

Duro Felguera, S.A.

Consolidated Financial Statements for the
year ended 31 December 2021 and
Consolidated Directors' Report, together
with Independent Auditor's Report

*Translation of a report originally issued in Spanish
based on our work performed in accordance with the
audit regulations in force in Spain. In the event of a
discrepancy, the Spanish-language version prevails.*

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INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Duro Felguera, S.A.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Duro Felguera, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in total equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2021, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force 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 pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

Key Audit Matters

Key audit matters are those matters that, in our professional 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 opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of the financial and equity position subsequent to financial restructuring

Description

As described in Notes 1, 2.1 and 22 to the accompanying consolidated financial statements, at the end of 2021 the Group had finalised the obtainment of temporary public aid amounting to EUR 120 million through the Spanish Fund for Supporting the Solvency of Strategic Companies (FASEE), mostly in the form of participating loans, and a financial restructuring with the Group's banking syndicate, which allowed it to strengthen its financial and equity position. In this connection, the Group recognised a financial profit of EUR 37 million, net of transaction costs, associated with the restructuring of bank borrowings (see Note 30). Although the Group has a consolidated equity deficit and a working capital deficiency as a result of the losses incurred in 2020 (see Note 2.4), the Group's Parent is not in a situation of mandatory dissolution once the participating loans granted have been considered and the 2020 losses have been excluded in determining the equity for corporate law purposes at 31 December 2021, in accordance with the applicable corporate legislation. The directors assessed the Group's ability to continue to perform its business activities and to meet its financial obligations based on the prospects for fulfilling the viability plan approved by the Managing Council of the FASEE and the cash plan envisaged, both of which are monitored on a monthly basis by FASEE representatives and on a quarterly basis by the banks, and on the expected evolution of the lawsuits, arbitration and tax proceedings and/or negotiations in progress indicated in Notes 31 and 35 to the accompanying consolidated financial statements. Accordingly, in Note 2.1 to the consolidated financial statements the directors highlight the fact that potential variances that might arise in relation to the aforementioned prospects could require the application of additional measures.

In this context, the assessment as to whether a material uncertainty related to going concern exists requires the directors to make significant estimates and exercise their judgement, as a result of which the situation described was considered to be a key audit matter.

Procedures applied in the audit

Our audit procedures included obtaining an understanding of the assessment performed by the directors in relation to the equity position and the Group's ability to continue its business activities and to meet its financial obligations, and those of any other nature, arising from, inter alia, the financing agreements entered into.

We obtained the viability plan prepared by the Group and approved by the Parent's Board of Directors, and subsequently by the Managing Council of the FASEE, and gained an understanding of its assumptions and the methodology used for its preparation, as well as its consistency with the cash plan for the coming twelve months. We evaluated the reasonableness of this information based on our understanding of the Group's activities, and the explanations, evidence and data provided by management on the evolution of the projects in progress, the situation of pre-awards and/or new contracts and other aspects envisaged in the plan, as well as on the lawsuits, arbitration and tax proceedings and/or negotiations in progress, including any significant events occurring subsequent to year-end; we corroborated its consistency with the evidence obtained in other audit areas and conducted our own independent sensitivity analysis by evaluating other possible scenarios, given the uncertainty as to the outcome of certain matters.

We also evaluated the existence of the substantial modification of the liability associated with the banking syndicate, from a quantitative and qualitative standpoint, following the agreement reached, the effect of which is recognised in the consolidated statement of profit or loss (see Note 30), and we conducted an independent valuation to check the valuation performed by the Group in relation to convertible debt instruments A and C.

Lastly, we checked that the information included in the accompanying consolidated financial statements in connection with this matter was adequate in conformity with the applicable regulations and consistent with the budgets prepared and analyses performed by the directors.

Recognition of revenue by reference to the stage of completion

Description

The Group engages mainly in the provision of engineering and/or manufacturing services for the supply of facilities through EPC projects in the industrial, energy, minerals handling, logistics and environmental sectors, together with the provision of maintenance and erection services, and follows the general policy of recognising the revenue from, and profit or loss on, each contract by reference to the estimated stage of completion thereof, calculated on the basis of the costs incurred in the contract as a percentage of the total budgeted costs. Revenue recognised by reference to the stage of completion in 2021 amounted to EUR 84.5 million, of which EUR 27 million correspond to amounts to be billed for work performed, with amounts billed in advance in 2021 for construction work totalling EUR 25 million.

