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 2023

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.

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INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

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

Report on the consolidated financial statements

Qualified 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 2023, 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, except for the effects of the matter described in the Basis for qualified opinion section 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 2023, and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the financial reporting framework applicable in Spain.

Basis for qualified opinion

The group is currently executing an onerous contract. The allowance for expected loss recognised has not been updated to reflect actual costs expected or any potential penalties for delay. As disclosed in Note 33, the Group is currently negotiating a rebalancing of the project and a formal extension of the delivery times with the customer, as well as a renegotiation of the related penalty. In April, it reached an agreement over the partial delivery of the project in 2024, as disclosed in Note 37bis. Accordingly, although the group has prepared its estimate of the unavoidable contracts costs to be incurred, it did not consider the updated costs or factor in any amount for penalties. We have been unable to determine the exact amounts that should also be recognised in relation to the allowance for the onerous contract as at 31 December 2023 or the impact of the situation on consolidated revenue.

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 qualified opinion.

Material uncertainty related to going concern

We draw attention to the disclosure provided in Note 2.1.1 to the consolidated financial statements, which states that the group had negative equity and working capital as at 31 December 2023, and that it had incurred losses during the year that resulted in significant deviations from its viability plan, which was updated in 2023, and obtained a waiver from the financial institutions of compliance with the financial ratios as at 31 December 2023. 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 obligations. Against this backdrop, the Group has taken several actions to strengthen its equity and financial position, articulated in a €90 million cash injection at the end of 2023, which was converted into equity in February 2024 and led to the arrival of two new investors who hold a combined 54.66% shareholding in the Group (note 37). Group management expects the addition of those investors to bolster the Group's commercial and project execution capabilities and to enable it to extend the repayment schedule of the profit participating loans to the Spanish Solvency Support Fund for Strategic Companies (FASEE), as this was one of the conditions for doing so (Note 20). Meanwhile, the Group continues to work on measures to tighten its control over project costs and on a range of financial measures to prevent the early maturity of its financing and to maintain the line of guarantees required for its operations, as well as the Group's contracting ability so it can achieve high enough revenue to deliver its viability plan. Whether many of these measures will be successful and their timing are uncertain and beyond the Group's control. In these circumstances, the directors of the Parent of Duro Felguera Group have authorised for issue the 2023 consolidated financial statements on a going concern basis, assuming that the actions taken will be successful and that the business plan will be executed with the technical and financial support of the new shareholders, along with adequate development of the processes disclosed in notes 29 and 33. 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 Basis for qualified opinion and Material uncertainty for a going concern sections, we determined that the circumstances described below are key audit matters that would require disclosure in our audit report.

Contingencies and provisions related to arbitration proceedings and lawsuits	
Description	**Procedures applied in the audit**
As explained in Note 33, because of its activity, the Group is involved in several arbitration and court proceedings for a significant amount, mostly with customers and suppliers. These proceedings include counter suits among the parties. Of these proceedings, as at 31 December 2023, there are receivables related to the resolution of arbitration proceedings amounting to €17 million, net of allowances for credit losses (Note 11), unrecognised contingent assets related to claims, and liabilities and provisions recognised to cover claims amounting to €47 million. Reversals of provisions for €24 million were recognised as income in the statement of profit or loss in 2023 (Note 23). The Group also has an ownership interest in a jointly controlled entity involved in an arbitration proceeding with a customer that resulted in a positive outcome for its interests, although the ruling has been appealed (Note 9). In relation to these proceedings, Group management assesses whether the contingent assets and/or impairment losses related to recognised assets 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 these to be key audit matters.	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 internal and external legal advisors with whom the Group works to analyse the current situation of the proceedings, we obtained the supporting documentation on the situation of each case at the end of the reporting period, we considered the events after the end of the reporting period and assessed the probabilities of outcome attributed by management and the legal advisors. In our analysis, we paid particular attention to matters relating to the most significant court proceedings in progress and evaluated the adequate accounting treatment afforded to each case based on how the arbitration and legal proceedings are unfolding. We engaged our internal legal specialists, selectively and based on qualitative and quantitative factors, to assist us in assessing the reasonableness of the judgements made by the Group and its advisors. We also evaluated the information disclosed by the Group in relation to these proceedings in Notes 9, 11 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 assets, provisions and disclosures of contingent assets and 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 2023, there were no tax liabilities recognised in relation to these assessments, and there were withholdings made by the tax authorities amounting to €6 million recognised as collection rights. The Group has also provided real estate collateral on certain assets and been granted a suspension of its payment obligations for all the proceedings by providing 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.	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 to assist us in evaluating the reasonableness of the assumptions and judgements made by the directors, who took into account the uncertainty existing in relation to the outcome of the matters in question. 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 the disclosures in Note 33 regarding the situation of the proceedings related to the 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 several alleged crimes, given that in 2023 a communication was received rejecting the appeal for reform filed by the Group against the transformation ruling. The related appeal was duly lodged with the National Court's Criminal Division, which was dismissed by this Division in March 2024. The Parent's directors and external advisors consider that the ruling will not go against the Group's interests. However, the probability or extent of the potential consequences will depend on the outcome of the written accusation finally presented and on the oral hearings. Therefore, the final outcome is uncertain. Our opinion is not modified in respect of this matter.

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 or arbitration, with counter-claims among the parties involving the Group with the Recope (Costa Rica) and Balzaola (Spain) projects. Contractual termination rulings were given for the two contracts in Costa Rica in 2023, without any substantial process in the process since. Meanwhile, in the latter case, the arbitration claim is from 2023 by the third party, although the Group has filed a counterclaim, which is still at an early stage. In this regard, uncertainty exists regarding the final outcome of these processes since they are in the early stages and have not led to any judgment or ruling. Therefore, the estimates made by directors could be modified significantly depending on developments. Our opinion is not modified in respect of this matter.

Other information: Consolidated management report

Other information refers exclusively to the 2023 consolidated management report, the preparation of which is the responsibility of the Parent'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 report that fact.

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, except for the material misstatement described in the following paragraph, that the remaining information contained in the consolidated management report is consistent with that provided in the 2023 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

As described in the Basis for qualified opinion section, there is a material misstatement of the accompanying consolidated financial statements. We concluded that this circumstance also affects the consolidated management report to the same extent.

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 8, 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 2023 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 2023 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 regulations require that we plan and perform our audit procedures to obtain reasonable assurance about whether the contents of the consolidated financial statements included in the aforementioned digital files correspond in their entirety to those of the consolidated financial statements that we have audited, and whether the consolidated financial statements and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the ESEF Regulation.

In our opinion, the digital files examined correspond in their entirety to the audited consolidated financial statements, which are presented and have been marked up, in all material respects, in accordance with the ESEF Regulation. However, they are affected in the same way and to the same extent as the audited consolidated financial statements for the matter described in the Basis for qualified opinion section.

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 2024.

Term of engagement

At the Annual General Meeting held on 27 June 2023, we were appointed auditor of the Group for one year, as from the year ended 31 December 2022.

Previously, we were appointed auditors by the shareholders in general meeting for three years and we have been carrying out the audit of the financial statements continuously since the year ended 31 December 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 2024

Appendix to our auditor’s report

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.

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

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

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

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

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

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

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

DURO FELGUERA, S.A. AND SUBSIDIARIES

Consolidated Financial Statements and Consolidated Management Report for the year ended 31 December 2023

DURO FELGUERA, S.A. AND SUBSIDIARIES

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (€ thousand)

ASSETS	NOTE	As at 31 December 2023	As at 31 December 2022
NON-CURRENT ASSETS		45,393	56,494
Intangible assets	8	1,063	3,216
Property, plant and equipment	6	26,021	26,949
Investment properties	7	18,171	18,445
Investments accounted for using the equity method	9	28	20
Non-current financial assets	10	110	7,864
CURRENT ASSETS		283,337	176,964
Inventories	13	7,878	4,706
Trade and other receivables:	10-11	138,275	118,128
a) Trade receivables		102,983	86,661
b) Other receivables		35,292	31,467
c) Current tax assets		-	-
Current financial assets	10	23,422	29,412
Other current assets	10	3,863	621
Cash and cash equivalents	14	109,899	24,097
TOTAL ASSETS		328,730	233,458

EQUITY AND LIABILITIES	NOTE	As at 31 December 2023	As at 31 December 2022
EQUITY	15 e)	(155,531)	(141,929)
CAPITAL AND RESERVES		(95,528)	(73,186)
Capital	15 a)	4,800	4,800
Reserves and retained earnings	17	(78,437)	(82,992)
Profit or loss for the period attributable to the parent		(21,891)	5,006
ACCUMULATED OTHER COMPREHENSIVE INCOME	17	(60,737)	(69,382)
EQUITY ATTRIBUTABLE TO THE PARENT		(156,265)	(142,568)
NON-CONTROLLING INTERESTS	19	734	639
NON-CURRENT LIABILITIES		72,435	154,730
Government grants		4,470	3,038
Non-current provisions	23	1,323	1,271
Non-current financial liabilities:	10-20	63,130	147,722
a) Convertible bonds and other financial instruments		11,880	11,852
b) Bank borrowings		7,143	13,178
c) Other financial liabilities		44,107	122,692
Deferred tax liabilities	22	3,512	2,699
CURRENT LIABILITIES		411,826	220,657
Current provisions	23	51,123	75,394
Current financial liabilities:	10-20	183,657	8,178
a) Convertible bonds and other financial instruments (*)		90,516	-
b) Bank borrowings		6,529	64
c) Other financial liabilities		86,612	8,114
Trade and other payables:	10-21	177,046	136,987
a) Suppliers		102,008	71,457
b) Other payables		74,292	64,750
c) Current tax liabilities		746	780
Other current liabilities		-	98
TOTAL EQUITY AND LIABILITIES		328,730	233,458

(*) Loans classified as convertible subject to fulfilment of a condition, which was obtained on 30 January 2024 (Notes 2.1.1, 3.c and 37)

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(€ thousand)

		Year ended 31 December	
	NOTE	2023	2022
Revenue	24	281,199	117,185
Changes in inventories of finished goods and work in progress		623	362
Self-constructed assets		-	-
Cost of sales	26	(161,114)	(43,489)
Other operating income		146	262
Employee benefits expense	25	(92,858)	(72,538)
Other operating expenses	26	(40,763)	(5,276)
Amortisation and depreciation	6, 7 and 8	(4,518)	(5,025)
Release of non-financial capital grants and other		668	242
Impairment of property, plant and equipment	6-7	958	-
Gains/(losses) on disposals of property, plant and equipment		-	(415)
Other income/(expense)	27	203	2,044
OPERATING PROFIT/(LOSS)		(15,456)	(6,648)
Finance income		2,154	2,756
Finance costs		(6,517)	(4,442)
Change in fair value of financial instruments		(28)	4,135
Exchange differences		(1,774)	5,467
Impairment/(reversal of impairment) of financial instruments		-	2
NET FINANCE INCOME/(COST)	28	(6,165)	7,918
Share of profit/(loss) of companies accounted for using the equity method	9	-	5,699
PROFIT/(LOSS) BEFORE TAX		(21,621)	6,969
Income tax expense	29	(176)	(1,851)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(21,797)	5,118
PROFIT/(LOSS) AFTER TAX FOR THE YEAR FROM DISCONTINUED OPERATIONS		-	-
PROFIT/(LOSS) FOR THE YEAR		(21,797)	5,118
a) Profit/(loss) attributable to the parent		(21,891)	5,006
b) Profit/(loss) attributable to non-controlling interests	19	94	112
EARNINGS PER SHARE (€)			
Basic	30	(0.23)	0.05
Diluted	30	(0.09)	0.04

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 2023	2022
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		(21,797)	5,118
OTHER COMPREHENSIVE INCOME - ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:		7,886	-
Revaluation/(reversal of revaluation) of property, plant and equipment and intangible assets		-	-
Equity instruments at fair through other comprehensive income	10	9,747	-
Other comprehensive income that will not be reclassified to profit or loss		-	-
Tax effect		(1,861)	-
OTHER COMPREHENSIVE INCOME - ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:		759	(8,715)
Translation differences:	17	76,181	21,062
a) Valuation gains		76,181	21,062
b) Amounts reclassified to profit or loss		-	-
c) Other reclassifications		-	-
Other comprehensive income that may be reclassified subsequently to profit or loss:	17	(75,422)	(29,777)
a) Valuation gains/(losses)		(75,422)	(29,777)
b) Amounts reclassified to profit or loss		-	-
c) Other reclassifications		-	-
Tax effect	22	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(13,152)	(3,597)
a) Attributable to the parent		(13,246)	(3,709)
b) Attributable to non-controlling interests		94	112

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 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		-	(449)	-	-	-	-	(4)	(453)
Balance at 31 December 2022		4,800	(82,992)	-	5,006	-	(69,382)	639	(141,929)
Balance at 1 January 2023		4,800	(82,992)	-	5,006	-	(69,382)	639	(141,929)
Total comprehensive income for the year		-	-	-	(21,891)	-	8,645	94	(13,152)
Transactions with equity holders or owners		-	-	-	-	-	-	-	-
Capital increases/(reductions)	15	-	-	-	-	-	-	-	-
Distribution of dividends		-	-	-	-	-	-	-	-
Other changes in equity		-	4,555	-	(5,006)	-	-	1	(450)
Transfers between equity items		-	5,006	-	(5,006)	-	-	-	-
Other changes (note 20.a)		-	(451)	-	-	-	-	1	(450)
Balance at 31 December 2023		4,800	(78,437)	-	(21,891)	-	(60,737)	734	(155,531)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
(€ thousand)

		Year ended 31 December	
	NOTE	2023	2022
NET CASH FLOWS USED IN OPERATING ACTIVITIES	32.a)	(26,956)	(61,495)
Profit/(loss) before tax		(21,621)	6,969
Adjustments for:		(12,638)	(22,833)
Amortisation and depreciation		4,518	5,025
Other adjustments to profit/(loss)		(17,156)	(27,858)
Working capital changes		13,089	(42,827)
Other cash flows from operating activities:		(5,786)	(2,804)
Interest paid		(4,528)	(3,433)
Interest received		1	874
Income tax received/(paid)		(1,259)	(245)
NET CASH FLOWS FROM INVESTING ACTIVITIES	32.b)	23,889	8,554
Payments for investments		(2,591)	(4,329)
Proceeds from sale of investments		21,159	12,883
Other cash flows from investing activities		5,321	-
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	32.c)	88,869	(11,504)
Proceeds from and payments for equity instruments		-	-
Proceeds from and payments for financial liability instruments		88,869	(11,504)
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		85,802	(64,445)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		24,097	88,542
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	109,899	24,097

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 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 more innovative businesses: 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 company's directors on 30 March 2024 and re-issued on 26 April 2024 to include the events after 31 March disclosed in Note 37.bis hereto. The 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 2022 were approved by shareholders at the Annual General Meeting held on 27 June 2023.

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 2023 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 2023, 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 2023 and 2022, 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 2023 and 2022.

The Group presents comparative information in the explanatory notes 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 the nearest thousand, 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 2022 annual consolidated financial statements.

(€ thousand)

New mandatory standards, amendments and interpretations applicable in 2023

Approved for use in the European Union		Mandatory for annual reporting periods beginning on or after:
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
Amendments to IAS 1– Disclosure of Accounting Policies.	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 8 - Definition of Accounting Estimates.	Amendments and clarifications with respect to what constitutes a change in accounting estimates.	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 related to assets and liabilities arising from a single translation such as leases and decommissioning obligations.	1 January 2023
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
Amendments to IAS 12 – Tax Reform - Pillar Two Model Rules	This amendment introduces a temporary exemption to the accounting for deferred tax assets and liabilities in IAS 12 related to Pillar Two income taxes. They also include additional disclosure requirements.	1 January 2023

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 2023.

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:

(€ thousand)

Approved for use in the European Union		Mandatory for annual reporting periods beginning on or after:
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
Amendment to IAS 1- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants.	Clarifications regarding the presentation of liabilities as current or non-current and particularly liabilities subject to the entity complying with covenants.	1 January 2024

Not yet approved for use in the European Union		Mandatory for annual reporting periods beginning on or after:
Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements.	This amendment introduces specific disclosure requirements for supplier financing arrangements and the effects of those arrangements on an entity's liabilities and cash flows and its exposure to liquidity risk and management of related risks.	1 January 2024
Amendments to IAS 21 - Lack of Exchangeability	This amendment establishes an approach specifying when a currency is exchangeable into another currency and, when it is not, determining the exchange rate to use.	1 January 2025

For standards that become effective from 2024 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 2023 are not materially different from those applied during the year ended 31 December 2022.

2.1.1. Assessment of possible uncertainties relating to application of the going concern principle

The parent company had negative equity as at 31 December 2023, but was not in a situation calling for its dissolution (see Note 15.f). Also, although working capital was initially negative by €128 million (2022: €43.6 million negative), the recalculated amount would be positive in an amount of €46 million considering the matters disclosed in notes 2.3 and 3.c, primarily: the conversion into shares in 2024 of the convertible loan through the capital increase carried out on 21 February 2024 (Note 37) for €90.5 million following authorisation of the waiver of the mandatory takeover bid issued on 30 January 2024, and the new maturity of the €84 million profit participating loan with FASEE, with an extended maturity (Notes 20.d and 37), after the Council of Ministers, on 4 July 2023, approved the updating of the original viability plan, which included a modification of the repayment schedule of the financing (which became effective upon fulfilment of the related conditions, e.g. acquisitions of equity interests by industrial shareholders, which were placed on record at the Companies Register on 26 February 2024 and notarised on 13 March 2024), after which the new maturities of the profit participating loans are in the 2026-2028 period. Both financing deals are presented as current liabilities as at 31 December 2023 and do not require any cash outflows for repayment over the next 12 months.

In recent years, the Group has been carrying out its viability plan, achieving considerable increases in revenue, order intake and backlog even though the global economy has been facing challenges from soft growth and high inflation —and expectations of a slight slowdown in 2024 and 2025— due above all to (necessary) monetary policy tightening of the last two years. Moreover, higher gas and raw material costs triggered by wars in Ukraine and Gaza, coupled with the diplomatic crisis with Algeria, pose major challenges in general for Europe's economies and especially Spain's, which is still heavily reliant on energy imports. This severely impacted the new projects undertaken in 2023.

Against the current backdrop of economic uncertainty, towards the end of 2022 the Group embarked on a process aimed at adapting its capabilities to its expectations regarding business generation. The ultimate goal was to boost productivity and increase operational efficiency by reducing overhead.

The Group monitors its operations and projects on an ongoing basis so as to minimise the impact on its cash. It does so by preparing a cash inflow and outflow plan to assess whether it has sufficient financial resources to meet its operational requirements over the next 12 months, taking the appropriate steps as needed. The key assumptions underlying the cash inflow and outflow plan approved by the Board of Directors are:

- Control and monitoring of 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.

- Development and start of execution of projects in the pipeline, for €654 million, in accordance with the obligations assumed with customers in the bid. Recovery in order intake in all business lines, which should translate into a larger backlog and higher business volume based on the assumptions underlying the viability plan included in the Mexico plan, drawn up together with the two new core shareholders, which are well established in that country (Note 37).

- 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).

- Capital increase of €90.5 million successfully carried out on 21 February 2024 (Note 37) whereby Grupo Promotor de Desarrollo e infraestructuras S.A. de C.V. and Grupo Mota Engil México S.A.P.I. de C.V. became core shareholders that, as outlined in the application for a waiver of the takeover bid granted by the Spanish Securities Exchange Commission (the CNMV) on 30 January 2024, undertake to make their best efforts to ensure the achievement of the objectives set out in the updated viability plan approved by Spain's Council of Ministers at its meeting held on 4 April 2023.

- Disposal of the shareholding in Ausenco, expected to generate a cash inflow of €18-20 million in the first half of 2024 (Note 10).

- 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.).

- Grant of new lines of guarantees and extension of existing ones to achieve the order intake targets in the updated viability plan.

- Grant of waivers from the financial institutions for compliance with the financial ratios included in the financing agreements to prevent early repayment or prepayment, including the amounts drawn on the line of guarantees after the extension from FASEE of the maturity of the profit participating loans, affecting the leverage ratio, which was determined based on the previous repayment schedule.

In the going-concern assessment, the directors considered that during the current and next financial year, by law the losses reported for 2022 and 2021 will not be 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. Other considerations included: securing a waiver from financial institutions for compliance with certain ratios in the financing agreements at 31 December 2023 and previous periods as of 30 June 2022, i.e. the first measurement date stipulated, as a reference for understanding that the waiver will be issued in subsequent periods; the impact of tighter measures for controlling project costs; expectations that the arrival of the new shareholders, who have expressed their commitment to achieving the objectives of the viability plan, will bolster to ability to secure an extension of the CESCE revolving credit policy and take out new lines of guarantees to reach the right order intake levels as called for in the viability plan approved by the Group; and the positive outlook for the processes described in Notes 29 and 33.

Therefore, 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.

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:

(€ thousand)

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 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

(€ thousand)

Company	% ownership interest	Location	Activity
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. (1) (5)	100%	Netherlands	Execution of the Lump Sum construction contract for revamping of the blast furnace for Tata Steel Ijmuiden
DUFEL Marruecos SARL-AU (2)	100%	Morocco	Execution of the Zgounder Silver Mine Expansion contract in Morocco

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
Duro Felguera Saudí LLC (2) (3) (6)	50%	Saudi Arabia	Construction of electricity generation buildings and plants
Felguera IHI Canada 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 2023 and 2022 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:			
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 2023, 2022 and 2021 was still being performed, although this company's activity is negligible (see Note 9).
(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.

(€ thousand)

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 2023 and 2022, 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:

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.

(€ thousand)

Company	% ownership interest	Location	Activity
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.

e) Changes in the scope of consolidation

The only change in the Group's scope of consolidation in 2023 was the incorporation of DUFEL Marruecos, SARL-AU, which is wholly owned by Duro Felguera, S.A. In 2023, this company contributed assets, profit and liabilities amounting to €9,488 thousand, €797 thousand and €8,680 thousand, respectively.

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.

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. Current assets and liabilities with an estimated maturity of more than 12 months but classified as current, in addition to the convertible loans and the debt with FASEE (Note 2.1.1), are as follows:

	€ thousand	
	31 December 2023	31 December 2022
Trade receivables and completed work pending certification, net of any impairment losses and other taxes receivable	48,005	50,220
Total current assets	48,005	50,220
Trade and other payables	3,386	4,930
Provisions for contingencies and guarantees	44,146	60,580
Total current liabilities	47,532	65,510

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 26 December 2023, the Group obtained a waiver of compliance with the covenants (financial ratios) of the financing agreement subject to compliance with financial ratios at 31 December 2023 (Note 3.c), so that all of the financing facilities did not meet the requirement for triggering prepayment.

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 2023 was 893.34 Argentine pesos per euro (2022: 188.96 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 2023 and 2022 was 3,533.2% and 1,134.6%, respectively, while on an annual basis the index for 2023 was 211% (2022: 95%).

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 €1,752 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 2023 arising from the above were as follows:

	€ thousand
Revenue	-
Operating profit/(loss)	122
Profit/(loss) for the year from continuing operations	1,752
Accumulated exchange differences	(11,098)
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.

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;

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

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:

	Allowance for uncollectible receivables and expected credit losses			
Item	Gross amount at 31 December 2023	%	€ thousand	Net amount at 31 December 2023
Total trade and other receivables	158,914	60%	(94,963)	63,951
Total completed work pending certification	60,508	36%	(21,476)	39,032
Total receivables	12,659	60%	(7,556)	5,103
Other financial assets	23,579	0.1%	(157)	23,422
Cash	109,999	0.0%	(100)	109,899
	365,659		(124,252)	241,407

The Group engaged an independent expert to estimate expected credit losses in all exposures except balances related to Venezuela 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. Regarding balances with a customer in Venezuela (public company), the Group, in the light of Venezuela's economic, political and social situation over the past few years and more so since the sovereign rating was downgraded from CCC to C, considered that application of a recovery rate of around 15% was warranted. As a result, the Group has kept an allowance for 85% of the trade receivable, on which there is application for recognition of the debt made in 2023, and for 100% of completed work pending certification.

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 2023 and 2022 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, except the convertible bonds, which are stated at fair value.

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.

Given the characteristics of Class A and Class C convertible bonds, they are classified as non-current liabilities since, although there are conversion windows over the entire period of their issue through to maturity, they would not be converted into equity until conversion assuming fulfilment of the conditions of the financing agreement.

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 3.17% p.a. (2022: 3.75%) and consumer prices indices reflecting an increase of 1% p.a. (2022: 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 3.17% p.a. (2022: 3.75% 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. At the end of 2022, a total of 52 jobs were terminated through voluntary departures and dismissals under the plan, resulting in an expense of €1,391 thousand. The remaining departures were expected to 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 was based on the most likely estimate at year-end 2022 and included under "Current provisions" in the consolidated statement of financial position. In 2023, another 12 jobs were terminated through voluntary departures and dismissals under the plan, resulting in an expense of €388 thousand. In the light of the increase in order intake and backlog this year and after determining forecast workload for the coming months, the directors re-assessed the restructuring plan and decided to reduce the number of employees affected to 41, resulting in the reversal in an amount of €1,730 thousand of the provision recognised. The actual amount of the provision at 31 December 2023 was €1,579 thousand (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 2023 and 2022, 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, and that the results obtained allow for an adjustment to those provision based on the legal opinions obtained specifically for the case (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 2023 and 2022, 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.

If a contract modification is not accounted for as a separate contract in accordance with paragraph 20, an entity shall account for the promised goods or services not yet transferred at the date of the contract modification (i.e. the remaining promised goods or services) in whichever of the following ways is applicable:

(a) An entity shall account for the contract modification as if it were a termination of the existing contract and the creation of a new contract, if the remaining goods or services are distinct from the goods or services transferred on or before the date of the contract modification. The amount of the consideration to be allocated to the remaining performance obligations is the sum of: (i) the consideration promised by the customer (including amounts already received from the customer) that was included in the estimate of the transaction price and that had not been recognised as revenue; and (ii) the consideration promised as part of the contract modification.

(b) An entity shall account for the contract modification as if it were a part of the existing contract if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. The effect that the contract modification has on the transaction price, and on the entity's measure of progress towards complete satisfaction of the performance obligation, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification (i.e. the adjustment to revenue is made on a cumulative catch-up basis).

(c) If the remaining goods or services are a combination of items (a) and (b), then the entity shall account for the effects of the modification on the unsatisfied (including partially unsatisfied) performance obligations in the modified contract in a manner that is consistent with the objectives of this paragraph.

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.

In assessing whether it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur once the uncertainty related to the variable consideration is subsequently resolved, an entity shall consider both the likelihood and the magnitude of the revenue reversal. Factors that could increase the likelihood or the magnitude of a revenue reversal include, but are not limited to, any of the following: (a) the amount of consideration is highly susceptible to factors outside the entity's influence; those factors may include volatility in a market, the judgement or actions of third parties, weather conditions and a high risk of obsolescence of the promised good or service; (b) the uncertainty about the amount of consideration is not expected to be resolved for a long period of time; (c) the entity's experience (or other evidence) with similar types of contracts is limited, or that experience (or other evidence) has limited predictive value; (d) the entity has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances; and (e) the contract has a large number and broad range of possible consideration amounts.

At the end of each reporting period, the entity shall update the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

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 above. Only in cases where an external 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. Revenue is also recognised if there is a final award or judgement recognising the right, even if it is in the process of being enforced, or if there are at least two rulings recognising the amount, even if they are not yet final because the proceeding is ongoing. This situation is understood to warrant being considered highly probable for recognition purposes.

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 2023 and 2022, 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. The entity shall determine at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; (b) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced, or (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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:

An entity shall calculate diluted earnings per share amounts for profit or loss attributable to ordinary equity holders of the parent entity and, if presented, profit or loss from continuing operations attributable to those equity holders.

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.

Potential ordinary shares are: (a) financial liabilities or equity instruments, including preference shares, that are convertible into ordinary shares; (b) options and warrants; (c) shares that would be issued upon the satisfaction of conditions resulting from contractual arrangements, such as the purchase of a business or other assets.

As a result: (a) profit or loss attributable to ordinary equity holders of the parent entity is increased by the after-tax amount of dividends and interest recognised in the period in respect of the dilutive potential ordinary shares and is adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares; and (b) the weighted average number of ordinary shares outstanding is increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

In the 2023 calculation, the Group took into account convertible financial instruments and the loans taken out from Grupo Prodi and Mota Engil México, which were subsequently converted into equity in 2024 following approval of the transaction at the Extraordinary General Meeting of Shareholders held on 13 April 2023 and having fulfilled the conditions for disbursement and pending one condition for conversion at the end of the reporting period, which was met on 30 January 2024, making those loans eligible for conversion, which was completed before the authorisation for issue of the financial statements (Notes 20 and 37).

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.

No material non-cash transactions related to investing and financing transactions that, because they did not result in cash flows, were excluded from the statement of cash flows and should be disclosed separately.

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 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 2023, 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 €507 thousand higher (2022: €105 thousand lower), whereas if it had strengthened by 5%, post-tax profit for the year would have been €458 thousand lower (2022: €135 thousand higher), 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 USD, and the effect of the stage of completion at the year-end.

Meanwhile, if the euro had weakened by 5% against the DZD and the AED, with all other variables held constant, post-tax profit for the year would have been €2,116 thousand and €353 thousand lower, respectively (2022: €1,636 thousand lower for the DZD), whereas if it had strengthened by 5%, post-tax profit would have been €1,481 thousand higher (2022: €1,481 thousand higher), mainly as a result of exchange gains/(losses) on the translation to DZD of the receivables in the Algerian branch and in Dubai.

(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.

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.

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 €1,512 thousand (2022: €1,392 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 2023 was €29,995 thousand (2022: €34,866 thousand).

The Group recognised an impairment loss on its financial assets of €124,767 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 2023 and comparative data:

	€ thousand	
	2023	2022
Borrowings (Note 20)	(144,391)	(144,048)
Less: Cash and cash equivalents (Note 14)	109,899	24,097
Net cash/(debt) position	(34,492)	(119,951)
Undrawn credit lines (Note 20)	-	-
Total liquidity surplus/(shortfall)	(34,492)	(119,951)

The Group's financial debt at 31 December 2023 included the aid from FASEE and debt renegotiated with financial institutions in the form of profit participating loans and ordinary loans, excluding the value of convertible bonds (expressly included in the financing agreement) and the convertible loans extended by investors Grupo Prodi and Mota-Engil México and converted into equity in February 2024 (Notes 2.23 and 37).

(€ thousand)

The Group also had €3,995 thousand of deposits under "Current financial assets" in the statement of financial position as at 31 December 2023 as security for execution of its projects due to the lack of bank guarantees. In addition, a sum of €1,263 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 (2022: €1,289 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 period for assessing compliance is the 12 months ended 30 June 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 6.10.

On 1 December 2023, the Group requested a waiver from the banking syndicate on compliance with the ratios at 31 December 2023 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 26 December 2023, with grant of the waiver by the financial institutions effective as of 31 December 2023. Therefore, at the date of authorisation for issue it was not in a situation of non-compliance. With the new viability plan approved, the loans from the new investors converted into equity and the extended maturity schedule of the profit participating loan with FASEE, the Group is confident that it will obtain a waiver of compliance with the ratios at 31 December 2024 and future periods, especially with the leverage ratio, or a modification of financing agreements, as the extension of the debt with FASEE affects its compliance by increasing the forecast financial burden and causing debt to rise.

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 shown in the table are the contractual cash flows discounted as at 31 December 2023 before considering the facts disclosed in Note 37:

As at 31 December 2023	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)	93,141	23,454	27,388	408
Convertible bonds and other financial instruments (Note 20.a)	90,516	-	-	11,880
Trade and other payables (Note 21)	166,642	-	-	-

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 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.

- 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 and enable it 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. Meanwhile, both the financing agreements of 29 November 2021 with the financial institutions and FASEE prohibit the distribution of dividends unless certain conditions are fulfilled (Notes 3.1.c and 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 the 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 2022 and 2023 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 2023, 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 the net realisable value taken from the independent expert appraisal, 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 2023:

	€ thousand			
	Level 1	Level 2	Level 3	Total
Assets				
Financial instruments at fair value through other comprehensive income:				
Equity instruments (non-current assets)	1	-	69	70
Equity instruments (current assets)	-	-	17,500	17,500
Total assets	1	-	17,569	17,570

	€ thousand			
	Level 1	Level 2	Level 3	Total
Liabilities				
Convertible bonds (Note 20)	-	11,880	-	11,880
Total liabilities	-	11,880	-	11,880

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	-	11,852	-	11,852
Total liabilities	-	11,852	-	11,852

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.

The majority shareholder, Ausenco, Ltd., started a divestment process that gave rise to a cross-selling agreement in September whereby the Group undertook to sell its 3.97% stake to the acquirers (investment groups) with execution subject to standard conditions precedent. The majority shareholder and buyers are still in talks to close the deal. In accordance with the terms and conditions of the agreement and the price valuations made by Ausenco's management, this sale will produce a cash inflow for Duro Felguera Group of €17.5-21.5 million depending on the trend of the company's working capital, the trend in exchange rates and certain contingencies outlined in the agreement. Accordingly, an amount of €17.5 million was determined as the fair value of the shareholding. The Group expects the agreement to be completed over the course of 2024, so it classified the shareholding within current assets.

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 2023 stood at €6,116 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/tax 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, as well as any contingent assets as at 31 December 2023, are disclosed in Notes 9, 23, 29 and 33. Due to the complexities involved in some of 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. In 2023, the Group recognised an impairment on receivables whose recoverability was not considered probable in an amount of €550 thousand (2022: €0).

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 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.

Renewable Energies

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.

Segment information provided to the Board of Directors for the segments for which financial information is reported for the years ended 31 December 2023 and 2022 is as follows:

Segment information provided to the Board of Directors for reported segments for the year ended 31 December 2023 is as follows:

	€ thousand							
	Conventional Energy	Industrial Plants	Specialised Services	Renewable Energies	Smart Systems	Other	Inter-group transactions	GROUP
Revenue from external customers (Note 24)	53,830	73,787	140,485	4,505	7,840	752	-	281,199
Inter-segment revenue	358	827	1,519	12	852	8,909	(12,477)	-
Total revenue	54,188	74,614	142,004	4,517	8,692	9,661	(12,477)	281,199
Losses, impairment and changes in trade provisions	16,221	1,306	416	-	-	1,240	-	19,183
Interest income (Note 28)	9	660	2,724	-	-	(1,239)	-	2,154
Interest expense (Note 28)	(3)	(66)	(148)	-	-	(6,300)	-	(6,517)
Change in fair value of financial instruments (Note 28)	-	-	-	-	-	(28)	-	(28)
Group EBITDA	27,643	1,492	(26,271)	(639)	834	(16,729)	-	(13,670)
Profit/(loss) before tax	27,621	(71)	(23,818)	(639)	822	(25,536)	-	(21,621)

Segment information for the year ended 31 December 2022 is as follows:

	€ thousand							
	Conventional Energy	Industrial Plants	Specialised Services	Renewable Energies	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, impairment 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
Group 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

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	
	2023	2022
Operating profit/(loss)	(15,456)	(6,648)
Amortisation and depreciation (Notes 6.7 and 8)	4,518	5,025
Impairment and gains/(losses) on disposal of property, plant and equipment	(958)	415
Exchange differences (Note 28)	(1,774)	5,467
Group EBITDA	(13,670)	4,259

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	2023	%	2022	%
- Spain	44,821	15.94%	32,634	27.85%
- Latin America	9,710	3.45%	9,311	7.95%
- Europe	168,645	59.98%	43,229	36.89%
- Africa and the Middle East	53,098	18.88%	22,601	19.29%
- Asia Pacific	872	0.31%	1,712	1.46%
- Other	4,053	1.44%	7,698	6.56%
Total	281,199	100%	117,185	100%

At 31 December 2023, segment sales to a single customer representing over 10% of the Group's revenue amounted to €96.4 million in the Netherlands for the Specialised Services segment and €29.6 million in Romania for the Energy segment (2022: €16.3 million in the Netherlands for the Specialised Services segment).

