gas and diesel emissions at DF Calderería Pesada due to the nature of the activities carried out in 2022, which tended to focus on heat treatments, welding and finishing work instructed by customers. Notably, welding without preheating was the main cause of the increase.

The change in petrol consumption was down to the Group's increased reliance on own means for transporting raw materials to the storage areas, rather than directly to the work areas, which were taken up by other ongoing production processes.

Indirect emissions

Duro Felguera activities that contribute to the generation of indirect emissions (Scope 2) are those related to electricity consumption.

	2022		
	Offices	DF Calderería Pesada	Barros
Electricity	1,359,025	1,679,907	741,601

	Energy consumption – 2021 (kWh)		
	Offices	DF Calderería Pesada	Barros
Electricity	1,388,067	1,750,672	695,421

The following table shows the percentage change in CO_2 consumption from indirect emissions over the years:

	CO2 equivalent (kg)						Change (%)		
	2022			2021					
	Offices	DF Calderería Pesada	Barros	Offices	DF Calderería Pesada	Barros	Offices	DF Calderería Pesada	Barros
Electricity	0	0	0	208,210	262,601	104,313	-100.00%	-100.00%	-100.00%

*Source of emission factors used to calculate CO2 equivalent for 2020 and 2021: Ministry for the Energy Transition (Government of Spain), version 22 – July 2022.

In 2022, the electricity supplier started to supply us with 100% renewable energy bearing a Guarantee of Origin issued by the CNMC, the Spanish Markets and Competition Commission, thus avoiding a total of 877 tonnes of CO_2 equivalent from being released into the atmosphere.

	CO2 equivalent (kg) avoided			
	Offices	DF Calderería Pesada	Barros	Total
Emissions from electricity consumption (without renewable guarantee of origin)	315,294	389,739	172,051	**877,084**

For 2022, the Group reports the emissions derived from fuel consumption and electricity consumption at its head offices, DF Calderería Pesada and FCM at Barros. This is because the emissions associated with other activities (projects) are not considered material as they are carried out on the customer's own premises and there is no direct control over consumption and billing.

Emissions resulting from Duro Felguera's activities in 2022: 412 tonnes of CO_2 eq. (1,348 tonnes of CO_2 eq. in 2021).

Environmental awareness

The following initiatives were carried out in 2022, given the importance of disseminating and publicising the Group's environmental strategy:

- Dissemination of the Good Environmental Practices Handbook through regular postings on the corporate Intranet.
- Creation of an environmental suggestions box to receive ideas from workers.
- Environmental awareness campaigns; informative/explanatory posters on good practices for reducing consumption (electricity, water, paper).

In 2021, DFCP carried out environmental awareness campaigns by releasing newsletters to coincide with European Waste Week, both for its own staff and for regular external subcontractors/partners.

Environmental emergencies

Duro Felguera draws up specific Environmental Emergency Plans for all of its activities (offices, projects and manufacturing), clearly explaining the steps for spotting and responding to possible environmental accidents and emergencies.

The effectiveness of the emergency plans is regularly checked by carrying out environmental emergency drills.

If a drill is out of the question, DF carries out training activities, which may involve talks or training courses to raise awareness of the response protocol set out in the Environmental Emergency Plan.

5.5 Quality

Quality excellence remains an essential requirement at Duro Felguera in order to create value for the Group's stakeholders, including customers, partners, suppliers and contractors. It has therefore approved and released a Corporate Quality and Environmental Policy, which enshrines the strategic values to be followed:

- Undertaking a commitment to knowing, meeting and enforcing all applicable requirements and delivering on customer expectations.
- Combining a healthy return on the projects with customer satisfaction.
- Entrenching the culture of continuous improvement and management excellence in a bid to become more competitive and create value for stakeholders.
- Engaging employees and maintaining channels of communication with all stakeholders.

This Policy takes the practical form of a Quality Management System for all Duro Felguera products.

Duro Felguera has also had a Quality Management System (according to ISO 9001) and Environmental Management System (according to ISO 14001) in place since March 2020, both integrated into a single system. This integration allows the Group to unlock synergies in system maintenance and resource optimisation.

Quality Management System

Duro Felguera has implemented a Quality Management System (QMS) that adheres to ISO 9001:2015 across all products, businesses and subsidiaries. The system is geared towards the customer, continuous improvement and risk-based thinking as the main levers in achieving professional excellence. This Quality Management System (QMS) has been certified by LRQA (formerly Lloyd's Register) under ISO 9001:2015 since the 1990s.

Duro Felguera relies on its QMS to ensure compliance with all contractual and legal requirements applicable to its products. In essence, Duro Felguera's QMS seeks to identify and control Company processes, identify and control associated risks, and provide the resources needed to ensure they run effectively.

The processes are described through procedures and work instructions where responsibilities, monitoring methods and control indicators are all identified.

Continuous monitoring of processes and early flagging of risk factors leads to continuous improvement.

Critical processes for the business activities of DF:

- Commercial Process
- Engineering Process
- Quality Management and Control Process
- Environmental Management Process
- Health and Safety Process
- Tooling and Control of Measuring Equipment Process
- Project Management and Performance Process
- After-sales Process
- Control and Project Risk Management Process
- Resource Management Process
- System Processes

Thanks to Duro Felguera's focus on quality over the years, it has become synonymous with quality in the market and the entire the organisation is geared towards this goal, led by the Management of DF and including every single worker.

Customer satisfaction

According to the principles of the Quality Policy, Duro Felguera views customer satisfaction as being fully compatible with the economic performance of its projects.

Customer satisfaction hinges on strict compliance with the specified requirements and on identifying and meeting their expectations. To succeed, Duro Felguera sets up communication channels and keeps them open during all phases of project execution to gauge the degree of customer satisfaction and take any corrective action that may be required.

Communications with the customer are centralised at the Commercial department during the bidding phase and are then handled by the Project Manager during the performance phase. Doing so provides a single point of contact, thus making it easier to gauge their degree of satisfaction.

Aside from the Commercial Department, both Project Management and the management team of Duro Felguera make themselves available to customers and other stakeholders at all times to resolve any concerns regarding compliance with contractual commitments.

To track and control the degree of customer satisfaction, DF has an indicator system in place that aggregates possible customer grievances, the results of satisfaction surveys and the particular views of the Project Managers.

Any complaints received from the customer are logged in the Quality Management System and dealt with diligently by DF. The log of customer complaints is analysed by Management at regular review meetings to determine the appropriate actions for ensuring the continuous improvement of the system. No customer complaints were received in 2022. Meanwhile, there are Quality Control systems in place during the manufacturing process and the different phases of an EPC project, thus allowing us to detect non-conformities, which are invariably resolved before the product is delivered to the customer. These non-conformities are used as one of the inputs to achieve continuous improvement.

Duro Felguera continues to run a system for gauging customer satisfaction through Microsoft Office forms, which customers can rapidly complete on an anonymous basis.