Determination of the stage of completion necessarily involves a high degree of complexity and judgement by management in relation to, inter alia, the estimation of the total costs to be incurred in each project, the measurement of the work completed in the period (both the allocation of the cost associated with materials and subcontracted work to the project and engineering, manufacturing and erection hours) and the accounting for contract modifications, all of which fall within the framework of the criteria established in IFRS 15, Revenue from Contracts with Customers.

Accordingly, the situation described was considered to be a key matter in our audit.

Procedures applied in the audit

Our audit procedures included obtaining an understanding of the Group's revenue recognition policies and the processes directly related to the periodic reviews of the contracts carried out by those responsible for each area and supervised by Group management and, specifically, the corresponding follow-up reports that include the costs incurred, the estimate of costs to be incurred, the estimated percentage of completion and the assessment of the margin, as well as the possible penalties and obligations provided for in the contracts.

Also, our audit procedures included, among others, an itemised in-depth analysis of a selection of projects, based on qualitative and quantitative factors, in which we recalculated the stage of completion and evaluated the reasonableness of the hypotheses and assumptions used in determining the revenue for the year, as well as the identification of the contract price and performance obligations, the review of the consistency of the estimates made in the previous year with the actual data of the projects in the current year, considering, as appropriate, the impact of covid-19, and the evaluation of the reasonableness of the costs yet to be incurred. To perform these procedures, we held meetings with the Group's technical staff and obtained the support of internal specialists in relation to certain issues.

Lastly, we reviewed the disclosures provided in the accompanying consolidated financial statements in relation to these matters. Specifically, Notes 12, 22 and 23 contain relevant information on revenue recognition and on amounts yet to be billed or amounts billed in advance.

Contingencies and provisions associated with arbitration proceedings and lawsuits and/or negotiations in progress

Description	Procedures applied in the audit
<p>As indicated in Note 35, as a consequence of its activity, the Group is involved in various arbitration and court proceedings for a significant amount, mainly with customers and suppliers, or it has ongoing negotiations on the termination of contracts, the evolution of which could lead to lawsuits. The aforementioned processes are characterised by the existence of cross claims between the parties. Of these proceedings, at 31 December 2021 there were accounts receivable and sundry accounts receivable associated with the resolution of arbitration proceedings amounting to EUR 11 million, net of provisions (see Note 12), escrow accounts amounting to EUR 16 million (see Note 11), unrecognised contingent assets subject to claims, and liabilities and provisions recognised to cover claims amounting to EUR 77 million (see Note 25). Additionally, the Group has an ownership interest in a jointly controlled entity involved in an arbitration proceeding with a customer (see Notes 10 and 35).</p> <p>In relation to the aforementioned proceedings, Group management assesses whether impairment losses should be recognised, and whether the claims should be considered to be contingent liabilities or whether they require the recognition of provisions, and the quantification thereof.</p> <p>These circumstances constitute a key matter in our audit, since they require Group management to make significant judgements, in particular as to whether it is probable that there will be a future outflow of resources and whether the amount of the obligation can be estimated reliably. These judgements are formed by Group management based mainly on the opinions of its internal and external legal counsel engaged for this purpose.</p>	<p>Our audit procedures included, among others, obtaining an understanding of the arbitration and court proceedings in which the Group is involved and their evolution during the year, as well as an analysis of the judgements of management made on the basis of the opinion of its external and internal legal counsel. For this purpose we sent confirmation letters and obtained responses from the lawyers and legal advisers with whom the Group works to analyse the current situation of the proceedings and check their risk assessment, based on the "remote", "possible" or "probable" risk classification required by the applicable accounting regulations, and in our analysis we placed particular emphasis on the matters relating to the most significant court proceedings in progress and the other assumptions considered for the calculation of the provisions. Also, we evaluated the information disclosed by the Group in relation to these proceedings in Notes 35 and 40 to the accompanying consolidated financial statements, in accordance with the applicable regulations, and evaluated whether it was consistent with the evidence obtained during the performance of our tests, taking into account the existing uncertainty regarding the outcome of these proceedings.</p> <p>Notes 10, 12, 25 and 35 contain the information on provisions and the disclosures on contingent liabilities related to arbitration and court proceedings.</p>