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 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
Balance at 1 January 2023	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
Additions	-	-	109	-	219	328
Decreases	-	-	(211)	-	(20)	(231)
Other movements	(3)	4	(1)	-	2	2
Depreciation allowance	(683)	(1,106)	(369)	-	(221)	(2,379)
Elimination of depreciation	(116)	-	-	-	20	(96)
Other depreciation movements	-	3	(14)	-	17	6
Impairment losses	1,442	-	-	-	-	1,442
Balance at 31 December 2023	17,628	5,651	2,090	-	652	26,021
Cost	31,896	34,874	12,147	-	10,160	89,077
Accumulated depreciation	(13,346)	(28,978)	(9,954)		(9,508)	(61,786)
Impairment losses	(922)	(245)	(103)	-	-	(1,270)
Carrying amount	17,628	5,651	2,090	-	652	26,021

There were no significant changes in additions or disposals of property, plant and equipment.

a) Property, plant and equipment under construction

There were no significant additions in 2023 and 2022.

b) Self-constructed property, plant and equipment

In 2023 and 2022, 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 2023, there were items of property, plant and equipment amounting to €2,949 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 (2022: €2,958 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 €17,242 thousand (2022: €3,502 thousand).

f) Subsidised assets

The net carrying amount of subsidised assets at 31 December 2023 was €16,085 thousand (2022: €14,762 thousand).

g) Fully depreciated assets

At 31 December 2023, there were fully depreciated assets still in use amounting to €40,097 thousand (2022: €38,444 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 2023 was approximately €7,539 thousand (2022: €8,938 thousand), of which €1,325 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 2023 of €968 thousand (2022: €1,102 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 or loss since the fair value of the assets was below carrying amount. In 2023, a provision for impairment on the Company's registered office of €1.3 million was reversed since the value in the latest appraisal was greater than the asset's net carrying amount. The appraisal by an independent expert valuer did not give rise to the recognition of any additional impairment losses on the rest of 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 2022	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
Decreases	-	-	-
Depreciation allowance	-	(274)	(274)
Elimination of depreciation	-	-	-
Impairment losses	-	-	-
Reversal of impairment losses	-	-	-
Balance at 31 December 2023	14,492	3,679	18,171
Cost	18,608	15,727	34,335
Accumulated depreciation	-	(10,742)	(10,742)
Impairment losses	(4,116)	(1,306)	(5,422)
Carrying amount	14,492	3,679	18,171

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, and if the acquirers sold the properties within five year for a price above €4 million they must share 50% of the price with DF. The properties sold had a net carrying amount of €3.3 million.

Investment properties in 2023 included mainly land in the municipalities of Langreo and Oviedo (Asturias), of which €0.8 million (2022: €0.8 million) corresponded to plots zoned as rural estates located in various areas of the Langreo municipality, €8.2 million (2022: €8.2 million) to industrial plots and developable land, and €5.1 million (2022: €5.1 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.

At year-end 2023, the fair value of the Group's investment properties, as appraised by the independent expert valuer, amounted to €26,208 thousand (2022: €27,213 thousand).

a) Investment properties subject to guarantees

At 31 December 2023, there were items of investment properties amounting to €12,303 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 (2022: €12,390 thousand).

8. Intangible assets

The breakdown of items in 2023 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 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
Balance at 1 January 2023	-	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
Additions	-	-	81	-	-	81
Decreases	-	(673)	-	-	-	(673)
Transfers and other movements	-	-	-	-	-	-
Amortisation allowance	-	(210)	(1,655)	-	-	(1,865)
Elimination of amortisation	-	304	-	-	-	304
Balance at 31 December 2023	-	41	1,022	-	-	1,063
Cost	-	4,254	21,492	-	-	25,746
Accumulated amortisation	-	(4,213)	(20,470)	-	-	(24,683)
Carrying amount	-	41	1,022	-	-	1,063

a) Fully amortised assets

At 31 December 2023, there were fully amortised assets still in use with a carrying amount of €14,564 thousand (2022: €9,691 thousand).

b) Self-constructed intangible assets

In 2023, the Group did not capitalise any labour costs or sundry supplies within self-constructed intangible assets (2022: €0).

c) Goodwill

At 31 December 2023, the Group did not recognise any goodwill in intangible assets (2022: €0 thousand).

d) Development expenditure

In 2023, capitalised development costs at the Duro Felguera Calderería Pesada, S.A. subsidiary were derecognised in an amount of €369 thousand. At 31 December 2023, there were capitalised development costs with a net carrying amount of €41 thousand (2022: €620 thousand).

9. Investments accounted for using the equity method

	€ thousand	
	2023	2022
Opening balance at 1 January	20	20
Additions	8	-
Share of profit/(loss)	-	5,699
Transfers	-	(5,699)
Closing balance at 31 December	28	20

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

		€ thousand				
Name	Country of incorporation	Assets	Liabilities	Revenue	Profit/(loss)	% ownership interest
2023						
• 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	22,545	53,171	-	(1,141)	50%
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%

(*) 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.

CFE's appeal for annulment of the award before the Mexican Federal Courts was notified in September 2023. In November 2023, a plea hearing was held. Since then, the case is awaiting a ruling. In the opinion of the internal and external legal advisors, after assessing the final ruling, the additional ruling and the appeal to annul filed by CFE, 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" in the 2022 consolidated statement of profit or loss. The situation did not change in 2023 and had not as at the date of authorisation for issue of these consolidated financial statements (Note 23).

10. Financial instruments

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

	€ thousand		
31 December 2023	Amortised cost	Fair value through OCI	TOTAL
On-balance sheet assets			
- Equity instruments	-	69	69
- Non-current financial assets	41	-	41
Total classified in non-current assets	41	69	110
- Equity instruments	-	17,500	17,500
- Trade and other receivables (Note 11) (*)	108,127	-	108,127
- Deposits	5,258	-	5,258
- Other current assets	4,527	-	4,527
Total classified in current assets	117,912	17,500	135,412
Total	117,953	17,569	135,522

	€ thousand		
31 December 2022	Amortised cost	Fair value through OCI	TOTAL
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

(*) 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, 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 shares that was exercised in 2023.

The likely sale of the interest in Ausenco is disclosed in Note 4. As at the date of authorisation for issue of the accompanying consolidated financial statements, the transaction had yet to be completed.

Regarding the investment in Epicom, S.A., on 20 September 2023, Duro Felguera complied with the obligation to sell 60% of the share capital of EPICOM, S.A. to INDRA SISTEMAS, S.A. (30%) and OESIA NETWORKS, S.L, (30%). SEPI exercised its call option on 5 March 2021, which became final on 13 May 2021 and contractually modified on 31 March 2023. Duro Felguera received €5,320 thousand for the sale. Accordingly, Duro Felguera complied with the Resolution of the Council of Ministers of 4 July 2023 requiring this disposal as a preliminary condition for authorising the subscription by foreign investors for the share capital increase agreed at the General Meeting held on 13 April 2023, according to the interpretation of Spain's State Legal Service (Servicio Jurídico del Estado or SJE) in its report 134/23 -R-981/2023 of 2 August. The transaction was carried out under the terms of the purchase option of 5 March 2021, based on the criteria outlined in the SJE report 145/23. As regards related party transactions, the Board of Directors endeavoured to ensure that the terms and conditions for exercising the purchase option were those resulting from application of regulations governing listed companies and in defence of Duro Felguera’s interest so that the price was in line with these regulations. The sale is fully justified in terms of Duro Felguera’s corporate interest as it was required to execute the motions passed at the General Meeting of 13 April 2023 regarding the share capital increase. The sale of EPICOM, S.A. marked a step forward in complying with the conditions precedent for the disbursement of the loans committed by the investor, Grupo Promotor de Desarrollo e Infraestructura, S.A. de C.V. and Mota–Engil México, S.A.P.I. de C.V., and enabled the investor to acquire a stake in Duro Felguera (Note 37).

The Group had €4 million of deposits and escrow accounts. After entering into a new agreement over the completion of the work on the Iernut combined cycle power plant, with execution starting in August, and pursuant to the agreement entered into and the issue of a performance bond to guarantee the performance of the contract, in the year's second half the Company received payment of the €16.1 million escrow account retained by the customer at the year-end 2022 (Note 3). In addition, a sum of €1.3 million was subject to restrictions because it had been designated as security in litigation with third parties, with the restrictions remaining in place until judgment is rendered or an out-of-court settlement is made (2022: €1.3 million).

	€ thousand		
31 December 2023	Fair value through profit or loss	Debts and payables (amortised cost)	TOTAL
On-balance sheet liabilities			
- Bank borrowings (Note 20)	-	13,672	13,672
- Finance lease liabilities (Note 20)	-	999	999
- Class A and C convertible bonds (Note 20)	11,880	-	11,880
- Convertible financial instruments (**)	-	90,516	90,516
- Government assistance (Note 20)	-	126,000	126,000
- Other financial liabilities (Note 20)	-	3,720	3,720
- Trade and other payables (Note 21) (*)	-	166,642	166,642
Total	11,880	401,549	413,429

31 December 2022	€ thousand		
	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
- Convertible equity instruments (Note 20)	-	-	-
- Government assistance (Note 20)	-	126,000	126,000
- Other financial liabilities	-	3,684	3,684
- Trade and other payables (Note 21) (*)	-	125,712	125,712
Total	11,852	269,760	281,612

(*) Does not include tax payables and current tax liabilities since they do not meet the criteria for definition as a financial liability.
(**) Loans classified as convertible although at year-end 2023 convertibility was subject to fulfilment of a condition that was finally obtained on 30 January 2024 (Notes 2.1.1, 3.c and 37)

11. Trade and other receivables

	€ thousand	
	2023	2022
Trade receivables	158,914	153,522
Less: Allowance for uncollectible receivables and expected credit losses (Note 2.11.)	(94,963)	(91,061)
Completed work pending certification (*)	39,032	24,200
Trade and other receivables (*)	5,103	5,019
Personnel	40	103
Other taxes receivable (Note 22)	30,149	26,345
Total	138,275	118,128
Less: Non-current portion: Other receivables	-	-
Current portion	138,275	118,128

(*) 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 2023, in addition to receivables for which allowances had been recognised, receivables amounting to €29,995 thousand became past-due, of which €12,447 thousand were from Termocentro and €9,654 thousand from other customers with which there is some type of still unresolved legal dispute (2022: €34,866 thousand).

The ageing analysis of these receivables is as follows:

	€ thousand	
	2023	2022
Up to 3 months	4,410	7,902
Between 3 and 6 months	1,559	8,639
Between 6 months and 1 year	646	6,185
More than 1 year	23,380	12,140
	29,995	34,866

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	
	2023	2022
Opening balance at 1 January	24,200	27,053
Completed work pending certification and invoiced the previous year	(9,577)	(11,096)
Changes due to exchange rates and other	(464)	246
Impairment of completed work pending certification	-	-
Change of project progress (Revenue – Billings)	24,873	7,997
Closing balance at 31 December	39,032	24,200

At 31 December 2023, the amount of completed work pending certification over 12 months past due was €34,524 thousand, of which provisions had been recognised for €21,476 thousand (Note 2.11).

Breakdown by project of completed work pending certification over 12 months past due at 31 December 2023:

	€ thousand		
	Completed work pending certification	Impairment	Net amount
> 1 year			
Termocentro	16,456	(16,456)	-
Tuticorin	2,199	(2,199)	-
Aconcagua	8,192	-	8,192
Petacalco - Greenfield	3,986	-	3,986
Pressure vessel manufacturing	2,352	(1,989)	363
Other	1,339	(832)	507
Total > 1 year	34,524	(21,476)	13,048
Other completed work pending certification	25,984	-	25,984
	60,508	(21,476)	39,032

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 2023, 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 €12,447 thousand (2022: €14,983 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 2023, confirmation of recognition of a balance by the Venezuelan customer was obtained.

Under the terms of the agreement signed with the customer, at 31 December 2023 interest amounting to €72,475 thousand had accrued to the Group (2022: €64,761 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 2022 and 2023.

- 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 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. No guarantees related to this project are in force as they expired in 2023, with no extension requested by the arbitration court.

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 considers 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 2023 was €11.6 million, of which €6 million related to the performance bonus and the remainder to other milestones in the contract. (Note 33).

b) Trade and other receivables

"Trade and other receivables" consists mainly of the following items, in addition to the disclosures in Note 22 Taxes receivable and payable and deferred taxes:

	€ thousand	
	2023	2022
Liquidation of Carrington (*)	3,530	3,429
Other receivables	1,573	1,590
	5,103	5,019

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

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 2023	91,061	27,793	8,258	127,112
Allowance for impairment of receivables	4,760	-	-	4,760
Unused amounts reversed	(447)	-	(500)	(947)
Utilised	-	(6,161)	-	(6,161)
Transfers	-	-	-	-
Exchange differences	(411)	(156)	(202)	(769)
Balance at 31 December 2023	94,963	21,476	7,556	123,995

A loss allowance for expected credit losses of €2,468 thousand was recognised for the outstanding amount receivable from the Thermocentre project and €2,291 thousand for the outstanding amount receivable from a project in Bulgaria.

d) Foreign currency balances

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

	€ thousand	
	2023	2022
Euro	63,263	101,347
US dollar	16,615	3,596
Argentine peso	2	2
Indian rupee	2,332	1,936
Algerian dinar	26,794	2,056
Mexican peso	6,216	100
Chilean peso	4,589	3,064
Peruvian nuevo sol	2,999	-
United Arab Emirates dirham	58	3,952
Brazilian real	121	126
Canadian dollar	287	-
Kuwaiti dinar	325	341
Moroccan dirham	2,981	-
Romanian leu	9,876	-
Colombian peso	1,428	1,595
Other currencies	389	13
	138,275	118,128

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 2023 and 2022.

13. Inventories

	€ thousand	
	2023	2022
Production materials and supplies	1,414	1,560
Work in progress	-	-
Advances to suppliers	6,979	3,648
	8,393	5,208
Less: Impairment losses	(515)	(502)
	7,878	4,706

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	
	2023	2022
Cash and banks	109,899	23,846
Short-term bank deposits and promissory notes	-	251
Cash and cash equivalents (excluding bank overdrafts)	109,899	24,097

The Group recognised an amount of €1,885 thousand under this item, which can only be applied to related projects under the contractual terms and conditions.

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

	€ thousand	
	2023	2022
Euro	95,496	21,690
US dollar	945	1,503
Romanian leu	6,740	256
Canadian dollar	21	38
Brazilian real	12	64
Argentine peso	3	11
Algerian dinar	1	1
United Arab Emirates dirham	14	8
Mexican peso	24	26
Colombian peso	-	207
Moroccan dirham	4,760	-
Polish zloty	80	-
Indian rupee	31	174
Peruvian nuevo sol	108	81
Chilean peso	1,647	6
Other currencies	17	32
	109,899	24,097

(€ 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 2023 and 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	
	2023	2022
UBS Switzerland AG (*)	3.87%	3.95%
Morgan Stanley and Co International PLC (*)	2.86%	2.71%
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 2023 and 2022, the parent company did not hold any treasury shares.

d) Capital increase

On 13 April 2023, Duro Felguera held an Extraordinary General Meeting of Shareholders, with quorum exceeding 32% of share capital, at which motions were passed with qualified majorities of over 98% on the following items:

- Approval of 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 within a year.

- Approval of the 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 within a year (see Note 37).

- Execution was delegated in the Board of Directors, which complied with the mandate by registering both extensions and the amendment of Article 5 of the Articles of Association with the Asturias Companies Register.

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 2023, despite having negative equity of €159,998 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 2023, the amount of all profit participating loans agreed under the refinancing agreement was €119 million (€100 million with FASEE, €13 million with banks and €6 million with the regional government of Asturias, via the SRP).

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

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 €130,174 thousand, as shown in the following table:

(€ thousand)	
Equity of the parent company at 31 December 2023	(159,998)
Profit participating loans, FASEE (Note 37)	100,000
Profit participating loan, banks	13,000
Profit participating loan, SRP	6,000
Loss in 2020 attributable to the parent	171,172
Equity of the parent for company law purposes at 31 December 2023	130,174

16. Share-based payments

No share delivery plan was agreed in 2023 or 2022.

17. Reserves and valuation adjustments

a) Reserves

Breakdown of reserves at 31 December 2023 and 2022:

	€ thousand	
	2023	2022
Other parent company reserves	(152,360)	(153,045)
Consolidation reserves in the parent	314,141	293,735
Consolidation reserves in subsidiaries	(217,431)	(203,536)
Reserves in jointly controlled entities and associates	(22,787)	(20,146)
	(78,437)	(82,992)

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 include 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 2023 and 2022 related primarily to:

	€ thousand	
	2023	2022
Exchange differences on intergroup loans	(178,435)	(103,012)
Translation differences	107,282	31,101
Financial assets at fair value through OCI	10,416	2,529
	(60,737)	(69,382)

The breakdown by company at year-end 2023 and 2022 of exchange differences on intergroup loans, which according to IAS form part of the net investment, is as follows:

Company	€ thousand	
	2023	2022
Duro Felguera Argentina, S.A.	(172,221)	(97,389)
Felguera Gruas India Private Limited	(1,380)	(1,303)
Other	(4,834)	(4,320)
	(178,435)	(103,012)

A breakdown of cumulative translation differences by company at year-end 2023 and 2022 is as follows:

	€ thousand	
Company	2023	2022
Duro Felguera, S.A.		
- Dubai branch	(2,103)	(3,942)
- India branch	557	543
- Algeria branch	1,794	1,623
- Peru branch	1,509	1,137
- Romania branch	(466)	(403)
- Egypt branch	(367)	(367)
- Mexico branch	(183)	243
Felguera IHI, S.A.		
- Costa Rica branch	(373)	(333)
- Peru branch	345	346
- Bolivia branch	50	50
- - Poland branch	10	-
- Colombia branch	(1,135)	(52)
Felguera Tecnologías de la Información, S.A.	(3)	(4)
Equipamientos Construcciones y Montajes, S.A. de C.V.	1,097	140
Turbogeneradores del Perú, S.A.C.	(186)	(196)
Duro Felguera Argentina, S.A.	115,725	42,405
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.	(4,033)	(3,850)
Duro Felguera Saudí LLC	11	11
DF USA, LLC	40	40
Dunor Energía S.A.P.I. de C.V.	(1,318)	(1,318)
DF Canada Ltd	31	23
Dufel Marruecos	1	-
Felguera Gruas India Private Limited	(7,208)	(7,319)
Felguera IHI Canadá INC	(9)	(9)
Proyectos e Ingeniería Pycor, S.A. de C.V.	(94)	(100)
Duro Felguera Chile	3,568	2,409
Mopre Montajes de Precisión de Venezuela, S.A.	(171)	(171)
	107,282	31,101

Note that the Argentinian peso was devalued twice in 2023, by 20% and 51%, respectively, which explains the changes between the two periods in those breakdowns.

18. Distribution of profit/(loss) and dividends

The proposed distribution of the 2023 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	(21,797)
Distribution	
Prior periods' losses	(21,797)

No interim dividends were paid in 2023 or 2022.

There are restrictions on dividend distributions linked to the new refinancing agreements with the banks in the 2018 refinancing agreement and with FASEE and SRP in the agreements signed in 2021.

19. Non-controlling interests

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

	€ thousand	
	2023	2022
Opening balance at 1 January	639	531
Profit/(loss) for the year	94	112
Other movements	1	(4)
Closing balance at 31 December	734	639

The distribution by company is as follows:

	€ thousand	
Company	2023	2022
Felguera Tecnologías de la Información, S.A.	769	674
Felguera-Diavaz Proyectos México, S.A. de C.V.	(23)	(23)
DF Saudí	(12)	(12)
	734	639

20. Financial liabilities

	€ thousand	
	2023	2022
Non-current		
Convertible bonds	11,880	11,852
Bank borrowings	7,143	13,178
Finance lease liabilities	801	932
Other financial liabilities	43,306	121,760
	63,130	147,722
Current		
Bank borrowings	6,529	64
Finance lease liabilities	198	190
Convertible equity instruments (Note 2.23 and 37)	90,516	-
Other financial liabilities	86,414	7,924
	183,657	8,178
Total financial liabilities	246,787	155,900

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

	€ thousand	
	2023	2022
Euro	246,787	155,900
US dollars	-	-
	246,787	155,900

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

	€ thousand	
	2023	2022
Between 1 and 2 years	23,454	7,029
Between 2 and 5 years	39,268	79,005
More than 5 years	408	61,688
	63,130	147,722

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				
	2022	Cash flows	Other movements	Reclassifications	2023
Non-current bank borrowings	13,178	-	394	(6,429)	7,143
Current bank borrowings	64	-	36	6,429	6,529
Total liabilities arising from financing activities	13,242	-	430	-	13,672

a) Convertible bonds

On 27 July 2018 (effective date of the 2018 refinancing), Duro Felguera, S.A., under the scope of the refinancing agreements signed with its financial institutions, converted €233 million of bank borrowings into convertible bonds subject to fulfilment by DF of a series of obligations as reported in the notes to the 2021 and 2022 financial statements.

Class A Convertible Bonds:

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.

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 2023 indicated that Class A Bonds were worth €3,750 thousand.

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 a series of obligations as reported in the notes to the 2021 and 2022 financial statements.

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.

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.

Remeasurement by an independent expert as at 31 December 2023 indicated that Class C Bonds were worth €8,130 thousand.

b) Bank borrowings

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.

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 of two loans tranches with different maturities and convertible bonds.

- As at 31 December 2023, 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 (lower than or equal to)
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 (greater than)
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

- In addition, a portion —€52 million— of the financial liability arising from the syndicated loan was converted into newly issued ordinary 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

As explained in Note 3.1.c, on 26 December 2023, the banks participating in the syndicated loan facility granted the Group a waiver of compliance with financial ratios with effect on 31 December 2023.

Failure to comply with financial ratios could trigger the cross maturity of the financial obligations with FASEE, at FASEE's discretion, while the financial institutions may request early maturity of the outstanding bank borrowings and the release of the guarantees drawn down on the guarantee facility at that time (see below) and the creation of an equivalent bank deposit or a guarantee from a financial institution that meets certain requirements.

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

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

Guarantee facility tranche:

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

- 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 revolving until 31 December 2023 (currently being renewed) and matures in November 2026. As at 31 December 2023, the Group had drawn down €69.93 million from the facility to guarantee projects in the backlog, leaving an available balance of €10.07 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 prepayment of this financing after obtaining the waiver from these financial institutions at the end of 2023.

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) Finance lease liabilities

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) Other financial liabilities

"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.

The financing had the following original repayment schedule:

(i) full repayment of the profit participating loan on the third anniversary of the closing date of the first phase; (ii) repayment of the profit participating loans granted in the second phase as follows: €40 million on the third anniversary of the closing date of the second phase and €10 million on the fourth anniversary of the closing date of the second phase; and (ii) repayment of the ordinary loan as follows: €5 million on the fourth anniversary of the closing date of the first phase and €15 million on the fifth anniversary of the closing date of the first phase.

On 4 April 2023, Spain's Council of Ministers authorised the updating of the original viability plan, which included an amendment to the repayment schedule of the financing (effective after the acquisitions of equity interests in the Company by industrial shareholders) as follows: (i) repayment of the profit participating loan granted in the first phase as follows: €13 million on the fifth anniversary of the closing date of the first phase and €7 million on the sixth anniversary of the closing date of the first phase; and (ii) repayment of the profit participating loans granted in the second phase as follows: €2 million on the fifth anniversary of the closing date of the second phase, €29 million on the sixth anniversary of the closing date of the second phase and €49 million on the seventh anniversary of the closing date of the second phase; and (ii) repayment of the ordinary loan as follows: €5 million on the fourth anniversary of the closing date of the first phase and €15 million on the fifth anniversary of the closing date of the first phase.
After completing the capital increase, on 13 March 2024, the novation of the agreement with FASEE was signed, so the new repayment schedule described above then became effective (Note 37).

Remuneration for the profit participating loans 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.

Upon request from the beneficiaries, FASSEE may approve the conversion of the ordinary loan into a profit participating loan where needed to avoid grounds for dissolution.

FASEE will have the option to convert either all or part of the profit participating loans into shares of the Company in the event of mandatory ordinary or early repayment or early maturity, if the obligors fail to make the payments due in those situations. Conversion would be carried out at the average market price of the shares for the 15 business days prior to conversion, with a 5% discount.

The FASEE financing agreement also governs certain reporting requirements, situations of mandatory total and partial prepayment (e.g. change of control, disposals of assets, subsidiaries and businesses, insurance payouts for claims, surplus cash flow or change of legal circumstances) and standard early maturity events in this type of financing.

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

- 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 for €6 million, with the parent company, Duro Felguera S.A, as the sole borrower and recipient of the funds.

The SRP loan agreement also governs certain reporting requirements, situations of mandatory prepayment (change of control) and standard early maturity events in this type of financing.

The financing had the following repayment schedule: €750 thousand should be repaid on the fourth anniversary of the draw down date, €1,050 thousand on the fifth anniversary and €4,200 on the six anniversary.

In compliance with the payable to SRP, there are personal guarantees and collateral, as stipulated in the financing agreement. Specifically, these are pledges over certain bank accounts, over shares of certain subsidiaries, and a pledge over receivables arising from the Group's legal or arbitration claims or certain older receivables, e.g., from Termocentro.

The FASEE and SRP financing are both profit participating, for €100 million and €6 million, respectively. Both financing agreements include 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.

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.

21. Trade and other payables

	€ thousand	
	2023	2022
Suppliers	102,008	71,457
Amounts due to related parties (Note 34)	17	17
Other payables	8,422	2,542
Personnel (salaries payable)	4,577	4,260
Current tax liabilities	746	780
Other taxes payable (Note 22)	9,658	10,495
Advances received for contract work	51,618	47,436
	177,046	136,987
Non-current portion	-	-
	177,046	136,987

Regarding "Advances received for contract work", in 2023 contract revenue was realised on 59% of the previous year-end balance (2022: 41%), 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	
	2023	2022
Euro	124,686	88,847
Algerian dinar	20,293	17,123
US dollar	7,935	7,943
Mexican peso	2,586	3,566
Indian rupee	1,710	1,102
Argentine peso	18	1,606
Romanian new leu	8,549	13,732
Peruvian nuevo sol	62	3
Polish zloty	642	-
United Arab Emirates dirham	345	1,388
Moroccan dirham	6,556	-
Chilean peso	1,661	505
Brazilian real	58	123
Canadian dollar	61	2
Pound sterling	41	40
Colombian peso	1,792	964
Other	51	43
	177,046	136,987

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	
	2023	2022
Average supplier payment period	200	516
Ratio of transactions paid	212	351
Ratio of transactions outstanding	173	758

	€ thousand	
	2023	2022
Total payments made	288,738	79,939
Total payments outstanding	133,924	54,459

	2023	
	Units	%
Invoices paid within the legally stipulated deadline	7,556	
Percentage of total invoices paid		51.77%

	2023	
	€ thousand	%
Invoices paid within the legally stipulated deadline	161,758	
Percentage of total invoices paid		56.02%

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 185 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 2023, the Group had past-due balances with suppliers amounting to €57,563 thousand for services, works or supplies related mainly to projects. Of this amount, 35% corresponds 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. Although since March 2022 the pace of execution has been slower than expected because of potential tensions between Spain and Algeria, actions taken in recent months have led to a redrafting of the protocol to get the project back up to speed that is expected to be signed sometime within the first four months of 2024.

Of the total amount of past-due balances at year-end, 40% 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) Tax receivables and payables

The main taxes receivable and payable are as follows:

	€ thousand	
	2023	2022
Taxes receivable		
Value added tax (*)	8,147	8,082
Value added tax (outside Spain)	16,483	16,705
Prepaid taxes, income tax of other countries and non-resident withholdings	2,879	459
Other	2,640	1,099
	30,149	26,345
Taxes payable		
Value added tax	(606)	(944)
Value added tax (outside Spain)	(4,484)	(6,699)
Social Security payables	(1,754)	(1,208)
Other	(9)	(256)
Personal income tax withholdings	(2,336)	(1,375)
Other taxes	(469)	(13)
	(9,658)	(10,495)

(*) 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	
	2023	2022
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	2,365	8,197
Deferred tax assets to be recovered within 12 months	5,364	2,440
	7,729	10,637
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	(7,753)	(10,775)
Deferred tax liabilities to be recovered within 12 months	(3,488)	(2,561)
	(11,241)	(13,336)
Net amount	(3,512)	(2,699)

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

	€ thousand	
	2023	2022
Opening balance at 1 January	(2,699)	(1,701)
(Charge)/credit to income statement (Note 29)	1,101	(952)
Adjustment / Decreases	67	-
(Charge)/credit to reserves	(1,981)	(46)
Closing balance at 31 December	(3,512)	(2,699)

Reconciliation of deferred tax assets and liabilities in the year:

	€ thousand		
Deferred tax assets	Tax losses	Other	Total
As at 1 January 2022	9,005	4,569	13,574
(Charge)/Credit to profit or loss	(2,014)	(473)	(2,487)
Decreases	-	-	-
Charge/(Credit) to equity	-	(450)	(450)
As at 31 December 2022	6,991	3,646	10,637
(Charge)/Credit to profit or loss	(3,436)	461	(2,975)
Decreases	-	67	67
Charge/(Credit) to equity	-	-	-
As at 31 December 2023	3,555	4,174	7,729

	€ thousand			
Deferred tax liabilities	Capital gains and asset revaluations	Class C Bonds	Other	Total
As at 1 January 2022	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)
As at 31 December 2022	2,335	6,991	4,010	13,336
Charge/(Credit) to profit or loss	(95)	(3,436)	(545)	(4,076)
Decreases	-	-	-	-
Charge/(Credit) to equity	1,494	-	487	1,981
As at 31 December 2023	3,734	3,555	3,952	11,241

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 €4,174 thousand (2022: €3,646 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 2023 of the Spanish tax group are as follows:

	2023		2022	
	Base	Tax charge	Base	Tax charge
Tax losses	152,093	38,023	136,475	34,119
Deductions	-	5,232	-	5,273
Losses of foreign operations	102,028	25,507	113,547	28,387
Losses of subsidiaries	462,501	115,625	419,422	104,856
Other	66,282	16,570	74,665	18,666
	782,904	200,957	744,109	191,301

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:

	2023		2022	
	Base	Tax charge	Base	Tax charge
Peru	621	183	621	183
Brazil	4,996	1,699	4,690	1,595
Argentina	-	-	4,126	1,238
Chile	25,850	6,979	25,850	6,979
	31,467	8,861	35,287	9,995

The unused tax losses in Peru may be applied up to four years 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 2023 and 2022, irrespective of the current/non-current classification, is as follows:

	€ thousand	
	2023	2022
Provisions for pensions and similar obligations	1,312	1,260
Other pension funds	1,312	1,260
Provisions for contingent liabilities and commitments	51,134	75,405
Provisions for contingent liabilities	51,134	75,405
	52,446	76,665

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 2023	1,260	66,213	9,192	76,665
Provisions charged to profit or loss:				
Arising during the year	314	5,687	1,140	7,141
Reversals credited to profit or loss:				
Unused amounts reversed	(171)	(24,424)	(4,629)	(29,224)
Payments or amounts used:				
Payments of pensions	(111)	-	-	(111)
Other payments	-	-	(1,647)	(1,647)
Other movements	20	(305)	(93)	(378)
Balance at 31 December 2023	1,312	47,171	3,963	52,446

Changes in 2023 related primarily to provisions for completion of works and other trade provisions, as follows:

<u>Provisions for completion of works and other trade provisions</u>

- Provisions recognised, the largest in relation to guarantees of the Iernut project in Romania after the agreement ending enforcement was signed, for €2.5 million. The provision for termination of the Bellara contract in Algeria for €1 million and the provision for losses on the Tata contract in the Netherlands for €0.8 million.

- Reversals of warranty provisions for the Naftan project, for €1.3 million, of provisions for the Jebel Ali project following payment agreements with suppliers, for €4.8 million, and the partial cancellation of the provision for liabilities related to the ongoing lawsuit (Note 33), for €16 million.

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

- Other movements 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.

- Primarily the reversal in an amount of €1.7 million related to the collective redundancy plan explained in Note 2.18.c) and the reversal of €2.3 million of a provision recognised to cover risks from a lawsuit with a supplier.

a) Pensions and similar obligations

	€ thousand	
	2023	2022
Non-current obligations		
Coal vouchers	154	226
Other obligations with employees	1,158	1,034
	1,312	1,260

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 3.17% p.a. (2022: 3.75% p.a.) and increases in consumer prices of 1% p.a. (2022: 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
As at 1 January 2022	-	88	88
Arising during the year	-	138	138
Payments	-	-	-
Unused amounts reversed	-	-	-
As at 31 December 2022	-	226	226
Arising during the year	-	-	-
Payments	-	-	-
Unused amounts reversed	-	(72)	(72)
As at 31 December 2023	-	154	154

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
As at 1 January 2022	1,130
Provisions charged to profit or loss	270
Utilised	(134)
Surplus	(247)
Transfers	15
As at 31 December 2022	1,034
Provisions charged to profit or loss	314
Utilised	(111)
Surplus	(99)
Transfers	20
As at 31 December 2023	1,158

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	
	2023	2022
Provisions for warranties	6,116	5,006
Provisions for onerous contracts	4,941	5,131
Provision for project completion	3,668	2,431
Provisions for other risks and liabilities	32,446	53,645
	47,171	66,213

Provisions for onerous contracts includes mainly a provision of €3.6 million related to the Djelfa project in Algeria and a provision of €0.8 million related to the Tata project in the Netherlands.

The provision for project completion includes €1.3 million for the Bellara project (Algeria) and €0.9 million for the Naftan project (Belarus).

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).

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	485	Between 6 and 12 months
Liabilities and charges due to labour disputes	2,937	Between 3 and 24 months
Liabilities and charges due to legal proceedings	541	Between 6 months and 3 years
	3,963	

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	
	2023	2022
Analysis of total provisions:		
– Non-current	1,323	1,271
– Current	51,123	75,394
	52,446	76,665

24. Revenue

a) Revenue

The breakdown of revenue by activity is as follows:

	€ thousand	
	2023	2022
Energy	53,830	6,557
Industrial Plants	73,787	53,008
Specialised Services	140,485	53,315
Renewable Energies	4,505	190
Smart Systems	7,840	2,690
Other	752	1,425
Revenue	281,199	117,185

"Other" includes the revenue generated by companies not assigned to a specific business activity, mainly rental income for €752 thousand (2022: €1,000thousand).

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

	€ thousand	
	2023	2022
Euro	224,362	94,656
Algerian dinar	6,672	4,339
US dollar	9,224	16,994
Romanian leu	29,644	-
Peruvian nuevo sol	19	18
Canadian dollar	33	-
Chilean peso	1,188	162
Moroccan dirham	10,006	-
Mexican peso	-	359
Brazilian real	51	657
	281,199	117,185

b) Foreign currency transactions

The amounts of foreign currency transactions are as follows:

	€ thousand	
	2023	2022
Sales	56,837	22,529
Purchases	(22,386)	(11,471)
Services received	(25,862)	(5,989)

25. Employee benefits expense

The breakdown of this item in the accompanying consolidated statement of profit or loss for 2023 and 2022 is as follows:

	€ thousand	
	2023	2022
Salaries and wages	(70,902)	(52,316)
Termination benefits	(824)	(4,960)
Social security costs	(20,451)	(14,853)
Other employee benefits expenses	(681)	(409)
	(92,858)	(72,538)

"Termination benefits" in 2023 include indemnities paid in lawsuits with employees. The amount recognised in 2022 was the estimate considered most likely of the cost of implementing the workforce reduction plan explained in Note 2.18.c).

26. Cost of sales and other operating expenses

a) Cost of sales

The breakdown of this item in the accompanying consolidated statement of profit or loss for 2023 and 2022 is as follows:

	€ thousand	
	2023	2022
Consumption of goods for resale and raw materials	(72,224)	(29,344)
Subcontracted work	(88,375)	(13,643)
Write-down of merchandise, raw materials and other supplies	(515)	(502)
	(161,114)	(43,489)

b) Other operating expenses

The breakdown of this item in the accompanying consolidated statement of profit or loss for 2023 and 2022 is as follows:

	€ thousand	
	2023	2022
Leases	(18,225)	(4,087)
Repairs and maintenance	(877)	(1,451)
Independent professional services	(8,758)	(9,478)
Transportation	(1,763)	(528)
Insurance premiums	(4,145)	(2,076)
Banking and similar services	(7,854)	(3,123)
Advertising	(65)	(116)
Utilities	(2,208)	(1,677)
Other services	(14,649)	(5,442)
External services	(58,544)	(27,978)
Taxes	(1,402)	(1,545)
Losses, impairment and changes in trade provisions (Notes 11 and 23)	19,183	24,247
	(40,763)	(5,276)

27. Other income/(expense)

	€ thousand	
	2023	2022
Other income/(expense)	203	2,044
	203	2,044

28. Net finance income/(cost)

	€ thousand	
	2023	2022
Finance income from:		
– Financial interest/dividends	402	1,742
– Gain of purchasing power due to hyperinflation (Note 2.4.d)	1,752	1,014
	2,154	2,756
- Finance expense and similar costs	(6,517)	(4,442)
- Change in fair value of financial instruments	(28)	4,135
- Net foreign exchange difference	(1,774)	5,467
- Impairment/(reversal of impairment) of financial instruments	-	2
Total net finance income/(cost)	(6,165)	7,918

In 2023, the amount of €402 thousand related to interest earned on very short-term cash deposits. Finance income in 2022 included €1,736 thousand from dividends received for 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, for a negative €28 thousand (2022: €4,135 thousand, positive) related to the remeasurement by an independent expert on 31 December 2023 of the value of the Class A and Class C Convertible Bonds, which resulted in a finance cost of €8 thousand (2022: €1,465 thousand of income) and a finance cost of €20 thousand (2022: €2,670 thousand of income), 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 is treated as a single taxpayer. The Group's taxable profit or loss is calculated as the aggregate of Group companies' individual tax bases after the specific corrections and adjustments set out in tax legislation.