Product or service health and safety

No industrial product or service supplied by DF shall pose a risk to the health or safety of any customers, workers or the general public who may come into direct or indirect contact with the product or service under normal or reasonably foreseeable conditions of use throughout its useful life.

To achieve this goal, DF shall comply strictly with all applicable design, construction and testing legislation, as well as with all good practices that protect the end user of the product or service.

Risks inherent in the use of the product or service and therefore considered admissible, albeit within an acceptable level of protection of the health and safety of persons, shall be reported and signposted on the product or installation in question through the use of barriers or other means of restraint so as to minimise the risks.

5.6 Human rights

Duro Felguera remains firmly committed to the defence, fulfilment and protection of human rights and public freedoms, as explicitly enshrined in its corporate culture.

This pledge is reflected in the following principles of action embraced by the Group:

- Compliance with applicable laws and regulations across all countries in which it operates. The Group has pledged to ensure that its own activities do not cause or contribute to adverse human rights impacts on employees or third parties.
- Mechanisms for monitoring compliance with the provisions of the International Labour Organization (ILO) in a bid to promote fair and equitable working conditions.
- The absolute rejection of any kind of forced and/or child labour. Accordingly, the Group undertakes not to rely on this form of work within its production processes, nor to allow it business to be involved with any kind of service or product that involves these abhorrent practices.
- Uphold freedom of association and recognise the right to collective bargaining.
- Promote respect for diversity and non-discrimination. Therefore, the Group refuses to tolerate any form of discrimination on the grounds of age, sex, race, colour, religion, disability, political opinion, marital status, ethnic origin or sexual orientation. It also endeavours to foster a working environment where people are treated and valued fairly and equally, rejecting any expression or manifestation of physical, psychological or moral harassment or abuse of authority and any other behaviour that denigrates, offends or intimidates people’s rights.
- The Group is firmly committed to ensuring safety, health and psychological well-being in the workplace and beyond the confines of the company, by ensuring the safety, health and quality of life of its employees and all third parties with whom it interacts.
- Respect the rights of local communities living within the vicinity of its operations by promoting dignified and respectful treatment of people, their customs and ways of life.

- Protect and conserve the environment by pursuing the continuous improvement of business management systems and focusing on minimising the environmental impact of its operations.
- The Duro Felguera Group runs its business with zero tolerance towards corruption and fraud, which it rejects in all forms and takes direct and indirect action as and when needed to prevent and combat it.

Further to this commitment, work began in 2022 on the drafting, approval and publication of the **Human Rights Policy**, which provides the framework within the Group for identifying, mitigating and preventing the adverse impacts of failing to respect human rights and for achieving a positive impact by creating a sustainable business model rooted in absolute respect for human rights as a differentiating element. The policy is expected to be approved at the Board meeting to be held on 31 March 2023.

Duro Felguera's Human Rights Policy is consistent with the Group's Code of Conduct and existing internal policies and regulations on labour, social and environmental concerns.

The **Code of Conduct** embodies its commitment to respecting fundamental rights and public freedoms, focusing particularly on equal opportunities, non-discrimination, work-life balance and the right to receive training. These commitments correspond to Articles 1, 7, 20, 24 and 26 of the Universal Declaration of Human Rights.

To guarantee transparency and make it easier for the Company's stakeholders to report irregular conduct or bad practices that violate the Code of Conduct and/or the Crime Prevention Model, Duro Felguera set up an Ethics Line and Whistleblower Channel in 2018, as explained at greater length in section 3.1 – Code of Conduct. There were no complaints or incidents in 2022 related to possible violations of human rights.

This protection extends along the entire value chain. As a further step to prevent the risk of human rights abuses, suppliers and subcontractors are required to sign a clause in their contracts in which they undertake to comply —across all territories in which they are based and/or operate— to observe and apply, when providing the contractually agreed services, the rules, principles and expected behaviours steering the Group's own regulatory compliance culture. In particular, they must abide by the Regulatory Compliance Policy, the Crime Prevention Model and all implementing rules and regulations, especially the Code of Conduct, the Anti-Corruption Policy and the Duro Felguera's Third Party Code of Conduct.

They also declare that they are aware of the contents of these documents, which are published on the following website (https://www.durofelguera.com). In the event of breach, DF may adopt the necessary measures, and may seek compensation and/or damages and even the unilateral termination of the contract.

In 2022, there were no reports of human rights abuses by suppliers, nor was there any perceived risk of any of DF's suppliers or subcontractors engaging in forced or compulsory labour, and nor was there any other incident of human rights abuses occurring in any of the countries in which the Group operated during that period.

5.7 Supply chain

Duro Felguera continues to treat the sound management and control of its supply chain as key priorities in optimising and maximising its business. To achieve this, the

Procurement Department closely tracks all operations and ensures the utmost transparency.

Duro Felguera differentiates between two types of supplier, depending on the purpose for which their services are arranged:

- **Corporate**: responding to corporate needs. These suppliers provide the following services and supplies, among others: security services, cleaning, maintenance, stationery supplies, IT equipment, or consultancy services.
- **Project-specific:** catering to the needs of each project undertaken. Here, Duro Felguera may arrange engineering services, the supply of electromechanical equipment, the supply of bulk materials, civil engineering services, subcontractors to carry out electromechanical assembly work, on-site support services, among others.

The procedures and rules in place are there to ensure that all suppliers are treated and appraised under equal conditions, taking due account of project-specific criteria for all procurement processes.

The Third Party Code of Conduct was approved in 2022. This code, together with the regular Code of Conduct, sets out the commitments and principles that all third parties must observe when dealing with Duro Felguera within the context of a commercial, business or collaboration relationship.

Local procurement

Duro Felguera advocates procurement from local suppliers, viewing this as a key criterion when arranging services from third parties. For DF, a local supplier means any supplier with whom a contract is signed and whose head office is located in the same country in which DF is involved in some project.

Notably, most purchases were made from local suppliers in 2022 across most of the countries in which the Group has significant operations.[22]

For larger projects, staff from the procurement department may also be stationed in the country concerned and local procurement personnel recruited if necessary.

Countries with operations where significant purchases were made	Percentage of local procurement – 2022	Percentage of local procurement – 2021	Change
Algeria	79.11%	66.16%	12.95%
United Arab Emirates	58.79%	0.00%	58.79%
Colombia	98.33%	90.89%	7.44%
Mexico	84.02%	93.16%	-9.14%
France	70.55%	0.00%	70.55%
Eastern Europe	80.95%	94.32%	-13.37%
Netherlands	44.86%	0.00%	44.86%
Brazil*	51.75%	-	-
Portugal*	15.13%	-	-
Spain	99.35%	91.90%	7.45%

[22] Significant operation: operations in which procurement exceeds €100,000.

*In 2021, local purchases in both countries were not considered significant.

Risk management in the supply chain

Supply chain risks relate to procurement and subcontracting, i.e. outsourced products and services due to the unavailability of suitable companies or professionals, inadequate selection, lack of financial or technical capacity of the subcontractor to meet the obligations it has undertaken, which may in turn lead to delays, cost overruns in the works or quality issues.