Tax contingencies

Description

As indicated in Note 31, the tax treatment of certain income tax matters in Spain was reviewed by the tax authorities, and in previous years assessments amounting to EUR 150 million were issued, which were signed on a contested basis and appealed against by the Group. At 31 December 2021, there were no tax liabilities recognised in relation to the aforementioned assessments, and there were withholdings made by the tax authorities amounting to EUR 6 million, which had been recognised as collection rights. In addition, the Group has provided property-related guarantees on certain assets, and a suspension of the payment obligation has been granted for all the proceedings with property-related guarantees, except for a portion amounting to EUR 23.04 million, which is pending resolution.

Management of the Group has evaluated whether the aforementioned proceedings represent contingencies or whether, on the contrary, a provision associated with them should be recognised. These judgements and estimates are made primarily on the basis of the opinions of its internal and external tax advisers engaged for this purpose.

This was a key matter in our audit, since both the classification and the quantification require Group management to make significant judgements, in particular as to whether it is probable that there will be a future outflow of resources and whether the amount of the obligation can be estimated reliably.

Procedures applied in the audit

Our audit procedures included, among others, the obtainment and analysis of the evaluations made by the Group's internal and external tax advisers, as well as the documentation of any relevant correspondence with the tax authorities regarding the tax litigation currently in progress. We also sent confirmation letters and obtained responses from the tax advisers with whom the Group works, and we involved our internal tax experts in evaluating and examining the assumptions and judgements made by the directors, who took into account the uncertainty existing in relation to the outcome of the matters in question.

Lastly, we evaluated the adequacy of the disclosures provided in Note 31 to the consolidated financial statements in relation to these matters.

Emphasis of Matter

We draw attention to Note 35 to the consolidated financial statements, in which the directors explain the relevant estimates of the liabilities and contingencies associated with the lawsuits, arbitration proceedings and negotiations in progress and, in particular, in which the directors explain the criminal complaint filed in 2017 against Duro Felguera, S.A. and others by the Special Prosecutor's Anti-Corruption and Organised Crime Department due to the possible existence of an alleged crime of bribery of a foreign authority or public officials, and an alleged crime of money laundering, a proceeding that is currently still at the investigation phase. As indicated in that Note, the directors consider that it is not possible to determine the likelihood or extent of the consequences of the proceeding, which will depend on the outcome of the criminal investigation, although the perspectives and vision of the Group are positive based on the internal investigation conducted. Our opinion is not modified in respect of this matter.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2021, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the consolidated directors' report, in accordance with the audit regulations in force, consists of:

- a) Solely checking that the consolidated non-financial information statement, certain information included in the Annual Corporate Governance Report and the Annual Directors' Remuneration Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.
- b) Evaluating and reporting on whether the other information included in the consolidated directors' report is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was furnished as provided for in the applicable legislation and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2021 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and Audit Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the 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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

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 the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

Report on Other Legal and Regulatory Requirements

European Single Electronic Format

We have examined the digital files in European Single Electronic Format (ESEF) of Duro Felguera, S.A. and subsidiaries for 2021, which comprise the XHTML file including the consolidated financial statements for 2021 and the XBRL files with the tagging performed by the entity, which will form part of the annual financial report.

The directors of Duro Felguera, S.A. are responsible for presenting the annual financial report for 2021 in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation").

Our responsibility is to examine the digital files prepared by the Parent's directors, in accordance with the audit regulations in force in Spain. Those regulations require that we plan and perform our audit procedures in order to ascertain whether the content of the consolidated financial statements included in the aforementioned digital files corresponds in full to that of the consolidated financial statements that we have audited, and whether those consolidated financial statements and the aforementioned files were formatted and marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

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

Additional Report to the Parent's Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit committee dated 28 February 2022.

Engagement Period

The Annual General Meeting held on 29 October 2020 appointed us as auditors of the Group for a period of three years from the year beginning 1 January 2020.