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 to the group's tax base.

Additional provision 19 of Law 38/2022, of 27 December, includes a temporary measure limiting the amount of tax losses in the consolidated tax regime, effective, in principle, only for the 2023 tax period. According to this new measure, the tax group's taxable profit or loss is determined by aggregating the taxable profits and 50% of the individual tax losses of all the entities included in the tax group.

Paragraph 2 of Additional provision 19 clarifies that the amount of individual tax losses not included because of the application of this measure, i.e. the other 50% of tax losses, will be included in future tax bases in equal parts in each of the first 10 tax periods beginning on or after 1 January 2024, even if any of the entities with individual tax losses referred to in the previous paragraph is excluded from the group.

a) Reconciliation

	€ thousand	
	2023	2022
Current tax	(636)	(73)
Foreign taxes	(645)	(884)
Adjustments to current tax in respect of prior years	-	58
Current year deferred tax (Note 22)	1,105	(952)
Other	-	-
	(176)	(1,851)

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

	€ thousand	
	2023	2022
Consolidated profit before tax	(21,797)	6,969
Tax at 25%	5,449	(1,742)
Inter-group/branch adjustments and eliminations	(1,476)	4,889
Other permanent differences	6,679	(578)
Adjustment in respect of prior years	-	58
Foreign taxes	(645)	(884)
Recognition of previously unused tax losses	(1,245)	
Unrecognised tax losses, tax group	-	(1,571)
Unrecognised tax losses, non-tax group	(8,929)	(1,795)
Other	(9)	(228)
Tax charge/(refund)	(176)	(1,851)

The effective tax rate was 0.81% (2022: 25.00%).

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 2019 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 2020 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 2020 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.

- 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 legal opinion is based on similar precedents in which 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 whereby Duro Felguera, S.A. must pay €30 million in corporate income tax. The settlement and the prior inspection were 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 TEAC, which was rejected in May of 2023. The Group lodged an appeal against this ruling with the National Court, which is pending decision, and seeking injunctive relief with the total waiver of guarantees, also awaiting a decision.

- Agreement of settlement by UTE TERMOCENTRO of €0.245 million of personal income tax in addition to an agreement for resolution of the penalty proceedings for €0.152 million. Although the Company decided to settle the debt within the voluntary period, it filed a tax appeal against the settlement, which was rejected. An administrative appeal was filed with the National Court, for which a ruling has yet to be issued.

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 including accrued interest). The procedure has been suspended since 2019 until appointment of an investigating officer by the Brazilian administrative council for tax appeals (CARF). In the opinion of the parent company's directors and external tax advisors, the probability regarding the outcome could possibly be in the Group's interests. Another similar tax procedure is ongoing regarding the 2025 tax return, for an amount of €526 thousand. An appeal was filed during the appeal stage, but a ruling has yet to be issued. The external advisors consider the same probability attributed to this procedure.

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).

	2023	2022
Profit/(loss) attributable to the parent (€ thousand)	(21,891)	5,006
Weighted average number of ordinary shares in issue (thousand)	96,000	96,000
Basic earnings/(loss) per share (€)	(0.23)	0.05

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. In 2023 and 2022, the Group considered conversion of the Class A and C Convertible Bonds, calculating the weighted average number of potential ordinary shares outstanding in the year.

In addition, in the 2023 calculation, the Group took into account the convertible financial instruments described in Note 20.b and the loans taken out from Grupo Prodi and Mota Engil México, which were potentially convertible at the year-end but ultimately converted into equity in 2024 following approval of the transaction at the Extraordinary General Meeting of Shareholders held on 13 April 2023 having fulfilled the conditions for disbursement and pending one condition for conversion at the end of 2023, which was met on 30 January 2024 (Notes 2.23 and 37).

	2023	2022
Profit/(loss) attributable to the parent (€ thousand)	(21,891)	5,006
Weighted average number of ordinary shares in issue (thousand)	235,652	116,472
Basic earnings/(loss) per share (€)	(0.09)	0.04

31. Dividends per share

No dividend was paid in 2023 or 2022. In any event, there are restrictions on distributions as disclosed in previous sections.

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	
	2023	2022
Profit/(loss) for the year before tax	(21,621)	6,969
Adjustments for:		
Amortisation and depreciation (Notes 6, 7 and 8)	4,518	5,025
Impairment	(1,073)	(559)
Changes in provisions	(21,580)	(14,411)
Grants released to profit or loss	(668)	(242)
(Gains)/losses on derecognition and disposal of assets	-	973
Gains/(losses) from derecognition and disposal of financial instruments (Note 9)	28	(4,135)
Finance income (Note 28)	(2,154)	(2,756)
Finance costs (note 28)	6,517	4,442
Exchange differences (Note 28)	1,774	(5,467)
Finance income, net of restructuring (Note 28)	-	-
Gain/(loss) on loss of control of subsidiaries	-	-
Share of profit/(loss) of companies accounted for using equity method	-	(5,703)
Other income and expenses	-	-
	(12,638)	(22,833)
Working capital changes		
Inventories	(3,687)	1,222
Trade and other receivables	(18,200)	(18,436)
Other current assets	(3,242)	171
Trade and other payables	38,316	(25,967)
Other current liabilities	(98)	93
Other non-current assets and liabilities	-	-
	13,089	(42,827)
Other cash flows from operating activities		
Interest paid	(4,528)	(3,433)
Interest received	1	874
Income tax (paid) / received	(1,259)	(245)
	(5,786)	(2,804)
Net cash flows used in operating activities	(26,956)	(61,495)

b) Investing activities

	€ thousand	
	2023	2022
Payments for investments		
Property, plant and equipment, intangible assets and investment properties	(420)	(494)
Other financial assets (*)	(2,171)	(3,835)
	(2,591)	(4,329)
Proceeds from sale of investments		
Property, plant and equipment, intangible assets and investment properties	326	3,000
Disposal of investment in Epicom (Note 2.2.e)	5,321	-
Other financial assets (Note 10)	20,833	9,883
	26,480	12,883
Other cash flows from investing activities		
Interest received	-	-
	-	-
Net cash flows from investing activities	23,889	8,554

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

c) Financing activities

	€ thousand	
	2023	2022
Proceeds from and payments for financial liability instruments		
Issue	90,000	-
Redemption and repayment	(1,131)	(11,504)
	88,869	(11,504)
Net cash flows from / (used in) financing activities	88,869	(11,504)

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 2023 and 2022, the Group had extended the following bank guarantees:

	€ thousand	
	2023	2022
Guarantees provided in sales contracts in progress	278,526	229,124
Other	1,439	1,371
	279,965	230,495

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. These guarantees were reinforced with new pledges on 13 March 2024.

The Group has also received bonds and other guarantees from third parties for execution of its projects amounting to €15,238 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 2023, and does not expect any further significant liabilities than those recognised to arise. The main lawsuits, arbitration and claims are as follows:

<u>Lawsuit by the Special Prosecutor</u>

The deadline for investing the case had been extended until 28 July 2023, but the Spanish Tax Ministry issued its report on 16 July 2023, which requested that an order be issued to convert the case into an "abbreviated" proceeding. On 24 July 2023, the investigating judged issued a ruling ordering the proceeding to continue in respect of certain natural persons (no current employees of Duro Felguera, S.A.) and legal persons, including Duro Felguera, S.A. Duro Felguera disputed the decision in requests for remedy, reform and appeal. The request for remedy was upheld and the UTE was removed from the proceedings, while on 25 September 2023, the instructing officer rejected the appeal for reform. The appeal was upheld by Section 2 of the Criminal Division, ordering the instructing judge to issue a new decision responding specifically to DF's allegations. The judge finally issued a new order rejecting the company's claims, which also was appealed. On 21 March 2024, this Division rejected the appeal and upheld the lower court's order, citing that the arguments should be presented as "preliminary issues" or in defence in the oral hearings.

Therefore, DF, after the prosecution files its indictment, will submit its defence brief and reiterate the "preliminary issues" so they can be ruled on directly by the Trial Section of the Criminal Division. The directors still expect a positive outcome to the proceedings in this respect, although when this will happen is difficult to predict. No precautionary financial penalties have been ordered and the Company has not been required to post any bond securing potential financial liabilities. In any event, the Company cannot be forced to post a bond to secure potential rulings regarding the payment of fines for offences for which this case is being heard. These types of bonds were declared unconstitutional in a ruling by the Constitutional Court, no. 69/2023, of 19 June (disclosed in Spain's Official State Gazette -BOE- no. 176 of 25 July 2023, page 108374). It is not possible to determine the probability or prospective financial considerations, as they will depend on the outcome of the preliminary issues and, subsidiarily, of the oral hearings. The Company enjoys full presumption of innocence.

As at 31 December 2023 and 2022, 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.

DF Operaciones y Montajes, S.A. and Duro Felguera, S.A. submitted a statement of claim on 26 March 2021 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.

As at the date of authorisation for issue of these consolidated financial statements, each of these lawsuits is in a different stage of proceedings, with no resolution expected before the end of 2024 or early 2025. According to the Group's legal advisors in their internal assessments and third-party reports, prepared based on the information available, the Group estimates that, except for those lawsuits for which the related provision was recognised (see note 23), the outcome of these lawsuits will not have a material impact on its financial position.

Therefore, no material liabilities are expected to arise other than those already provisioned that could have a material adverse effect. The main lawsuits by amount which the 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 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 USD 87 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 USD 12 million. DF filed the pertinent appeals and applications for reversal within the legal deadlines, and requested injunctive relief to prevent enforcement of the guarantees provided. In August 2023, before decisions on those appeals were issued, Recope requested enforcement of guarantees for USD 7.3 million. Duro Felguera, S.A. lodged a new request for injunctive relief against enforcement of the guarantees, which was accepted by two different courts. A requested was made to combine the two opinions.

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, since the provisional injunctions were granted, the termination of the contract and/or enforcement of guarantees have been rendered without effect. Estimates indicate that acceptance of these injunctions by the courts is highly probable. Meanwhile, regarding the merits of the claim, although this proceeding is ongoing and the outcome is uncertain, the directors and their external legal advisors consider that the risk of this proceeding for the Group is remote in the light of the existing legal expert opinion. Therefore, no provision was recognised in this connected as at 31 December 2023.

2) Jebel Ali Power Station Project

In September 2020, DEWA brought a lawsuit against DFSA in the ordinary courts of Dubai, seeking damages from termination of the contract for that project. Duro Felguera not only challenged the merits of the claim, but also filed a declinatory plea over the local courts' jurisdiction. On 26 April 2022, Dubai's Supreme Court ruled in favour of the local jurisdiction. In June 2022, DEWA requested that its lawsuit against the group, in which it is currently claiming AED 1,082,705,150.80, be resumed. On 8 August 2022, the Group filed its statement of defence and its own claim against DEWA, seeking payment of AED 724,068,430.79.

According to the local proceeding, the court appointed a group of independent experts to assess the technical aspects being disputed. This group issued its report on 17 April 2023. On 12 June 2023, the court decided not to abide by the recommendations of the experts and issued a decision with the following compensation: (i) to DF: (a) AED 1,085,064.10, (b) USD 404,422.36 and (c) EUR 3,523,803.96; and (ii) to DEWA: AED 51,853,746.58, USD 2,342,858.09 and EUR 14,784,560.16.

Both parties appealed the ruling and in February 2024 the Court of Appeal dismissed both appeals.. Therefore, the Court of First Instance ruling remains unchanged. In March 2024, the two parties filed appeals for judicial review.

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 reimbursement of 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 and a trial date was set for June 2023, which later was suspended in a decision declaring the necessary final ruling in the Courts of the Emirates. This decision was final since it was not challenged by either of the parties.

As a result of the above and the actions taken to mitigate the risks identified, the accounting balances were updated in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IAS 37 Provisions, Contingent Liabilities and Contingent Assets. After assessing the various scenarios and possible outcomes, based on developments of the process in 2023 and up to the date of authorisation for issue of the consolidated financial statements, the parent company's directors, based on the legal opinions of its internal and external advisors, estimated the outflow required to settle the obligation they consider to be most reasonable, resulting in a decrease of €16 million in the provision recognised. It maintained the amount considered sufficient in accordance with decisions issued to date.

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 joined the project, and withholdings were released by the customer and used to pay project suppliers so that the project could move forward in 2022 and 2023. However, the pace of execution has been slower than expected due to the stalemate in negotiations over the recognition of economic claims arising from the political situation between Spain and Algeria in March 2022. Towards the end of 2023, major steps were taken by the customers to speed up execution of the project by arranging the letter of credit stipulated in the contract and proactively negotiating a protocol. This paved the way for partial execution of the contract to complete the open cycle gas turbines by the end of 2024. DF and the customer are still negotiating an agreement that would extend the deadline for final delivery of the project, which has already passed, and end the economic claims for cost overruns in executing the project. Their hope is that a satisfactory result will be achieved soon. There is currently uncertainty as to the final outcome of the negotiation and, therefore, to the final impact on the accompanying consolidated financial statements.

4) Aconcagua

In April 2020, arbitration proceedings against ENAP commenced. The claim is over breaches of contract and project delays attributable to the customer for an amount of USD 25.5 million (in multiple currencies). ENAP submitted a counterclaim of bad faith, the risk of which is considered highly remote, but subsidiarily the amount of USD 40,405,269 by applying the contractual 15% cap for each penalty. This interpretation is also not supported contractually, so subsidiarily the contractual limits apply, leaving its claim at USD 33,759,950. Visits were conducted from 23 May to 3 July 2022 in Santiago de Chile. An arbitration ruling is expected to be given on 31 March 2024. The guarantees have expired as ruled by the Arbitration Court.

The Group recognised a receivable of €11.5 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 recognised with the amount stipulated in the contract. A decision is expected to be handed down in June 2024.

5) Petacalco/EAN/Bid Capital

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 decision was issued on 15 May 2023, rejecting EAN's claim in its entirety and acquitting ECM, the end customer and the lender banks. EAN filed an appeal against the substance of the decision, which ECM filed an appeal seeking an order for EAN to pay the court costs. As at 31 December, the Group had not recognised any provision or amount payable in this connection in line with the decision.

Meanwhile, Bid Capital, SA de CV filed a suit against ECM over this project, claiming payment of MXN 166,731,503. The claim includes principal plus ordinary and late-payment interest and a requirement to open a letter of credit (for approximately MXN 8,272,998). The claim was disputed and a trial was held 2023. A judgment was handed down accepting the claim and ordering ECM to pay MXN 81,205,192 (approximately €4,317,223) plus interest. An appeal for constitutional protection against the decision was lodged. On 6 November 2023, a favourable amparo judgment was handed down, rejecting all of Bid Capital's claims. Accordingly, the judge of first instance must repeal the previous ruling and issue a new decision. The directors and their internal and external legal advisors consider that ECM will not be convicted initially and that the ruling should be rendered null and void. Therefore, as at 31 December 2023, no provision had been recognised in this connection.

6) Construcciones y Promociones Balzola

Construcciones y Promociones Balzola, S.A. (Balzola) submitted an arbitration claim against Duro Felguera, S.A., Duro Felguera Energy Storage, S.A. and Duro Felguera Oil&Gas, S.A. before the Civil and Commercial Court of Arbitration (CIMA) seeking €3,400,000 in alleged damages and unpaid invoices. A reply to the claim was filed, along with a counterclaim for €3,966,925.73. The Sole Arbitrator was appointed. As the proceedings are still in the early stages, the parent company's directors and their lawyers consider that an outcome that is favourable to the Group's interest is possible.

There were no material changes in 2023 in the rest of the lawsuits and arbitration proceedings in which the Group is involved.

34. Related party transactions

The following transactions were carried out with related parties:

a) Sale of goods and services and finance costs

	€ thousand	
	2023	2022
Sale of goods and services:		
- Associates	9	1,137
- Related parties	299	659
	308	1,796

On 31 March 2023, an extension was signed for the call option on 60% of the share capital of EPICOM, SA. (which originally expired on 13 May 2023) to 31 December 2023. This option was exercised on 20 September 2023 as disclosed in Note 10.

The costs, amounting to €4.6 million, of the financing with FASEE (managed by SEPI) are disclosed in Note 20.

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 2023 and 2022 is as follows:

	€ thousand	
Remuneration item:	2023	2022
Remuneration for membership of the board and/or board committees	430	429
Salaries	435	435
Other	32	29
	897	893

Directors did not receive any other benefits.

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 €452 thousand on a director liability insurance policy in 2023.

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:

	2023	2022
Total remuneration paid to senior executives (€ thousand)	1,297	2,112
Average no. of senior executives	7	9
Average remuneration (€ thousand)	185	234

Remuneration accrued in 2023 by senior management included, in addition to salaries and wages, other in-kind remuneration amounting to €17 thousand.

c) Dividends and other benefits

	€ thousand	
	2023	2022
Dividends and other benefits distributed:		
- Significant shareholders (Note 15)	-	-
	-	-

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

	€ thousand	
	2023	2022
Receivables from related parties:		
- Associates	-	338
- Related parties	-	-
	-	338
Payables to related parties (Note 21):		
- Associates	17	17
- Related parties	-	-
	17	17

e) Loans from related parties (in addition to FASEE, Note 20)

	€ thousand	
	2023	2022
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 that law.

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	
	2023	2022
Assets:		
Non-current assets	-	-
Current assets	58,768	72,586
	58,768	72,586
Liabilities:		
Non-current liabilities	-	-
Current liabilities	(126,720)	(138,618)
	(126,720)	(138,618)
Net assets	(67,952)	(66,032)
Revenue	(67)	3,283
Expenses	(1,970)	(751)
Profit/(loss) after tax	(2,037)	2,532

36. Other information

a) Average number of Group employees by category

	2023	2022
Directors	1	1
Senior managers	7	9
Managers	29	29
Middle managers	121	113
Qualified staff	472	433
Support positions	58	68
Operators	700	639
	1,388	1,292

b) Number of men/women by category

The distribution of Group employees by gender at the end of the reporting period is as follows:

	2023			2022		
	Men	Women	Total	Men	Women	Total
Directors	1	-	1	1	-	1
Senior managers	4	3	7	4	3	7
Managers	21	7	28	22	6	28
Middle managers	108	18	126	92	16	108
Qualified staff	419	102	521	317	82	399
Support positions	24	39	63	21	38	59
Operators	639	1	640	494	2	496
	1,216	170	1,386	951	147	1,098

At 31 December 2023, there were 13 employees with a disability of a severity greater than 33% (2022: 10 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 2023 and 2022, 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:

- 2023 (€ thousand)

Description	Fees payable to the principal auditor or companies belonging to its network
Audit services	630
Non-audit services	110
Services required by applicable law and regulations	15
Other assurance services	76
Tax services	19
Other services	-
Total professional services	740

- 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

37. Events after the reporting period

The following significant events occurred between 31 December 2023 and the date of authorisation for issue of these consolidated financial statements:

- 37.1 Events after the reporting period

- On 30 January 2024, the CNMV notified its approval of the application for waiver of the takeover bid submitted by Grupo Promotor de Desarrollo e Infraestructura, S.A. de C.V. and Mota– Engil México, S.A.P.I. de C.V.

- On 31 January 2024, the Company disclosed approval by the CNMV of the prospectus for the capital increase.

- On 21 February 2024, the Company disclosed the result of the capital increase with pre-emptive subscription rights. A total of 1,555,606 new shares were subscribed for cash amount of €1,191,749.76 between the par value and share premium, representing approximately 2.99% of the amount of the capital increase with pre-emptive subscription rights.

- On 22 February 2024, the Company announced that the capital increase had been notarised after completion of the capital increase with pre-emptive subscription rights and the capital increase for the debt-to-equity swap. Duro Felguera's post-increases share capital amounted to €10,758,971.55, with Grupo Promotor de Desarrollo e Infraestructura, S.A. de C.V. holding 30.77% and Mota-Engil México, S.A.P.I. de C.V. 23.89%.

- On 23 February 2024, the Company announces the start of trading on the market of the new shares issued in the capital increase.

- On 26 February 2024, the Company announced that the deed of the deed of capital increase had been placed on file at the companies register. On the same date, the syndication agreement between Grupo Promotor de Desarrollo e Infraestructura, S.A. de C.V. and Mota–Engil México, S.A.P.I. de C.V. regarding their ownership interest in Duro Felguera was published and filed with the Asturias Companies Register.

- On 13 March 2024, the governance agreements between SEPI and the new investors and the agreement to modify and extend the maturity schedule of the profit participating loans taken out with FASEE were disclosed publicly, as explained in Note 20.d.

• 37.bis Events after the reporting period

- On 24 April 2024, the Group signed a new protocol with Algerian customer SONELGAZ. This protocol includes an action plan for synchronisation of two single-cycle gas turbines by October 2024 and envisages certain interim milestones. It also provides for receipt of certain amounts stipulated in the original contract and part of any previous claims recognised by the customer, subject to the fulfilment of certain milestones set out in the protocol.
  The parties agreed to continue negotiations, in good faith, over their mutual outstanding claims and have set up a special task force for this purpose. The project's final outcome will depend on the agreements reached by the task force.

  In the light of this situation, there is the possibility that the contract budget will have to be updated to include a current estimate of the remaining execution costs, an assessment of the agreements reached over the mutual disputes and the forecast contract revenue. This should come with appropriate accounting remeasurements, if necessary. Since the date of the agreement was close to the date of authorisation for issue of these consolidated financial statements, the Group was not in a position to determine all the possible outcomes. Therefore, it cannot, if necessary, make a sufficiently reliable estimate to update the provision for onerous contracts recorded in its statement of financial position. The Group is currently assessing the potential impacts of the new protocol and expects to conclude its assessment within the next few months. The conclusions reached will be reflected in the interim financial statements as at 30 June 2024. However, it is not possible currently to reasonably quantify the potential accounting impact.

38. Additional note for English translation

The consolidated financial statements for the year ended 31 December 2023 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

2023 Management Report

General performance

The global economy continues to face challenges from soft growth and high inflation —and expectations of a slight slowdown in 2024 and 2025— due above all to (necessary) monetary policy tightening of the last two years. Moreover, higher gas and raw material costs triggered by the wars in Ukraine and Gaza, coupled with the diplomatic crisis with Algeria, pose major challenges in general for Europe's economies and especially Spain's, which is still heavily reliant on energy imports.

Even so, the IMF considers world economic risks to be fairly balanced and expects a "soft landing" in the leading economies. It forecasts global growth of 3.1% in 2024 and 3.2% in 2025, due to stronger resilience by the United States and several major emerging and developing economies than expected, along with fiscal stimulus in China.

Lastly, world economic growth, coupled with lower wage increases than inflation, resulted in extraordinarily tight labour markets and a labour shortage in several key economic sectors.

Despite a macroeconomic scenario rife major with challenges, Duro Felguera stayed on its road map drawn up at the end of 2022 and included in the business plan presented to shareholders and investors in March 2023. The business plan calls for over €1,000 million of order intake and revenue in four years, enabling the Company to move on from a phase of viability to one of growth and expansion. Higher sales and order intake should feed through to considerable increases in the Company's EBITDA and profit, leaving room to pay down approximately €90 million of loans and borrowings over the same period.

Duro Felguera's strategy in 2023 and beyond is predicated primarily on the operational transformation of processes, with a focus on projects and sustainable growth in all business areas. Specifically, the Company has outlined 10 strategic guidelines:

1. Strengthen Duro Felguera, with a focus on growth and transformation as key drivers.

2. Boost profitability, cut costs and gear efforts towards cash generation.

3. Execute well key existing contracts, with quality, timeliness and margins as core pillars.

4. Double order intake and increase sales by 2.5x.

5. Achieve a more dynamic Company through optimised and more efficient work methods resting on teamwork and streamlined and improved processes all with continuous improvement.

6. Foster a positive attitude, improving the working environment and increasing the satisfaction of everyone.

7. Focus on projects with wider and better cross-cutting support of key processes, spearheaded by project managers.

8. Optimise the management, resolution and outcome of legacies and lawsuits.

9. Reduce risks and improve the management of threats and opportunities.

10. Promote talent, leadership and people development.

Key highlights in the performance of the various business lines in 2023:

- Services

The Services business line went through ups and downs in 2023. The execution of the blast furnace 6 project for TATA generated over €150 million of revenue for the Group. However, the project's disappointing profitability, coupled with the project carried out by AC BOILERS in France, resulted in a loss for this line in 2023.

Execution of the work was inefficient due to the complexity of the TATA project and the customer, not to mention the shortage of skilled labour in Europe and higher costs caused by the war in Ukraine, resulting in longer lead times and substantially higher costs. Recall, this entails the shutdown and reconstruction of a crucial industrial tool for the plant's steel production. The last time it was repaired was over 25 years ago, leaving a great deal of uncertainty over the scope and difficulty of the work.

The contractual terms and conditions have been renegotiated several times during project execution and as at the date of this report efforts are under way to reach an amicable termination with the customer.

On the bright side, order intake exceeded €230 million, nearly 50% above target. As discussed below, all areas achieved major successes. However, the largest contributions were from the Duisburg project for SMS (global steel decarbonisation) and Sines project for TECNIMONT (new, more sustainable plastics manufacturing technologies). These are new construction projects with long lead times, leaving room for better planning and a greater ability to respond to any unforeseen difficulties that arise. Execution of Sines is from 2024 to mid-2025 and of Duisburg starts around end-2024 and runs until 2026.

2023 also marked DF's return to regional activity in Spain. In addition to its existing branch in the Canary Islands and the ARCELOR branch in Asturias, it set up new branches in Tarragona, Huelva and Cartagena. These branches started off strongly, with total local business of €10 million 2023. The aim is to double this figure in 2024.

Another area of recurring revenue showing continued growth was Operation and Maintenance (O&M). The O&M contracts won with ENCE and FERTIBERIA at the end of 2022 enabled revenue to double to over €11 million in 2023. Over €15 million worth of new contracts were won, including with major customers and new areas of activity; e.g. ATLANTIC COPPER (copper), EKOBAL (waste-to-energy) and SEPIOLSA (mining). These, coupled with the contracts already completed in early 2024 with REPSOL, point to revenue growth of over 50% in 2024.

The year was also highly successful for DF Mompresa in rotating equipment construction and maintenance. Thanks to the resource training plan —training is a critical aspect of this highly specialised and precision activity— revenue in the review business was in line with 2022 (at around €11 million), with nearly €13 million of order intake through two new construction projects. The first is in Spain and entails hydro power for IBERDROLA. The second is in Poland and entails the installation of state-of-the-art turbines capable of using hydrogen as fuel in the Ostroleka project for TÉCNICAS REUNIDAS as part of Poland's plan to reduce coal-fired generation. These contract wins resulted in a two-fold increase in order intake, to over €20 million. Start of execution helped drive a 25% increase in revenue, to nearly €14 million. The continuation of these projects in 2024, along with recurring activity, leave room for further growth of over 40%.

- Conventional Energy

The year featured the order to proceed (July 2023) with the Romgaz contract to complete the work on the Iernut combined cycle power plant in Romania, with a 16-month execution period. Meanwhile, GE Vernova awarded DF a contract to execute engineering works, over plant supplies and build the emergency plant for the Tarbert project in Kerry (Ireland). The plant has 150 MW of installed capacity and three LM6000 aeroderivative gas turbines adjacent to the former Tarbert thermal plant. SSE is the end customer. Lastly, work on the EPC contract for the DJELFA combined cycle thermal power plant project in Algeria continued during the year.

- Industrial Plants

In 2023, the Industrial Plants line extended the growth trend started in 2022 with the award of contracts for eight new projects.

In Mining & Handling of materials, the main focus during the year was on the execution of projects already in the pipeline and the maturity of several major projects expected to be contracted in 2024. The engineering and procurement phases at the AYA Gold (Morocco) silver processing plant were successfully completed in 2023. The focus is currently on completion of the plant's construction and the start of commissioning. In the lithium (sodium carbonate) handling project in Chile, efforts were geared towards strengthening the design, procurement and start-up of both manufacturing of the prefabricated structure and construction of the port facilities. The year also featured the successful completion of the Arcelor Liberia project, the Naftan project in Belarus, the Bellara project in Algeria and other smaller projects.

2023 was a good year for order intake in Oil & Gas, with two new contract wins: the spheres for MID Contracting in Jordan and the biofuel terminal for CEPSA in Huelva. These contract wins, coupled with the Olefins project in progress for Técnicas Reunidas and Hyundai in Poland and bright prospects for order intake, leave Oil & Gas poised to continue growing over the next few years, which is much needed after several years of lacklustre activity.

2023 was a challenging year for manufacturing of pressure vessel equipment (DFCP). On the order intake front, we continued to win back legacy customers like CEPSA, who trusted us with execution of seven reactors for its Huelva biorefinery. We also brought in new customers and products, including two double-walled bullets for the LyondellBasell pyrolysis plant. Execution featured two Primetals converters and deliveries of both the TGE/SHELL bi-lobe cargo tanks to hold LNG for a bunkering vessel and the Wash Tower for the PKN Orlen olefins plant. Despite all this, revenue was not enough to cover DFCP's fixed costs, for a number of reasons, leaving the line in the red in 2023. Looking ahead to 2024, it is shaping up to be a key year for DFCP's future. The company will need to undergo a major transformation and become more competitive, modern and profitable going forward.

- Smart Systems

Highlight for this business line, under which several sub-units and companies coexist, included the following:

The DF Logistic Systems subsidiary won two major contracts in 2023, a successful contract with Emmepi Group to implement its first logistics project in America, and a new order from the multinational enterprise Saica for a greenfield in Spain. We were also awarded a contract to extend the existing WIP warehouse, already executed by DF in 2016 for Polish customer WOK. Overall, 2023 was a record year for order intake, which reached €12.7 million.

Meanwhile, the Felguera Tecnologías de la Información subsidiary scored an important contract win in 2023 entailing the technological upgrade of Cofares' facility in Móstoles (Madrid). We are also undertaking an R&D&i project that will entail developing the WMS (Warehouse Management System) for executing Web environments and evolving the WMS (Warehouse Control System) to Siemens technology for implementation in 2024 of two projects: Emmepi Klabin and Saica Cantabria. Order intake in the year increased to €1.9 million.

Lastly, there is the Nalon Robotics project, a scale-up initiative that began in 2023 as a separate business unit. The objective is to develop a robot-operated automatic truck loading product with its own name and trade mark and a unique business model (OPEX vs traditional CAPEX). Our forecasts are for €20 million in revenue in 2027.

- Renewable Energies

For Green Tech, highlights in order intake included the award of several projects in the company's two areas of activity. In renewable projects, in April, it won the contract from OPD Energy for a 165 MW project in Cuenca, called Covatillas 2, 3 and 4. The Green hydrogen and New business units won the Vitale project in Alcázar de San Juan (Spain), a 10 MW electrolysis power project with two 5 MW units. The customer is Phynix.

The main activity in construction projects was the project awarded by OPD Energy to build the Covatillas 2, 3 and 4 plants. The civil and mechanical engineering works on the first phase, Covatillas 3, are currently being executed. Meanwhile, further progress was made on the engineering of the Vitale Hydrogen project. The remaining phases will be carried out when the customer issues the final order to proceed.

A final highlight included DF Green Tech's activity developing Green Hydrogen and new businesses projects through joint interests with other partners. Applications were submitted to different programmes in a bid to obtain European subsidies, three of which were successful: the Mine to H2 Hydrogen project in the Fondón Well located in Asturias, the Bahia 2 project in Cantabria, and the WaveAstur electricity generation and wave power technology project.

Consolidated revenue for the Group in 2023 amounted to €281.2 million, up 140% from 2022.

Operating loss for the year was €15.5 million, due primarily to losses on two projects in the Services line and operating losses in the Pressure Vessels business in the Industrial Plants line.

Order intake increased by €90 million in 2023 from the year before to €417 million. The backlog at year-end 2023 stood at €654 million, with €113 million more worth of projects in the pipeline than at the end of 2022. Of the total, 79% related to a range of different international projects.

The Group had €34.5 million of net financial debt at 31 December 2023, with €144 million of gross debt and €109.9 million of cash. Gross financial debt does not include €90.5 million of the loan converted into shares through the capital increase carried out on 21 February 2024 following the waiver of the mandatory takeover bid authorised on 30 January 2024.

The Group had an average of 1,388 employees in 2023, up from 1,292 employees in 2022, with the increase due to specific non-recurring requirements of projects being executed during the year. In 2023, in the light of the increase in order intake and backlog and after determining forecast workload for the coming months, the directors re-assessed the workforce restructuring plan presented in 2022 and decided to reduce the number of employees affected to 41.

The capital increase and addition of investors under way as at 31 December 2023 for €91.3 million was successfully completed on 21 February 2024, whereby Grupo Promotor de Desarrollo e infraestructuras S.A. de C.V. and Grupo Mota Engil México S.A.P.I. de C.V. became core shareholders, with a combined ownership interest of 54.66%, that, as outlined in the authorisation of the application for a waiver of the mandatory takeover bid granted by the CNMV on 30 January 2024, undertake to make their best efforts to ensure the achievement of the objectives set out in the updated viability plan approved by Spain's Council of Ministers at its meeting held on 4 April 2023 and by Duro Felguera Group's Board of Directors.

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 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 are disclosed in Notes 11.d), 14 and 21, and foreign currency transactions 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 2023, 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 €507 thousand higher (2022: €105 thousand lower), whereas if it had strengthened by 5%, post-tax profit for the year would have been €458 thousand lower (2022: €135 thousand higher), 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 USD, and the effect of the stage of completion at the year-end.

Meanwhile, if the euro had weakened by 5% against the DZD and the AED, with all other variables held constant, post-tax profit for the year would have been €2,116 thousand and €353 thousand lower, respectively (2022: €1,636 thousand lower for the DZD), whereas if it had strengthened by 5%, post-tax profit would have been €1,481 thousand higher (2022: €1,481 thousand higher), mainly as a result of exchange gains/(losses) on the translation to DZD of the receivables in the Algerian branch and in Dubai.

(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.

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.

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 €2,296 thousand (2022: €1,392 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.

Past due but not impaired trade receivables as at 31 December 2023 amounted to €29,995 thousand, of which €12,447 thousand were from Termocentro and €9,654 thousand from other customers with which there is some type of still unresolved legal dispute (2022: €34,866 thousand).

The Group recognised an impairment loss on its financial assets of €124,252 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 2023 and comparative data:

	€ thousand	
	2023	2022
Borrowings (Note 20)	(144,391)	(144,048)
Less: Cash and cash equivalents (Note 14)	109,899	24,097
Net cash/(debt) position	(34,492)	(119,951)
Undrawn credit lines (Note 20)	-	-
Total liquidity surplus/(shortfall)	(34,492)	(119,951)

The Group's financial debt at 31 December 2023 included the aid from FASEE and debt renegotiated with financial institutions in the form of profit participating loans and ordinary loans, excluding the value of convertible bonds (expressly included in the financing agreement) and the convertible loans extended by investors Grupo Prodi and Mota-Engil México and converted into equity in February 2024 (Notes 2.23 and 37).

The Group also had €3,995 thousand of deposits under "Current financial assets" in the statement of financial position as at 31 December 2023 as security for execution of its projects due to the lack of bank guarantees. In addition, a sum of €1,263 thousand was subject to restrictions because it had been designated as security in litigation with third parties, with the restrictions remaining in place until judgment is rendered or an out-of-court settlement is made (2022: €1,289 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 period for assessing compliance is the 12 months ended 30 June 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 6.10.

On 1 December 2023, the Group requested a waiver from the banking syndicate on compliance with the ratios at 31 December 2023 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 26 December 2023, with grant of the waiver by the financial institutions effective as of 31 December 2023. Therefore, at the date of authorisation for issue it was not in a situation of non-compliance. With the new viability plan approved, the loans from the new investors converted into equity and the extended maturity schedule of the profit participating loan with FASEE, the Group is confident that it will obtain a waiver of compliance with the ratios at 31 December 2024, especially with the leverage ratio, or a modification of financing agreements, as the extension of the debt with FASEE affects its compliance by increasing forecast financial burden and causing debt to rise.

(€ thousand)

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 shown in the table are the contractual cash flows discounted as at 31 December 2023 before considering the facts disclosed in Note 37:

As at 31 December 2023	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)	93,141	23,454	27,388	408
Convertible bonds and other financial instruments (Note 20.a)	90,516	-	-	11,880
Trade and other payables (Note 21)	166,642	-	-	-

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 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.

• 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.

e) <u>Capital risk management</u>

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and enable it 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. Meanwhile, both the financing agreements of 29 November 2021 with the financial institutions and FASEE prohibit the distribution of dividends unless certain conditions are fulfilled (Notes 3.1.c and 20).

DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2023 and 2022, the Group held no derivative financial instruments.

TREASURY SHARE TRANSACTIONS

At 31 December 2023 and 2022, the parent company did not hold any treasury shares.