These risks are minimised by conducting regular supplier assessments to closely monitor the progress of work and track performance. Supervision, inspection and auditing are carried out during the construction phase.

Moreover, to prevent the risk of human rights abuses, Duro Felguera insists that all suppliers and subcontractors sign a clause in their contract requiring them to embrace the commitments set out in Duro Felguera's own Code of Conduct and Third Party Code of Conduct.

The Group's Anti-Corruption Policy was approved in 2022, containing general guidelines on how to proceed when receiving or offering gifts or commercial invites or courtesies to or from third parties within the framework of a business or commercial relationship, given that such actions could be seen to compromise the Group's independence or upset the balance in these relationships.

Meanwhile, and with regards to environmental protection and related risks, the Procurement Department passes on to suppliers all the relevant technical information provided by the engineering and project departments so as to ensure due compliance with the corresponding environmental requirements.

When quality audits are conducted, the auditor also reviews contractual requirements and compliance with the Group's internal regulations, especially the Code of Ethics.

Supplier assessments

One of the key objectives in supply chain management is to ensure that suppliers meet the standards of excellence and quality required within the industry. Duro Felguera therefore has a tool that allows it to evaluate potential suppliers before their products or services are arranged, thus enabling it to anticipate possible risks along the supply chain (both from a financial standpoint and in terms of meeting deadlines and ensuring the quality of the products supplied and respect for the environment).

In 2022, a new supplier assessment methodology was implemented, making ESG criteria part of the process of evaluating all companies that provide services or materials to Duro Felguera.

It is essentially a questionnaire developed internally by the ICT department, with the support of the departments involved, which includes questions on supplier performance in the following areas:

- Health and safety
- Environment
- Quality
- Human rights
- Governance

The information obtained from this questionnaire provides valuable insight into the performance of the Group's supply chain.

Based on this assessment, DF determines whether the supplier merits a contractual relationship. If the parties do enter into a contract, the supplier may undergo further assessment and monitoring if deemed necessary. This type of oversight is carried out throughout the manufacturing process according to the criticality of the product, with regular inspections conducted of the main manufacturing milestones and site activation visits, where the quality of the product supplied and compliance with delivery deadlines are verified. At the end of the process, the corresponding shipping authorisation is sent as and when the product complies with all requirements set out in the contract signed between the parties.

The results of the different inspections and site activation visits are taken into account for the reappraisal and follow-up of DF suppliers.

DF has yet to identity any supplier that might pose a significant risk to the principles and commitments it upholds.

In 2022, a total of 77 supplier evaluation questionnaires were carried out. None of them revealed any obvious risks in respect of any existing supplier.

Health and safety along the value chain

Duro Felguera pays close attention to monitoring the health and safety performance of its suppliers and subcontractors to ensure that its own health and safety standards are observed, as well as those prescribed by applicable law and regulations.

This monitoring takes the form of specific HSE inspections aimed at guaranteeing a safe working environment for our teams and collaborators. DF also conducts on-site monitoring of contractors to directly oversee their health and safety performance while the project is ongoing, and advises its subcontractors on such matters when considered necessary.

5.8 Innovation

DF is firmly committed to innovation. While 2022 was a difficult year for the Group on a financial scale, thus also making it more difficult to undertake new projects, the Group worked hard to find new partners with whom to undertake innovative projects in the field of renewable energies.

Key actions to promote innovation in 2022 included the following:

» DF Innovation Hub

DF Innovation Hub was created and set the following objectives:

» Searching for new businesses and building the innovation ecosystem.
» Improving the value proposition and supporting the existing businesses.
» Digitalising internal processes.

» Innovative Business Clusters

DF Innovation Hub has applied for registration in **Innovastur** and continues to be a member of the **Asturias Steel Hub** for yet another year.

» Industrial property

DF Mompresa SA renewed a **patent** (Nalon N8) and a **utility model** (Nalon S4) to protect its intellectual property in Spain, France, Germany and China.

» Information Security Hub of the Principality of Asturias

It was decided that Group company Felguera Tecnologías de la Información, S.A. would join the high-level working group known as Nodo de Seguridad de la Información. This working group is tasked with:

» Obtaining a value proposition through a collaborative model.
» Promoting the certification of Asturian companies under ENS and/or other relevant standards.
» Ensure continuous training for active workers.

Notable **activities** in the field of innovation in 2022:

» Business R&D&I Centre

Duro Felguera applied for a grant with a view to implementing an **action plan** for three projects:

- Development of an integral system of intelligent intralogistics from warehouse to truck.
- Development of a rapid assembly/disassembly platform for the steel industry.
- Development of a system to improve continuous process industries.

» Automatic rear loading of tarpaulin trucks

The PaLa project was launched in 2022 with the aim of improving the automatic rear loading/unloading system (Nalon N8) so that it also works on tarpaulin trucks. This has been made possible under the European EIT Manufacturing call in consortium with Procter & Gamble, Bahag and Bremer Institut für Produktion und Logistik.

» Remote maintenance management through augmented reality

Aid was secured for the implementation of an advanced remote maintenance support system that uses a digital tool and devices to enhance the user experience.

» Integration of automated guided vehicles (AGVs) with Warehouse Management Systems (WMS)

Duro Felguera was awarded a grant for the development of an automated guided vehicle (AGV) prototype that can be built into our Warehouse Management System (WMS).

» Green hydrogen value chain

The joint project currently being undertaken by DF, Hunosa and Nortegas in consortium to develop a **renewable hydrogen plant** in Pozo Fondón (Langreo) was selected as a pioneering and unique renewable hydrogen project under the incentives programme of the Institute for Diversification and Saving of Energy (IDAE) and will therefore receive a grant of €4.2 million. This amount will be used to develop phase

1 of the project, which will ultimately have an electrolysis capacity of 2.5 MW. Of the 150-plus projects submitted to this call for proposals, just over 20 received support.

» Cloud version of the Warehouse Management System (WMS)

A grant was requested to develop a cloud version of the Warehouse Management System (WMS), with a budget of €175,000.

» Electric car charging stations

DFOM applied for aid from the IDAE to help fund the installation of eight electric car charging stations at DF's main offices.

» Development of an HSM encryption system for IP communications

EPICOM carried out a preliminary consultation with the CDTI ahead of a request for a €1.4 million, 30-month grant in 2023 to fund the development of an IP communications encryption system for critical civil infrastructure.

» Wave energy

DF Green Tech is developing a wave power pilot project alongside Finnish technology company AW-Energy, in collaboration with the University of Oviedo and the Port Authority of Avilés. Duro Felguera was featured in the fifth episode of the series ***Quest for climate solutions***, financed by the European Investment Bank to showcase outstanding and innovative projects that are tackling the challenges posed by climate change.

» Bai Data

DF Innovation Hub joined the Bai Data association, which promotes and supports the creation of **shared data spaces (Artificial Intelligence)**.