DELOITTE, S.L.

Registered in ROAC under no. S0692

Alicia Izaga

Registered in ROAC under no. 17477

28 February 2022

Appendix to our auditor's report

Further 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 the audit regulations in force 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 remain solely responsible for our audit opinion.

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

We also provide the Parent's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the 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 2021



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DURO FELGUERA, S.A. AND SUBSIDIARIES

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (€ thousand)

ASSETS	NOTE	As at 31 December		EQUITY AND LIABILITIES	NOTE	As at 31 December	
		2021	2020 (*)			2021	2020 (*)
NON-CURRENT ASSETS		64,778	71,002	EQUITY	16 e)	(137,879)	(146,797)
Intangible assets:	9	5,384	11,718	CAPITAL AND RESERVES		(77,743)	(95,424)
a) Goodwill		-	3,286	Capital	16 a)	4,800	4,800
b) Other intangible assets		5,384	8,432	Reserves and retained earnings	18	(105,157)	63,326
Property, plant and equipment	7	29,058	31,573	Profit or loss for the period attributable to the Parent		22,614	(171,643)
Investment properties	8	22,116	22,233	Other equity instruments	16 d)	-	8,093
Investments accounted for using the equity method	10	20	20	ACCUMULATED OTHER COMPREHENSIVE INCOME	18	(60,667)	(51,850)
Non-current financial assets	11	8,200	5,458	EQUITY ATTRIBUTABLE TO THE PARENT		(138,410)	(147,274)
Deferred tax assets	24	-	-	NON-CONTROLLING INTERESTS	20	531	477
Other non-current assets	11-12	-	-	NON-CURRENT LIABILITIES		170,625	13,932
				Government grants	21	3,340	3,578
				Non-current provisions	25	7,499	6,551
				Non-current financial liabilities:	11-22	158,085	3,770
				a) Bank borrowings, and bonds and other marketable securities		28,987	-
				b) Other financial liabilities		129,098	3,770
				Deferred tax liabilities	24	1,701	33
				CURRENT LIABILITIES		259,320	379,338
CURRENT ASSETS		227,288	175,471	Current provisions	25	87,219	97,249
Inventories	14	6,431	6,710	Current financial liabilities:	11-22	12,387	91,553
Trade and other receivables:	11-12	99,975	103,925	a) Bank borrowings, and bonds and other marketable securities		10,056	88,831
a) Trade receivables		67,746	71,736	b) Other financial liabilities		2,331	2,722
b) Other receivables		32,229	32,189	Trade and other payables:	11-23	159,709	190,536
c) Current tax assets		-	-	a) Suppliers		102,016	122,127
Current financial assets	11	31,548	39,148	b) Other payables		57,484	66,883
Other current assets	11	792	792	c) Current tax liabilities		209	1,526
Cash and cash equivalents	15	88,542	24,896	Other current liabilities		5	-
TOTAL ASSETS		292,066	246,473	TOTAL EQUITY AND LIABILITIES		292,066	246,473

(*) Presented solely and exclusively for comparative purposes (Note 2.2).

The accompanying notes 1 to 40 are an integral part of these consolidated financial statements.



CONSOLIDATED INCOME STATEMENT
(€ thousand)