RESEARCH AND DEVELOPMENT ACTIVITIES

Duro Felguera'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 2023, DF Innovation Hub (DFIH) achieved major milestones, including the addition of DFIH to the R&D&I centre cluster, adhesion to the ICT cluster, the hiring of 10 new employees for the R&D&I team and the award of two sizeable grants by MINCOTUR for R&D&I projects carried out in consortia. These main achievements underscore Duro Felguera's unwavering commitment to innovation, expansion of the business and the success of its operations.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Between 31 December 2023 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	2023	2022
Revenue	281,199	117,185
EBITDA	(13,670)	4,259
Order intake for the period	416,545	327,008
Order backlog	654,481	540,523
Profit/(loss) before tax	(21,621)	6,969
Net financial debt	(34,492)	(119,951)
Gross financial debt	(144,391)	(144,048)
Cash and cash equivalents	109,899	24,097
Equity attributable to the parent for company law purposes (1)	130,174	140,266

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

ANNUAL CORPORATE GOVERNANCE REPORT

The Annual Corporate Governance Report for 2023 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 2023 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 2023 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 2023 and 2022 are as follows:

	2023	2022
Closing price	0.652	0.650
High (€)	1.030	1.113
Low (€)	0.617	0.500
Trading volume ('000 shares)	70,161	92,829
Cash (€ thousand)	56,599	76,484
Number of shares (x 1.000)	96,000	96,000
Market cap at year-end (€ thousand)	62,592	62,400

Source: Madrid Stock Exchange

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AUDITOR'S REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF DURO FELGUERA, S.A. FOR THE YEAR ENDED 31 DECEMBER 2023

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

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

At the request of the Board of Directors of Duro Felguera, S.A. (the "Entity") and in accordance with our proposal dated 15 November 2023, we have applied certain procedures to the accompanying “ICFR-related information” included in section F) of the Annual Corporate Governance Report (ACGR) of Duro Felguera, S.A. for the year ended 31 December 2023, which summarises the Entity’s internal control procedures in respect of its annual financial reporting.

The Directors are responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system, and for making improvements to that system, and preparing and establishing the content of the accompanying ICFR-related information.

It should be noted in this regard that, irrespective of the quality of the design and operating effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Standards on Auditing, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we exclusively applied the specific procedures described below and indicated in the Guidelines on the Auditors’ report relating to information on the Internal Control over Financial Reporting in Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of the abovementioned procedures performed was limited and substantially less than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or its design or operating effectiveness, in relation to the Entity’s annual financial reporting for the year ended 31 December 2023 described in the accompanying ICFR-related information. As a result, had we applied additional procedures to those established by the Guidelines mentioned above or had we performed an audit or a review of the internal control over regulated annual financial reporting, other matters might have been come to our attention that would have been reported to you.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M -54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Furthermore, since this special engagement neither constitutes a financial statement audit nor is it subject to prevailing audit regulations in Spain, we do not express an audit opinion in the terms provided for in those regulations.

The procedures performed were as follows:

1. Reading and understanding the ICFR-related information prepared by the Entity – disclosures included in the Management Report – and assessing whether such information addresses all the reporting requirements following the minimum content detailed in section F relating to the description of the ICFR system in the Annual Corporate Governance Report (ACGR) template established in CNMV Circular 5/2013 of 12 June 2013, and subsequent amendments, the most recent of which is CNMV Circular 3/2021, of 28 September (the "CNMV Circulars").

2. Making inquiries of personnel responsible for preparing the information detailed in point 1 above to: (i) obtain an understanding of the process followed in preparing it; (ii) obtain information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) obtain information on whether the control procedures described are in place and functioning at the Entity.

3. Reviewing the explanatory documentation supporting the information detailed in point 1 above, including mainly the documentation furnished directly to those responsible for preparing the information describing the ICFR system. This documentation includes reports prepared by the Internal Audit Department, senior management, and other internal and external experts in their role supporting the Audit Committee.

4. Comparing the information detailed in point 1 above with our knowledge of Duro Felguera, S.A.'s ICFR system obtained through the procedures applied during our audit of the annual financial statements.

5. Reading the minutes of the meetings of the Board of Directors, the Audit Committee, and other Entity committees to evaluate the consistency between the ICFR system matters addressed and the information detailed in point 1 above.

6. Obtaining a representation letter in connection with the work performed, duly signed by those responsible for preparing and authorising for issue the information detailed in point 1 above.

As a result of the procedures applied to the information relating to the ICFR system, no inconsistencies or incidents were uncovered that might affect the information:

This report was prepared exclusively within the framework of the requirements stipulated in article 540 of the consolidated text of the Spanish Corporate Enterprises Act (texto refundido la Ley de Sociedades de Capital) and CNMV Circulars on ICFR system description in Annual Corporate Governance Reports.

DELOITTE, S.L.

Alicia Izaga

30 April 2024

ISSUER IDENTIFICATION DETAILS

Year-end date: 31/12/2023

TAX ID (CIF): A-28004026

Company name:

DURO FELGUERA, S.A.

Registered office:

ADA BYRON, 90 PARQUE CIENTÍFICO Y TECNOLÓGICO (GIJÓN) ASTURIAS

A. OWNERSHIP STRUCTURE

A.1. Complete the following table on share capital and the attributed voting rights, including those corresponding to shares with a loyalty vote as of the closing date of the year, where appropriate:

Indicate whether company bylaws contain the provision of double loyalty voting:

[ ] Yes
[√] No

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
31/05/2019	4,800,000.00	96,000,000	96,000,000

In 2023, 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 company’s significant direct and indirect shareholders at year end, including directors with 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	3.87	0.00	0.00	3.87
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
As disclosed in the Group's financial statements, in February 2024 a capital increase was carried out with the issue of 1,555,606 new shares to provide Grupo Promotor de Desarrollo e Infraestructura, S.A. de C.V. with a 30.77% stake and Mota–Engil México, S.A.P.I. de C.V. with a 23.89% stake in the Parent's capital.

A.3. Give details of the participation at the close of the fiscal year of the members of the board of directors who are holders of voting rights attributed to shares of the company or through financial instruments, whatever the percentage, excluding the directors who have been identified in Section A2 above:

Name or company name of director	% voting rights attributed to shares (including loyalty votes)		% of voting rights through financial instruments		% of total voting rights	From the total % of voting rights attributed to the shares, indicate, where appropriate, the % of the additional votes attributed corresponding to the shares with a loyalty vote	
	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
JORDI SEVILLA SEGURA	0.05	0.00	0.00	0.00	0.05	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	% voting rights attributed to shares (including loyalty votes)	% of voting rights through financial instruments	% of total voting rights	From the total % of voting rights attributed to the shares, indicate, where appropriate, the % of the additional votes attributed corresponding to the shares with a loyalty vote
No data					

List the total percentage of voting rights represented on the board:

Total percentage of voting rights represented on the Board of Directors	0.02

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. Unless insignificant for both parties, describe the relationships that exist between significant shareholders, 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			

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
JOSE AURELIO SUÁREZ DEVESA, ANTONIO MARTÍNEZ HERNÁNDEZ, ALBERTO ARIAS ABAD, ÁNGEL GUIJARRO CASTRO, EDUARDO BREÑA BREÑA	2.74	On 25 September 2021, a block-and-command minority shareholder association was created. At 31 December 2023, this association held shares representing 2.74% of share capital.	The association has a minimum duration of four months, with tacit renewal for four-month periods.

Parties to the shareholders' agreement: MARIO DOMINGUEZ FERNANDEZ, MARIA ANGELES HERNANDEZ SANCHEZ, PEDRO REDONDO PERAL, JOSE AURELIO SUAREZ DEVESA, FERNANDO BARANDIARAN GOÑI, MARIA BELEN MARTIN HERNANDO, JESUS MARIA BARRON RUIZ, UNAI VAZ BRAVO, CLEMENTINA ESTEVEZ RIVAS, ANTONIO MARTINEZ HERNANDEZ, LUIS FERMIN BRANDES ELIZALDE, JUAN BENITEZ BUENO, ALBERTO ARIAS ABAD, EDUARDO BREÑA BREÑA, DIEGO SOBRINO LOPEZ, BRANDRES ELIZALDE S.L. ROBERTO JOSÉ PEREZ GARCÍA, SANTIAGO PEDRO GOMEZ-MILLAN MARTIN, CARLOS ELIAS BARRO ROCES, VICENTE ALVAREZ PÉREZ, DAVID BARREIRO ESCUDERO, M. LUISA SANTOS CALDERÓN, ALVARO CUESTA MARTÍN, JUAN ANTONIO VILLACORTA GOMEZ, FRANCISCO JAVIER LÓPEZ-CANCIO VALDES, PEDRO JOSÉ TIERNO LÓPEZ, MARCOS FERNÁNDEZ PÉREZ, GONZALO MORALES GONZALEZ, JESÚS BLANCO MENÉNDEZ, JOSÉ MANUEL ESCOBAR, MARÍA CARMEN FLÓREZ OLAY.

Indicate whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

[ ] Yes
[√] No

The Company is not aware of other concerted actions other than the minority shareholder association described above.

If any of the aforementioned agreements or concerted actions have been amended or terminated during the year, indicate this expressly:

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 (*)	% of total share capital
		0.00

Since the 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.

Not applicable

A.11. Estimated float:

	%
Estimated float	90.15

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:

Indicate the various share classes

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				
Date of general meeting	% physical presence	% present by proxy	% distance voting		Total
			Electronic voting	Other	
30/06/2021	9.54	15.88	0.00	0.00	25.42
Of which floating capital:	6.42	12.04	0.00	0.00	18.46
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
13/04/2023	0.89	17.10	3.39	11.25	32.63
Of which floating capital:	0.89	10.14	3.39	11.25	25.67
27/06/2023	1.32	14.88	0.26	4.54	21.00
Of which floating capital:	1.32	7.92	0.26	4.54	14.04

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	9

C.1.2 Complete the following table with details of the members of the board:

Name or company name of director	Representative	Category of director	Position on the Board	Date first appointed	Date of last appointment	Election procedure
VALERIANO GÓMEZ SÁNCHEZ		Independent	DIRECTOR	30/01/2020	30/01/2020	CO-OPTION
ROSA ISABEL AZA CONEJO		Independent	CHAIRMAN	30/09/2019	30/09/2019	CO-OPTION
JOSÉ JAIME ARGÜELLES ÁLVAREZ		Executive	CHIEF EXECUTIVE OFFICER	30/04/2021	30/06/2021	CO-OPTION
CÉSAR HERNÁNDEZ BLANCO		Other external	DIRECTOR	30/04/2021	30/06/2021	CO-OPTION
JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO		Independent	DIRECTOR	30/09/2019	30/09/2019	CO-OPTION
JORDI SEVILLA SEGURA		Independent	DIRECTOR	17/04/2020	17/04/2020	CO-OPTION
MARÍA JESÚS 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					

Reason for cessation when this occurs before the end of the term of office and other observations; information on whether the director has sent a letter to the remaining members of the board and, in the case of cessation of non-executive directors, explanation or opinion of the director dismissed by

On 18 April 2024, we notified the Spanish National Securities Commission (Comisión Nacional del Mercado de Valores or "CNMV") that Jordi Sevilla Segura had resigned as director, effective as of that date, thereby also stepping down as Chairman of the Sustainability Committee and member of the Audit, Risk and Compliance Committee (ARCC) and the Appointments and Remuneration Committee (ARC). On the same date, notification was sent regarding the resignations of Julián Massa Gutiérrez del Álamo as Deputy Chairman, Director, Chairman of the Audit, Risk and Compliance Committee ARCC and member of the ARC, and of Valeriano Gómez Sánchez as Director, Chairman of the ARC and member of the Audit, Risk and Compliance Committee, with deferred effect as from the date of the next Annual Meeting.

C.1.3 Complete the following tables on board members and their respective categories:

EXECUTIVE DIRECTORS		
Name or company name of director	Post in organisation chart of the company	Profile
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 director on 30 April 2021 pursuant to the Management Agreements entered into with SEPI on 31 March 2021.

EXTERNAL 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		

EXTERNAL INDEPENDENT DIRECTORS	
Name or company name of director	Profile
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.
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 and held senior positions at government agencies and departments, including the Ministry of Agriculture and the Ministry of Economy and Finance.

EXTERNAL INDEPENDENT DIRECTORS	
Name or company name of director	Profile
	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.

Total 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
VALERIANO GÓMEZ SÁNCHEZ	Not applicable	Not applicable
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

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 or to whom 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 HERNÁNDEZ BLANCO	Appointed by 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			
	2023	2022	2021	2020	2023	2022	2021	2020
Executive					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	1	1	1	1	25.00	25.00	25.00	25.00
Other External	1	1	1		50.00	50.00	50.00	0.00
Total	2	2	2	1	28.57	28.57	28.57	20.00

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 2024.

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 Appointments 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 Appointments and Remuneration 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 2024, 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, including those relating to the option of issuing or re-purchasing shares, 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 INTELLIGENT SYSTEMS	Representative of the sole director, Duro Felguera, S.A.	YES
JOSÉ JAIME ARGÜELLES ÁLVAREZ	DF MOMPRESA SAU	Sole director.	YES
JOSÉ JAIME ARGÜELLES ÁLVAREZ	DURO FELGUERA ENERGY STORAGE SAU	Representative of the joint 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	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	DFOM NETHERLANDS B.V.	Sole director.	YES

C.1.11 List the positions of director, administrator or representative thereof, held by directors or representatives of directors who are members of the company's board of directors in other entities, whether or not they are listed companies:

Identity of the director or representative	Company name of the listed or non-listed entity	Position
VALERIANO GÓMEZ SÁNCHEZ	El Marmarel Escuelas S.L	DIRECTOR

Identity of the director or representative	Company name of the listed or non-listed entity	Position
CÉSAR HERNÁNDEZ BLANCO	MERCASA	DIRECTOR

María Jesús Álvarez González 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	.- Economista en A25 Abogados&Economistas .- Consultant and advisor in Grupo Corres Sociedad Estatal .- Consultant and advisor in Fertiberia, S.A. .- Consultant and advisor in INEO Corporate Madrid .- Strategic consultant and advisor of Caja Rural del Sur .- Advisor of Fundación CRS
JORDI SEVILLA SEGURA	Senior external advisor of Neinor, Candian Solar and FACSA. President of the Corporate Board of UNIR Advisor of Fundación Conexus
MARÍA JESÚS ÁLVAREZ GONZÁLEZ	Head of Finance at Sociedad Estatal de Participaciones Industriales (SEPI) and member of its Management Committee.
CÉSAR HERNÁNDEZ BLANCO	Head of Area and Planning at Sociedad Estatal de Participaciones Industriales (SEPI)

C.1.12 Indicate whether the company has established rules on the maximum number of company boards on which its directors may sit, explaining if necessary and identifying where this is regulated, if applicable:

[√] Yes
[ ] No

Explanation of the rules and identification of the document where this is regulated

Under article 7.6. of the Regulations of the Board, a director may not serve on the boards of more than five companies listed on domestic or foreign markets.

C.1.13 Indicate the remuneration received by the Board of Directors as a whole for the following items:

Remuneration accruing in favour of the Board of Directors in the financial year (thousands of euros)	897
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 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.

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)
JUAN JOSÉ HERRERO RODRÍGUEZ	Corporate General Director
IVÁN FEDERICO FERNÁNDEZ SUÁREZ	Services Business Unit Director
GEMMA FDEZ-NESPRAL AMADO	People and Organisation Director
LUIS FERNANDO RIAÑO GARCÍA	Digital Intelligence Systems Business Unit Director
LEANDRO MENESES OBIOL	Legal Counsel
CÁRMEN CABALLERO DÍAZ	Communication, Marketing & Public Affairs Director
MARÍA CAMINO SÁNCHEZ RODRÍGUEZ	Conventional Energy Business Unit Director

Number of women in senior management	3
Percentage of total senior management	42.85

Total remuneration of senior management (thousands of euros)	1,297

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 Appointments 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 Appointments 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 Appointments 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 2023 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 2023, 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 Appointments 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 Appointments and Remuneration Committee, deems it appropriate.

C.1.20 Are qualified majorities other than those prescribed by law required for any type 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	27
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 Appointments and Remuneration Committee	3
Number of meetings held by the Sustainability Committee	2

C.1.26 Indicate the number of meetings held by the Board of Directors during the year with member attendance data.

Number of meetings at which at least 80% of the directors were present in person	27
Attendance in person as a % of total votes during the year	90.00
Number of meetings with attendance in person or proxies given with specific instructions, by all directors	27

Votes cast in person and by proxies with specific instructions, as a % of total votes during the year	100.00

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 Cost Control Department and Risk Department have been operating since 2019, with the latter reporting to the Audit, Risk and Compliance Committee.

C.1.29 Is the secretary of 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

The Company considered it appropriate to appoint a new auditor to implement a rotation in the external audit function that safeguards independence. Following best practices in corporate governance, external auditors should not be incumbent for more than four consecutive years.

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)	5	14	19
Amount invoiced for non-audit services/Amount for audit work (in %)	0.69	1.94	2.64

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	4	4

	Individual	Consolidated
Number of years audited by the current audit firm/number of years in which the company has been audited (%)	11.76	11.76

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 Appointments 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 Appointments and Remuneration Committee, deems it appropriate.

C.1.37 Indicate whether, apart from such special circumstances as may have arisen and been duly minuted, the Board of Directors has been notified or has otherwise become aware of any situation affecting a director, whether or not related to his or her actions in the company itself, that might harm the company's standing and reputation:

[ ] Yes
[√] No

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

The financial aid agreement with FASEE includes a fully mandatory prepayment clause in the event of a non-permitted change of control.

The syndicated financing agreement entered into by the company with its main bank creditors provides for the right of any of the signatory bank creditors to demand prepayment of the related financing and the cancellation and release of any guarantees issued by that credit in the event of a non-permitted change of control.

C.1.39 Identify individually as regards directors, and in aggregate form in other cases, and provide details of any agreements between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal without due cause or termination of employment as a result of a takeover bid or any other type of transaction.

Number of beneficiaries	2
Type of beneficiary	Description of the agreement
Senior management	i) 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 (excluding for this purpose any other component of fixed, variable or in-kind remuneration) shall refrain from carrying out such activities for a period of nine (9) months. The Company may extend the non-compete period for an additional nine (9) months to a maximum of eighteen (18) months and pay indemnification, in the event of this extension, in proportion with the duration of the non-competition period. Breach by the Chief Executive Officer of compliance with this non-competition clause shall entail the payment by the Chief Executive Officer to the Company of an indemnity equal to one (1) times the amount that the Chief Executive Officer would have received in accordance with the preceding paragraph. - For senior management contracts, the contract of one director stipulates that 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.

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:

Appointments and Remuneration Committee		
Name	**Position**	**Category**
VALERIANO GÓMEZ SÁNCHEZ	CHAIRMAN	Independent
JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO	MEMBER	Independent
JORDI SEVILLA SEGURA	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 Appointments and Remuneration Committee ("the Committee") is regulated by 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 Appointments 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 Appointments 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.

Audit, Risk and Compliance Committee		
Name	**Position**	**Category**
VALERIANO GÓMEZ SÁNCHEZ	MEMBER	Independent
JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO	CHAIRMAN	Independent
JORDI SEVILLA SEGURA	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 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

Sustainability Committee		
Name	Position	Category
ROSA ISABEL AZA CONEJO	MEMBER	Independent
JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO	MEMBER	Independent
JORDI SEVILLA SEGURA	CHAIRMAN	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 delegated or assigned to this committee, other than those that have already been described in Section C.1.9, 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 Appointments and Remuneration Committee ("the Committee") is regulated by 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 Appointments 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 Appointments 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							
	2023		2022		2021		2020	
	Number	%	Number	%	Number	%	Number	%
Appointments and Remuneration Committee	0	0.00	0	0.00	0	0.00	0	0.00
Audit, Risk and Compliance Committee	0	0.00	0	0.00	0	0.00	0	0.00
Sustainability Committee	1	33.00	1	33.00	0	0.00	0	0.00

On 18 April 2024, pursuant to resignation disclosed in section C.1.2. above, the Board of Directors appointed Chairman Rosa Aza Conejo member of the ARCC and the ARC to ensure institutional operation.

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 2023.

D. RELATED PARTY AND INTRAGROUP TRANSACTIONS

D.1. Explain, where appropriate, the procedure and competent bodies relating to the approval of transactions with related and intragroup parties, indicating the criteria and general internal rules of the entity that regulate the abstention obligations of the affected director or shareholders. Detail the internal information 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. Give individual details of operations that are significant due to their amount or of importance due to their subject matter carried out between the company or its subsidiaries and shareholders holding 10% or more of the voting rights or who are represented on the board of directors of the company, indicating which has been the competent body for its approval and if any affected shareholder or director has abstained. In the event that the board of directors has responsibility, indicate if the proposed resolution has been approved by the board without a vote against the majority of the independents:

Name or company name of the shareholder or any of its subsidiaries	% shareholding	Name or company name of the company or entity within its group	Amount (thousands of euros)	Approving body	Identity of the significant shareholder or director who has abstained	The proposal to the board, if applicable, has been approved by the board without a vote against by the majority of independents
No data						

Name or company name of the shareholder or any of its subsidiaries	Nature of the relationship	Type of operation and other information required for its evaluation
No data		

Not applicable.

D.3. Give individual details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with the administrators or managers of the company, including those operations carried out with entities that the administrator or manager controls or controls jointly, indicating the competent body for its approval and if any affected shareholder or director has abstained. In the event that the board of directors has responsibility, indicate if the proposed resolution has been approved by the board without a vote against the majority of the independents:

Name or company name of the administrators or managers or their controlled or jointly controlled entities	Name or company name of the company or entity within its group	Relationship	Amount (thousands of euros)	Approving body	Identity of the significant shareholder or director who has abstained	The proposal to the board, if applicable, has been approved by the board without a vote against by the majority of independents
No data						

Name or company name of the administrators or managers or their controlled or jointly controlled entities	Nature of the operation and other information necessary for its evaluation
No data	

Not applicable.

D.4. Report individually on intra-group transactions that are significant due to their amount or relevant due to their subject matter that have been undertaken by the company with its parent company or with other entities belonging to the parent's group, including subsidiaries of the listed company, except where no other related party of the listed company has interests in these subsidiaries or that they are fully 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 operation and other information necessary for its evaluation	Amount (thousands of euros)
No data		

Not applicable.

D.5. Give details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with other related parties pursuant to the international accounting standards adopted by the EU, which have not been reported in previous sections.

Company name of the related party	Brief description of the operation and other information necessary for its evaluation	Amount (thousands of euros)
No data		

SEPI (manager of FASEE) exercised its call option on shares representing 60% of the share capital of EPICOM, SA, in favour of third parties (INDRA and OESIA). The transaction was carried out in 2023. The call option was granted in May 2021.

Also, in 2021, 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.

D.6. Give details of 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, significant shareholders or other associated 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 Appointments 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 listed or not, and whether it 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 CONTROL AND MANAGEMENT SYSTEMS

E.1. Explain the scope of the company's financial and non-financial risk management and control system, including tax risk.

The Board of Directors of Duro Felguera, S.A. ("Duro Felguera", "DF" 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, in 3Q and 4Q 2023, reviewed its Risk Management and Control Policy to adapt it to the Company's new situation and operating environment. This policy was approved by the Board of Directors and became effective on 1 January 2024 after its review and verification by the Risk Department and the Audit, Risk and Compliance Committee (ARCC), and forms 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:
- Strategic 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 throughout the enterprise in 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 project risk management rules.

The Company bases its risk management and control on the international UNE-ISO 31000:2018 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, risk treatment, assurance.
- Information and reporting: reports based on level of exposure.

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 financial and non-financial 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.

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 regulatory compliance.
- 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.
- ARCC: 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, the ARCC reviews the risk management system.
- 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 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 Regulatory Compliance Department: The Compliance Committee helps support the risk management process in areas of due diligence of partners, agents and other third parties with whom DF interacts in presenting bids and projects.

E.3. Indicate the main financial and non-financial risks, including tax risks, as well as 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 and may affect the achievement of business objectives.

For risk management, the Company reviews its corporate risks annually. The risk report arising from the risk map is used in the design of the Company's annual strategy approach. In the third and fourth quarters of 2023, the situation of risks was reviewed and a strategy drawn up effective from 1 January 2024.
Risks are grouped into the following categories: strategic, operational, financial, compliance and sustainability.
Strategic.
//Global.-// Financial risk (which we describe in detail in the relevant section) and the market situation and organisational area.
// Market-Organisational-Digitalisation: // The outlook is for negative inflation, wage growth and cost increases, and rising interest rates. GDP growth forecasts are extremely moderate for Europe and Western economies. Negative macroeconomic outlook. However, in the company's main industry there are investment expectations arising from the energy and digital transition and the EU's need for energy autonomy, with clear and material incentives.
//Strategic. Organisational: Collective redundancy plan; we need to speed up the adaptation of processes and procedures from the change and work harder on talent retention, both of which can affect the Company's activity.

//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.
//Suppliers/subcontractors//: Stress in managing debt can pose a risk of restriction on operations and competitiveness. Reliance on certain 'technological' suppliers creates exposure to risk of vertical integration by them in areas where the Company carries out its business.
//Partners/agents//: Regarding diversity and conditions of countries where the Company operates, by sharing risk 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.
Operational.
//Global.// information and cybersecurity systems
//Project-People-Catastrophe: // Project management. Changes in costs. Geopolitical circumstances, commodity price volatility and the current inflationary environment can have an adverse impact on the Company's business and earnings. Meanwhile, project management and weaknesses in processes or inadequate procedures can result in changes in project costs and timing. Talent drain, occupational health and safety. Natural phenomena.
Financial
//Global.-// Large weight, improvement in reputational risk with arrival of new shareholders completed in December 2023.
// Project-Digitalisation: // Variables and 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. The Company is currently in the process of strengthening its cash and financial positions after the transaction with the new investor, adding contributions to obtain higher liquidity through drawdowns on loans, etc. and reinforcing its guarantee facilities.
Improvement in digitalisation.
Compliance and Sustainability.
//Compliance.-// Criminal and Digital, data- Integrity and reputation. Inappropriate 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.

//Operational. Contract management//: Complexity of EPC contracts, with obligations spanning several years and involving multiple parties. 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; 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.
// Sustainability: // Climate change. The EU's stated energy transition policy could give rise to certain political, legal and regulatory risks related to attempts to restrict factors that cause climate change and promote climate change adaptation measures, which could affect the development of the Company's activities. Given its sector of operations, increasing climate change demands will give rise to investment opportunities in areas where the company is well positioned, e.g. emission reductions, carbon capture and decarbonisation.

E.4. Indicate whether the entity has risk tolerance levels, including for tax risk.

The Company has a taxonomy established for the corporate, bids and projects domains, grouped into five categories: strategic, operational, financial, compliance and sustainability.
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 determine 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 all related risk elements are assessed and evaluated 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. This exercise is reported to the Risk Department so it can map the risks of each project.
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 financial and non-financial risks, including tax risks, have materialised during the year.

As explained in the consolidated financial statements, the main risks that materialised in 2023 related to the bankability of projects, exchange rate fluctuations and deviations in execution of certain contracts, as well as cash management pressure.

The review of project risk being conducted in 2024 entails close monitoring of compliance with contractual obligations and impacts.

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 mitigate the main risks, various actions are taken:

Financial management. Economic variables:
- Fiscal: planning and monitoring of the tax function with local advisors.
- Cash management and monitoring. Measurement of project-by-project cash flow trends. Weekly update of corporate cash flows, forecast of financing requirements, planning of actions to boost operating cash flows or assessment of actions to optimise cash surpluses.
- Foreign currency. In the bid phase, the foreign-currency collection and payment structure is evaluated and multi-currency contracts are encouraged to provide a natural hedge.
- Credit risk. In the bidding stage, customer due diligence procedures are carried out and methods for accrediting project finance are determined.

Project management. Changes in project costs
-For increases in raw material costs, standard practice is to arrange and close a fixed price for the main supplies, creating natural hedges.

-Planning of acquisitions of critical equipment/materials or those with highly volatile costs because of the impact of raw materials.
- Inclusion in supplier and subcontractor contracts of back-to-back liability clauses in the main contracts.
- Project deadline monitoring to prevent delays that could lead to indirect cost overruns over the light of the project.
- Flexibility to adapt to local content requirements through appointed partners or subcontracts depending on prevailing legislation.
-Design of new contractual formulas to mitigate risks.
- Ensure reviews and variability in prices, stockouts and changes in laws.

Climate change. Management of SDGs.
- Existence of an environmental management system (ISO 9001), a quality system (ISO 14001) and an occupational health and safety management system (ISO 45001).
- Ecological Transition Plan 2021-2027, commitment to implement four of the 17 SDGs. SDG 13 Climate action for monitoring of emissions.
- Control and minimisation of ESG impacts with customers, subcontractors and suppliers (supply chain).
- Business: climate change demands give rise to investment opportunities related to emission reductions, carbon capture and decarbonisation.

Organisational. Talent retention. Processes.
- Strategic people management plan: focus on developing and retention.
- High performance management team training, upskilling and reskilling.
- Objective setting and performance appraisal process
- Analysis of remuneration structure: benchmarking, action plan
- Reassessment of process, with focus on corporate efficiency. Redefinition of positions/functions/tasks.

Order backlog. Energy transition.
-Financial reinforcement: addition of investor and others.
- Active monitoring of performance of Next Generation and PERTE funds.
- Study of strategic partnerships with developers and tech firms, high specialisation in green H2 project execution.
- Commitment to technology and innovation, in secure communications in strategic civil areas and expansion of automated storage areas.
- Focus on the design of R&D&I in decarbonisation, CO_2 recovery, wave energy, etc.

Suppliers/subcontractors. Vertical integration: strategic agreements with critical suppliers and tech companies in the areas of conventional energy, renewable energy, M&H and logics systems.

Partners/agents: internal rules of approvals and due diligence process, third parties, partners, agents, etc., compliance, technical and financial assessment.

Integrity and reputation.
- Crime Prevention Model, updated annually.
- Redrafting of the Regulatory Compliance Policy to enhance regulation of inclusion of Spanish and foreign subsidiaries.
- Reissue of the Code of Conduct to include new principles and conduct guidelines and reinforce existing ones.
- Requirement of 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.
- Bids: Assessment of contracts through specialised areas.
- Contractual model: risk element assessed by the Company's Risk Committee. It uses contractual models developed by different internationally renowned institutions.
- Contractual management in parallel with project management from development to guarantees.

The risk map/ report to the Board and Executive Committee annually.

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 article 17 of the Board Regulations, updated on 18 January 2022, 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 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 Indicate whether the following exist, especially in relation to the drawing up of financial information:

· 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 Board Regulations, 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 Handbook updated and approved by the Board of Directors on 3 November 2023. Functions and responsibilities are assigned to:

1) Audit, Risk and Compliance Committee
2) Finance Department
3) Internal Audit
4) 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 ICFR Policy among company staff. Therefore, held annual training sessions in 2023 coinciding with the processes of updating and reviewing of the Policy 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 2023 on the Group's ethical values that included specific information regarding the Code of Conduct and the Anti-Corruption Policy, the Regulatory Compliance Policy, the Crime Prevention Model, the operation of the Internal Whistleblowing System 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 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 five times in 2023.

- • 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 and whether anonymous notifications can be made, protecting the rights of the whistleblower and the person reported.

DF has provided access by all its people to an independent channel for reporting incidents or concerns. It is implemented through an online platform developed by BDO, the company to which it outsourced the management of complaints received through this channel and that independently oversees receipt and recording of reports and preliminary analysis of whether or not the reports received are valid.

With entry into force of law 2/2023 on the protection of persons who report breaches of laws and anti-corruption, on 12 June 2023, DF's Board of Directors, on a recommendation by the Audit, Risk and Compliance Committee, approved the update of the Internal Whistleblowing Channel for reporting incidents and on internal investigations to align it with prevailing legislation and published its Internal Reporting System Policy.

- 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.

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 or fraud, stating whether:

- 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 review control. The entire process is completed with a two-stage self-assessment. At the first stage, the control owner, together with the documentation to be used in the control, reports to the supervisor that this has been completed so that supervisor can perform the control and assessment of the controls for which he or she is responsible. 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 reports it upon request from the Audit Committee.

In the first half of 2023, the Group identified the need to update certain procedures and their related controls in the wake of changes in the Group's structure and roles within the Group after the workforce reduction plans carried out by the Group at the end of 2022 and during 2023, in addition to other employee departures resulting in the need to reallocate tasks. Lastly, the Group has drawn up a plan to update the ICFR system, which was requested and approved by the Audit, Risk and Compliance Committee. Implementation began in the second half of 2023 (mostly the fourth quarter). The Group reviewed and updated the scope of the ICFR system to identify organisational changes, timing mismatches in procedures, and the need to make adaptations, in general, affecting the universe of controls set out in the System of Internal Control over Financial Report Matrix and its operation. Based on the issues identified in the supervision of the ICFR system by internal audit in the year's first half, a procedure was put in place to strengthen the process for preparing, and the oversight of controls related to the preparation, of the financial reporting at year-end 2023, to ensure that it was done properly and in a timely manner. Given the governing bodies' concerns regarding the functioning of the system, execution of the plan is supervised on a regular basis and monitored to implement any possible improvements is still ongoing.

- 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 Group 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.

These objectives are reviewed and updated when significant changes arise in the DF Group's operations 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 viability plan, which is prepared, reviewed and approved by the Board of Directors.

As noted in previous sections, the ICFR system was updated during the fourth quarter of 2023 to consider the Company's current financial risks. Similarly, the ICFR system's risk matrix 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 and a description of the ICFR, to be disclosed to the securities markets, 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 accounting closing procedures and the specific review of significant judgements, estimates, valuations and projections.

As outlined in the Internal Control over Financial Reporting Policy, 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 Super Key / very high). To execute the controls, certain key figures are defined (officers), 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 Financial Department.

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."

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 and are also responsible for ensuring the proper and timely executation and documentation of the controls assigned to them. Moreover, ultimately responsible for ICFR, the Finance Department, and Internal Audit have a comprehensive overview of all processes, which enables them to oversee and test the controls. In 2023, we reviewed and updated control officers' roles and clearance levels based on the areas of improvement identified in 2022.

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.

At year-end 2023, no activities were carried out by third parties and no processes considered relevant for the preparation of financial information had been outsourced. The Group works with local partners for accounting, tax and business management in each country, but centralises project finance management in the Finance Department, irrespective of the country where the projects are carried out.

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 pertinent accounting standard is especially complex, the Group seeks advice from independent experts or the regulatory body, and consults its external auditor.

The Finance Department is also responsible for informing the Audit, Risk and Compliance 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 DF's 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 for performing the assessment communicates its results, whether the company has an action plan detailing possible corrective measures, and whether their impact on financial reporting has been 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 Whether there is a discussion procedure whereby the auditor (as defined in the Spanish Technical Audit Standards), the internal auditor and other experts can report to senior management and the audit committee or directors of the company any significant weaknesses in internal control identified during the review of the annual financial statements or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses detected.

In the absence of any special reason requiring an additional meeting, the Audit, Risk and Compliance Committee holds at least two meetings annually with the external auditors to review the financial statements and any 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 2023, 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

There is no relevant information not disclosed in previous sections.

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 2023, 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 2023.

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, alongside the other Board proposals.

Complies [X] Complies partially [ ] Explain [ ]

9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies [X] Complies partially [ ] Explain [ ]

10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:

a) Should immediately distribute such complementary points and new proposals for resolutions.

b) Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.

c) Should submit all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.

d) That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

11. That, if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies [X]   Complies partially [ ]   Explain [ ]

13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.

Complies [X]   Explain [ ]

14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:

a) Is concrete and verifiable;

b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and

c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.

Complies [ ]   Complies partially [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 2024.

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 [ ]

There are no criteria in selection procedures that are, or could be, a barrier to the selection of female 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 of Directors 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 2024.

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 director belongs, regardless of whether 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 his duties required by law and the Articles of Association, 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 so dictate.

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 respect to internal control and reporting systems:

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 materialise.

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 for stakeholder communication, participation and dialogue.

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 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 the amount set out 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 forgoing 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 on which the company subscribed to it. Specific mention must be made as to whether the company adheres to the Code of Good Tax Practices of 20 July 2010:

AUDIT COMMITTEE

Continuation of the section relating to the functioning of the Committee and the key actions carried out during the 2023 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 CNMV 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.
- 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.
- The audit engagement is fulfilled, requiring that the auditor's opinion on the financial statements and the content of the report are drafted clearly and precisely.
- A report is issued on an annual basis, prior to the issuance of the audit report on the financial statements, 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 Articles of Incorporation 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) Supervise transparency in corporate actions.
n.2) Periodically evaluate 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) Supervising 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, participation and dialogue.
- Responsible communication practices that prevent the manipulation of data and protect the company's honour and integrity.

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.
5. Review of control and risk systems.

APPOINTMENTS AND REMUNERATION COMMITTEE

Continuation of the section relating to the functioning of the Committee and the key actions carried out during the 2023 financial year: 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 senior officers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other senior officers at the Company.