The division was awarded various **grants** in 2022 to finance the projects it is carrying out:

- The application for funding to build a **green hydrogen pilot plant** at the Pozo Fondón site (Langreo, Asturias), as submitted by the consortium comprising DF Green Tech, Hunosa and Nortegas, was selected under IDEA's H2 PIONEERS programme. This grant will be used to undertake phase 1 of the project, which will have an electrolysis capacity of 2.5 MW.
- Meanwhile, DF Calderería Pesada received grants for investment in **energy efficiency** and **occupational risk prevention**.
- The Institute of Economic Development of the Principality of Asturias (IDEPA) awarded grants to Felguera Tecnologías de la Información for **digital transformation**, allowing it to implement a **remote maintenance management** system based on augmented reality.
- DF Intelligent Systems: Gijón City Council awarded this division a grant to **make AGVs part of its WMS** as part of the portfolio of smart intralogistics solutions. It also received a further grant from IDEPA under the **Corporate R&D&I Centres** programme.

5.9 Community relations

Duro Felguera has pledged to collaborate and lend its full support in developing local, national and international communities and the territories in which it operates.

Duro Felguera seeks to generate positive impacts for the community by fostering job creation and sustainable development, while at the same time putting measures in place to prevent, manage and mitigate any possible negative impacts arising from its activities.

The Group's close support for the community and society in general takes shape through the following actions:

- Building strong ties with the community in which the Group operates in order to build trust and confidence.
- Supporting initiatives that contribute to a healthier, more equal and just society.

Programmes and agreements at national level

Mentoring programme

The People and Organisation division continued to collaborate on the *Enfoca Talento* initiative in 2022 by offering up its female human talent to act as mentors and counsellors for the women taking part in the programme. *Enfoca Talento* is a successful initiative of the Labour Department of Avilés City Council to improve the employability of female graduates. It combines various actions, including training, practical work experience, reflection, exploration and dissemination, all with the aim of making women better suited to the requirements of the job market by allowing them to receive mentoring from experienced female talent.

The guidance and support provided to participants includes a review of their CV, training in how to prepare for job interviews and additional information on what kind of further training might help them land a job. Another method of collaboration is to offer interested participants the opportunity to carry out "job tastings" at their choice of department within the company, to help gauge the kind of work they are fit for, what technological tools are used and what skills are sought among candidates, among other benefits.

During the year, DF and various other companies were recognised by Avilés City Council as a "Company Committed to Female Talent" for their collaboration within the framework of the 6th Edition of the *Enfoca Talento* programme. The chairman of Duro Felguera, Rosa Aza, was invited by the City Council of Avilés to deliver the keynote speech at the closing ceremony.

Agreements with educational centres

Duro Felguera has agreements in effect with educational centres whereby students who have recently graduated or are in their final year of studies can pursue an internship in the company.

When it comes to university studies, we have two types of partnership. Recently graduated students can do a one-year scholarship, with a monthly monetary endowment and registration with the Social Security, while final-year students can complete their internship at Duro Felguera as it is a compulsory subject that they need to earn their degree.

In the case of the vocational training centres, final-year students can take their on-the-job training course at Duro Felguera, which is delivered during the last school term.

The centres with which Duro Felguera has agreements in place include the likes of the University of Oviedo, the University-Business Foundation of Madrid, the University of Valladolid, the University of Castilla la Mancha and various vocational training centres in Asturias. Further agreements were reached in 2022 with: Centro Integrado de F.P. de los Sectores Industriales y de Servicios and with C.F.P.E. "Comunidad Natahoyo-Escuela Revillagigedo".

Actions with the local community

To aid in the development of the communities in which it operates, Duro Felguera remains in close contact with local stakeholders when performing its projects, while collaborating closely on various measures initiatives, donating material and entering into agreements to hire local labour. Because of Duro Felguera's business model, it is typically the end customer who builds relationships with the local community and is largely responsible for organising and handling the different social development and environmental protection actions associated with this type of project, including environmental impact assessments.

Throughout 2022, the level of progress made towards many of the Company's projects has meant that the number of initiatives has been lower than in previous years. However, the commitment of the Group and its employees to social goals remains clear to see, with highlights here including:

Food collection campaign in partnership with the Food Bank of Asturias

A food collection was held at Duro Felguera's head offices in the second half of June 2022, in collaboration with Fundación Banco de Alimentos de Asturias (the Food Bank Foundation of Asturias). The Food Bank Foundation of Asturias is a regional non-profit organisation entirely run by volunteers. It main objective is to combat food wastage, hunger and malnutrition within the Principality of Asturias.

Asturias Industrial Engineering Olympiads

Duro Felguera and several educational institutions teamed up to help stage the First Industrial Engineering Olympiad of the Principality of Asturias, in which top students from around the country took part. The event took place in May 2022 and had two categories, one for third and fourth year of secondary compulsory education and the other for higher secondary learners.

The aim of the initiative was to get students into industrial engineering, to reward effort and academic excellence and to disseminate the various disciplines of engineering, as a link between students and the Gijón Polytechnic School of Engineering (EPI), the venue for the competition.

Sponsorship of the DF seven-a-side football team

Following a hiatus caused by the pandemic, the seven-a-side football tournament was held once again in 2022 at the Gijón Science and Technology Park (PCTG), which also happens to be the headquarters of Duro Felguera. It was organised by LA LIGA FUTBOL7 GIJON and THE SPANISH MINIFOOTBALL ASSOCIATION (AEMF) and featured, aside from Duro Felguera's own team, five teams from other companies operating out of the PCTG.

Cultural Affinity programme – TATA Project

In the first half of 2022, the TATA project team had the opportunity to take part in a cultural affinity programme alongside Hofstede Insights. The programme is designed for multicultural teams by helping participants to understand the behaviours of each group and other cultures.

Initiatives and partnerships

In 2022, Duro Felguera continued to maintain responsible and strategic alliances with numerous associations, organisations and foundations at regional, national and international level in a bid to improve dialogue with its main stakeholders.

In 2022, contributions made to associations totalled €43,174.14, as follows:

- CEAPI – Business Council Alliance for Ibero-America
- Association of Renewable Energy Companies
- AMINER – Association of Research Companies
- FADE – Asturian Federation of Business Owners
- Association of Spanish Issuers
- Polo del Acero
- ASEMPOSIL – Association of Business Owners of Polígono de Silvota
- Biomass Technology and Business Hub
- Federation of Businesswomen and Female Executives of Asturias
- Official Chamber of Commerce, Industry and Navigation of Gijón
- Spanish Hydrogen Association

6. EU Taxonomy (Regulation 2020/852)

Introduction

In its Communication of 8 March 2018, the European Commission published its "Action Plan: Financing sustainable growth", marking the start of an ambitious and comprehensive strategy to make finance a key driver in moving towards an economy that ensures compliance with the objectives of the Paris Agreement and the 2030 Agenda for Sustainable Development of the European Union (EU).

The package of measures envisages ten concrete actions one of the main objectives of which is to reorient capital flows towards sustainable investments. The Taxonomy Regulation (Regulation (EU) 2020/852) was published in response to the first of these actions, setting out an objective classification system for determining which economic activities are sustainable and, consequently, which are not.