	NOTE	Year ended 31 December	
		2021	2020(*)
Revenue	26	84,468	133,143
Changes in inventories of finished goods and work in progress		309	(37)
Self-constructed assets		72	-
Materials consumed	28	(23,953)	(65,047)
Other operating income		72	228
Personnel expenses	27	(57,778)	(60,614)
Other operating expenses	28	(16,242)	(145,950)
Amortisation and depreciation	7-8-9	(5,121)	(7,327)
Release of non-financial capital grants and other	21	242	269
Impairment of property, plant and equipment	7-8	611	(7,521)
Gains/(losses) on disposals of property, plant and equipment		(44)	273
Gain/(loss) on loss of control of subsidiaries	2.2.e)	-	9,142
Other income/(expense)	29	542	(868)
OPERATING PROFIT/(LOSS)		(16,822)	(144,309)
Finance income		38,875	1,703
Finance expenses		(4,418)	(2,697)
Change in fair value of financial instruments		-	-
Exchange differences		3,139	(9,126)
Impairment/(reversal of impairment) of financial instruments		(391)	(1)
NET FINANCE INCOME/(COST)	30	37,205	(10,121)
Share of profit/(loss) of companies accounted for using the equity method	10	(784)	(14,426)
PROFIT/(LOSS) BEFORE TAX		19,599	(168,856)
Income tax	31	(468)	(3,129)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		19,131	(171,985)
PROFIT/(LOSS) AFTER TAX FOR THE YEAR FROM DISCONTINUED OPERATIONS		3,536	262
PROFIT/(LOSS) FOR THE YEAR		22,667	(171,723)
a) Profit/(loss) attributable to the Parent		22,614	(171,643)
b) Profit/(loss) attributable to non-controlling interests	20	53	(80)
EARNINGS PER SHARE ATTRIBUTABLE TO THE PARENT (€)			
Basic	32	0.24	(1.79)
Diluted	32	0.22	(1.68)

(*) Presented solely and exclusively for comparative purposes (Note 2.2).
The accompanying notes 1 to 40 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (€ thousand)

	NOTE	Year ended 31 December	
		2021	2020(*)
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		22,667	(171,723)
OTHER COMPREHENSIVE INCOME - ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:		1,942	(182)
Revaluation/(reversal of revaluation) of property, plant and equipment and intangible assets		-	-
Equity instruments at fair through other comprehensive income	11	2,589	(243)
Other comprehensive income that will not be reclassified to profit or loss		-	-
Tax effect		(647)	61
OTHER COMPREHENSIVE INCOME - ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:		(10,759)	9,128
Translation differences:	18	(1,073)	22,511
a) Valuation gains/(losses)		(1,073)	24,560
b) Amounts reclassified to profit or loss		-	(5,546)
c) Other reclassifications		-	3,497
Other comprehensive income that may be reclassified subsequently to profit or loss:	18	(9,686)	(13,383)
a) Valuation gains/(losses)		(9,686)	(19,486)
b) Amounts reclassified to profit or loss		-	6,103
c) Other reclassifications		-	-
Tax effect	24	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		13,850	(162,777)
a) Attributable to the Parent		13,797	(162,701)
b) Attributable to non-controlling interests		53	(76)

(*) Presented solely and exclusively for comparative purposes (Note 2.2).
The accompanying notes 1 to 40 are an integral part of these consolidated financial statements.



DURO FELGUERA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(€ thousand)

Note	Equity attributable to the parent							Non-controlling interests	Total equity
	Capital and reserves						Valuation adjustments		
	Capital	Share premium and reserves	Own shares and equity instruments	Profit or loss for the period attributable to the parent	Other equity instruments				
Balance at 1 January 2020 (*)	4,800	67,541	-	1,388	8,093	(49,786)	(16,451)	15,585	
Total comprehensive income for the year	-	-	-	(171,643)	-	8,942	(76)	(162,777)	
Transactions with equity holders or owners	-	-	-	-	-	-	-	-	
Capital increases/(reductions)	-	-	-	-	-	-	-	-	
Distribution of dividends	-	-	-	-	-	-	-	-	
Other changes in equity	-	(4,215)	-	(1,388)	-	(11,006)	17,004	395	
Transfers between equity items	-	1,388	-	(1,388)	-	-	-	-	
Other changes	-	(5,603)	-	-	-	(11,006)	17,004	395	
Balance at 31 December 2020 (*)	4,800	63,326	-	(171,643)	8,093	(51,850)	477	(146,797)	
Balance at 1 January 2021	4,800	63,326	-	(171,643)	8,093	(51,850)	477	(146,797)	
Total comprehensive income for the year	-	-	-	22,614	-	(8,817)	53	13,850	
Transactions with equity holders or owners	-	-	-	-	-	-	-	-	
Capital increases/(reductions)	-	-	-	-	-	-	-	-	
Distribution of dividends	-	-	-	-	-	-	-	-	
Other changes in equity	-	(168,483)	-	171,643	(8,093)	-	1	(4,932)	
Transfers between equity items	-	(171,643)	-	171,643	-	-	-	-	
Other changes (note 22.a)	-	3,160	-	-	(8,093)	-	1	(4,932)	
Balance at 31 December 2021	4,800	105,157	-	22,614	-	(60,667)	531	(137,879)	

(*) Presented solely and exclusively for comparative purposes (Note 2.2).
The accompanying notes 1 to 40 are an integral part of these consolidated financial statements.