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 the 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 2023 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

Continuation of the section relating to the functioning of the Committee and the key actions carried out during the 2023 financial year: 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, participation and dialogue.
6. Responsible communication practices that prevent the manipulation of data and protect the company's honour and integrity.
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 2023 include: (JSJ as per the minutes of the Sustainability Committee meetings)

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.
- Make the Group's activities more energy efficient.
- Promote awareness of environmental protection.
- Ensure product quality.
- Shore up a responsible supply chain.
2. Ensure occupational health and safety.
- Attract, retain and develop human capital.
- 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.
- Oversee responsible corporate governance.
- Promote responsible conduct. Exercise tax responsibility.

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:

26/04/2024

Indicate whether any director voted against or abstained from approving this report.

[ ] Yes
[√] No

ISSUER IDENTIFICATION DETAILS

Year-end date: 31/12/2023

TAX ID (CIF): A-28004026

Company name:

DURO FELGUERA, S.A.

Registered office:

ADA BYRON, 90 PARQUE CIENTÍFICO Y TECNOLÓGICO (GIJÓN) 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 Shareholders' 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, approving and applying 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 2024, 2025 and 2026 approved at the Annual General Meeting held on 27 June 2023.
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 €925 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, Appointments and Remuneration Committee, and Sustainability 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.

This type of remuneration was suspended in accordance with the agreements entered into with FASEE. 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 Appointments and Remuneration Committee, agreed to maintain an amount of fixed remuneration in 2024 with a similar structure to that of 2023 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 Appointments 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 Appointments 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 €925 thousand for all members of the Board of Directors in their capacity as such (see section A-1).
b) Health insurance. The amount is €139.3 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: €6,961.10
Life insurance: €360.78
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, indicate the contingencies covered by the scheme, whether it is a defined contribution or a defined benefit scheme, the annual contribution that has to be made to defined contribution schemes, the benefits to which directors are entitled in the case of defined benefit schemes, the vesting conditions of the economic rights of directors and their compatibility with any other type of payment or indemnification for early termination or dismissal, or deriving from the termination of the contractual relationship, 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 indemnification for early termination or dismissal, or deriving from the termination of the contractual relationship, in the terms provided, between the company and the director, whether at the company's or the director's initiative, as well as any type of agreement reached, such as exclusivity, post-contractual noncompetition, minimum contract term or loyalty, that entitles the director to any kind of remuneration.

There are none.

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 noncompetition, exclusivity, minimum contract terms and loyalty, and post-contractual non-competition, unless these have been explained in the previous section.

The executive director has a permanent contract Executive Officer contains an indemnity clause in the event of unilateral termination without cause of the Contract for an amount of one 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

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 2024, 2025 and 2026 was approved at the Annual General Meeting held on 27 June 2023, on a recommendation by the Board of Directors based on a report from the Appointments and Remuneration Committee. It was practically the same as the previous policy, with no material changes.

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.

https://www.durofelguera.com/accionistas-e-inversores/gobierno-corporativo/politicas-corporativas/

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 2022 annual report on director remuneration was approved with 19,280,902 votes in favour, representing 95.5656% 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 2023 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 Appointments 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
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 2023 was €897 thousand.
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.

The executive director accrued fixed remuneration of €435 thousand and the following remuneration in kind: (i) health insurance: €2,121.29; (ii) life insurance: €322.31; (iii) accident insurance: €83.32; and iv) accommodation: €24,000.00

FASEE aid, as explained (see section A.1.6), implies compliance with article 6.1.f) of Order PCM/679/2020, of 23 July, publishing the Resolution of the Council of Ministers of 21 July 2020, on the terms of reference of the Solvency Support Fund for Strategic Companies (Official State Gazette of 24 July 2020), which prevents payment of any variable remuneration until such time as 75% of the Financial Aid granted is repaid.

B.1.2 Explain any deviation from the procedure established for the application of the remuneration policy that has occurred during the year.

Not applicable

B.1.3 Indicate whether any temporary exception has been applied to the remuneration policy and, if so, explain the exceptional circumstances that have led to the application of these exceptions, the specific components of the remuneration policy affected and the reasons why the entity believes that these exceptions have been necessary to serve the long-term interests and sustainability of the society as a whole or ensure its viability. Similarly, quantify the impact that the application of these exceptions has had on the remuneration of each director over the year.

The following temporary exceptions to the policy were applied:

a) Suspension of accrual and any payment of variable remuneration from signing of the Management Agreement with FASEE until repayment of 75% of the financial aid received.
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 2019, so no variable remuneration or other type of long-term incentives were applicable or, accordingly, accrued.

B.2. Explain the different actions taken by the company in relation to the remuneration system and how they have contributed to reducing exposure to excessive risks, aligning it with the long-term objectives, values and interests of the company, including a reference to the measures adopted to ensure that the long-term results of the company have been taken into consideration in the remuneration accrued. Ensure that an appropriate balance has been attained between the fixed and variable components of the remuneration, the measures adopted in relation to those categories of personnel whose professional activities have a material effect on the company's risk profile and the measures in place to avoid any possible conflicts of interest.

See section B.1 above.

B.3. Explain how the remuneration accrued and consolidated over the financial the year complies with the provisions of the current remuneration policy and, in particular, how it contributes to the company's long-term and sustainable performance.

Furthermore, report on the relationship between the remuneration obtained by the directors and the results or other performance measures of the company in the short and long term, explaining, if applicable, how variations in the company's performance have influenced changes in directors' remuneration, including any accrued remuneration payment of which has been deferred, and how such remuneration contributes to the short- and long-term results of the company.

See section B.1.

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 votes in favour, votes against, abstentions and blank ballots:

	Number	% of total
Votes cast	20,175,560	100.00

	Number	% of votes cast
Votes against	495,734	2.45
Votes in favour	19,280,902	95.56
Blank ballots		0.00
Abstentions	398,924	1.97

Observations

B.5. Explain how the fixed components accrued and vested during the year by the directors in their capacity as such were determined, their relative proportion with regard to each director and how they changed with respect to the previous year.

See section B.1.

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 must include information on the conditions both for acquiring unconditional ownership (vesting) of these options or financial instruments and for exercising them, including the exercise price and period.

c) Each director that is a beneficiary of remuneration 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 systems:

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 2023.

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 schemes where the amount or equivalent annual cost appears in the tables in Section C, including retirement and any other survivor benefit, whether financed in whole or in part by the company or through internal or external contributions, indicating the type of plan, whether it is a defined contribution or defined benefit plan, the contingencies covered, the conditions on which the economic rights vest in favour of the directors and their compatibility with any type of indemnification for early termination or cessation 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.

In 2023, an amount of €990 thousand gross was paid to José María Orihuela Uzal, executive director until 2021, arising from a judicial agreement ratified by the Madrid Court of First Instance 14, ordinary proceedings 1.201/2021, part of injunctive relief, 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, if so, explain them. 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. Itemise 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: €4,839.81.

Executive director:

José Jaime Argüelles Álvarez, Chief Executive Officer, received the following in-kind remuneration;
Health insurance: €2,121.29.
Life insurance: €322.31
Accident insurance: €83.32
Accommodation: €24,000.00

B.15. Explain the remuneration accrued by any director by virtue of payments made by the listed company to a third company in which the director provides services when these payments seek to remunerate the director's services to the company.

Not applicable

B.16. Explain and detail the amounts accrued in the year in relation to any other remuneration concept other than that set forth above, whatever its nature or the group entity that pays it, including all benefits in any form, such as when it is considered a related-party transaction or, especially, when it significantly affects the true image of the total remuneration accrued by the director. Explain the amount granted or pending payment, the nature of the consideration received and the reasons for those that would have been considered, if applicable, that do not constitute remuneration to the director or in consideration for the performance of their executive functions and whether or not has been considered appropriate to be included among the amounts accrued under the "Other concepts" heading in Section C.

Not applicable

C. ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Type	Period of accrual in 2023
JOSÉ JAIME ARGÜELLES ÁLVAREZ	Chief Executive Officer	From 1 January 2023 to 31 December 2023
ROSA ISABEL AZA CONEJO	Independent director	From 1 January 2023 to 31 December 2023
JOSÉ JULIÁN MASSA DEL ÁLAMO	Independent director	From 1 January 2023 to 31 December 2023
VALERIANO GÓMEZ SÁNCHEZ	Independent director	From 1 January 2023 to 31 December 2023
JORDI SEVILLA SEGURA	Independent director	From 1 January 2023 to 31 December 2023
CÉSAR HERNÁNDEZ BLANCO	Other external director	From 1 January 2023 to 31 December 2023
MARÍA JESÚS ÁLVAREZ GONZÁLEZ	Other external director	From 1 January 2023 to 31 December 2023

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 2023	Total in 2022
JOSÉ JAIME ARGÜELLES ÁLVAREZ	40			435				27	502	501
ROSA ISABEL AZA CONEJO	100		7					2	109	109
JOSÉ JULIÁN MASSA DEL ÁLAMO	40		30						70	69
VALERIANO GÓMEZ SÁNCHEZ	40		22					2	64	63
JORDI SEVILLA SEGURA	40		30					2	72	71
CÉSAR HERNÁNDEZ BLANCO	40								40	40
MARÍA JESÚS ÁLVAREZ GONZÁLEZ	40								40	40

Observations

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments.

Name	Name of plan	Financial instruments at start of 2023		Financial instruments granted during 2023		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of 2023	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent / vested shares	Price of vested shares	EBITDA from vested shares or financial instruments (€ thousand)	No. of instruments	No. of instruments	No. of equivalent shares
JOSÉ JAIME ARGÜELLES ÁLVAREZ	Plan							0.00				
ROSA ISABEL AZA CONEJO	Plan							0.00				
JOSÉ JULIÁN MASSA DEL ÁLAMO	Plan							0.00				
VALERIANO GÓMEZ SÁNCHEZ	Plan							0.00				
JORDI SEVILLA SEGURA	Plan							0.00				
CÉSAR HERNÁNDEZ BLANCO	Plan							0.00				
MARÍA JESÚS ÁLVAREZ GONZÁLEZ	Plan							0.00				

Observations

iii) Long-term savings schemes.

Name	Remuneration from vesting of rights to savings schemes
JOSÉ JAIME ARGÜELLES ÁLVAREZ	
ROSA ISABEL AZA CONEJO	
JOSÉ JULIÁN MASSA DEL ÁLAMO	
VALERIANO GÓMEZ SÁNCHEZ	
JORDI SEVILLA SEGURA	
CÉSAR HERNÁNDEZ BLANCO	
MARÍA JESÚS ÁLVAREZ GONZÁLEZ	

	Contribution for the year by the company (€ thousand)				Amount of accrued funds (€ thousand)			
Name	Schemes with vested economic rights		Schemes with nonvested economic rights		Schemes with vested economic rights		Schemes with nonvested economic rights	
	2023	2022	2023	2022	2023	2022	2023	2022
JOSÉ JAIME ARGÜELLES ÁLVAREZ								
ROSA ISABEL AZA CONEJO								
JOSÉ JULIÁN MASSA DEL ÁLAMO								
VALERIANO GÓMEZ SÁNCHEZ								
JORDI SEVILLA SEGURA								
CÉSAR HERNÁNDEZ BLANCO								
MARÍA JESÚS ÁLVAREZ GONZÁLEZ								

Observations

iv) Details of other items

Name	Item	Amount of remuneration
JOSÉ JAIME ARGÜELLES ÁLVAREZ	Item	
ROSA ISABEL AZA CONEJO	Item	
JOSÉ JULIÁN MASSA DEL ÁLAMO	Item	
VALERIANO GÓMEZ SÁNCHEZ	Item	
JORDI SEVILLA SEGURA	Item	
CÉSAR HERNÁNDEZ BLANCO	Item	
MARÍA JESÚS ÁLVAREZ GONZÁLEZ	Item	

Observations

b) Remuneration of directors of the listed company for seats on the boards of other subsidiary companies:

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 2023	Total in 2022
JOSÉ JAIME ARGÜELLES ÁLVAREZ										
ROSA ISABEL AZA CONEJO										
JOSÉ JULIÁN MASSA DEL ÁLAMO										
VALERIANO GÓMEZ SÁNCHEZ										
JORDI SEVILLA SEGURA										
CÉSAR HERNÁNDEZ BLANCO										
MARÍA JESÚS ÁLVAREZ GONZÁLEZ										

Observations

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments.

Name	Name of plan	Financial instruments at start of 2023		Financial instruments granted during 2023		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of 2023	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent / vested shares	Price of vested shares	EBITDA from vested shares or financial instruments (€ thousand)	No. of instruments	No. of instruments	No. of equivalent shares
JOSÉ JAIME ARGÜELLES ÁLVAREZ	Plan							0.00				
ROSA ISABEL AZA CONEJO	Plan							0.00				
JOSÉ JULIÁN MASSA DEL ÁLAMO	Plan							0.00				
VALERIANO GÓMEZ SÁNCHEZ	Plan							0.00				
JORDI SEVILLA SEGURA	Plan							0.00				
CÉSAR HERNÁNDEZ BLANCO	Plan							0.00				
MARÍA JESÚS ÁLVAREZ GONZÁLEZ	Plan							0.00				

Observations

iii) Long-term savings schemes.

Name	Remuneration from vesting of rights to savings schemes
JOSÉ JAIME ARGÜELLES ÁLVAREZ	
ROSA ISABEL AZA CONEJO	
JOSÉ JULIÁN MASSA DEL ÁLAMO	
VALERIANO GÓMEZ SÁNCHEZ	
JORDI SEVILLA SEGURA	
CÉSAR HERNÁNDEZ BLANCO	
MARÍA JESÚS ÁLVAREZ GONZÁLEZ	

	Contribution for the year by the company (€ thousand)				Amount of accrued funds (€ thousand)			
Name	Savings schemes with vested economic rights		Savings schemes with non-vested economic rights		Savings schemes with vested economic rights		Savings schemes with non-vested economic rights	
	2023	2022	2023	2022	2023	2022	2023	2022
JOSÉ JAIME ARGÜELLES ÁLVAREZ								
ROSA ISABEL AZA CONEJO								
JOSÉ JULIÁN MASSA DEL ÁLAMO								
VALERIANO GÓMEZ SÁNCHEZ								
JORDI SEVILLA SEGURA								
CÉSAR HERNÁNDEZ BLANCO								
MARÍA JESÚS ÁLVAREZ GONZÁLEZ								

Observations

iv) Details of other items

Name	Item	Amount of remuneration
JOSÉ JAIME ARGÜELLES ÁLVAREZ	Item	
ROSA ISABEL AZA CONEJO	Item	
JOSÉ JULIÁN MASSA DEL ÁLAMO	Item	
VALERIANO GÓMEZ SÁNCHEZ	Item	
JORDI SEVILLA SEGURA	Item	
CÉSAR HERNÁNDEZ BLANCO	Item	
MARÍA JESÚS ÁLVAREZ GONZÁLEZ	Item	

Observations

c) Summary of remuneration (€ thousand):

This summary must include the amounts corresponding to all the remuneration items included in this report that have accrued to each director, in thousands of euros.

	Remuneration accruing in the Company					Remuneration accruing in group companies					
Name	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration by way of saving systems	Other items of remuneration	Total in 2023, company	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration by way of saving systems	Other items of remuneration	Total in 2023, group	Total in 2023, company + group
JOSÉ JAIME ARGÜELLES ÁLVAREZ	475			27	502						502
ROSA ISABEL AZA CONEJO	107			2	109						109
JOSÉ JULIÁN MASSA DEL ÁLAMO	70				70						70
VALERIANO GÓMEZ SÁNCHEZ	62			2	64						64
JORDI SEVILLA SEGURA	70			2	72						72
CÉSAR HERNÁNDEZ BLANCO	40				40						40
MARÍA JESÚS ÁLVAREZ GONZÁLEZ	40				40						40
TOTAL	864			33	897						897

Observations

C.2. Indicate the evolution in 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 amounts accrued and % annual variation								
	2023	% variation 2023/2022	2022	% variation 2022/2021	2021	% variation 2021/2020	2020	% variation 2020/2019	2019
Executive directors									
JOSÉ JAIME ARGÜELLES ÁLVAREZ	502	0.20	501	56.07	321	-	0	-	0
External directors									
ROSA ISABEL AZA CONEJO	109	0.00	109	6.86	102	18.60	86	681.82	11
JOSÉ JULIÁN MASSA DEL ÁLAMO	70	1.45	69	9.52	63	10.53	57	-	0
VALERIANO GÓMEZ SÁNCHEZ	64	1.59	63	12.50	56	43.59	39	-	0
JORDI SEVILLA SEGURA	72	1.41	71	26.79	56	43.59	39	-	0
MARÍA JESÚS ÁLVAREZ GONZÁLEZ	40	0.00	40	135.29	17	-	0	-	0
CÉSAR HERNÁNDEZ BLANCO	40	0.00	40	48.15	27	-	0	-	0
Consolidated results of the company									
	-21,797	-	5,504	-75.72	22,667	-	-171,273	-	4,942
Average employee remuneration									
	44	29.41	34	-10.53	38	2.70	37	0.00	37

Observations

The remuneration pertaining to directors appointed by the Spanish Solvency Support Fund for Strategic Companies (FASEE), Mª Jesús Álvarez González, 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. These directors did not accrue or receive any remuneration in kind.

D. OTHER INFORMATION OF INTEREST

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 on:

26/04/2024

Indicate whether any director voted against or abstained from approving this report.

[ ] Yes
[√] No

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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 2023

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 2023 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 the 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.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M -54414, inscripción 96ª. C.I.F.: B-79104469.
Registered office: 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 the International Standard on Quality Control (ISQC) 1, which requires the firm to design, implement and monitor a system of quality management, which includes policies and procedures covering compliance with its ethics requirements, professional rules and applicable legal and regulatory requirements.

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 2023 NFS based on the materiality assessment performed by DURO FELGUERA Group and described in the "Materiality of impacts according to GRI 3" section of the NFS, considering content required in prevailing company law.

- Analysing the processes used to compile and validate the data presented in the 2023 NFS.

- Reviewing the disclosures relating to the risks, policies and management approaches applied with respect to the material topics presented in the 2023 NFS.

- Checking, through sample testing, the information underlying the content of the 2023 NFS and whether it has been adequately compiled based on data provided by information sources.

- Obtaining a representation letter from the directors and management.

Basis for qualified conclusion

DF Group is currently executing an onerous contract. The allowance for expected loss recognised has not been updated to reflect actual costs expected or any potential penalties for delay. As disclosed in Note 33 to the consolidated financial statements, DF Group is currently negotiating a rebalancing of the project and a formal extension of the delivery times with the customer, as well as a renegotiation of the related penalty. In April, it reached an agreement over the partial delivery of the project in 2024, as disclosed in Note 37bis to the consolidated financial statements and section 7 "Events after the reporting period" of the Non-Financial Statement. Accordingly, although DF group has prepared its estimate of the unavoidable contracts costs to be incurred, it did not consider the updated costs or factor in any amount for penalties. We have been unable to determine the exact amounts that should also be recognised in relation to the allowance for the onerous contract as at 31 December 2023 or the impact of the situation on consolidated revenue or, therefore, to determine the impact, if any, on the accompanying 2003 NFS, especially the key financial indicators used for this calculation in the 2023 audited consolidated financial statements.

Qualified conclusion

Based on the procedures performed in our assurance and the evidence obtained, except for the effects of the matter described in the "Basis for qualified conclusion" paragraph, 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 2023 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, and the Delegated Acts enacted in accordance with that Regulation, undertakings have the obligation to disclose information on how and to what extent the company's activities are associated with economic activities that are eligible in respect of the environmental objectives of sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems (i.e. the rest of the environmental objectives) and with certain activities included in the climate change mitigation and adaptation objectives for the first time for 2023, in addition to the disclosures regarding eligible and aligned activities required in 2022. Therefore, the accompanying NFS does not include comparative information regarding the rest of the above-mentioned environmental objectives or the new activities included in the climate change mitigation and climate change adaptation objectives. Moreover, to the extent that the level of disclosures for 2022 is not the same as for 2023, the breakdowns provided 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 Section 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 2024

Letter from the CEO

Dear reader,

It is my pleasure to be addressing you once again in order to share Duro Felguera's progress and achievements in sustainability over the course of 2023, as reflected in our Non-Financial Statement. It was a significant year in our journey onward, marked by a firm commitment to sustainability.

First and foremost, we at Duro Felguera have embraced an active role in the transformation towards a more sustainable future, especially in the field of renewable energies, focusing on the green hydrogen vector and decarbonisation. This is a clear example of our commitment to innovation and environmental sustainability, as we carve out a position as a benchmark within the industry.

This approach is part of our comprehensive strategy of keeping up with the needs of a world constantly shifting towards sustainability. We have pledged to develop solutions that reduce our carbon footprint, as we align our business with the UN Sustainable Development Goals (SDGs) and contribute to the fight against climate change.

The transformation of our business model reflects our vision of a cleaner, greener future and is a further show of our commitment to sustainable progress.

In 2023, our Sustainability Committee —attached to the Board of Directors— continued its crucial work. This Committee played a pivotal role in ensuring oversight and compliance with our environmental, social and corporate governance policies and standards.

It was a year of consolidation and progress for Duro Felguera, also in terms of sustainability. We bolstered our Human Rights policy, approved on 31 March, which underscores our commitment to respect and promote fundamental rights across all our operations. This policy is a testament to our firm commitment to operate ethically and responsibly wherever we go.

Our continued membership of the IBEX Gender Equality Index throughout 2023 illustrates our ongoing efforts to champion gender equality and inclusion in the workplace. This commitment extends beyond our own walls, as shown by our sponsorship of the engineering Olympiads at the Polytechnic School of Engineering in Gijón (part of the University of Oviedo), and our active involvement in events that promote the presence of women in the field of engineering.

We have also made significant commitments when it comes to talent and professional development. Our focus on young talent has been strengthened through initiatives such as the Recruiting Erasmus programme and the young talent initiative. Meanwhile, both DF Academy and EDAR (High-Performing Executive Teams) are clear examples of our investment in the training and continuous development of our team.

We renewed our commitment to the principles of the UN Global Compact on 27 November, thus reaffirming our pledge to operate in a sustainable and responsible manner. The UN Global Compact is the world's leading corporate sustainability initiative. It currently comprises more than 21,000 entities spread across more than 160 countries worldwide. By joining the initiative, we have undertaken to align our operations with ten universally accepted principles in the realm of human rights, labour standards, environment and anti-corruption.

Thus, we continue to align ourselves with the SDGs, as we strive to meet the needs of the present without compromising the ability of future generations to meet their own needs. Our focus on environmental protection, social inclusion and sustainable economic development is now stronger than ever.

In 2023, Duro Felguera became the first company in northern Spain to earn AENOR's Good Corporate Governance Index certification, with the highest rating (G++). This marks a major step forward that demonstrates our Company's unflinching desire to comply with applicable law and regulations and abide by the highest standards of corporate governance.

We also managed to earn other significant certifications from AENOR, such as UNE 19601, in criminal compliance, and ISO 37001, in anti-bribery. These certifications are a testament to the Duro Felguera Group's ongoing efforts to observe the best ethical, compliance and corporate governance practices in its daily management and highlight the Group's desire to embrace the highest market standards to maximise the effectiveness of our management systems, specifically including reliance on best practices to reduce the risk of crimes and bribery taking place.

We have also taken a big step forward in our environmental strategy. Duro Felguera continues to make progress in its commitment to combat climate change. In 2023, we recorded our carbon footprint with the Ministry for Ecological Transition (MITECO), in what was a favourable resolution granted by the Spanish Climate Change Office (OECC). Duro Felguera was included in the "carbon footprint and greenhouse gas emission reduction commitments" section of the register, and was awarded a carbon footprint seal that reflects the company's tireless efforts to combat climate change, reduce its emissions and protect the environment.

Occupational health and safety remains an absolute priority for us. We continue to implement rigorous protocols and measures to ensure a safe and healthy working environment for all our employees. This commitment to safety is a central part of our corporate culture.

We ended 2023 with a sense of pride in our achievements, as we look forward to the future with optimism. We will continue to work to improve our practices and processes, always with the aim of making a positive contribution to society and the environment. I am immensely grateful for your continued interest and support in our journey towards an increasingly sustainable and responsible business.

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 built 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

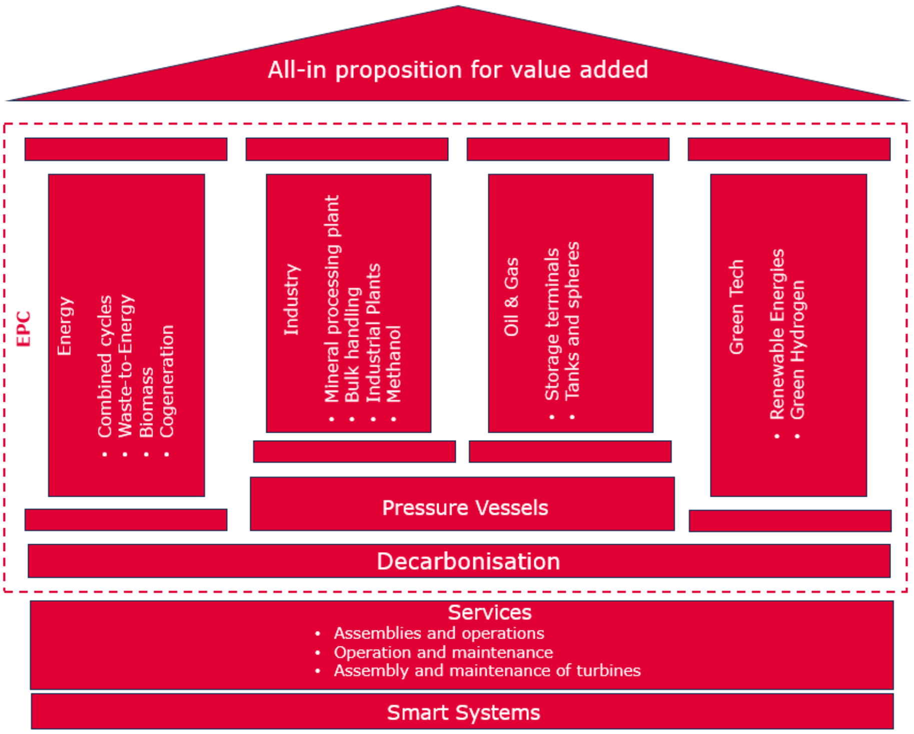
- Customer satisfaction through rigorous compliance with our contractual obligations in terms of time and quality.
- Commitment to our shareholders, assuring them an attractive return on their investments.
- Sustained growth through technological development and internationalisation.
- Reinvestment in 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.

Duro Felguera's business model integrates EPC, manufacturing, services and smart systems in traditional and disruptive technologies, as an all-in proposition for value added.



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 DF Energy Storage.

Pressure Vessels

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 leans on its renewables business unit DF Green Tech to centralise 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 DF Digital Security (design and implementation of communications, cybersecurity and physical 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 aims to promote new growth areas such as robotics solutions, energy efficiency, data protection centres and artificial intelligence.

1.3 Duro Felguera in the world

Duro Felguera is present across much of the world through its projects and boasts an extensive network of offices, affording it a stable structure in and around 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.
- Increasing business segments' operating profitability, margins and EBITDA through sustainable growth in sales.

The process of attracting and bringing in a private investor at Duro Felguera, whose commitment was set up through the Solvency Support Fund for Strategic Companies, or "FASEE" to use its Spanish acronym (Government of Spain) in 2021, has been taking shape over time, with the first big milestone reached on 21 February 2023, following the disclosure to the National Securities Market Commission (CNMV) of the signing of a binding memorandum of understanding to make Grupo Promotor de Desarrollo e Infraestructuras S.A. de C.V. (Prodi Group) and Mota-Engil México S.A.P.I. de C.V. the new majority shareholders of Duro Felguera, with the intention of remaining as such for the long term.

Under this commitment, Grupo Prodi and Mota-Engil Mexico jointly undertook to grant the company two loans for a total of €90 million, which would be paid out prior to the request for exemption from the takeover bid and repaid through two capital increases.

At the Extraordinary General Shareholders' Meeting of Duro Felguera, S.A. held on 13 April 2023, the inclusion of these investors was approved by an overwhelming majority vote of over 98%.

The aforementioned loans were ultimately disbursed in December 2023, and in the following month the Spanish CNMV authorised the exemption of the takeover bid requested by Grupo Prodi.

Following the capital increases, the share capital of Duro Felguera amounted to €10,758,971.55, represented by 215,179,431 shares, each with a par value of €0.05.

As a result, the company welcomed Grupo Promotor de Desarrollo e Infraestructura S.A. de C.V. (Prodi Group) and Mota-Engil México S.A.P.I. de C.V. as its new majority shareholders, with a combined stake of 54.66%.

The incorporation of industrial investors will provide the financial strength needed to support Duro Felguera's Industrial Plan and thus harness the market opportunities in store, allowing the Company to achieve the following objectives:

- Unlock synergies in its shared markets, enabling it to successfully undertake an even more ambitious expansion plan, predicated on the growing opportunities offered by the market and on the privileged position of Duro Felguera for key technologies looking forward.

- Build trust within the industrial and financial markets by having a prominent shareholder that will allow the Company to steadily set its sights on larger and more profitable projects.

- Provide the financial solvency and liquidity needed to support the Company's expansion plans: – more guarantee facilities in place so as to be able to arrange more, and bigger, EPC projects, and financing to partake in key projects featuring new technologies.

More precisely, the arrival of the new investors will be conducive to further growth in Latin America and Africa, markets in which both traditional and new businesses are set to experience consistent growth over the coming years. This is especially the case in Mexico, as the new investors happen to be market leaders there.

The contribution that the investors will make to Duro Felguera's Industrial Plan rests on two key pillars:

- Commercial support, whereby the investors will expand Duro Felguera's network of contacts in Mexico, which has become somewhat diminished due to the lack of recent operations in the country. This support will help to build strong relationships with various institutions to facilitate the Company's participation in public tenders. In this regard, once the investors have become shareholders of Duro Felguera, the Company will stand to benefit from their formidable reputation within the region. The investors will also support Duro Felguera's commercial propositions by ensuring they are properly aligned with prevailing dynamics within the country. All of this is supported by the development and strengthening of Duro Felguera's relations with the main financial institutions in the country.

- When undertaking its projects, Duro Felguera stands to be more competitive thanks to the synergies unlocked between its own capabilities and those of the investors. Similarly, Duro Felguera will be better able to structure and undertake larger-scale projects, especially in the Conventional Energy, Renewable Energies, and Mining & Handling sectors.

Given these support factors, the Group will be able to carve out a highly competitive position, with a technically adept and experienced team, in areas that will be in great demand in the short, medium and long term, while continue to pursue the objectives set out in the Ecological Transition Plan approved in December 2021. 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 when it comes to 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.

Duro Felguera has set its sights on solar, wind and offshore technologies, focusing on new technologies, especially everything related to green hydrogen, decarbonisation and storage technologies, which represent a growth opportunity, as the renewable energy market is thriving and the outlook for the coming 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, along with 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 Spanish National Securities Commission (CNMV), and are aligned with best practices in the industry. For Duro Felguera, 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

Date of last change	Share capital (€)	Number of shares	Number of voting rights
26/02/2024	10,758,971.55	215,179,431	215,179,431

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

Direct holders of significant shareholdings, excluding directors

2023

Name of shareholder	% of shares carrying direct voting rights
UBS Switzerland, AG (*)	3.87
TSK Electrónica y Electricidad, S.A.	3.12
Morgan Stanley and Co International PLC (*)	2.86

(*) Depositories of securities held by others

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

In 2023, there were no shareholders with financial instruments carrying voting rights (nor in the previous year).

In February 2024, the following companies became shareholders of Duro Felguera:

- Grupo Promotor de Desarrollo e Infraestructura S.A. de C.V. (Prodi Group): 30.77%
- Mota-Engil México S.A.P.I. de C.V.: 23.89%

Treasury shares

There were no treasury shares in either 2023 or 2022.

Estimated free float

To calculate the estimated free float, the criterion used is to discount from Duro Felguera's total for the 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.

2023

Estimated free float	90.15%

2022

Estimated free float	90.22%

2.2 Corporate governance

Duro Felguera's Corporate Governance Policy was approved by the Board of Directors in December 2015 and updated in February 2024. It 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.

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 protecting the environment and promoting 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 of Directors 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 Board of Directors assumes, both collectively and individually, direct responsibility for representing and steering the company and for overseeing its management team, with the common purpose of pursuing the corporate interests that Duro Felguera and its Group must follow, answering to shareholders, and supervising the management of the financial information.

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, Appointments and Remuneration Committee, and Sustainability Committee) have an appropriate balance in their composition, thus ensuring diversity of gender and experience.

At 31 December 2023 and 2022, the Board was composed of seven (7) members, four (4) of them independent, one (1) executive and two (2) external. Vacancies: two (2) to be elected via co-option and one (1) to be elected by the General Meeting of Shareholders.

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

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

Independent directors

In 2023 and 2022, 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 Corporate Governance Policy provides that the Group 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 Appointments 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 2022).

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 2023 and 2022, the Committee comprised the following members elected by the Board of Directors from among its non-executive directors:

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 2023, the Audit, Risks and Compliance Committee met on 19 occasions, having met 15 times in 2022.

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 department; approve the proposed budget for that department; 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.

» Oversee the 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 sustainability policy of the Duro Felguera Group.

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

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

Appointments and Remuneration Committee

At 31 December 2023 and 2022, the committee had three members:

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 2023, the Appointments and Remuneration Committee met on five occasions, having also met five times in 2022.

The main functions of the Appointments 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 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.

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

Sustainability Committee

Set up in January 2022. At 31 December 2023 and 2022, the committee had 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 advisory 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 are part of 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.

In 2023, the Sustainability Committee met on three occasions, having met five times in 2022.

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 Codes of Conduct and regulatory compliance not expressly ascribed 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.

- Monitoring compliance with the sustainability policy of the Duro Felguera Group. In doing so, it reviews and assesses the Company's sustainability policy, ensuring that it is geared towards the creation of value.

- In particular, the Committee shall ensure that the Duro Felguera Group's sustainability policy sets out at least the objectives pursued by the policy and the support instruments used to achieve them.

- 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 achieved by the practices just described, while controlling all 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.

- Monitoring the application of the general policy relating to the disclosure of information published by the Company, as well as with shareholders, investors, proxy advisors and other stakeholders[1].

- Any other duties entrusted to it by the Board of Directors.

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 Appointments 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 Appointments and Remuneration Committee. The current Policy was approved at the General Meeting of 27 June 2023, and is effective for 2024, 2025 and 2026.

Average remuneration of directors and Senior Management

In 2023 and 2022, the average remuneration of the Board of Directors and Senior Management, broken down by gender in euros, was as follows:

2023

	Total	Men	Women
Directors[2]	115,209	132,967	70,813
Senior Management	185,246	211,007	150,898

2022

	Total	Men	Women
Directors[3]	114,921	132,592	70,745
Senior Management	228,502	271,203	139,482

Further information regarding the tables:

(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.

[1] Policy on the disclosure of economic-financial, non-financial and corporate information and on contact and engagement with shareholders, institutional investors and proxy advisors updated in February 2024.
[2] For further information, please see the Directors' Remuneration Report for 2023.
[3] For further information, please see the Directors' Remuneration Report for 2022.

(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) Senior Management comprises each and every person who sat on the Management Committee throughout 2023, based on how long they remained in office. It does not include the Chief Executive Officer.

Breakdown of remuneration received by item

2023

Type of remuneration (%)		
2023	Directors	Senior Management
Pension plans and funds	0%	0%
Fixed remuneration	86.47%	88.84%
Variable remuneration (*)	0.0%	9.82%
Items under the Company's articles (**)	10.03%	0%
Other forms of remuneration (***)	3.50%	1.34%

2022

Type of remuneration (%)		
2022	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.

(**) Items under the Company's articles: remuneration for membership of Board committees.
(***) In-kind remuneration.

3. Ethics and compliance

Duro Felguera has a Regulatory Compliance Policy, which 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.