Commission Delegated Regulation (EU) 2021/2139 establishes the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (circular economy, water and marine resources, pollution prevention and control, and biodiversity). Commission Delegated Regulation (EU) 2021/2178 specifies the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU, as is the case for Duro Felguera.

The following concepts are distinguished:

Eligibility

- Eligible: referring to activities included in Commission Delegated Regulation (EU) 2021/2139, Annex I (mitigation) and/or Annex II (adaptation), as identified as being potentially Taxonomy-aligned.
- Non-eligible: referring to those activities not included in Commission Delegated Regulation (EU) 2021/2139.

Alignment

- Eligible aligned: refers to eligible activities that meet the technical screening criteria (TSC) of the environmental objective, do no significant harm (DNSH) to the other environmental objectives and are carried out in a way that ensures that the minimum safeguards are met.
- Eligible not aligned: eligible activities that do not currently meet the requirements for alignment (TSC, DNSH and Minimum Safeguards).

According to the provisions of Commission Delegated Regulation (EU) 2021/2178, and based on information for financial year 2021, Duro Felguera is required to report the eligible and non-eligible percentages of its turnover ("Turnover"), capital expenditure ("CapEx") and operating expenditure ("OpEx"). Based on for financial year 2022, in addition to the eligibility considerations described above, DF is required to report the indicators to determine the degree of alignment.

Scope

All the companies that make up the DF Group's scope of consolidation have been considered when analysing and determining eligible and aligned activities under the Taxonomy screening criteria of the European Commission. These same companies have been considered when reporting on the regulatory requirements set out in Spanish Law 11/2018 of 28 December, on non-financial information and diversity.

Results

Below we disclose the eligibility and alignment of our economic activities in 2022, including an explanation of our results and the calculation criteria employed:

Proportion of turnover derived from products or services associated with Taxonomy-aligned economic activities. 2022.

				Substantial contribution criteria						DNSH criteria ('Does not significantly harm')										
Economic activities	Code(s)	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover, 2022	Taxonomy-aligned proportion of turnover, 2021	Category (enabling activity)	Category '(transitional activity)'
A. TAXONOMY-ELIGIBLE ACTIVITIES		Euro	%																	
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0,0%**	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**0,0%**			
A.2 Taxonomy-eligible but not environmentally sustainable economic activities (not Taxonomy-aligned activities)																				
Specialised Services	4.8 (Annex 1)	1.476.988	**1,3%**																	
Turnover of Taxonomy-eligible but not environmentally sustainable economic activities (not Taxonomy-aligned activities) (A.2)		**1.476.988**	**1,3%**																	
Total (A.1 + A.2)		**1.476.988**	**1,3%**														**0,0%**			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible economic activities (B)		**115.708.012**	**98,7%**																	
Total (A + B)		**117.185.000**	**100,0%**																	

Proportion of CapEx derived from products or services associated with Taxonomy-aligned economic activities. 2022.

				Substantial contribution criteria						**DNSH criteria** ('Does not significantly harm')										
Economic activities	**Code(s)**	**Absolute CapEx**	**Proportion of CapEx**	**Climate change mitigation**	**Climate change adaptation**	**Sustainable use and protection of water and marine resources**	**Transition to a circular economy**	**Pollution prevention and control**	**Protection and restoration of biodiversity and ecosystems**	**Climate change mitigation**	**Climate change adaptation**	**Sustainable use and protection of water and marine resources**	**Transition to a circular economy**	**Pollution prevention and control**	**Protection and restoration of biodiversity and ecosystems**	**Minimum safeguards**	**Taxonomy-aligned proportion of CapEx, 2022**	**Taxonomy-aligned proportion of CapEx, 2021**	**Category (enabling activity)**	**Category '(transitional activity)'**
A. TAXONOMY-ELIGIBLE ACTIVITIES		Euro	%																	
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0,0%**	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**0,0%**			
A.2 Taxonomy-eligible but not environmentally sustainable economic activities (not Taxonomy-aligned activities)																				
CapEx of Taxonomy-eligible but not environmentally sustainable economic activities (not Taxonomy-aligned activities) (A.2)		**0**	**0,0%**																	
Total (A.1 + A.2)		**0**	**0,0%**														**0,0%**			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Capex of Taxonomy-non-eligible economic activities (B)		**59.243**	**100,0%**																	
Total (A + B)		**59.243**	**1**																	

Proportion of OpEx derived from products or services associated with Taxonomy-aligned economic activities. 2022.

				Substantial contribution criteria						DNSH criteria ('Does not significantly harm')										
Economic activities	Code(s)	Absolute CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of OpEx, 2022	Taxonomy-aligned proportion of OpEx, 2021	Category (enabling activity)	Category '(transitional activity)'
A. TAXONOMY-ELIGIBLE ACTIVITIES		Euro	%																	
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0,0%**	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**0,0%**			
A.2 Taxonomy-eligible but not environmentally sustainable economic activities (not Taxonomy-aligned activities)																				
OpEx of Taxonomy-eligible but not environmentally sustainable economic activities (not Taxonomy-aligned activities) (A.2)		13.735	**0,3%**																	
Total (A.1 + A.2)		**13.735**	**0,3%**														**0,0%**			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible economic activities (B)		**3.974.903**	**99,7%**																	
Total (A + B)		**3.988.638**	**100,0%**																	

Description of eligible and non-eligible activities

DF has analysed all external[23] and internal projects included in each of the business lines, based on the definition of operating segments provided in Note 5 to the accompanying consolidated financial statements for the year ended 31 December 2021.

When it comes to specialised services, and following a detailed analysis of the contracts in effect with customers, one project was identified as eligible for the climate change mitigation objective, as described in the Annex to the Delegated Act. This project is disclosed in section 4.8 – Electricity generation from bioenergy.

Alignment analysis

As explained in the introduction, in order to determine whether the project identified as eligible is Taxonomy-aligned, we analysed the extent to which it meets the technical screening criteria (TSC) of the environmental mitigation objective, the related DNSH principle and the minimum safeguards.

This analysis revealed that we do not meet all the requirements for the activity to be considered aligned. Therefore, we have classified the activity as eligible but not aligned.

Moreover, as this project will come to an end during the next financial year, it is not possible to establish a concrete action plan or roadmap with actions to be carried out in the future in order for this eligible activity to become Taxonomy-aligned.

Description of indicators

Turnover: the proportion of turnover referred to in Article 8(2), point (a), of Regulation (EU) 2020/852 shall be calculated as the part of the net turnover derived from products or services, including intangibles, associated with Taxonomy-aligned economic activities (numerator), divided by the net turnover (denominator) as defined in Article 2, point (5), of Directive 2013/34/EU.

In the specific case of DF Group, the denominator corresponds to the amount recorded under "Revenue" in the 2022 consolidated financial statements. The numerator corresponds to the net turnover in the consolidated financial statements obtained from the activity that we have considered as being Taxonomy-eligible in the specialised services business line.