DURO FELGUERA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(€ thousand)

		Year ended 31 December	
	NOTE	2021	2020 (*)
CASH FLOWS FROM OPERATING ACTIVITIES	34.a)	(64,703)	(67,381)
Profit/(loss) before tax		23,135	(168,508)
Adjustments for:		(43,514)	128,946
Amortisation and depreciation		5,120	7,844
Other adjustments to profit/(loss)		(48,634)	121,102
Working capital changes		(33,562)	(24,624)
Other cash flows from operating activities:		(10,762)	(3,195)
Interest paid		(10,110)	(2,284)
Interest received		68	-
Income tax received/(paid)		(720)	(911)
CASH FLOWS FROM INVESTING ACTIVITIES	34.b)	14,371	(28,560)
Payments for investments		(847)	(21,874)
Proceeds from sale of investments		16,121	1,034
Cash flows from investing activities		(903)	(7,720)
CASH FLOWS FROM FINANCING ACTIVITIES	34.c)	113,978	(1,302)
Proceeds from and payments for equity instruments		-	-
Proceeds from and payments for financial liability instruments		113,978	(1,302)
Dividends and interest on other equity instruments paid		-	-
Other cash flows from financing activities		-	-
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		-	(140)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		63,646	(97,383)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		24,896	122,279
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	88,542	24,896

(*) Presented solely and exclusively for comparative purposes (Note 2.2).
The accompanying notes 1 to 40 are an integral part of these consolidated financial statements.



DURO FELGUERA, S.A. AND SUBSIDIARIES

NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS (€ thousand)

1. General information

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

The parent company of the Group is Duro Felguera, S.A. (the "parent company" or the "Company"), which was incorporated in Spain on 22 April 1900 for an indefinite period as a public limited company (sociedad anónima) under the name Sociedad Metalúrgica Duro Felguera, S.A. It changed its name on 25 June 1991 to Duro Felguera, S.A. and then again on 26 April 2001 to its current name.

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

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

With more than 150 years of history in industrial activities, over the last decade it has geared its business towards a variety of activities, the most important of which is the execution, on behalf of customers, of major turnkey industrial projects 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 detailed further on in these notes, that the Group, following a period of strategic reflection, plans to articulate its business activities not only around these traditional businesses but also new businesses focused on renewable energies and smart systems. 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 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.

All the shares of Duro Felguera S.A. 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 28 February 2022 and will be submitted for shareholder approval at the Annual General Meeting. They are expected to be approved without modification. The financial statements for 2020 were approved by shareholders at the Annual General Meeting held on 30 June 2021.



DURO FELGUERA, S.A. AND SUBSIDIARIES

NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS (€ thousand)

Key events in 2021

At a meeting held on 9 March 2021, Spain's Cabinet agreed to authorise the temporary public financial aid applied for by Duro Felguera, S.A. under the Solvency Support Fund for Strategic Companies (the "Fund"), the Fund's Management Board having ruled favourably on its application on 3 March 2021.

That temporary public financial aid has been divided into two phases: The first phase consisted of the payout of a €20 million profit participating loan and a €20 million ordinary loan in May 2021; the second phase took the form of another €80 million profit participating loan received on 29 November 2021 (Notes 2.1 and 22.e).