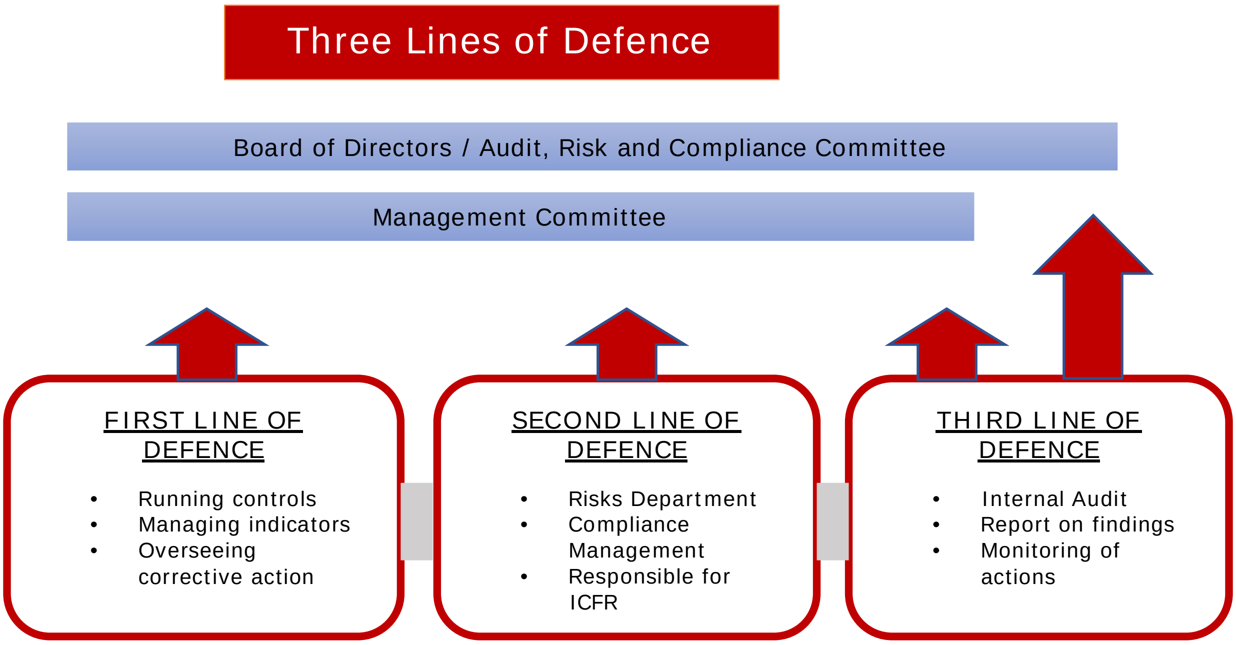
Duro Felguera has developed and implemented a Crime Prevention Handbook, which was first approved on 23 December 2015 and has since undergone regular updates. This handbook is the reference framework of the Crime Prevention Model. It sets out the Group's crime risk organisation, prevention, management 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.

Application of the Three Lines of Defence Model at Duro Felguera

With the aim of ensuring a robust governance structure and sound risk management, 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 abide by and ensure compliance among others 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 made up of various internal areas, most notably:

- 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 Risk Department, as the body tasked with the control of both corporate and project-related risks, is entrusted with supervising the Group's risks, controls and compliance system.

- The work of the Head of ICFR is currently focused on overseeing the internal controls over financial reporting, although their role is to regularly monitor and assess the adequacy and effectiveness of the measures and procedures in place, in accordance with the Internal Control over Financial Reporting (ICFR) system in place at the Duro Felguera Group.

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 risks to have been identified.

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.

- Criminal risk matrix, which identifies the criminal risks to which the Group is exposed and is complemented by general and specific policies and controls to mitigate the criminal risks identified.

- Training in compliance and criminal risk prevention, which functions as a preventive tool to allow the Group to make its employees aware of the conduct expected of them when going about their daily tasks and underpinned by the principle of zero tolerance towards corruption.

- Regulations in relation to the Internal Reporting System (Whistleblower Channel), which govern the functioning of the Whistleblower Channel in place at Duro Felguera and comprise the Internal Reporting System Policy and the Internal Management Standards (IMS) on queries, incidents and internal investigations. Note that both documents are aligned with Spanish Law 2/2023, on the protection of whistleblowers.

- 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 following regulations were also updated in 2023: (i) the Internal Reporting System Policy and (ii) the Internal Incident and Investigation Reporting Standard.

Recognition

In January 2023, the Group earned assurance for its Anti-Bribery Management System (ISO 37001) and for its Criminal Compliance Management System (UNE 19601), both issued by AENOR. These standards attest to the robustness of the Group's compliance systems and its commitment to compliance. In June 2023, Duro Felguera became the eighth Spanish company to obtain the highest rating in the Good Corporate Governance Index certification, and was the first in Asturias to receive this distinction for best corporate practices.

3.1 Code of Conduct

The Duro Felguera Group's Code of Conduct 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.

3.2 Compliance and Anti-Corruption

Regulatory compliance is considered an independent area, reporting directly to the Audit, Risk and Compliance Committee, thus reinforcing 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.

For more information on the lawsuit brought by the special prosecutor, please see Note 33 to the 2023 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.

To corroborate this, the Code of Conduct, Anti-Corruption Policy and Regulatory Compliance Policy of the Duro Felguera Group 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.

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 forbid 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.

The Group also has a Standard on Third Party Due Diligence in place, which 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.

Ethics Line

Duro Felguera has implemented an ethics line and whistleblower channel, or internal reporting system, which is available to all employees and third parties with whom the Company maintains, or may maintain, business relations. This channel 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 strict respect for these principles, Duro Felguera outsources its internal reporting system through a third party of recognised prestige and has fully aligned its internal rules and regulations with Spanish Law 2/2023, on the protection of whistleblowers.

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, or by the People and Organisation Department in the case of employment-related queries.

The Audit, Risk and Compliance Committee, among the powers vested in it, is responsible for supervising the sound functioning of the Ethics Line.

In 2023, a total of five complaints were received over the Ethics Line, all of which were duly addressed.

Training plan

Duro Felguera views training in regulatory compliance as the bedrock of sound management and the effective implementation of the Regulatory Compliance Model. Indeed, the management bodies are fully aware that it is not enough for knowledge in this field to be defined on a participatory basis or in any other way; rather, the training plan put in place must verify that there are no doubts or misinterpretations whatsoever on the part of any of the agents involved.

To succeed in this task, a training platform to improve the main points underwent further refinements in 2023, as follows: (i) content; and (ii) knowledge reinforcement.

The Compliance Training Plan consists of five mandatory training blocks for all Group employees and illustrates Duro Felguera's firm commitment to zero tolerance towards corruption and to respect for both external and internal regulations. This helps to ensure a proper understanding of the core principles of regulatory compliance and provides employees with clear guidance on how to identify possible risk situations while at work, as cornerstones in the process of promoting our Regulatory Compliance Model.

The Training Plan, which is aimed at all Group employees, covers the following subjects:

i. Anti-corruption Policy
ii. Regulatory Compliance Policy
iii. Code of Conduct & Third Party Code of Conduct
iv. Crime Prevention Handbook
v. Internal Reporting System Policy or Ethics Line

4. Sustainable growth

4.1 Main financial indicators

Revenue was up 140% year on year in 2023 to €281.2 million, driven primarily by higher sales at the services segment.

The resulting EBITDA for this period was a negative €13.7 million, compared to a negative €4.3 million in the same period of the previous year, owing to the losses incurred on two projects in the Services segment, as well as operating losses at the Heavy Boilermaking business, as part of the larger Industrial Plants segment.

Order intake during the period amounted to €416.5 million, up 27% on the €327 million reported in the previous year. The order backlog at the end of the year stood at €654.5 million, of which 79% related to international projects.

The Group had €34.5 million in net financial debt as at 31 December 2023, with €144.4 million of gross debt and €109.9 million of cash, as explained in Note 4 to the financial statements. The Group's financial debt at 31 December 2023 included the aid from FASEE and debt renegotiated with financial institutions in the form of profit participating loans and ordinary loans, excluding the value of convertible bonds (expressly included in the financing agreement) and the convertible loans extended by investors Grupo Prodi and Mota-Engil México and converted into equity in February 2024 (Notes 2.23 and 37).

Average headcount for the Group went from 1,292 employees at 31 December 2022 to 1,388 employees at 31 December 2023.

The capital increase and addition of investors under way as at 31 December 2023 for €91.3 million was successfully completed on 21 February 2024, whereby Grupo Promotor de Desarrollo e Infraestructuras S.A. de C.V. and Grupo Mota Engil México S.A.P.I. de C.V. became core shareholders, with a combined ownership interest of 54.66%, that, as outlined in the authorisation of the application for a waiver of the mandatory takeover bid granted by the CNMV on 30 January 2024, undertake to make their best efforts to ensure the achievement of the objectives set out in the updated viability plan approved by Spain's Council of Ministers at its meeting held on 4 April 2023 and by Duro Felguera Group's Board of Directors.

As described in Note 37, this transaction 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.

Key financial indicators	2023	2022
Revenue	281,199	117,185
EBITDA (*)	-13,670	4,259
Working capital (**)	46,027	-43,692
Cash position (net of debt)	-34,492	-119,951
Order intake (***)	416,545	327,008
Order backlog (****)	654,481	540,523
Basic earnings per share	-0.23	0.05
Diluted earnings per share	-0.09	0.04
Gearing ratio	18.15%	45.80%

* 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.

** Although working capital was initially negative by €128 million, the recalculated amount would be positive in an amount of €46 million considering the matters disclosed in Note 3, primarily: the capitalisation in 2024 of the convertible loan into shares through the capital increase carried out on 21 February 2024 (Note 37) for €90.5 million following authorisation of the waiver for the takeover issued on 30 January 2024, and the new maturity of the €84 million profit participating loan with FASEE, with an extended maturity (Notes 20.d and 37), after the Council of Ministers, on 4 July 2023, approved the update of the original viability plan, which included a modification of the repayment schedule of the financing (which became effective upon fulfilment of the related conditions, e.g. acquisitions of equity interests by industrial shareholders, which were placed on record at the Companies Register on 26 February 2024 and notarised on 13 March 2024), after which the new maturities of the profit participating loans are in the 2026-2028 period. Both financing deals are presented as current liabilities as at 31 December 2023 and do not require any cash outflows for repayment over the next 12 months.

*** Volume of orders received during the period for which the Group is in no doubt that they will be fulfilled.

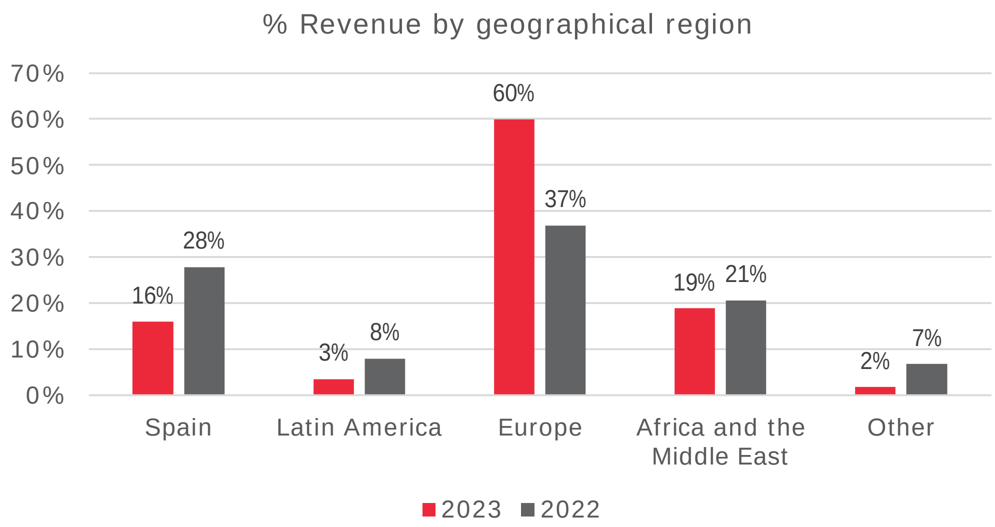
**** Volume of orders received that will probably be recognised under "Revenue" in the consolidated statement of profit or loss. An order is considered to be part of the backlog only when the Group is certain that it will be fulfilled.

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	2023	2022
Spain	44,821	32,634
Latin America	9,710	9,311
Europe	168,645	43,229
Africa and the Middle East	53,098	24,105
Other	4,925	7,906
TOTAL	281,199	117,185

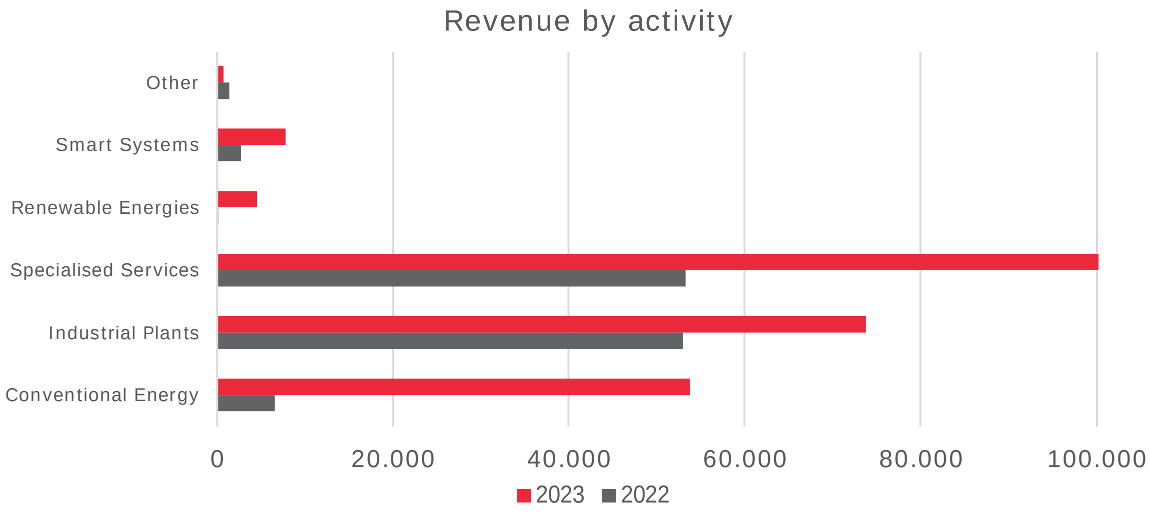
The following countries make up the geographical areas described in the table above:

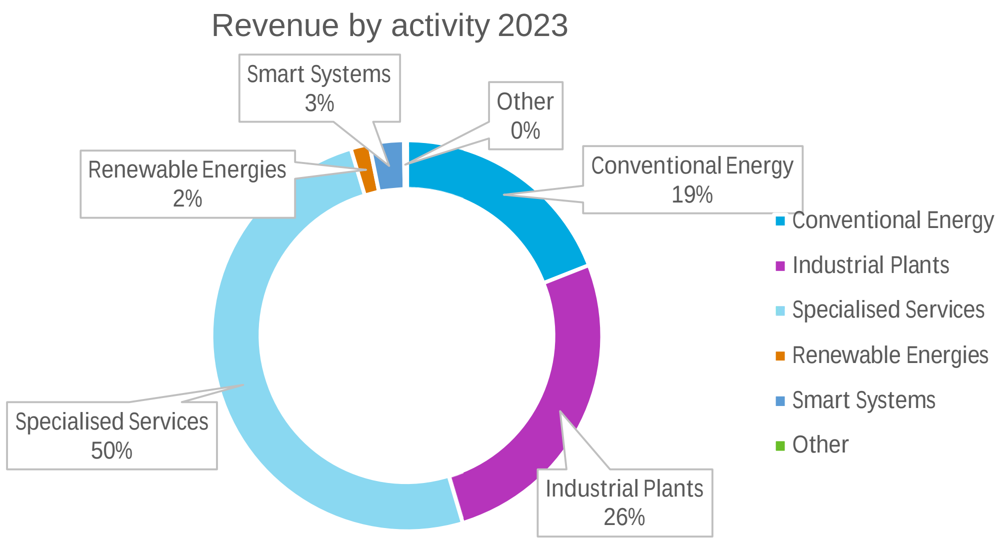
Latin America: Brazil, Chile, Colombia, Mexico and Peru.
Europe: Austria, Belarus, Belgium, France, Germany, Greece, Ireland, Italy, Lithuania, Netherlands, Poland, Portugal, Romania and the United Kingdom.
Africa and the Middle East: Algeria, Egypt, Israel, Jordan, Liberia, Mauritania, Morocco, Qatar and Saudi Arabia.
Others: Australia, Canada, New Caledonia, and the United States.



Revenue by activity, graphs for 2023 and comparison.

Business lines	2023	2022
Conventional Energy	53,830	6,557
Industrial Plants	73,787	53,008
Specialised Services	140,485	53,315
Renewable Energies	4,505	190
Smart Systems	7,840	2,690
Other	752	1,425
TOTAL	281,199	117,185


Revenue by activity
Other
Smart Systems
Renewable Energies
Specialised Services
Industrial Plants
Conventional Energy
0
20.000
40.000
60.000
80.000
100.000
2023
2022


Revenue by activity 2023
Smart Systems 3%
Other 0%
Renewable Energies 2%
Conventional Energy 19%
Specialised Services 50%
Industrial Plants 26%
Conventional Energy
Industrial Plants
Specialised Services
Renewable Energies
Smart Systems
Other

Country-by-country profit

Pre-tax profit was as follows in 2023 and 2022, broken down by country:

Country	2023	2022
Algeria	-692	1,259
Argentina	-9,839	-5,436
Brazil	-649	-318
Canada	-150	-146
Chile	-1,787	-422
Colombia	-182	-2,401
Costa Rica	-108	-185
United Arab Emirates	16,560	7,267
Spain	-11,687	-5,943
France	-4,527	-
India	-71	1,883
Ireland	1,340	-
Morocco	1,111	-
Mauritania	-161	-194
Mexico	972	228
Netherlands	-22,653	2,075
Peru	-753	663
Poland	243	-
Portugal	113	-
Eastern Europe (*)	11,286	8,918
Other	14	-279
TOTAL	-21,621	6,969

* Eastern Europe consists of Romania and post-Soviet states.
** Figures expressed in € thousand.

Economic value generated and distributed

Economic value generated	2023	2022
Revenue	281,199	117,185
Other non-financial income	769	625
Finance income	2,154	2,757
Share of profit/(loss) of associates	-	5,699
Gains/(losses) on disposals of assets	-	-415
TOTAL economic value generated	284,122	125,851
Economic value distributed**		
Relations with suppliers	219,658	71,467
Total employee remuneration	92,858	72,538
Payments to providers of capital	-	-
Total taxes payable by DF	-176	-1,851
Discontinued operations	-	-
TOTAL economic value distributed	312,340	142,154
Value retained	-28,218	-16,303

* (Figures expressed in € thousand)
** Does not include finance costs

4.2 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 2023 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 bases 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 2023 and 2022:

	2023	2022
Algeria	-	69
Eastern Europe (*)	98,409	224,264
Chile	2,031	9,751
Mexico	115,541	111,629
Peru	3,131	3,730
India	2,820	2,940
Colombia	10,522	-
Total	232,454	352,383

* Eastern Europe consists of Romania and post-Soviet states.

The above amounts show the taxes effectively paid in 2023 and 2022. 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 2023 consolidated financial statements.

The change in taxes paid in 2023 compared to 2022 was largely down to a drop in activity in Eastern Europe compared to the previous year.

Grants received

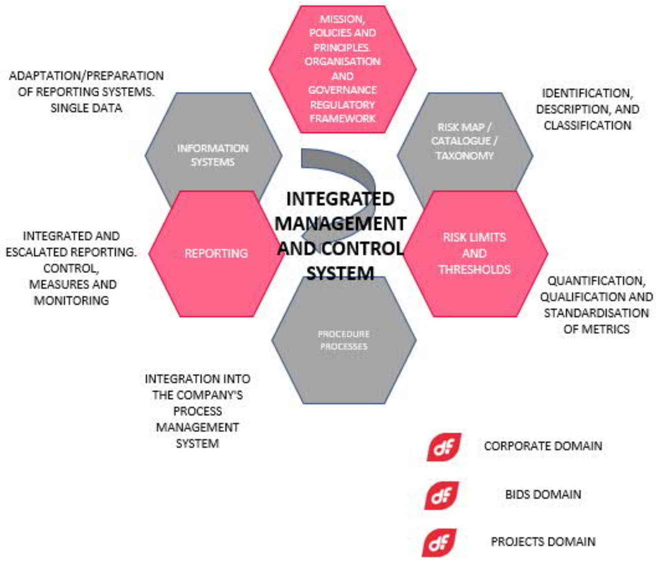
In 2023, new R&D&I grants amounting to €35 thousand were recognised as income. Duro Felguera also received relief of €87 thousand in relation to social security contributions on accounts of its lifelong training initiatives (€94 thousand in 2022).

4.3 Risk management

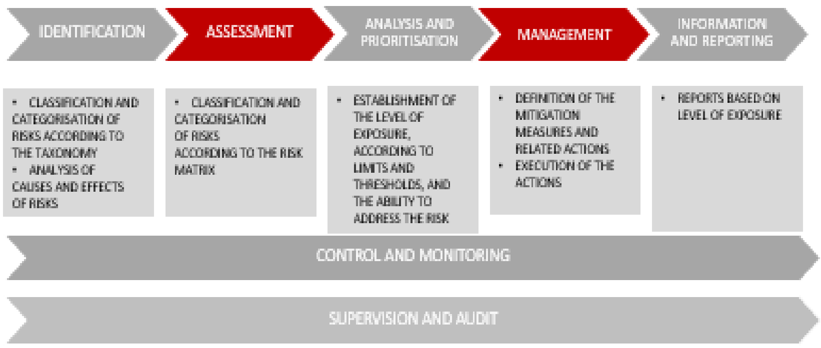
The Company has adopted an integrated risk management and control system, which considers all material risks, of any kind, to which Duro Felguera may be exposed. Specifically, it covers risks that could affect the Company's sustained growth, business performance, respect for the environment, quality, 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 31000:2018 standard and applies this standard along its entire value chain.

In this document, Duro Felguera sets out its approach for the year 2024, while also addressing the main milestones and proposing how best to achieve them.

TOPIC	IN GENERAL – RISK MANAGEMENT
CORPORATE RISK MANAGEMENT Global risk management **Corporate Risk Management Department**	**STRATEGY** – The current risk management strategy at Duro Felguera is predicated on holistic risk management and extends across the entire organisation. **ISO 31000** – Risk management is based on ISO 31000, which defines risk as any positive or negative incident with a negative impact or opportunity. **SEPARATION OF MANAGEMENT** – Corporate risks are currently managed separately of project-related risks. While the latter are part of corporate risks, they are afforded special treatment due to their importance. **METHODOLOGY** – The risk analysis is carried out by the risk owner, meaning the person who knows the risk in depth, given that risks are not isolated and work "in teams", much like our organisation. We sort risks into four groups: strategic, financial, operational and compliance, focusing on sustainability. **SUSTAINABILITY** – Of the various risk groups, sustainability risks are particularly important, as they extend across the entire Group, which works to control them in a chain, as they do not work alone, but rather together. **GOALS** – 2024 will be spent planning and integrating the risk methodologies across the Duro Felguera Group, respecting the specific nature of each one. When managing this process, the strategy must be based on the following pillars: ✓ Digitalisation ✓ Reviewing effective processes, procedures and indicators ✓ Risk awareness ✓ Common Group-wide methodology ✓ Measurement and data Duro Felguera's Corporate Risks Department works hard to identify, measure and manage all risks, so as to achieve a positive impact on the company's management and therefore on its results, which must be obtained in a SUSTAINABLE fashion.

TOPIC	RISK MANAGEMENT – Breakdown of the most relevant actions carried out in 2023 – proposals for 2024 RISK MANAGEMENT MECHANISMS – STRATEGY
FINANCIAL MANAGEMENT Economic variables Economic circumstances that could have an impact on the Group's business and earnings.	**Indicate that all of the Group's financial information is formally audited by the external auditors in their review of the annual financial information.** Briefly explain that risk management is a formal process, both at corporate and project level. I. Corporate risk management, relevant milestones: **TAX** – 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. **INTEREST RATES**. The Company analyses its interest rate exposure dynamically and assesses the risk of adverse interest rate developments. **EXCHANGE RATES.** 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", insofar as possible. **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 troubling geopolitical and BANI environment the world is currently enduring in terms of risks could have an impact on the Company's business and results. Meanwhile, the management of projects carried out with unconsolidated venturers and weaknesses in processes or inadequate procedures can lead to changes in project costs and time lines.	II. Project risk management – relevant milestones: **CONTROLLED PROCUREMENT MANAGEMENT**. It is standard practice within the Group 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. **COST CUTTING PLAN**. A cost-reduction plan is in place for each project to offset any deviations and make the project more cost-effective. **CONTROL OVER PROJECT DEADLINES**. 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. **ORDER INTAKE**. New procurement formulas are designed to mitigate risks. 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. 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. The Group also encourages the inclusion in supplier and subcontractor contracts of back-to-back liability clauses in the main contracts.

TOPIC	RISK MANAGEMENT MECHANISMS – STRATEGY
SLOWDOWN OR HALT IN THE GLOBAL ECONOMIC RECOVERY ***Slower pace of investments.*** The global economic scenario is currently one of rampant inflation. 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.	<u>In relation to strategy and risk management – key milestones:</u> **CUSTOMERS**. Close monitoring of planned investments with customers from the conceptual development phase through to realisation. **PROJECT EXECUTION**. New project execution models that promote risk balancing and ensure the success of the project. **MONITORING**. Senior management business monitoring and selection of opportunities. Close monitoring of market movements through external advisors/forums/congresses, etc. Study of EU and PERTE funds and other programmes. **LOCAL POSITIONING**. 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.
TOPIC	RISK MANAGEMENT MECHANISMS – SOCIAL
ORGANISATIONAL-SOCIAL ***Talent retention.*** ***Processes*** The Company needs to implement organisational changes to support the rescaling process. 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.	When it comes to the "S", Duro Felguera is taking the following <u>steps</u>: • 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. • Review of processes and procedures accompanied by the Quality area.
TOPIC	RISK MANAGEMENT MECHANISMS – ENVIRONMENTAL
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.	Grupo Prodi and Mota-Engil Mexico have recently joined Duro Felguera as shareholders. Their arrival strengthens the organisation and the strategy it is pursuing. <u>Risk management improvement strategy:</u> 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. To succeed, DF Greentech is targeting renewable energies, energy recovery plants, biomass, etc. 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 is committed to technology and innovation, targeting secure communications in strategic civil areas and expanding the automated storage area. The strategy envisions the development of R&D&I plans to create viable proposals for decarbonisation, CO2 recovery, and so forth. Rigorous prioritisation of projects, based on a detailed analysis of cost-effectiveness, strategic alignment and risk.

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.	Duro Felguera is acutely aware of the importance of the climate transition, given the need for urgent global climate action and the direct impact on its customers. It therefore manages these risks accordingly through an approach that is constantly evolving. Measures in place and evolving: • 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 has a Sustainability Policy, which sets out new principles and conduct guidelines and reinforces existing ones. • The Human Rights Policy was approved in March of this year. • The annual double materiality assessment considered alignment with SDGs of those 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.
TOPIC	RISK MANAGEMENT MECHANISMS – GOVERNANCE
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.	Duro Felguera is aware of the need to integrate, diversify and engage suppliers, subcontractors and other stakeholders as a team: to ensure smooth and seamless work flows where all parties are on the same page, while integrating our Company's ESG policies. Management measures: • 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. • In 2024, the Risk Department will focus on the procedures and processes in this regard with the aim of reviewing all related risks and opportunities.
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.	Duro Felguera, aware of the importance of transmitting its policies and ensuring that they have an impact on all the actors with whom it works, has implemented the following measures/tools: • 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.

TOPIC	RISK MANAGEMENT MECHANISMS – GOVERNANCE
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.	Duro Felguera manages the integrity and reputation of the Group from the corporate domain. Key measures: • The Group periodically updates its 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 requires partners, suppliers and subcontractors to abide by its environmental, human rights, occupational health and safety, anti-corruption and anti-fraud requirements. • ISO 37001 and UNE 19601 certification.

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.

In 2023 Duro Felguera renewed its commitment to the United Nations Global Compact by making its ten guiding principles part of the Group's strategy. This means fulfilling fundamental responsibilities in relation to human rights, labour, environment and anti-corruption.

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.

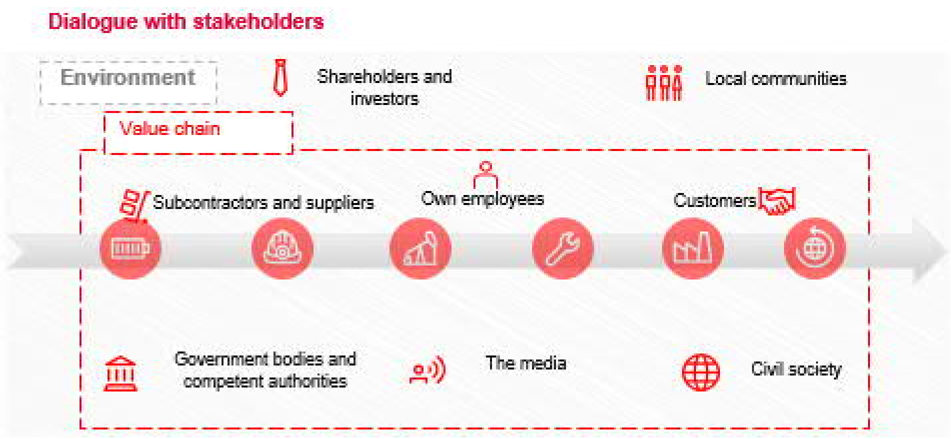
The approval of this policy reaffirms Duro Felguera's unflinching commitment to sustainability regulations. The policy extends to all employees and representatives of the Group, no matter their company or country.

The general principles of action set out in the policy have been built from the Sustainable Development Goals (SDGs) and allow Duro Felguera to guarantee the needs of present generations without compromising the needs of future generations, by ensuring environmental protection, economic growth, good governance 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 local communities.
- Comply with regulations applicable in countries and regions where the Group operates and with 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 2023 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; AGM
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 Duro Felguera
5. Employees	Suggestion box; corporate Intranet; communications from relevant corporate departments; working groups; newsletter: "En Compañía"; DF Teams groups
6. Trade unions	Direct contact via telephone and e-mail; meetings
7. Government bodies	Institutional relations; legal communications
8. Company	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; social networks (LinkedIn, Twitter); communication with local organisations; business associations; public and private bodies; Communication, Marketing and Public Administrations Department
10. Regulatory bodies	Institutional relations; legal communications
11. Lessees/concessionaires (port authority)	Institutional relations; legal communications

5.1 Materiality and the SDGs

Materiality of impacts according to GRI 3

Due to the Duro Felguera Group's commitment to sustainability and its deep interest and concern in understanding not only how its activities affect environmental, social, economic 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.
In this context, Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022, also known as the CSRD (Corporate Sustainability Reporting Directive), was approved in 2022. This Directive sets out double materiality reporting under the EFRAG (European Financial Reporting Advisory Group) umbrella:

- Materiality of impacts (inside-out).
- Financial materiality (outside-in).

The Duro Felguera Group, as a listed company, is subject to this Directive, and will therefore have to present its sustainability report in 2025 with respect to the 2024 financial year.

GRI 3 covers the scope of impact materiality, a stepping stone towards EFRAG double materiality. The company's governing bodies must review and approve the list of material topics.

In 2023, the calculation of impact materiality took place as described below. Notably, there was a change in the methodology, moving from a classic materiality focused on GRI 3 to impact materiality, divided into four key phases that are explained below:

1. Process followed for GRI 3 compliance

An analysis of the Duro Felguera Group has been carried out from:

- The internal context, including Duro Felguera's various activities, the description of the business relationships and the 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 2023.
- The sustainability context, addressing all contingencies and other procedures related to ESG (Environmental, Social and Governance) aspects and the Duro Felguera Group's own sustainability management and commitments.
- Identification and definition of stakeholders.

2. Identification and assessment of actual and potential impacts

In this phase, all actual and potential impacts on the economy, environment and people, including human rights impacts, were identified and defined. It should be noted that the first phase of the analysis was based on negative impacts, with the aim of implementing mitigating measures as soon as possible, with the analysis of positive impacts left for a second phase down the line. In this regard, various sources have been used, including interviews, appraisals and public information, among others. Some of these sources have been used to identify impacts, while others have been used to assess such impacts. This was followed by a process of impact consolidation:

- External analysis
    - Peers
    - Customers
    - Suppliers
    - Shareholders
    - Complaint management system and whistleblower channel
    - The press and media

- Internal analysis
    - Interviews with spokespersons
    - Risks map
    - Compliance system
    - Complaint management system and whistleblower channel

3. Prioritisation of the most significant impacts and flagging of material topics

The process followed by the Duro Felguera Group in evaluating and prioritising impacts is as follows:

The materiality analysis has allowed the Group to identify its most material topics when it comes to ESG aspects, by employing the GRI 3 methodology. Based on the results, an order of priority was established so as to focus on explaining the most material topics for Duro Felguera. Topics are prioritised based on two variables:

Probability: measures the likelihood that the material topic detected will affect the Group, based on the impact of each of the impacts included under the same material topic. This takes into consideration each of the impacts detected, as well as the various management and mitigation measures that are currently being employed to cushion the negative impacts or amplify the effect of the positive impacts detected.

A 3-level probability weighting has been used, with 1 being the lowest and 3 the highest.

Severity: measures the repercussion that the materialisation of the impacts detected may have on the material topics and, consequently, on the Group's activity or reputation. The effect of negative impacts can be mitigated by positive impacts or by the internal measures currently being implemented in a bid to reduce the negative impacts detected.

A 3-level severity weighting has been used, with 1 being the lowest and 3 the highest.

In some sources of the internal analysis, severity has been subdivided according to the following characteristics:

- Scale: measures the level of severity of the impact, classified as critical, moderate or zero/reduced impact.
- Scope: measures the extent of the impact, classified according to its impact on one stakeholder, more than one stakeholder or society in general.
- Remediation: measures the degree of difficulty involved in counteracting or correcting the resulting damage, subdivided into instant, within one year or longer than one year.

Criticality is obtained by weighting the probability and severity that has proven to be equal or different, depending on the impacts that have been detected and their mitigation measures.

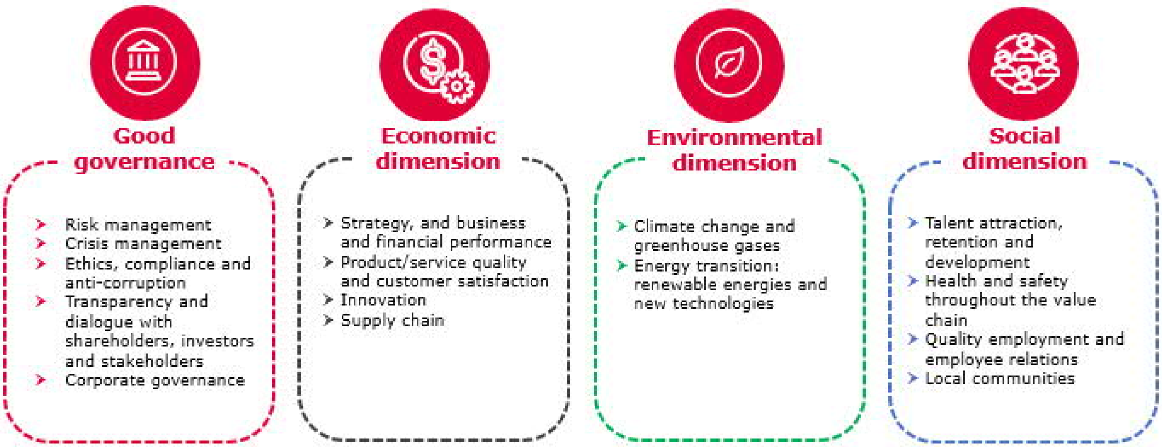
Lastly, the impacts were associated and linked to the material topics and the prioritised material issues were then obtained.

4. Management of material topics

This process yielded a list of prioritised material topics associated with the various impacts to have been defined. The list shows 15 material topics, establishing a threshold or cut-off line above two, so as to be able to more effectively focus the company's efforts.

Material topics

The following are the 15 material topics, all prioritised accordingly based on the impact assessment process, which have been obtained as a result of the analysis. An analysis of the results obtained with respect to those of the previous year is not included, since the conclusions are merely indicative due to the change in methodology and also owing to the consolidation and redefinition of the material topics.



No.	Dimensions	Material topics
1	Economic dimension	Strategy, business performance and economic performance
2	Good governance dimension	Risk management
3	Good governance dimension	Crisis management: Geopolitical and socio-economic instability, pandemics, etc.
4	Good governance dimension	Ethics, compliance and anti-corruption
5	Economic dimension	Quality of products/services and customer satisfaction
6	Social dimension	Attracting, retaining and developing talent
7	Social dimension	Health and safety throughout the value chain
8	Environmental dimension	Climate change and greenhouse gases
9	Economic dimension	Innovation
10	Environmental dimension	Energy transition: renewable energies and new technologies
11	Social dimension	Quality employment and employee relations
12	Good governance dimension	Transparency and dialogue with shareholders, investors and stakeholders
13	Good governance dimension	Corporate Governance
14	Social dimension	Local communities
15	Economic dimension	Responsible supply chain

Impacts

The impacts associated with each material topic as a result of the analysis are shown below:

Material topics	Dimension	Associated impact
1. Strategy, business performance and economic performance	E	Obtaining a favourable commercial positioning and effectiveness in the strategy defined. Securing financing with which to undertake the business plan.
2. Risk management	G	Risk system that identifies, evaluates and mitigates the main risks to which the company is exposed, and the impact on its objectives. Adequate integration of ESG risks in ESG risk prevention, mitigation and remediation policies and procedures resulting in a reputational impact.
3. Crisis management: Geopolitical and socio-economic instability, pandemics, etc.	G	Ability to manage geopolitical changes, wars and similar conflicts in highly unstable countries, pandemics and natural disasters.
4. Ethics, compliance and anti-corruption	G	Existence of adequate anti-corruption controls. Timely compliance or implementation of new standards and external regulations, avoiding the possibility of financial or criminal sanctions and, consequently, reputational risk. No conflicts of interest with stakeholders.
5. Quality of products/services and customer satisfaction	E	Compliance with the required quality standards and no problems in detecting and satisfying customer needs and priorities.
6. Attracting, retaining and developing talent	S	Competitive remuneration system and working conditions compared with the market. Communication channels enabling access to corporate information that could prove useful to the workforce (training, employee benefits, etc.). Career plan and internal opportunities that allow for the professional development of employees.
7. Health and safety throughout the value chain	S	Control/reduction of accident rates resulting from the increase in the Group's activity. Health and safety protocols updated and properly disseminated within the Group. Efficient and adequate facilities, machinery and furniture, and/or with adequate signage to ensure their proper use to avoid accidents.
8. Climate change and greenhouse gases	A	Measurement of air pollution from greenhouse gas emissions from the company's value chain. No air pollution from greenhouse gas emissions arising from the use of private vehicles and business travel.
9. Innovation	E	Investment aimed at finding new solutions for customers and becoming more competitive.