CapEx: the proportion of CapEx referred to in Article 8(2), point (b), of Regulation (EU) 2020/852 shall be calculated as the numerator divided by the denominator. The denominator shall cover additions to tangible and intangible assets during the financial year considered before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. The denominator shall also cover additions to tangible and intangible assets resulting from business combinations.

[23] External projects are those that are part of a contract with a customer and therefore generate turnover and costs for DF, while internal projects generated only costs for the Group during the current year, mainly related to R&D, although they may generate turnover for the Group in the future.

In the specific case of DF, the denominator corresponds to all additions to cost in 2022 of property, plant and equipment, intangible assets and investment property (for a breakdown of these headings see Notes 6, 7 and 8 to the accompanying consolidated financial statements). The numerator corresponds to the amount of additions in cost in tangible fixed assets, intangible fixed assets and investment property for those activities we considered to be Taxonomy-eligible. Note that in this exercise the numerator is zero for both mitigation and adaptation to climate change.

OpEx: the proportion of OpEx referred to in Article 8(2), point (b), of Regulation (EU) 2020/852 shall be calculated as the numerator divided by the denominator. The denominator shall cover direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

For the DF Group in 2022, the denominator corresponds to the consolidated expense accounts associated with direct R&D expenses for personnel and other items, short-term leases and maintenance and repairs. No other direct expenses related to the day-to-day maintenance of property, plant and equipment have been identified. Therefore, the expenses considered in the denominator form part of the headings "Employee benefits expense" and "Other operating expenses" in the accompanying 2022 consolidated financial statements.

The numerator corresponds to the amount of these expense accounts that are associated with the activities that we have considered as Taxonomy-eligible in the specialised services segment.

Commitment to growth in renewable energy

As described in section 1.4 — Strategy, DF is firmly committed to growth in the renewable energy sector. It has already taken action along these lines as a show of its commitment to build and consolidate its position as a benchmark in the sector in the coming years.

As a result, we expect to see an increasing number of Taxonomy-eligible and Taxonomy-aligned activities for the climate change mitigation and adaptation objectives over the coming years. Special attention will be paid to projects associated with wave energy and green hydrogen production which, while they are still currently in the preliminary stages of study and promotion, should be evaluated in subsequent years to assess their eligibility and alignment potential.

7. Events after the reporting period

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

- On 21 February 2023, the Duro Felguera Group notified the CNMV of the signing of a memorandum of understanding (MOU) with Grupo Promotor de Desarrollo e Infraestructura, S.A. de C.V. ("Prodi Group") 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 applying for a waiver on launching 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:

a) a first arrangement, 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 arrangement, 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 following 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.

The debt-to-equity swap of the loans would 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 12:00 noon on first call and on second call on 13 April 2023 at the same time, with the following agenda:

    - 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 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.

    - 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 to offset the credit claims 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. no repaid with proceeds from the first capital increase included in agenda item 1 will be converted into equity.

  - Ratification of the appointment of María Jesús Álvarez González as director.

  - 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:

  - Strengthening the Company's financial position.
  - Respecting minority shareholders' subscription rights.
  - Injecting €90 million of capital.
  - Bringing in renowned industrial shareholders.
  - Providing stability to the Company's shareholder body.
  - 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 Infrastructura (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.

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 notarised. They set out terms for repayment, including standard terms such as authorisation of foreign investor, 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 of 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 of 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 parent 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.

8. About this Report

This document forms part of the Group's consolidated management report and contains information relating to the regulatory requirements prescribed by Law 11/2018 of 28 December, amending Spain's Code of Commerce, the consolidated text of the Corporate Enterprises Act, enacted by Legislative Royal Decree 1/2010, of 2 July, and Spain's Audit Act (Law 22/2015) of 20 July, on the disclosure of non-financial and diversity information.

This report covers the activities carried out at all Group companies in relation to environmental, personnel, social, human rights, anti-corruption and anti-bribery issues, including information on their strategic, development and market positioning. The information presented refers to the 2022 financial year, running from 1 January 2022 through to 31 December 2022. Information for 2021 is presented for comparative purposes only.

9. Reference table of requirements under Law 11/2018, on non-financial statements, and related provisions of the Global Reporting Initiative (GRI Indicators)

The information required under Law 11/2018 of 28 December and the related items of the Global Reporting Initiative (GRI) reported by Duro Felguera are as follows:

General disclosures		Reference framework	Section	Remarks
Business model	Brief description of the Group's business model	GRI 2-1 Organizational details GRI 2-6 a. Activities, value chain and other business relationships	1.1 Mission, vision and values 1.2 Business model 1.3 Duro Felguera in the world 1.4 Strategy	Duro Felguera S.A. Parque Científico Tecnológico, C/ Ada Byron, 90, 33203 Gijón, Asturias (Spain)
General disclosures	Reporting framework	GRI 2-29 List of stakeholders List of material topics GRI 2-3 a. Reporting period	5.Our sustainability model 8. About this report	Geared towards GRI 3, to be applied in future reports.

Management approach disclosures	Policies pursued by the group, including due diligence processes implemented to identify, assess, prevent and mitigate significant risks and impacts and for assurance and control, and the measures that have been adopted	GRI 2-9 Governance structure and composition GRI 2-10 a. Nomination and selection of the highest governance body GRI 2-12 a. Role of the highest governance body in overseeing the management of impacts GRI 2-23 a., d. Policy commitments	2.2 Corporate governance 3. Ethics and regulatory compliance 4.2 Risk management: Risk management model and governance of risk management 5. Our sustainability model: Sustainability Policy 5.2 People and organisation 5.3 Health and safety 5.4 Environment: Environmental Policy 5.5 Quality 5.7 Supply chain 5.9 Community relations	-
	Main risks related to these issues and connected to the Group's activities		3. Ethics and regulatory compliance 4.2 Risk management 5.4 Environment 5.7 Supply chain: Risk management in the supply chain	Geared towards GRI 3, to be applied in future reports.
			Annual Corporate Governance Report: section E (Risk control and management systems) and Section F (Internal risk control and management systems in relation to the financial reporting process (ICFR))	

Environmental matters	**Reference framework**	**Section**	**Remarks**

Environmental management	Current and foreseeable effects of the company's activities on the environment and, as the case may be, on health and safety		5.4 Environment	Geared towards GRI 3, to be applied in future reports.
	Environmental assessment or certification procedures	GRI 2-23 Policy commitments	5.4 Environment: Environmental Policy	
	Resources dedicated to the prevention of environmental risks		5.4 Environment: Environmental management	Geared towards GRI 3, to be applied in future reports.
	Application of the precautionary principle	GRI 2-23 Policy commitments	5.4 Environment	DF's environmental management system focuses on risk identification and assessment. This is a requirement under ISO 14001/2015.
	Amount of provisions and safeguards for environmental risks	GRI 2-27 Compliance with laws and regulations	5.4 Environment: Environmental management Note 23 on provisions to the 2022 Consolidated Financial Statements	
Pollution	Measures to prevent, reduce or repair carbon emissions (also includes noise and light pollution)	-	-	Due to Duro Felguera’s activities and industry, noise and light pollution are not material aspects to consider. Similarly, measures to prevent, reduce or repair emissions are not relevant to Duro Felguera's production process and therefore no specific metrics were taken in 2022.