In addition, on 29 November 2021, the Group successfully restructured its debt with its chief creditors. More specifically, it restructured €85 million of gross debt and the class A and class B convertible bonds issued as a result of the last refinancing completed in 2018. Under the restructuring agreement, the Group has been granted a new revolving guarantee facility of up to €80 million divided into four tranches, 70% of which is covered by CESCE (Notes 22.a and 22.b). The above conversions resulted in, on the date of completion, the cancellation of the original financial liability and the recognition, following payment of €7.5 million, of a profit participating loan and, in keeping with the valuation work done by an independent expert, the recognition of a debt instrument related to the Class C Convertible Bonds in the amount of €10,939 thousand, coupled with the recognition of the remeasurement of the Class A Convertible Bonds following modification of the conversion windows and conversion maturity date in the amount of €5,207 thousand, as well as the derecognition of the Class B Convertible Bonds, all of which, on aggregate, together with the change in the value of the notes to 31 December 2021, had a positive impact on finance income of €37,037 thousand, net of transaction costs (fees and external financial and legal advisory fees) (Note 30). The issuance of the new Class C Bonds, modification of the Class A Bonds and cancellation of the Class B Bonds had all been previously authorised at the Annual General Meeting held on 30 June 2021.

Lastly, on 27 December 2021 the temporary public financial aid agreement with the regional government of Asturias was placed on public record, so formalising the commitment previously made by the latter to the Group, which materialised in the provision to the parent company of a €6 million profit participating loan through the regional government's development company, Sociedad Regional de Promoción del Principado de Asturias, S.A. ("SRP") (Note 22.e).

On 30 April 2021, José Jaime Argüelles Álvarez was appointed Chief Executive Officer of the parent company. By the end of 2021, the Group had finalised the design of a new corporate structure articulated around five business lines (Conventional Energy, Industrial Plants, Services, Renewable Energies and Smart Systems), thus enhancing the company's expertise and project orientation in both traditional and innovative businesses, such as renewable energies, energy storage, hydrogen and smart systems, in keeping with the strategic plan defined for the Group.

On 5 March 2021, the parent sold Spain's state-owned industrial holding company, SEPI, a 40% equity interest in its subsidiary, Epicom, S.A., and extended it a call option over the remaining 60%, which can be exercised within a term of two years, subject to prior authorisation by the company's syndicate of banks. That sale closed on 13 May 2021, having certified the fulfilment of the conditions precedent stipulated in the related share



DURO FELGUERA, S.A. AND SUBSIDIARIES

NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS (€ thousand)

purchase agreement and having ratified the closing deed pertaining to the sale of shares and call option, and the company collected the stipulated price and granted the call option. The Model Shareholder Agreement between Duro Felguera and SEPI to govern their relations as shareholders of Epicom, S.A. and the governance and management of the latter stipulates that, to transact any business classified as "reserved", the board requires a quorum of five (5) out of six (6) directors. This effectively gives the shareholders joint control of the Epicom, S.A., because after its acquisition of 40% SEPI is entitled to two seats on the board. However, the call option under the share purchase agreement confers further potential rights to the buyer (SEPI). Since the option is "US style", i.e., exercisable at any time, the potential voting rights attaching to it are regarded as substantive, and give SEPI effective control of Epicom, S.A. Therefore, in accordance with IFRS 10, Epicom, S.A. was deconsolidated from Duro Felguera as soon as the contract took effect. The remaining 60% investment is carried as a financial instrument measured at fair value based on the price set by the independent parties in their agreement. That sale led to the recognition of a gain of €3.5 million under "Profit/(loss) after tax for the year from discontinued operations" in the 2021 consolidated statement of profit or loss (Note 2.26) having met the conditions for classification as a discontinued operation set out in IFRS 5.

As for the Iernut project in Romania, on 18 June 2021, ROMGAZ S.A deemed the agreement suspending effectiveness of the contract termination notice clauses finalised, so rendering termination of the contract first notified on 2 April definitive. As for performance of that contract, the Consortium had completed 94% as at the date of termination and Duro Felguera, 98%; the Consortium had requested restoration of the contract's financial equilibrium and extension of its term due to unforeseeable developments not attributable to the contractor, including legislative changes made after the agreement was signed, expansion of the scope of the contract and of the instructions given by the customer and the effects of the COVID-19 pandemic, among others, that had had a significant impact on performance of the contract. During the course of exercising that contract, following a first termination notice on 2 April 2021, the situation had been redressed by allowing a period for constructive dialogue with a view to reaching a mutually agreeable solution, such that the Consortium was granted two extensions, the first until 26 May 2020 and the second until 26 December 2020. Later, the Consortium requested an additional term extension, claiming force majeure, mainly due to the COVID-19 pandemic. The chambers of commerce of Mures and Vrancea (Romania), the competent authorities, certified the existence of a 9-month delay in the project's execution on account of COVID-19. However, the customer did not agree to extend the execution timeframe. In June 2021 ROMGAZ enforced the escrow account set up by each of the Consortium partners to secure work and contract performance. The Consortium remains committed to fully executing the agreed work as early termination of the contract by the customer is not contemplated in the contractual terms and conditions, such that in 2021 it embarked on the legal actions available to it with a view to protecting its interests and recovering the amounts withheld in escrow. This included reintroducing the precautionary measures to protect the interests of the Consortium, which, having tried its best to reach a mutually satisfactory solution, regrets that an agreement that would have led to completion of the works sooner and commissioning of the facility has not taken place. Nevertheless, it reiterates its total willingness and openness to reaching an agreement that would permit finalisation of the works and a new approach that would pave the way for the project's rapid completion (Note 35).