10. Energy transition: renewable energies and new technologies.	A	Adequate and efficient facilities, due to high levels of investment in new, less polluting energies.
11. Quality employment and employee relations	S	Respecting the right of workers to establish or join trade unions or representative organisations and to have trade unions and representative organisations recognised for collective bargaining purposes in any of the geographical areas where the Group operates. Flexible remuneration policy, reconciliation and disconnection measures that do not increase absenteeism, or diminish levels of engagement or employee satisfaction. Fairness when allocating workloads.
12. Transparency and dialogue with shareholders, investors and stakeholders	G	Active, transparent and regular management of the internal and external communication department, as well as investor relations, thus enabling constant communication with stakeholders.
13. Corporate Governance	G	Effective means and resources to execute and implement key company policies and procedures. Implementation of a company mission, vision and values in line with the company's actual strategy.
14. Local communities	S	Regular, fluid contact with local communities to increase the number of social action initiatives/projects undertaken. Increased hiring of local staff and suppliers to generate close and sustainable relationships over time. Heightened trust among stakeholders by implementing measures to prevent, manage and mitigate the possible impacts of the Group's activities on the communities in which it operates.
15. Supply chain	E	Heavy weighting of aspects such as climate change or other environmental components when analysing potential suppliers and customers, which may result in reputational impact and/or regulatory compliance issues. Having systems in place to approve suppliers in relation to ethics and compliance with human rights. Trust in relations with local suppliers, with the aim of maintaining lasting and valuable ties in the long term.

All the identified impacts of the Duro Felguera Group are assimilated to both its activities and its business relations, as described in Chapter 1. About us.

In addition, below we identify, for each material topic, the section of this Non-Financial Statement that includes the related policies and procedures, the main measures and objectives defined to manage that material topic, and the methods used to monitor and evaluate it. If the section in question does not include any of these topics, it is because Duro Felguera is in the process of defining or implementing it.

Material topics	Chapter of the NFS
1. Strategy, business performance and economic performance	1. About us 2.1 Business model
2. Risk management	4.3 Risk management
3. Crisis management: Geopolitical and socio-economic instability, pandemics, etc.	4.3 Risk management
4. Ethics, compliance and anti-corruption	3. Ethics and regulatory compliance
5. Quality of products/services and customer satisfaction	5.5 Quality
6. Attracting, retaining and developing talent	5.2 People and organisation
7. Health and safety along the value chain	5.3 Health and safety
8. Climate change and greenhouse gases	5.4 Environment
9. Innovation	5.8 Innovation
10. Energy transition: renewable energies and new technologies.	1. About us 5.4 Environment
11. Quality employment and employee relations	5.2 People and organisation
12. Transparency and dialogue with shareholders, investors and stakeholders	5.1 Our sustainability model
13. Corporate Governance	2. Corporate Governance 3. Ethics and regulatory compliance
14. Local communities	5.9 Community relations
15. Supply chain	5.7 Supply chain

Contribution to the Sustainable Development Goals

The 2021–2027 Strategic Plan and the 2021–2027 Ecological Transition Plan set out Duro Felguera's commitment to the 2030 Agenda.

Once the 15 material topics have been defined, their alignment with each SDG was analysed. This analysis allowed us to identify the following priority SDGs for Duro Felguera, on which we can have the greatest impact:

Goals 7, 8, 9, 12, 13 and 16, on ensuring access to affordable energy; promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; fostering sustainable industrialisation; ensuring sustainable consumption and production patterns; combating climate change and achieving transformative governance, respectively.

SDG	Material topic	Duro Felguera approach
7 ENERGÍA ASEQUIBLE Y NO CONTAMINANTE Ensure access to affordable, reliable, sustainable and modern energy for all	Climate change and greenhouse gases Energy transition: renewable energies and new technologies	Through a firm commitment to renewable energy via the DF Green Tech subsidiary Electricity supply contract renewal plan in favour of 100% renewable energy contracts
8 TRABAJO DECENTE Y CRECIMIENTO ECONÓMICO Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Quality employment and employee relations Strategy, and business and financial performance Talent attraction, retention and development Health and safety throughout the value chain Risk management Local communities	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 the *Programa Talento para el Futuro* (talent for the future) programme, which covers partners and scholarships for recently graduated students, on-the-job training for vocational training students and summer internships as part of *Escuela de Verano DF* (DF summer school).
9 INDUSTRIA, INNOVACIÓN E INFRAESTRUCTURA Promote sustainable industrialisation	Innovation Strategy and business and financial performance 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 by reinforcing the innovation space called DF Innovation Hub
12 PRODUCCIÓN Y CONSUMO RESPONSABLES Ensure sustainable consumption and production patterns	Product/service quality and customer satisfaction Responsible supply chain	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 ACCIÓN POR EL CLIMA Take urgent action to combat climate change and its impacts	Climate change and greenhouse gases Energy transition: renewable energies and new technologies	Studying energy efficiency improvements through audits and studying for the future development and implementation of the ISO 50001 standard Annual verification of the carbon footprint and registration in the MITECO Carbon Footprint Register Electricity supply contract renewal plan in favour of 100% renewable energy contracts
16 PAZ, JUSTICIA E INSTITUCIONES SÓLIDAS Promote peaceful and inclusive societies for sustainable development, provide access to justice for all	Transparency and dialogue with shareholders, investors and stakeholders Crisis management: Geopolitical and socio-economic instability, pandemics, etc. Ethics, compliance anti-corruption 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 Earning the Anti-Bribery Management System certificate (ISO 37001) and the Criminal Compliance Management System (UNE 19601) from AENOR Having in place a whistleblower channel (Ethics line) for reporting incidents arising from irregular behaviour or conduct that might violate the Code of Conduct Updating the Shareholder Communication and Contact Policy by the Sustainability Committee on 21 November 2023

5.2 People and organisation

People, our greatest asset

People management at Duro Felguera aims to support the business by plotting out the course towards 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 and guidelines. 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 policies and 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 transformation, profitable growth and internationalisation. People are the key to its success.

The objectives of the People and Organisation Division, like those of the Company, are geared towards the transformation process that took shape over the course of 2023 and will continue as we look ahead with specific objectives and actions in 2024. This process involves a change of culture aimed at driving profitable growth, an agile transformation in the way we work and continuous improvement management, as we work to optimise processes and procedures and improve the employee experience.

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 Duro Felguera 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.

Onboarding Plan

To help new employees at Duro Felguera feel welcome and motivated, the People and Organisation Department has an Onboarding Plan whereby all new employees are given the necessary initial information to help them find their feet. They are assigned a Business Partner, introduced to the main contact persons, and shown the system for using their workstation and finding all related services, along with all internal rules and regulations, among other matters.

International mobility

Seeing as though our Company operates around the world, optimal management of international mobility is absolutely critical to our operations. The People and Organisation Department offers the entire organisation an International Mobility Service run by experts in the field. Among other functions, the service arranges international trips and provides travel assistance, both for personnel hired in Spain and for personnel from other countries in their international travels, thus ensuring absolute compliance with the rules, customs and practices of the countries in which we operate.

Support and communication with Duro Felguera staff while on international assignment is key to the continued growth of our businesses, seeing as though our international staff are one of our main assets.

During the last quarter of 2023, Duro Felguera drafted its International Mobility Policy, which sets out the general conditions and remuneration applicable to all Group personnel who are subject to international travel. This Policy is currently in the process of being approved and is expected to be published in the first quarter of 2024.

Organisation

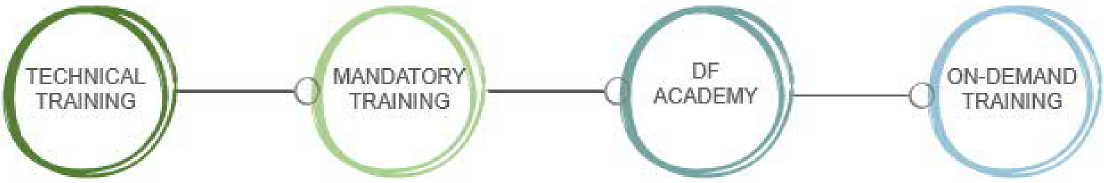
As part of the transformation process, the Organisation Department has worked to review and improve processes with the aim of achieving and enabling optimised, efficient and dynamic ways of working. Working alongside the ICT department, it has devised, developed and implemented various dashboard processes that will ultimately help streamline and reduce red tape across the Company's various areas and departments, while also improving data management.

Aside from the processes, the policies, internal management rules and procedures of the area were also reviewed to identify those that need to be updated to align them with the business.

Training plan 2023–2024:

In 2023, Duro Felguera launched its 2023–2024 Training Plan, which embodies the company's commitment to training as an investment tool for professional and personal development through learning and the continuous improvement of its employees, as part of a process that places people firmly at the centre of the transformation process and profitable growth.

To achieve the objectives of both the Group and its executive team, Duro Felguera has structured corporate training in four areas:



The training plan succeeds in complementing and developing new competencies and helps to reinforce specialisation and the updating of concepts and methods, thus making the company's employees more agile and effective.

1. **Technical training**. Training actions flagged by each business line and/or corporate area while periodically detecting training needs. This type of training targets technical knowledge and management skills directly related to core business activities.

2. **Mandatory training**. Group-wide training required by applicable law, company policy and/or commercial action. This training includes specific programmes such as: The Compliance Model at Duro Felguera and High Performance Management Teams (EDAR). As for the EDAR training, the aim was to provide participants with the skills and tools needed to lead their teams within a competitive and uncertain environment as springboards from which to deploy the company's strategy, thus obtaining success and excellence in managing teams and, by extension, in growing the business.

3. **DF Academy**. Training actions delivered by Duro Felguera employees for Duro Felguera employees. This internal training aims to ensure the transfer of specific knowledge and experience directly related to the company's core business activity: project management and construction work. This innovative initiative was very well received in its first year, and is therefore set to continue throughout 2024.

4. **On-demand training**. Special training events held in response to specific needs that arise during the year. The training and development area receives requests for on-demand training and organises the training depending on priorities and available resources.

The company seeks to reduce training costs via the usual financing channels, such as training grants through FUNDAE.

Training is a development opportunity for each individual and ultimately an investment in the organisation's internal talent. With the Company now in the midst of a transformation process, it is more committed than ever to training and learning and actively encourages its employees to partake in the various training initiatives that the Company makes available to them, thus ensuring that each person feels that they are the protagonist of their learning and development.

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.

Key figures on training

Distribution of training hours by type of position and gender

2023	No. of participants Women	No. of participants Men	Training hours Women	Training hours Men
Managers*	25	53	343	1,597
Middle managers	43	168	642	1,972
Qualified staff	180	415	2,465	6,021
Support positions	44	18	296	198
Operators	0	161	0	1,965
TOTAL	292	815	3,746	11,753

2022	No. of participants Women	No. of participants Men	Training hours Women	Training hours Men
Managers*	9	12	292	560
Middle managers	7	33	474	1,611
Qualified staff	39	114	2,254	3,349
Support positions	15	1	507	40
Operators	1	502	6	5,291
TOTAL	71	662	3,533	10,851

*Includes training provided to Senior Management and Management

In 2023, a total of 15,499 training hours were delivered to 696 employees, giving an average training time of 22.27 hours/employee (30.87 hours/employee in 2022).

In 2023, Duro Felguera achieved an increase of 1,115 training hours above and beyond the figure reported in the previous year. This significant increase compared to the hours delivered in 2022 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.

A total of 152 women underwent training in 2023, giving a percentage of 89.41% of women compared to 44.74% of men who underwent training during the period. Another positive aspect is that the number of women trained at the following job levels was up in 2023: Management, Middle Management, Technicians and Support Positions. This is certainly an improvement in terms of female representation and training.
The DF Academy programme, launched in 2023, closed the year with a total of 646 hours of training delivered to the 147 participants who took part, covering topics such as: International Turnkey Contracting, Insurance linked to Duro Felguera, Incoterms, Customs Taxation, International Transport and Remittances and Documentary Credit.

Attracting young talent

As part of our Management Objectives, we strongly believe in the importance of managing generational succession, as a basic pillar underpinning the growth and sustainable development of our teams. By managing the transition and passing on knowledge, we are able to retain that knowledge and give new generations the opportunity to train and learn with highly experienced professionals.

For this reason, in 2023 we worked hard to design and implement our Young Talent programme. A programme focused on young people, in which profile diversity, transversality and teamwork are the main levers.

Based on this key premise, young graduates fresh out of university or college are able to learn alongside the very best talent at Duro Felguera, while also becoming part of the pool of young talent for the future of the company, thus ensuring a completely unbiased handover of expertise and knowledge from one generation to another.

The company is currently running the "Young Talent for the Future Programme". The value proposition that Duro Felguera offers to young people takes the form of lifelong learning and training for graduates, while involving them from the get-go in the life cycle of active projects, thus giving them a global vision of how everything works. The Company also seeks out young talent with an international vocation to accompany the business in its transformation by contributing innovative ideas. Throughout this time and as they find their feet within the Company, young graduates will be accompanied and guided by Duro Felguera professionals.

Various actions have been undertaken in a bid to attract young talent to Duro Felguera:

- Collaboration with Recruiting Erasmus, an initiative that has forged close ties between the Company and numerous students, both Spanish and foreign, through scholarships and other training programmes. This scheme offers young people a great opportunity to make the leap into the professional world.

- DF Summer Academy. As a company with a broad international presence, Duro Felguera has sought to go beyond national borders. More precisely, in 2023 it teamed up with engineering universities in other countries, thus facilitating the incorporation of young international talent by welcoming engineering students for summer internships to begin a process of diversification and ensure the mutual enrichment of knowledge.

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 (89.25%)[4] (78.23% in 2022), 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

[4] As almost all employees are covered by collective bargaining agreements (89.25%), a breakdown of the percentage of those not covered by collective bargaining agreements by country is not considered a material disclosure for the Group.

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 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 2023 came to 148,456[5] hours, compared to 131,704 hours in 2022. 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.

Last but not least, as regards the minimum period of notice for operational changes, Duro Felguera complies with the terms under the applicable legislation.

Diversity and equal opportunity

Duro Felguera views diversity as an opportunity to identify, develop and promote talent. This is covered in both the Sustainability Policy and the Code of Conduct. Women currently account for 12.27% of Duro Felguera's total workforce. 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 has an Equality Plan which is currently being negotiated.

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

[5] Absenteeism hours are tracked and measured at all companies located in Spain.

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 13 such individuals at Duro Felguera at the end of 2023, compared to 10 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.

Legal representation of the workers

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.

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.

DF Length of Service Awards

Duro Felguera recognises the loyalty displayed by its employees by handing out gold and silver Length of Service Awards to those employees who have reached 35 and 25 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.

In 2023, the award ceremony included the 2020 and 2021 awardees, who had been unable to attend the ceremony and the recognition of their peers at that time due to the pandemic.

Communication

In 2023, and as part of the transformation process, work was carried out to make internal communication a key element for transmitting information within the Company, fostering teamwork and strengthening the corporate image.

The Internal Communication plan to have been drawn up conveys strength, envisions various communication campaigns to motivate by sharing information, promotes events and looks to celebrate milestones related to the progress made towards the Company's various projects, among other actions.

Notably, the "En Compañía" newsletter remains firmly in place. 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.

When it comes to external communication, the corporate 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, smartphones or tablets). The site is now able to host more audiovisual content and to share posts or news on social media. It also features the Premium Channel for Shareholders and Investors, with information exclusively aimed at registered shareholders.

Workforce Downsizing Scheme

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 Duro Felguera Group.

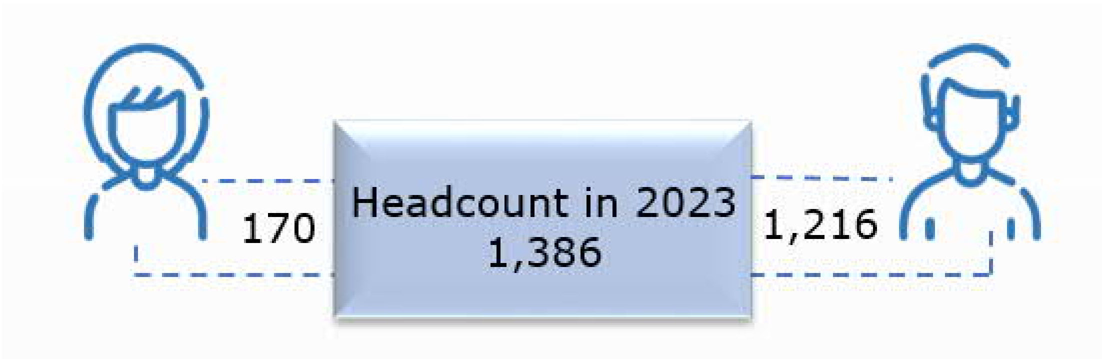
After finishing the mandatory worker consultation period, the Group notified the labour authority of the agreement reached with the majority of the workers' legal representatives to implement a workforce downsizing plan. The plan will run for 18 months and will affect a maximum of 180 jobs at Group companies Duro Felguera, SA, DF Operaciones y Montajes, SAU, DF Mompresa, SAU and Felguera IHI, SA.

The 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.

Staff departures took place over the course of 2023 and are expected to continue throughout the first four months of 2024, by which time the plan will be complete.

Key indicators

Workforce distribution at year-end



At year-end 2023, Duro Felguera had a team comprising 1,386 employees (1,098 employees in 2022) Group-wide, with average length of service of 6.66 years (8.99 years in 2022). The increase in absolute terms of 26.23% compared to the 2022 headcount is due to the increase in activity in 2023 and led to a reduction in the length of service ratio.

Workforce distribution by gender	2023	2022	Change (%) in 2023–2022 vs. total
Men	1,216	951	27.87%
Women	170	147	15.65%
TOTAL	1,386	1,098	26.23%

Workforce distribution by age	2023	2022	Change (%) in 2023–2022 vs. total
Employees < 30 years old	104	77	35.06%
Employees 30–50 years old	815	654	24.62%
Employees > 50 years old	467	367	27.25%
TOTAL	1,386	1,098	26.23%

The figures showing the distribution of the workforce by age show that the highest percentage change occurred in the group under 30 years of age, continuing the trend seen in the previous year. This means that the index for this age group has increased by 2.5 points, thus illustrating the Company's commitment to young talent and to rejuvenating the workforce.

Workforce distribution by employee category	2023	2022	Change (%) in 2023–2022 vs. total
Senior Management	8	8	0.00%
Managers	28	28	0.00%
Middle Managers	126	108	16.67%
Qualified staff	521	399	30.58%
Support positions	63	59	6.78%
Operators	640	496	29.03%
TOTAL	1,386	1,098	26.23%

Workforce distribution by country	2023	2022	Change (%) in 2023–2022 vs. total
Algeria	80	70	14.29%
Colombia	1	133	-99.25%
Spain(*)	1,245	867	43.60%
Mexico	10	9	11.11%
Romania	21	2	950.00%
Morocco	9	0	0.00%
Poland	5	0	0.00%
Other	15	17	-11.76%
TOTAL	1,386	1,098	26.23%

* Includes expatriate staff

Workforce distribution by category and age

At the end of 2023 and 2022, the distribution by category and age of the total workforce of Duro Felguera was as follows:

Workforce distribution by category and age						
	Employees < 30 years old		Employees 30–50 years old		Employees > 50 years old	
2023	Women	Men	Women	Men	Women	Men
Senior managers	-	-	-	0.14%	6.52%	0.95%
Managers	-	-	3.54%	1.00%	6.52%	3.33%
Middle managers	-	-	13.27%	8.40%	6.52%	11.64%
Qualified staff	63.64%	32.26%	65.49%	32.91%	45.65%	37.53%
Support positions	36.36%	4.30%	16.81%	1.99%	34.78%	1.43%
Operators	0.00%	63.44%	0.88%	55.56%	0.00%	45.13%
TOTAL	100%	100%	100%	100%	100%	100%
	Employees < 30 years old		Employees 30–50 years old		Employees > 50 years old	
2022	Women	Men	Women	Men	Women	Men
Senior managers	-	-	-	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%	0.00%	43.90%
TOTAL	100%	100%	100%	100%	100%	100%

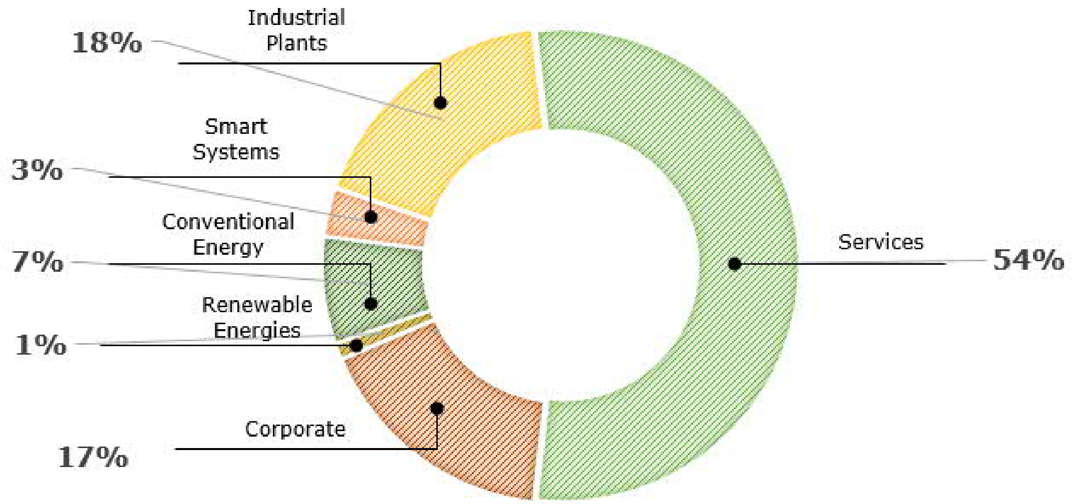
Average headcount by business

The data shown below for 2023 refer to the Business Model described in this report. The Group's businesses are structured as follows:

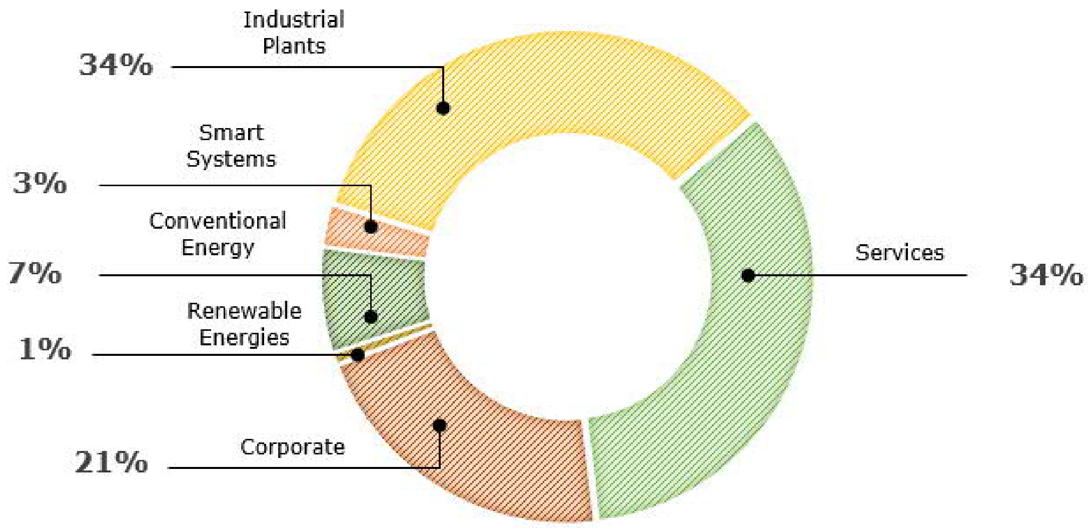
- Conventional Energy
- Renewable Energy
- Industrial Plants
- Services
- Smart Systems
- Corporate

The average headcount is distributed according to the needs of each business and related activities. The distribution was as follows in 2023 and 2022:

2023



2022



Annual averages by contract type

The distribution of permanent and temporary contracts in 2023 and 2022 is shown below, based on average headcount.

As to job stability, and looking at the average workforce, 69% of our employees are under permanent employment contracts. This is 6 percentage points higher than in the previous year due to the pick-up in activity.

The data presented in the tables are averages (average workforce).

Average number of contracts by age and gender

2023	Employees < 30 years old		Employees 30–50 years old		Employees > 50 years old		TOTAL	
	Women	Men	Women	Men	Women	Men	Women	Men
Permanent contract	1	28	88	455	43	337	132	820
Temporary contract	7	62	15	239	0	113	22	414
TOTAL	8	90	103	694	43	450	154	1,234

2022	Employees < 30 years old		Employees 30–50 years old		Employees > 50 years old		TOTAL	
	Women	Men	Women	Men	Women	Men	Women	Men
Permanent contract	1	7	98	384	43	280	142	671
Temporary contract	5	84	18	263	1	108	24	455
TOTAL	6	91	116	647	44	388	166	1,126

Contract averages by category

	2023			2022		
	Permanent	Temporary	Total	Permanent	Temporary	Total
Senior Management	8	0	8	10	0	10
Managers	29	0	29	29	0	29
Middle managers	117	4	121	108	5	113
Qualified staff	372	100	472	342	91	433
Support positions	37	21	58	44	24	68
Operators	389	311	700	280	359	639
TOTAL	952	436	1,388	813	479	1,292

Average number of new contracts

Information on the average number of new contracts in 2023 and 2022 is presented below: The data presented are averages (average workforce).

2023

Average number of new contracts (2023)

Gender						
Permanent contract		Temporary contract		Part-time contract		TOTAL
Men	Women	Men	Women	Men	Women	
170	16	273	9	1	0	469

Contract type	Age: Employees < 30 years old		Employees 30–50 years old		Employees > 50 years old		TOTAL
	Women	Men	Women	Men	Women	Men	
Permanent	2	17	9	100	5	53	186
Temporary	4	44	5	140	0	89	282
Part-time	0	0	0	0	0	1	1
TOTAL	6	61	14	240	5	143	469

Category	Permanent contract	Temporary contract	Part-time contract	Total
Senior Management	0	0	0	0
Managers	1	0	0	1
Middle managers	68	40	0	108
Qualified staff	9	1	0	10
Support positions	4	6	0	10
Operators	104	235	1	340
TOTAL	186	282	1	469

2022

Average number of new contracts (2022)

Gender						TOTAL
Permanent contract		Temporary contract		Part-time contract		
Men	Women	Men	Women	Men	Women	
50	6	287	8	0	0	351

Contract type	Age						TOTAL
	Employees < 30 years old		Employees 30–50 years old		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

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.

Average remuneration by gender	Women	Men
Average remuneration in 2023	€38,746.10	€ 45,034.76
Average remuneration in 2022	€ 33,407.08	€ 34,209.95
Chg. 2023/2022 (%)	15.98%	31.64%

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 2023 and 2022.

The pay gap at Duro Felguera in 2023 was 13.96% (2.35% in 2022). 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 pay gap shown in the results is down to the increase in the number of employees, particularly in the Services line, which is still heavily male-dominated due to the nature of the work involved.

Average pay by age group	Employees < 30 years old	Employees 30–50 years old	Employees > 50 years old
Average remuneration in 2023	€ 33,711.31	€ 42,113.60	€ 49,836.96
Average remuneration in 2022	€ 14,604.55	€ 32,448.14	€ 41,437.30
Chg. 2023/2022 (%)	130.83%	29.79%	20.27%

The increase reflected in the 2023 data is largely due to the reactivation of the Company's activity and, in the case of the Group's average remuneration under 30 years, to the completion of projects on the international stage (Colombia).

The wages of the average workforce for the years 2023 and 2022 were used to calculate the average remuneration per employee category shown below.

Average remuneration by employee category	Managers	Middle Managers	Qualified staff	Support positions	Operators
Average remuneration in 2023	€ 112,091.11	€ 59,342.15	€ 43,541.25	€ 27,289.69	€ 40,459.72
Average remuneration in 2022	€ 106,473.14	€ 55,231.14	€ 35,010.28	€ 22,295.55	€ 27,254.60
Chg. (%) 2023 – 2022 (*)	5.28%	7.44%	24.37%	22.40%	48.45%

* The changes depend on the geographical mix of the projects in each year.

Distribution of dismissals by gender, age and employee category

The following tables show the number of dismissals that took place within the Group in 2023 and 2022, 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 2023 workforce downsizing scheme.

Number of dismissals and employee churn	2023			2022		
	Women	Men	Total	Women	Men	Total
Number of dismissals	5	11	16	8	32	40
Voluntary turnover	15.60%	9.00%	14.89%	18.67%	9.93%	11.19%

In 2023, the average churn at Group companies with registered offices in Spain was 14.89%, compared to 11.19% in the previous year.

Voluntary turnover

	Employees < 30 years old	Employees 30–50 years old	Employees > 50 years old
2023	22.45%	16.58%	11.10%
2022	23.58%	13.26%	7.22%

Dismissals by age group

	Employees < 30 years old	Employees 30–50 years old	Employees > 50 years old	Total
2023	0	9	7	16
2022	0	21	19	40
Chg. 2023/2022 (%)	0.00%	-57.14%	-63.16%	-60.00%

Dismissals by category

	2023	2022
Senior Management	0	3
Managers	0	1
Middle managers	1	2
Qualified staff	11	26
Support positions	2	2
Operators	2	6
TOTAL	16	40

5.3 Health and safety[6]

The Duro Felguera 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 2023, 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.

Duro Felguera also 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[7]. Internal follow-up audits were

[6] All the information reported 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 in the workplace.
[7] DURO FELGUERA S.A., DURO FELGUERA CALDERERÍA PESADA S.A., DF MOMPRESA S.A.U., DF OPERACIONES Y MONTAJES, S.A. and DF ENERGY STORAGE (FELGUERA IHI S.A.).

conducted in relation to various projects envisioned in its OHSMS Audit Plan for 2023: DF Calderería Pesada (DFCP), DFOM Sulquisa, DF MOMPRESA Besós, and Almacén de Herramienta (Herramental), among others.

Also in 2023, Duro Felguera carried out a psychosocial risk assessment at its headquarters in the Gijón Technology Park, covering all the jobs carried out at this location.

This assessment, carried out by an external company, aims to identify and evaluate the risk factors present at the company. The study was carried out taking into account the criteria set out in:

- Law 31/1995: on occupational risk prevention and subsequent reform (Law 54/2003).
- Royal Decree 39/1997: Regulations on Prevention Services.
- NTP 450: Psychosocial factors: phases for their assessment.
- NTP 926: Psychosocial factors: assessment methodology.
- NTP 702: The process of assessing psychosocial factors.
- Psychosocial Factors Assessment Method of the National Institute for Safety and Health at Work, Version 4.0, F-PSICO.

Overall, three psychosocial risk factors are identified as having an almost universally high risk quantification among all groups, namely Workload, Supervision/Participation and Interest in the Worker/Compensation.

According to the results presented and analysed in the evaluation, preventive measures for the most unfavourable psychosocial dimensions are studied for the various sections analysed in the report.

Although the preventive measures identify an objective risk factor, it is considered that the implementation of these measures would also lead to a collateral improvement of the other psychosocial factors analysed, thus yielding an overall improvement.

Further to Duro Felguera's duty to consult and involve its workers in matters relating to occupational health and safety, this psychosocial risk assessment and all other pertinent information on this important subject were made available to the workers' 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 Duro Felguera, S.A. (four ordinary meetings and one extraordinary meeting).

On the subject of industrial hygiene, 25 actions were carried out during the period at the various sites and projects of the DFOM business unit, targeting a representative population of 53 employees, and based on 40 samples and 32 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 1,640 health screenings were conducted under the medical protocols in place, in accordance with the risk assessment carried out for each workstation. Following on from previous years, a specific campaign of gynaecological medical screenings for female employees of Duro Felguera was also carried out.

In 2022 and 2023, no work-related accidents with fatalities were reported in any location or country. The following table provides a quantitative breakdown of the claims ratios for both years, according to ESAW[8] calculation criteria:

	Own employees	
	2023	2022
Lost-time accidents[9]	64	27
Frequency rate[10]	25.13	15.78
Severity rate[11]	1.37	0.67
Occupational diseases[12]	3	3

Duro Felguera reported an accident frequency rate among subcontracted external personnel at its various business units of 12.05[13] (2022: 3.04).

There was an increase in the number of lost-time accidents compared with 2022, due to an increase in the number of projects in progress, which also affects the number of hours worked. Therefore, the severity rate (ratio of days lost due to accidents to total hours worked) was also up during the period, meaning that the duration of medical leave due to accidents was longer than in 2022. Meanwhile, the accident frequency rate among subcontractor personnel witnessed a significant increase, due to an increase in the volume of subcontracted projects.

In 2023, Duro Felguera continued to implement a commitment to safety and related action plan at its DF Services business unit, 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,

[8] 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.
[9] 64 accidents involving national employees (27 accidents involving national employees in 2022). All the victims were men in both 2023 and 2022.
[10] Frequency rate: Number of lost-time accidents occurring during working hours per million hours worked: 64 accidents / 2,546,768 hours worked x 1,000,000.
[11] Severity rate: Number of days lost per thousand hours worked: 3,498 days lost / 2,546,768 hours worked x 1,000.
[12] Occupational diseases with lost time. All lost-time occupational diseases in 2023 and 2022 affected men and took place in Spain.
[13] Frequency ratio among subcontractor personnel (2023): 26 accidents / 2,156,368 hours worked x 1,000,000.

and through a procedure for assessing and continuously monitoring professional training.

In line with this commitment, while performing the Tata Steel project in Ijmuiden (Holland) in March 2023, the Head of DF Services and the Head of People and Organisation took part in the Safety Day organised by the client at its plant, where they doubled down on Duro Felguera's commitment to safety within the framework of the project.

In May 2023, DF Mompresa, the Group's business unit specialised in the assembly and maintenance of gas, steam and hydro turbo generators at power generation plants, received an award from US multinational General Electric for the outstanding work done by its personnel across the various projects it is currently performing for the company. The award was presented at the Gas Power Summit Europe held in Budapest, where more than 80 suppliers gathered to discuss and share some of the latest innovations in the energy sector.

More precisely, Ansaldo praised the respect shown for safety standards by four DF Mompresa workers during the overhaul of the steam turbine at the Grain power station in Kent (United Kingdom).

5.4 The 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 2023.

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 December 2023, Duro Felguera applied for renewal with ECOVADIS to re-evaluate its achievements in sustainability and hold on to the Bronze medal obtained in November 2022, where it received an overall score of 54/100 points. Notably, it scored 70/100 in environmental discipline, placing it among the 11% of certified companies operating in the same industry.

Sustainability Policy

The Duro Felguera Sustainability Policy was approved on 27 December 2022, thus replacing the Corporate Social Responsibility Policy hitherto in effect. The Sustainability Policy embodies the governing principles when it comes to environmental protection at the Company.

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.

Duro Felguera successfully renewed ISO 14001 certification for its Environmental Management System in 2023, which was carved off from the Quality Management System during the certification process that took place in March of this year. 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, 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 transversal 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 2023. See Note 36.c) to the accompanying consolidated financial statements for 2023.

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 100% 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 2023 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 2023, a total of 17,077 m^3 of water was consumed, broken down as follows: 2528 m^3 of water was consumed at the Company's fixed centres (Science and Technology Park in Gijón and Tooling Centre in Llanera); 11,463 m^3 at the workshop of DF Calderería Pesada, and 3,086 m^3 at the FCM centre in Barros.

	2023			2022			Change (%)		
m3	Offices	DF Calderería Pesada	FCM Barros	Offices	DF Calderería Pesada	FCM Barros	Offices	DF Calderería Pesada	FCM Barros
Water	2,528	11,463	3,086	2,428	9,191	7,561	4%	25%	-59%

In the case of DFCP, water consumption increased during 2023, as extra water was needed during the period for hydro testing of large-volume equipment.