Circular economy and waste prevention and management	Waste prevention, recycling and reuse measures and other forms of waste recovery and disposal	GRI 306-3 Waste generated GRI 306-4 Waste diverted from disposal	5.4 Environment: Waste and the circular economy	Duro Felguera implemented no specific measures in this regard in 2022 beyond the continuous waste management strategy it has defined and which is described in section 5.4.
	Actions to combat food waste	-	-	As Duro Felguera does not engage in any food-related activities, this requirement is not considered material for the Group.
Sustainable use of resources	Responsible water consumption and supply based on local restrictions	-	5.4 Environment: Water consumption	-
	Consumption of raw materials	GRI 301-1 Materials used by weight or volume	5.4 Environment: Consumption of raw materials	The data provided are for the DF Calderería Pesada business unit. At the other business units of Duro Felguera, projects are managed from a design viewpoint. Therefore, the most significant work units when it comes to material consumption (civil engineering and structures) are fully outsourced, although the subcontractors have no access to the data.

	Measures in place to ensure more efficient use of resources	-	5.4 Environment: Consumption of raw materials	All surplus sheet metal (offcuts) is reused at the fabrication workshop (Duro Felguera Calderería Pesada). This quantity of stock material is relatively low, because a specific calculation is made before any purchases to optimise stock and adjust them to manufacturing needs. Raw material consumption is due to manufacturing processes and no specific measures are expected to be put in place to reduce consumption.
	Direct and indirect energy consumption	-	5.4 Environment: Climate change	-
	Measures in place to improve energy efficiency; Use of renewable energies	-		As a result of the proposals described in the 2020 energy efficiency audit report, various improvements have been made, or are being evaluated ahead of their potential implementation in the coming months. Notable examples include the switch to LED lighting.
Climate change	Material aspects relating to the greenhouse gas emissions generated as a result of the Company's activities	-	5.4 Environment: Climate change	DF's operations do not generate greenhouse gas emissions beyond those accounted for in calculating tonnes of CO_2 contributed.

	Measures taken to adapt to the consequences of climate change	-	-	The 2021 carbon footprint was verified in 2022, leading to a proposal for an emissions reduction plan at DF's headquarters, which may be implemented in the coming months. Highlights in 2022 included the procurement of certified renewable energy.
	Voluntary medium- and long-term targets in place to reduce greenhouse gas emissions and the resources implemented to that end.	-		The reduction target set was 100% renewable energy supply. In 2022, DF arranged energy from certified renewable energy sources.
Protection of biodiversity	Measures in place to preserve or restore biodiversity	-	-	As Duro Felguera does not carry out activities that could affect biodiversity, this aspect is not considered material for the Group.
	Impacts caused by activities or operations in protected areas	-	-	Duro Felguera does not engage in activities in protected areas.

Corporate matters and employees		Reference framework	Section	Remarks
Employment	Total number and breakdown of employees by gender, age, country and professional classification	GRI 2.7 a., d., e. Employees GRI 405-1.a Diversity of governance bodies and employees GRI 405-1.b Diversity of governance bodies and employees	5.2 People and organisation: Distribution of the workforce at year-end; Distribution of the workforce by geographical region and gender; and Distribution of the workforce by category and age Annual Corporate Governance Report, Section C – Company administrative structure	-
	Total number and distribution of types of employment contract	-	5.2 People and organisation: Annual average by type of contract and average number of new contracts.	-
	Annual average by contract type (permanent, temporary and part-time), by gender, age and job category	GRI 405-1.b Diversity of governance bodies and employees	5.2 People and organisation: Average number of employees by type of contract, Average types of contract by employee category, Average number of employees by geographical region and Average number of new contracts in 2022. Annual Corporate Governance Report, Section C – Company administrative structure	-
	Number of dismissals by gender, age and job category	-	5.2 People and organisation: Distribution of dismissals by gender, age and employee category	-
	Average remuneration by gender, age and job category	-	5.2 People and organisation: Remuneration policy	-

	Pay gap	-	5.2 People and organisation: Remuneration policy	-
	Remuneration per equivalent jobs or average remuneration at the company	-	5.2 People and organisation: Remuneration policy and Work-life balance and time management measures	-
	Average remuneration of directors and managers, including variable remuneration, per diem allowances, severance pay, long-term retirement plans and any other amounts received, broken down by gender	GRI 2-19 a. Remuneration policies	2.2 Corporate governance: Remuneration	-
	Implementation of work disconnection policies	-	5.2 People and organisation: Introduction and Work-life balance and time management measures	-
	Employees with disabilities	-	5.2 People and organisation: Diversity and equal opportunity	-
Organisation of work	Organisation of working hours	-	5.2 People and organisation: Introduction, Actions in response to Covid-19, and Work-life balance and time management measures	Geared towards GRI 3, to be applied in future reports.
	Number of hours of absenteeism	-	5.2 People and organisation: Work-life balance and time management measures	-
	Measures aimed at improving the work-life balance and ensuring a suitable balance between both parents	-	5.2 People and organisation: Introduction and Work-life balance and time management measures	-
Health and safety	Health and safety conditions in the workplace	GRI 3-3. c Management of material topics (looking towards GRI 403 – Occupational Health and Safety	5.2 People and organisation: Actions in response to Covid-19 and Communication with employees 5.3 Health and safety	Geared towards GRI 3, to be applied in future reports.

	Workplace accidents and occupational diseases (frequency and severity), broken down by gender	403-9.a.i Work-related injuries	5.3 Health and safety	-
Employment relations	Organisation of dialogue between the company and employees, including procedures for informing, consulting and negotiating with employees		5.2 People and organisation: Introduction and legal representation of the workers and communication channels	Geared towards GRI 3, to be applied in future reports.
	Mechanisms and procedures that the company has in place to promote worker involvement in the company's management in terms of information, consultation and participation		5. Our sustainability model 3. Whistleblowing Channel 5.2 People and Organisation: Legal representation of the workers and communication channels 5.3 Occupational Health and Safety (Occupational Health and Safety Committees)	
	Percentage of employees covered by collective bargaining agreements, by country	GRI 2-30 Collective bargaining agreements	5.2 People and organisation: Work-life balance and time management measures	-
	Description of collective bargaining agreements, particularly in the field of occupational health and safety	-	5.2 People and organisation: Work-life balance and time management measures 5.3 Occupational Health and Safety (Occupational Health and Safety Committees)	-

Training	Policies in place in relation to training	-	5.2 People and organisation: Talent management at Duro Felguera: Professional training and development	DF does not have a formally approved training policy that is delivered to the Group's employees. Management of the training procedures is included in the People & Organisation Management Operational Procedure. Moreover, as explained in section 5.2 People and Organisation, DF is committed to planning the training and professional development of its employees, as shown by the increase in the number of training hours effectively delivered in 2022
	Total number of training hours by job category	GRI 3-3. c Management of material topics (looking towards GRI 404 Training and Education	5.2 People and organisation: Talent management at Duro Felguera: Professional training and development	Geared towards GRI 3, to be applied in future reports.
Accessibility	Universal accessibility for people with disabilities	-	5.2 People and organisation: Diversity and equal opportunity	-
Equality	Measures put in place to foster equal treatment and opportunities for women and men	-	2.2 Corporate governance: Diversity on the Board 5.2 People and Organisation: Introduction and Diversity and equal opportunities 5.6 Human rights	-
			Annual Corporate Governance Report, Section C – Company administrative structure	
	Equality plans	-	5.2 People and organisation: Diversity and equal opportunity	The Group's equity plan is currently being designed and implemented

	Measures adopted to promote employment	GRI 3-3. c Management of material topics (looking towards GRI 401 Employment	5.2 People and organisation: Talent management at Duro Felguera: Attracting and engaging talent 5.2 People and Organisation: In-house internship programme for daughters of women employees 5.9 Community relations: Programmes and agreements at national level: Agreements with educational centres	Geared towards GRI 3, to be applied in future reports.
	Protocols against sexual and gender-based harassment	-	5.2 People and organisation: Introduction and Non-discrimination 5.6 Human rights	-
	Integration and universal accessibility for persons with disabilities	-	5.2 People and organisation: Diversity and equal opportunity	-
	Anti-discrimination policy and, where applicable, diversity management policy	-	5.2 People and organisation: Introduction and Non-discrimination 5.6 Human rights	-

Human rights		Reference framework	Section	Remarks
Human rights	Application of human rights due diligence processes	GRI 3-3. c Management of material topics (looking towards GRI 412 Human rights assessment	5.6 Human rights 5.7 Supply chain: Risk management in the supply chain	Geared towards GRI 3, to be applied in future reports.
	Measures to prevent the risk of human rights abuses and, where appropriate, measures to mitigate, manage and redress any abuses committed	GRI 2-23 Policy commitments	5.6 Human rights 5.7 Supply chain: Risk management in the supply chain	-
	Reports of human rights abuses	GRI 2-26 Mechanisms for seeking advice and raising concerns	5.6 Human rights	-
	Promotion of and compliance with the provisions of the International Labour Organization's fundamental conventions on respect for freedom of association and the right to collective bargaining; the elimination of job and workplace discrimination; the elimination of forced or compulsory labour; and the effective abolition of child labour.	-	5.2 People and organisation: Introduction and Non-discrimination 5.6 Human rights	Duro Felguera has not identified any risks relating to lack of respect for freedom of association and collective bargaining, forced or compulsory labour and/or child labour in its own operations, or in those of the suppliers and subcontractors with which it works. It does, however, possess the necessary tools to mitigate these risks, mainly the Ethics Line and Whistleblower Channel.

Corruption and money laundering		Reference framework	Section	Remarks
Corruption and money laundering	Measures in place to prevent corruption and bribery	GRI 3-3. c Management of material topics (looking towards GRI 205 Anti-corruption	3.2 Compliance and Anti-Corruption	-
	Anti-money laundering measures	GRI 2-23 Policy commitments GRI 3-3. c Management of material topics (looking towards GRI 205 Anti-corruption	3. Ethics and compliance	As for anti-money laundering measures, the group has a developed and put in place a Crime Prevention System. See section 3.2
	Contributions to foundations and non-profit entities	-	-	No contributions were made to foundations or non-profit organisations in 2022 or 2021, given the difficult situation facing the Group.

Information on the company		Reference framework	Section	Remarks
Company commitments to sustainable development	Impact of the Company's activities on employment and local development	-	4.1 Main financial indicators 5.9 Community relations	-
	Impact of the Company's activities on local populations and territories	-	5.9 Community relations	-
	Relations maintained with local community agents and forms of dialogue with those agents	-	3.3 Tax transparency 5. Our sustainability model: Dialogue with the value chain and stakeholder engagement 5.9 Community relations	-
	Association or sponsorship actions	GRI 2-28 Membership of associations	5.9 Community relations: Initiatives and partnerships	-

Outsourcing and suppliers	Making social, gender equality and environmental concerns part of the procurement policy	-	5.6 Human rights 5.7 Supply chain	-
	Consideration of social and environmental responsibility concerns in relations with suppliers and subcontractors	GRI 3-3. c Management of material topics (looking towards GRI-308 Supplier environmental assessment and GRI-414 Supplier social assessment	5.6 Human rights 5.7 Supply chain	Geared towards GRI 3, to be applied in future reports.
	Supervision and audit systems and their outcomes	-	5.7 Supply chain: Supplier assessments	-
Consumers	Measures to protect the health and safety of consumers	-	5.5 Quality: Product or service health and safety	-
	Grievance and claims systems	-	5.5 Quality: Customer satisfaction	Geared towards GRI 3, to be applied in future reports.
	Grievances received and the solution or response given	-	5.5 Quality: Customer satisfaction	No fines or sanctions for amounts deemed material for the Duro Felguera Group were imposed or handed down during the year by virtue of final judgment or decision delivered under litigation or administrative proceedings involving environmental, marketing and labelling, safety or privacy matters. See Note 33 to the 2022 consolidated financial statements.
Tax information	Country-by-country profits	GRI 207-4.b.vi Country-by-country reporting	4.1 Main financial indicators	-
	Income tax paid		3.3 Tax transparency	-
	Government subsidies and aid received	GRI 201-4.a.3 Financial assistance received from government	3.3 Tax transparency	-

10. Table based on the Taxonomy Regulation

Area	Reference framework	Section
Taxonomy	Own methodology based on compliance with EU Regulation 2020/852	5. EU Taxonomy (Regulation 2020/852)

2022

AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS
MANAGEMENT REPORT

Gijón, 28 April 2023

Rosa Isabel Aza Conejo
Chairwoman

José Jaime Argüelles Álvarez
Chief Executive Officer

José Julián Massa Gutiérrez del Álamo
Director

Valeriano Gómez Sánchez
Director

Jordi Sevilla Segura
Director

César Hernández Blanco
Director

María Jesús Álvarez González
Director

APPROVAL OF THE BOARD OF DIRECTORS

Chairwoman Rosa Isabel Aza Conejo

Chief Executive Officer	José Jaime Argüelles Álvarez
Director	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 consolidated financial statements and consolidated management report of Duro Felguera, S.A. and subsidiaries 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, 28 April 2023

Jesús Sánchez Lambás
Secretary, non-director

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 28 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, 28 April 2023

Rosa Isabel Aza Conejo Chairwoman	José Jaime Argüelles Álvarez Chief Executive Officer
José Julián Massa Gutiérrez del Álamo Director	Valeriano Gómez Sánchez Director
Jordi Sevilla Segura Director	César Hernández Blanco Director
María Jesús Álvarez González Director	