There was a significant reduction in water consumption at the Barros site, due to quieter levels of activity in relation to the prefabrication of equipment.

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 2023, DF Calderería Pesada (Duro Felguera's manufacturing unit) acquired 1,320.30 tonnes of metal laminates (2022: 4,391.56 tonnes). This consumption figure is lower than usual, according to available production capacity, standard specifications, thicknesses and type of products to be manufactured. The change is a result of the kind of business activities carried out in 2023: continuation of manufacturing activity that had begun in 2022, coupled with the launch of relatively few new projects that required the purchase of metals in 2023.

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 2023, a total of 197 tonnes of metal waste was recycled (288 tonnes in 2022).

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 2022 and 2023, broken down by business unit.

Kg	Hazardous waste – 2023	Hazardous waste – 2022	Change (%)
DF Services	4,455	140	3082%
Calderería Pesada	3,026	14,158	-79%
Total	7,481	14,298	-48%

Kg	Non-hazardous waste – 2023	Non-hazardous waste – 2022	Change (%)
DF Services	14,580	18,820	-23%
Calderería Pesada	143,054	120,240	19%
Total	157,634	139,060	13%

There was an increase in the amount of waste generated at the DF Servicios centre (Herramental), due to the fact that no cleaning and maintenance work took place at the facilities in 2022 (carried out in 2021 instead to take advantage of the lull in project activity due to the lingering effects of the pandemic).

There was a reduction in the amount of hazardous waste at DF Calderería Pesada in 2023 compared to 2022, the reason being that 2022 was an exceptional period that witnessed significant preventive maintenance work at facilities that is not carried out every period, whereas 2023 returned to being a period with normal activity.

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 and calculates its carbon footprint.

The GHG report was verified by AENOR in 2023, in accordance with the GHG Protocol for the calculation of the carbon footprint.

Greenhouse gas emissions for financial year 2023 relate to the central offices located in Gijón. The report was ultimately verified by the accredited body AENOR on 14 December. Due to the timing of this assurance work, the application for filing with the Ministry for Ecological Transition and the Demographic Challenge will be made over the course of January 2024.

Following the approval of the 2021–2027 Ecological Transition Plan in December 2021 and the setting up of the Sustainability Committee in February 2022, Duro Felguera has achieved the following strategic milestones aligned with the SDGs:

ODS 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 Duro Felguera in specialised forums: sustainability and circular economy.

ODS 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.

ODS 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.

ODS 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

- ✓ Plan to undertake renewable energy projects.
- ✓ Bids presented in various green hydrogen production projects (including the Galp refinery at Sines).

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

Direct emissions

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 – 2023		
	Offices	DF Calderería Pesada	Unit
Natural gas	694,696	2,131,281	kWh
Gas oil	4,861	62,292	L
Gasoline	2,086	885	L

In 2023, direct emissions from fuel consumption amounted to 651 tonnes of CO_2 equivalent: The conversion factors used to calculate emissions are the official ones published by the Ministry for Ecological Transition. The Ministry's website provides the direct conversion factor for converting from litres to kilograms of CO2.

	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	2,513	L

The following table shows the percentage change in CO2 consumption from direct emissions over the reference years:

	CO2 equivalent (kg)					
	2023		2022		Change (%)	
	Offices	DF Calderería Pesada	Offices	DF Calderería Pesada	Offices	DF Calderería Pesada
Natural gas	126,435	387,893	110,871	148,388	14.04%	161.41%
Gas oil	12,095	118,029	13,216	131,742	-8.48%	-10.41%
Gasoline	4,420	1,979	2,784	5,324	58.74%	-62.83%

*Source of emission factors used to calculate CO2 equivalent for 2023: Ministry for the Ecological Transition (Government of Spain), version 22 – May 2023.

In 2023, the Group measured its fuel consumption (diesel and petrol) for owned vehicles located at its Science and Technology Park in Gijón.

There was an increase in natural gas emissions at DF Calderería Pesada due to the nature of the activities carried out in 2023, which tended to focus on heat treatments, welding and finishing work instructed by customers. Notably, welding with preheating was the main cause of the increase.

Meanwhile, the reduction in petrol was due to the return to the usual trend of its specific use, rather than for the transport of raw materials to storage areas until they were ready to enter the work area, given that such areas were previously taken up by work in progress.

Indirect emissions

Duro Felguera activities that contribute to the generation of indirect emissions (Scope 2) are those related to electricity consumption.

	Energy consumption – 2023 (kWh)		
	Offices	DF Calderería Pesada	Barros
Electricity	1,398,003	2,222,227	989,286

	Energy consumption – 2022 (kWh)		
	Offices	DF Calderería Pesada	Barros
Electricity	1,359,025	1,679,907	741,601

In 2023, we continued to supply 100% renewable electricity bearing a Guarantee of Origin issued by the CNMC, thus avoiding a total of 1,069 tonnes of CO_2 equivalent from being released into the atmosphere.

	CO2 equivalent (kg) avoided			
	Offices	DF Calderería Pesada	Barros	Total
Emissions avoided due to the consumption of 100% renewable electricity	324,337	515,557	229,514	1,069,408

For the calculation of avoided emissions, the last factor used is the year 2021 (the year prior to the contracting of energy with 100% renewable origin whose factor is 0).

For 2023, 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.

Environmental awareness

The following initiatives were carried out in 2023, 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 2023, 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, Felguera 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 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 covering all Duro Felguera processes.

Quality Management System

Duro Felguera has implemented a Quality Management System (QMS) that adheres to ISO 9001:2015 across all processes, 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 QMS has been certified by LRQA under ISO 9001:2015 for over 30 years now.

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 for its projects to succeed.

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 Duro Felguera include:

- 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
- People Management Process
- Reporting Systems Process

Thanks to the Group's long-standing commitment to quality, it has become synonymous with quality within the market and the entire organisation is geared towards this goal, led by the Management of Duro Felguera and including every single worker.

Customer satisfaction

According to the values enshrined in 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, Duro Felguera 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 Duro Felguera. The log of client complaints is analysed by Management at regular review meetings to determine the appropriate actions for ensuring the continuous improvement of the system. The Group continues to gauge the degree of client satisfaction by asking them to complete online forms once the project has reached a mature degree of completion.

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.

Product or service health and safety

No industrial product or service supplied by Duro Felguera 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, Duro Felguera 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

On 31 March last, the Board of Directors approved Duro Felguera's Human Rights Policy, which sets out the Group's unflinching commitment to human rights and respect for ethical principles, in accordance with the Group's corporate culture.

This commitment illustrates the positive impact of its activity in all locations where the Group is present and is seen as a key part of its responsibility to create value. This positive impact is underpinned by a sustainable business model based, among other things, on absolute respect for human rights as a differentiating aspect that goes beyond bare compliance with the law.

The general principles of action set out in the policy are as follows:

- 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 its 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.

By means of this Policy, the Group has laid the foundations for identifying, mitigating and preventing the adverse impacts of failing to respect human rights, in accordance with applicable national and international law and regulations. Notably, the Group has pledged not to consciously disrespect such rights.

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 has an Ethics Line and Whistleblower Channel, as explained at greater length in section 3.3 – Regulatory compliance and anti-corruption of this document. There were no complaints or incidents in 2023 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 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, Duro Felguera may adopt the necessary measures, and may seek compensation and/or damages and even the unilateral termination of the contract.

In 2023, there were no reports of human rights abuses by suppliers, nor was there any perceived risk of any of Duro Felguera'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, consultancy services, and communications.

» Projects: for all needs related to the projects it undertakes. Here, Duro Felguera may arrange engineering services, the manufacture and supply of electromechanical equipment, the supply of bulk materials, transport, subcontractors to carry out civil engineering work or electromechanical assembly work, inspection, commissioning and start-up services, and sundry 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.

In 2022, the Third Party Code of Conduct was approved which, together with the Code of Conduct, sets out the commitments to be embraced by all third parties who do business with the Group within the framework of any commercial, business or collaborative relationship. The Third Party Code of Conduct thus sets out the principles and expected behaviours that all third parties who have dealings with Duro Felguera must abide by.

Local procurement

Duro Felguera advocates procurement from local suppliers, viewing this as a key criterion when arranging services from third parties. For Duro Felguera, a local supplier means any supplier with whom a contract is signed and whose head office is located in the same country in which Duro Felguera is involved in some project. Notably, most purchases were made and/or services arranged from local suppliers in 2023 across most of the countries in which the Group has significant operations[14].

For larger projects, staff from the procurement department may also be stationed in the country concerned and local procurement personnel recruited if necessary.

[14] Significant operation: operations in which procurement exceeds €100,000.

Countries with operations where significant purchases were made	Percentage of local procurement – 2023	Percentage of local procurement – 2022	Change
Spain	97.35%	96.75%	0.60%
Mexico	82.39%	51.72%	30.68%
Eastern Europe	78.49%	78.70%	-0.21%
France	65.38%	71.34%	-5.95%
Ireland*	64.69%	-	64.69%
Poland	61.71%	0.54%	61.17%
Morocco*	52.85%	-	52.85%
Portugal*	50.47%	-	50.47%
Algeria	40.74%	56.50%	-15.77%
Netherlands	40.58%	48.01%	-7.43%
Chile	38.01%	0.00%	38.01%
Canada*	23.06%	-	23.06%
Brazil	1.27%	51.75%	-50.49%
TOTAL	58.13%	42.56%	15.57%

*In 2022, local purchases in these countries were not considered significant.

Supply chain management

Risks in the supply chain relate to procurement and subcontracting, i.e. outsourced goods and services. This may be 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 insisting that all suppliers undergo an evaluation addressing the following aspects: compliance with quality and environmental standards, health and safety requirements, their technical expertise, compliance with applicable legislation, geographical location, exhaustive monitoring of work progress and performance follow-up. 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, approved in 2021, remained in effect throughout 2023. It contains 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).

The Group continued to evaluate its suppliers throughout 2023, using the methodology approved in 2022, which makes 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 the assessment, a decision is reached as to whether signing a contract with the supplier would carry unacceptable risks. 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 Duro Felguera suppliers.

Duro Felguera has yet to identify any supplier that carries a significant risk to the principles and commitments it upholds.

In 2023, a total of 64 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 (Health, Safety & Environment) 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

Duro Felguera is firmly committed to innovation. While 2023 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 2023 included the following:

» DF Innovation Hub (DFIH)

The innovation space known as DF Innovation Hub underwent further enhancements during the period. It was created in 2022 and entrusted with the following key objectives:

- Searching for new businesses and building the innovation ecosystem.
- Improving the value proposition and supporting the existing businesses.
- Digitalising internal processes at Duro Felguera.

More precisely, a new home for DFIH was set up on floor -1 of the Duro Felguera Group's headquarters.

» 2022–2024 action plan of the Business R&D&i Centre

Further progress was made during 2023 towards the action plan that got under way in 2022, with three projects:

- Development of an integral system of smart intralogistics from warehouse to truck.
- Development of a rapid circular assembly/disassembly platform for the steel industry.
- Development of a continuous industrial process improvement system based on AI (machine learning).

» Network of Asturian business R&D&I centres

In June 2023, we presented DFIH to the 12 Asturian Business R&D&I centres, at an event staged at Maqua Palace in Avilés.

» Innovative Business Clusters (IBCs)

DF Intelligent Systems S.A. joined the ICT Cluster (Felguera TI, another Group company, is a founding member).

Duro Felguera, S.A. remained a member of the Asturias Steel Cluster for another year.

Duro Felguera S.A. and DFCP were registered in 2023 in Innovastur (DF Intelligent Systems S.A. was registered in 2022) and secured grants in the MINCOTUR call for AEIs as part of these two consortiums:

- HYPCoat project, looking for safe and cost-effective hydrogen storage (Innovastur, Basque Energy Cluster, DFCP, SEM, INALIA and the University of Oviedo).
- GDCAR project to create digital twins for the simulation and optimisation of gasification processes with alternative fuels based on waste (Innovastur, Duro Felguera S.A., SOAR, UNIOVI and TRELIA).

» Information Security Hub of the Principality of Asturias

DF Intelligent Systems S.A. is involved in the high-level working group "Asturias Information Security Node", whose aims are as follows:

- Obtaining a value proposition through a collaborative model.
- Helping to get Asturian businesses certified in cybersecurity.
- Ensure continuous training for active workers.

» 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.

» Automatic rear loading of tarpaulin trucks

The PaLa project was completed during the period, with the aim of improving the automatic rear loading/unloading system (Nalon N8) so that it also works on tarpaulin trucks. Project funded by EIT Manufacturing as part of a European consortium led by Procter & Gamble.

» Creation of a new brand for the launch of a new business based on the rental of automatic truck loading/unloading systems

We drew up a business plan and a marketing plan under a new brand name (LOADING ROBOTS) ahead of the launch, in early 2024, of a new business based on the rental of automatic truck loading/unloading systems.

» Integration of automated guided vehicles (AGVs) with Warehouse Management Systems (WMS)

DF Intelligent Systems S.A. has completed the project and justified to the City Council of Gijón its request for aid for the development of a prototype of an automated guided vehicle (AGV), to be integrated with our Warehouse Management System (WMS) through CAN protocol.

» Cloud version of the Warehouse Management System (WMS)

We applied for a grant through the SEKUENS PID call for the development of a new version of the Warehouse Management System (WMS) featuring web technology.

» Artificial Intelligence features for the Warehouse Management System (WMS)

We began to develop features to optimise product locations in a warehouse through Artificial Intelligence, and also to better utilise high turnover automated warehouses through the use of shared channels.

» Remote maintenance management through augmented reality

Internal training ahead of the implementation of an advanced remote maintenance support system that uses a digital tool and devices to enhance the user experience.

» Innovative Public Procurement

DF Intelligent Systems S.A. took part for the first time in an INCIBE tender for Innovative Public Procurement of Cybersecurity; and for the second year running, we set up our Duro Felguera stand at the annual ENISE event held in León.

» Bai Data

DF Innovation Hub is a member of the Bai Data association, which promotes and supports the creation of shared data spaces (AI).

» Green hydrogen value chain

DF Green Tech secured a grant from the IDAE in 2023 for Incentive Programme 4: "Basic-fundamental research challenges, innovative pilots and training in key enabling technologies", as part of the programs targeting the innovative value chain and knowledge of renewable hydrogen. It is a joint project for a renewable hydrogen plant at the Pozo Fondón site in Langreo, with the other venturers being Hunosa and Nortegas.

» Wave energy

In 2023, DF Green Tech was awarded a grant of €2,175,000 from the IDAE for investment in pilot projects, testing platforms and port infrastructure for marine renewable (PRTR). The grant comes with certain covenants and is repayable until the conditions for which it has been granted are fulfilled[15]. It is essentially a wave power pilot project being carried out alongside Finnish technology company AW-Energy, in collaboration with the University of Oviedo and the Port Authority of Avilés.

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.

To succeed, the Company 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.

[15] For more information, please see the consolidated Management Report for the year ended 31 December 2023.

This is explicitly set out in the sustainability policy published at the end of 2022, which enshrines, among other matters, the Group's commitment to understanding the communities in which it operates.

The Group's close support for the community and society in general takes shape through the following actions:

- Building strong ties with the communities with which the Group interacts in order to build trust.
- Supporting initiatives that contribute to a healthier, more equal and just society.

Programmes and agreements at national level

Collaboration programme with Inserta Empleo run by Fundación ONCE

In 2023, Duro Felguera began to collaborate on the "Inserta Empleo" programme run by Fundación ONCE. Under this joint arrangement, the various job centres attached to Inserta Empleo put forward the names of suitable candidates, who were then included in the scholarship programme that the Company set up in 2023. Thanks to this relationship, two people joined the company during the period.

Mentoring programme

The People and Organisation division continued to collaborate on the Enfoca Talento initiative in 2023 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.

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 three types of partnership.

- Grants and scholarships. As explained in Chapter 5.2 — People and organisation, the "Young Talent" programme was launched in 2023. Recent graduates are eligible for a one-year scholarship, with a monthly monetary allowance and enrolment with the social security.

- Internships. Final year students can complete their internship at Duro Felguera as it is a compulsory subject required to earn their degree.

- Final Degree or Master's Degree projects, where the students are mentored and tutored by the company's own professionals. In 2023 several students pursuing a Master's in Mechatronics Engineering carried out the work in collaboration with studies of special interest to the company.

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-Business Foundation of León, and various vocational training centres in the Principality of Asturias.

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.

Highlights in 2023:

School supplies collection campaign

School supplies were collected in September, within the framework of an initiative promoted by the CINAT Asturias Association and alongside various companies from the Gijon Science and Technology Park, where the Company has its headquarters.

CINAT helps children, adolescents, young people and families in Trubia, Langreo, Ribera de Arriba and Mieres and we want to take part in their socio-educational initiative by providing school supplies for the 2023–2024 academic year.

Asturias Industrial Engineering Olympiads

Duro Felguera collaborated in the new edition of the Industrial Engineering Olympics of the Principality of Asturias, which was organised for the second year running by the Polytechnic School of Engineering of Gijón, the Official College of Industrial Engineers of the Principality of Asturias and the Official College of Industrial Technical Engineers of the Principality of Asturias, with the aim of awakening the engineering talent of future professionals.

A total of 47 groups of secondary education pupils from all over Asturias took part in the trials, in which they were asked to solve an engineering problem known as ‘Ball Testing Run'. More precisely, the aim of the competition was to build a ball test track to get a ping pong ball around it as slowly as possible. In choosing the winners, the judges looked at the overall look and presentation of the solution, the time spent building it, the materials used, and how efficiently it operated.

The Olympiad includes two categories: "A" for budding engineers in lower secondary education, and "B" for those in higher upper education. In each event, prizes are awarded to the top three finishers in the absolute classification (team event and individual event) and to the top three finishers in the team event. The top-placed team in each category will ultimately represent the Principality of Asturias in the National Olympiad. All participating centres and tutors also receive valuable recognition.

Sponsorship of the DF seven-a-side football team

In 2023, the 13th Seven-a-Side Football Championship took place at the Science and Technology Park of Gijón (PCTG), organised by LA LIGA FUTBOL7 GIJON and the Spanish Mini-Football Association (AEMF). Aside from the Duro Felguera team, five other teams put together by PCTG companies took part in the competition.

The Duro Felguera Group has supported this initiative as a way of promoting healthy activities.

2nd Conference on Women and Engineering

The Head of Conventional Energies at Duro Felguera took part in the second edition of the "Women in Engineering" event promoted by the Women's Commission of the Official College of Industrial Engineers of the Principality of Asturias, to mark the occasion of International Day of Women in Engineering, which takes place in June.

The conference addressed some of the new approaches now being promoted within the industry in a bid to promote the presence of women in STEAM (Science, Technology, Engineering, Arts and Mathematics) careers. During the talk, the speakers presented their personal experiences and discussed the difficulties that women face in reconciling work and family, or how success is measured within the industry.

Initiatives and partnerships

In 2023, Duro Felguera continued to build and 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 2023, contributions made to associations totalled €58,310.86, 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
- Valnalón Association of Employers and Users
- Metalektro
- ASEMPOSIL – Association of Business Owners of Polígono de Silvota
- Spanish Renewable Ammonia Association
- 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
- Association for Management Advancement
- Global Compact of the United Nations
  Ecovadis

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 UN 2030 Agenda for Sustainable Development of the European Union (EU).

The package of measures envisages 10 concrete actions one of the main objectives of which is to reorient capital flows towards sustainable investment. The Taxonomy Regulation, Regulation (EU) 2020/852 of 18 June on the establishment of a framework to facilitate sustainable investment, 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 of 4 June 2021, 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.

In this respect, also published was Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023, amending Delegated Regulation (EU) 2021/2139 establishing additional technical screening criteria for determining the conditions under which certain economic activities qualify as contributing substantially to climate change mitigation or climate change adaptation and for determining whether those activities cause no significant harm to any of the other environmental objectives.

In addition, Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 establishes the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

The following concepts are distinguished:

Eligibility

- Eligible: refers to activities included in Delegated Regulation (EU) 2021/2139 Annex I (mitigation) and/or Annex II (adaptation), in Delegated Regulation (EU) 2023/2485 Annex I and/or Annex II, in Delegated Regulation (EU) 2023/2486 Annex I (sustainable use and protection of water and marine resources), Annex II (transition to a circular economy), Annex III (pollution prevention and control) and/or Annex IV (protection and restoration of biodiversity and ecosystems) as identified as being potentially Taxonomy-aligned.

- Non-Eligible: refers to those activities not included in Delegated Regulation (EU) 2021/2139, Delegated Regulation (EU) 2023/2485, and Delegated Regulation (EU) 2023/2486.

Alignment

- Eligible aligned: refers to eligible activities that meet the technical screening criteria (TSC) of the environmental objective, does 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 Commission Delegated Regulation (EU) 2021/2178, Duro Felguera is required to report the eligible and non-eligible proportions of its turnover ("Turnover"), capital expenditure ("CapEx") and operating expenditure ("OpEx"). Taking information for financial year 2023, in addition to the eligibility considerations described above, DF is required to report those indicators shown that are Taxonomy-aligned or not Taxonomy-aligned.

Scope

All the companies that make up the Duro Felguera 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 and diversity information. In addition, the Company will adapt to the regulatory requirements of the new legal framework effect following enactment of Directive (EU) 2022/2464 of 14 December 2022.

Results

Below we disclose the eligibility and alignment of our economic activities in 2023, 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. 2023.

				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	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	Minimum safeguards	Taxonomy-aligned proportion of turnover, 2023	Taxonomy-aligned proportion of turnover, 2022	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)	**2.924.580**	**1,04%**																	
Execution of renewable energy projects	4.1 (Annex 1)	**3.849.580**	**1,36%**																	
Turnover of Taxonomy-eligible but not environmentally sustainable economic activities (not Taxonomy-aligned activities) (A.2)		**6.774.160**	**2,40%**																	
Total (A.1 + A.2)			**2,40%**														**0,0%**			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible economic activities (B)		**274.424.840**	**97,6%**																	
Total (A + B)		**281.199.000**	**100%**																	

Proportion of CapEx derived from products or services associated with Taxonomy-aligned economic activities. 2023.

Economic activities	Code(s)	Absolute CapEx	Proportion of CapEx	Substantial contribution criteria: 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	DNSH criteria ('Does not significantly harm'): 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, 2023	Taxonomy-aligned proportion of CapEx, 2022	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)		**64.106**	**100,0%**																	
Total (A + B)		**64.106**	**1**																	

Proporción de OPEX derivada de productos y servicios asociados a las actividades alineadas con la taxonomía. Año 2023.

				Criterio de contribución sustancial						Criterios DNSH (No causar un perjuicio significativo)										
Actividad económica	**Código(s)**	**OPEX absoluta**	**Porcentaje de OPEX**	**Mitigación del cambio climático**	**Adaptación al cambio climático**	**Uso sostenible y protección de los recursos hídricos y marinos**	**Transición hacia una economía circular**	**Prevención y control de la contaminación**	**Protección y recuperación de la biodiversidad y los ecosistemas**	**Mitigación del cambio climático**	**Adaptación al cambio climático**	**Uso sostenible y protección de los recursos hídricos y marinos**	**Transición hacia una economía circular**	**Prevención y control de la contaminación**	**Protección y recuperación de la biodiversidad y los ecosistemas**	**Salvaguardias mínimas**	**Proporción de OPEX alineadas con la taxonomía, año 2023**	**Proporción de OPEX alineadas con la taxonomía, año 2022**	**Categoría (Actividad facilitadora)**	**Categoria (Actividad de transición)**
A. ACTIVIDADES ELEGIBLES		Euros	%																	
A.1 Actividades medioambientalmente sostenibles (alineadas a la taxonomía)																				
OPEX de las actividades medioambientalmente sostenibles (Alineadas a la taxonomía) (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 Actividades elegibles pero no medioambientalmente sostenibles (actividades no alineadas)																				
OPEX de las actividades elegibles pero no medioambientalmente sostenibles (actividades no alineadas)(A.2)		13.735	**0,08%**																	
OPEX de las actividades elegibles pero no medioambientalmente sostenibles (actividades no alineadas)(A.2)		17.653	**0,10%**																	
Total (A.1 + A.2)		**31.388**	**0,18%**														**0,0%**			
B. ACTIVIDADES NO ELEGIBLES																				
OPEX de las actividades no elegibles (B)		**17.457.699**	**99,82%**																	
Total (A + B)		**17.489.087**	**100,0%**																	

Description of eligible and non-eligible activities

Duro Felguera has analysed all external[16] 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 2023.

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 related Annex to the Delegated Act. This project is disclosed in section 4.8 Electricity generation from bioenergy.

When it comes to execution of renewable energy projects, 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 4.1 Construction of electricity generation using solar photovoltaic (PV) technology.

Alignment analysis

As explained in the introduction, to determine whether the projects identified as eligible are Taxonomy-aligned, we analysed the extent to which they meet the technical screening criteria (TSC) of the environmental mitigation objective, the related Do no significant Harm (DNSH) principle, and the required minimum safeguards.

This analysis revealed that we do not meet all the requirements for the activities to be considered aligned. Therefore, we have classified the activities as eligible but not 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 Duro Felguera Group, the denominator corresponds to the amount recorded under "Revenue" in the 2023 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-

[16] External projects are those that are part of a contract with a customer and therefore generate turnover and costs for Duro Felguera, 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.

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.

In the specific case of Duro Felguera group, the denominator corresponds to all additions to cost in 2023 of property, plant and equipment, intangible assets and investment property (see Notes 6, 7 and 8 to the accompanying consolidated financial statements for a breakdown of these headings). The numerator corresponds to the amount of additions to the cost of property, plant and equipment, intangible 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.

<u>OpEx:</u> 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 Duro Felguera Group in 2023, the denominator corresponds to consolidated cost items direct R&D expenditures employee benefits expenses 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 2023 consolidated financial statements.

The numerator corresponds to the amount of these expense items that are associated with the activities that we have considered as Taxonomy-eligible in the specialised services segment.

7. Events after the reporting period

The following significant events occurred between 31 December 2023 and the date of authorisation for issue of the consolidated financial statements:

- On 30 January 2024, the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores or CNMV) authorised the waiver requested by Grupo Promotor de Desarrollo de Infraestructuras S.A. de C.V. of the obligation to launch a takeover bid for shares of Duro Felguera, S.A.

- On 31 January 2024, the CNMV approved the prospectus setting out the terms and conditions of the share capital increase, the announcement of which was published in the Official Gazette of the Companies Register (BORME) on 1 February 2024, for the final addition of new Company shareholders.

- On 21 February 2024, Duro Felguera Group notified the CNMV that, following the pre-emptive subscription period (the "Pre-emptive Subscription Period"), which ended on 15 February 2024, ONE MILLION FIVE HUNDRED AND FIFTY-FIVE THOUSAND SIX HUNDRED AND SIXTY-SIX (1,555,606) new shares were subscribed for a total cash amount of ONE MILLION ONE HUNDRED AND NINETY ONE THOUSAND SEVEN HUNDRED AND FORTY-NINE EUROS AND SEVENTY-SIX CENTS (€1,191,749.76) (between nominal amount and share premium), representing approximately 2.99% of the amount of the capital increase with pre-emptive subscription rights.

- On 22 February 2024, Duro Felguera Group disclosed to the CNMV the following:

  I. That, at the Company's Extraordinary General Meeting of Shareholders held on 13 April 2023 and the Board of Directors meeting held on 24 January 2024, resolutions were passed to:

  (i) increase the Company's share capital by a total nominal amount of €2,600,000 and a cash amount (nominal plus share premium) of €39,837,200 through the issuance and circulation of up to 52,000.000 new ordinary shares at a rate of €0.7661 per share (€0.05 par value and €0.7161 share premium), all of the same class, series and par value as the Company's shares currently outstanding, with pre-emptive subscription rights of the Company's shareholders and the possibility of incomplete subscription (the "Capital Increase with Rights"); and

  (i) to increase the Company's share capital by a nominal amount of €5,873,906.75 and a cash amount (nominal plus share premium) of €90,000,000 through the issuance and circulation of up to 117,478,135 new ordinary shares plus as many as need to convert the amount of accrued interest payable into equity at a rate of €0.7661 per share (€0.05 par value and €0.7161 share premium), all of the same class, series and par value as the Company's shares currently outstanding, with the exclusion of pre-emptive subscription rights of the Company's shareholders as provided for in Article 304 of the Spanish Capital Enterprises Act (the "Capital Increase for Debt-to-equity Swap" and, collectively with the Capital Increase with Rights, the "Capital Increase").

  II. That, on 31 January 2024, the Company's corporate resolutions were certified by a notary public, along with the resolutions adopted at the General Meeting of Shareholders and Board of Directors meeting held on 13 April 2023 and 24 January 2024, respectively, regarding the approval of the Company's Capital Increase. The deed was placed on file with the Asturias Companies Register on 16 February 2024.

  III. That effective payment of the Capital Increase with Rights has been accredited and that, consequently, the public deeds of the Capital Increase with Rights and the Capital Increase for Debt-to-equity Swap were certified by a notary public. As a result, the Company's share capital was increased by a total cash amount of €91,303,362.09, of which the total nominal amount was €5,958,971.55, through the issue and circulation of 119,179,431 ordinary shares of the Company, at an issue price of €0.7661 per share (€0.05 par value and €0.7161 share premium), of the same class and series as those currently in circulation, represented by book entries.

IV. The deeds for execution of the two capital increases were presented for registration in the Asturias Companies Register on 22 February 2024 and are pending registration.

As a result, Duro Felguera's share capital post-capital increases amounted to €10,758,971.55, divided up among 215,179,431 shares, with Grupo Promotor de Desarrollo e Infraestructura, S.A. de C.V. holding 30.77% and Mota-Engil México, S.A.P.I. de C.V. 23.89%.

- On 22 February 2024, Duro Felguera Group disclosed that the CNMV had verified fulfilment of the requirements for admission to trading of the 119,179,431 new Duro Felguera shares, of €0.05 par value each, issued to carry out the Capital Increase (the "New Shares"). The total nominal amount of those capital increases was €5,958,971.55.

  The CNMV also authorised the application for admission to trading of the New Shares, and the Governing Bodies of the Spanish Stock Exchanges agreed, with effect from 23 February 2024, the admission to trading of the New Shares on the Madrid, Barcelona and Bilbao Stock Exchanges, as well as on the Spanish Stock Exchange Interconnection System (continuous market).

- On 23 February 2024, Duro Felguera Group notified the CNMV that the 119,179,431 new shares arising from the Capital Increase had begun trading on the Madrid, Barcelona and Bilbao Stock Exchanges, as well as on the Spanish Stock Exchange Interconnection System (continuous market).

- On 26 February 2024, Duro Felguera Group notified the CNMV of the syndication agreement between GRUPO PROMOTOR DE DESARROLLO E INFRAESTRUCTURA, S.A. DE C.V. and MOTA-ENGIL MÉXICO, S.A.P.I., S.A. DE C.V. regarding Duro Felguera, S.A., as a result of which all their voting rights in DURO FELGUERA, S.A., as stated in the declaration of significant shareholdings made, were attributed to GRUPO PRODI.

- On 26 February 2024, Duro Felguera Group notified the CNMV that the two public deeds of execution of the Capital Increase issued on 22 February 2024 were registered in the Asturias Companies Register, in accordance with Articled 508.2 of the Spanish Corporate Enterprises Act. As a result, the share capital of Duro Felguera amounted to €10,758,971.55, represented by 215,179,431 shares of €0.05 par value each.

- On 13 March 2024, the governance agreements between SEPI and the new investors and the agreement to modify and extend the maturity schedule of the profit participating loans taken out with FASEE were certified by a notary public.

- On 18 April 2024, Duro Felguera Group notified the CNMV that Jordi Sevilla Segura had resigned as director, effective as of that date, thereby also stepping down as Chairman of the Sustainability Committee and member of the Audit, Risk and Compliance Committee (ARCC) and the Appointments and Remuneration Committee (ARC).

  It also disclosed, with deferred effect as from the date of the next, the resignations of: Julián Massa Gutiérrez, as Deputy Chairman, Director, Chairman of the Audit and Risk Committee, and member of the ARCC, and Valeriano Gómez Sánchez as Director and Chairman of the ARC. The resignations were tendered after it was concluded that they had fulfilled the duties entrusted to them. Lastly, the Board of Directors appointed Chairman Rosa Aza Conejo member of the ARCC and the ARC to ensure institutional operation.

- On 24 April 2024, the Group signed a new protocol with Algerian customer SONELGAZ. This protocol includes an action plan for synchronisation of two single-cycle gas turbines by October 2024 and envisages certain interim milestones. It also provides for receipt of certain amounts stipulated in the original contract and part of any previous claims recognised by the customer, subject to the fulfilment of certain milestones set out in the protocol.

  The parties agreed to continue negotiations, in good faith, over their mutual outstanding claims and have set up a special task force for this purpose. The project's final outcome will depend on the agreements reached by the task force.

  In the light of this situation, there is the possibility that the contract budget will have to be updated to include a current estimate of the remaining execution costs, an assessment of the agreements reached over the mutual disputes and the forecast contract revenue. This should come with appropriate accounting remeasurements, if necessary. Since the date of the agreement was close to the date of authorisation for issue of these consolidated financial statements, the Group was not in a position to determine all the possible outcomes. Therefore, it cannot, if necessary, make a sufficiently reliable estimate to update the provision for onerous contracts recorded in its statement of financial position. The Group is currently assessing the potential impacts of the new protocol and expects to conclude its assessment within the next few months. The conclusions reached will be reflected in the interim financial statements as at 30 June

2024. However, it is not possible currently to reasonably quantify the potential accounting impact.

-On 26 April 2024, the Board of Director agreed to appoint independent director Valeriano Gómez Sánchez as Chairman of the Audit, Risk and Compliance Committee (ARCC) and independent director José Julián Massa Gutiérrez del Álamo as Chairman of the Appointments and Remuneration Committee (ARC). These appointments were made as the regulatory tenure had expired.

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, employee-related, social, human rights, anti-corruption and anti-bribery matters, including information on their strategic, development and market positioning. The information presented refers to the 2023 financial year, running from 1 January 2023 through to 31 December 2018. Information for 2022 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, after implementation of an impact materiality assessment.

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 4.3 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 4.3 Risk management 5.4 Environment 5.7 Supply chain: Risk management in the supply chain 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)	Geared towards GRI 3, after implementation of an impact materiality assessment.

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, after implementation of an impact materiality assessment.
	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, after implementation of an impact materiality assessment.
	Application of the precautionary principle	GRI 2-23 Policy commitments	5.4 Environment	Duro Felguera'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 2023 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 2023.

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 2023 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	Duro Felguera'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 carbon footprint was verified in 2022, leading to a proposal for an emissions reduction plan at Duro Felguera's headquarters, which may be implemented in the coming months. Also worth nothing was the procurement of certified renewable energy in 2022 and the registration of the carbon footprint in the MITECO Carbon Footprint Register.
	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.

Social and employee-related matters	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 – Structure of the Company's Administration	-
	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 and Work-life balance and time management measures	Geared towards GRI 3, after implementation of an impact materiality assessment.
	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: Communication with employees 5.3 Health and safety	Geared towards GRI 3, after implementation of an impact materiality assessment.
	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, after implementation of an impact materiality assessment.
	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. Ethics and regulatory compliance 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	Duro Felguera 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 2023
	Total number of training hours by job category	GRI 404.1.a Average hours of training per year per employee	5.2 People and organisation: Talent management at Duro Felguera: Professional training and development	-
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 negotiated
	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, after implementation of an impact materiality assessment.
	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, after implementation of an impact materiality assessment.
	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	-	-	In 2023, not contributions were made to foundations or non-profit organisations

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	-	4.2 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, after implementation of an impact materiality assessment.
	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, after implementation of an impact materiality assessment.
	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 2023 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	GRI 207-4.b.viii Country-by-country reporting	4.2 Tax transparency	-
	Government subsidies and aid received	GRI 201-4.a.3 Financial assistance received from government	4.2 Tax transparency	-

10. Table based on the Taxonomy Regulation

Area	Reference framework	Section
Taxonomy	Own methodology based on compliance with Delegated Regulation (EU) 2021/2139, Delegated Regulation (EU) 2023/2485, and Delegated Regulation (EU) 2023/2486	6. EU Taxonomy (Regulation 2020/852)

2023

AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT REPORT

Gijón, 26 April 2024

Rosa Isabel Aza Conejo Chairwoman	José Jaime Argüelles Álvarez Chief Executive Officer
José Julián Massa Gutiérrez del Álamo Director	Valeriano Gómez Sánchez 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	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 2023, as authorised for issue by the Board of Directors of the Company at its meeting held today.

Gijón, 26 April 2024

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 2023, authorised for issue by the Board of Directors at its meeting held on 30 March 2024 and authorised for reissue on 26 April 2024, 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, 26 April 2024

Rosa Isabel Aza Conejo
Chairwoman

José Jaime Argüelles Álvarez
Chief Executive Officer

José Julián Massa Gutiérrez del Álamo
Director

Valeriano Gómez Sánchez
Director

César Hernández Blanco
Director

María Jesús Álvarez González
Director