As for the performance of other projects in its pipeline, it is worth highlighting the fact that the parent company has resumed execution of the 1,500 MW power project in Djelfa



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(Algeria), under the terms of a framework agreement signed with the customer. The parties are now confident that the project will be successfully completed on time and as agreed.

In addition, in November 2021 the Group reached an agreement with General Electric to put an end to the arbitration proceedings concerning the CVO project (Note 35), with no impact on profit or loss; elsewhere, in December 2021, the Group reached an agreement with Stoneway Capital Corporation y Araucaria Energy S.A. in relation to the Luján and Matheu projects in Argentina, which entailed the collection of \$10 million at year-end (Note 35), which was recognised under "Other operating expenses" in the accompanying consolidated statement of profit or loss for 2021.

Impact on personnel:

Management considered the human factor to be crucial for recovering, maintaining operations and delivering excellence to customers and suppliers, to which end it organised regular follow-up meetings and briefings to provide visibility and transparency regarding the situation induced by the COVID-19 pandemic at all times. The Group's top priority is and has always been to protect the health of its employees. All work centres and work sites adopted the measures recommended by the authorities, and teleworking was implemented where circumstances warranted.

As explained in Note 27, on 7 January 2021, the Group applied the furlough scheme based on productive needs provided for in Royal Decree-Law 30/2020 and Royal Decree-Law 8/2020 of 17 March, on urgent and extraordinary measures to cope with the economic and social impact of COVID-19. The scheme affects Duro Felguera, S.A. (DFSA), DF Operaciones y Montajes, S.A.U. (DFOM), DF Mompresa, S.A.U. (MOMPRESA), Felguera IHI, S.A.U. (FIHI) and Duro Felguera Oil & Gas, S.A.U. Application of the scheme was extended a first time on 31 May 2021 and again on 14 October 2021, on both occasions by agreement with union representatives. The furlough has a duration of 14 months (until 28 February 2022) and affects a total of 778 workers, with an upper limit of 400 workers per month. Its use has been limited and the savings achieved as a result are disclosed in Note 27.

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. Application of the going concern principle

2021 saw progress in vaccination programmes and government health crisis management policies. This led to a gradual recovery in economic activity and mobility and a more dynamic market, albeit uneven across different countries.

The Group's activity in the year was affected by mobility restrictions in some of its business markets, slowing the pace of execution of certain projects. It was also affected by the delays in completing the restructuring transaction with FASEE, Spain's solvency support fund for strategic companies, and its creditor banks, which meant it was not able to avail itself of all the funds or the guarantee facility until almost the end of the year.



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On the business operations front, the Group met its order intake target for 2021. Notably, it secured a €100 million project in the Netherlands for the refurbishment and repair of an industrial player's facilities. However, the most important milestone for the Group in 2021 was completion of its comprehensive financial restructuring transaction (Note 1).

Solvency Support Fund for Strategic Companies - FASEE

The severity with which the COVID-19 crisis hit the global economy in 2020 had a very adverse impact on the activities and earnings of the DF Group that year, as outlined in its published financial statements.

The universe of measures taken by the Group to offset the effect of the health crisis were not enough on their own to guarantee its viability and ensure the restoration of a balanced and sustainable capital structure.

Against the backdrop of the crisis induced by the pandemic, Spain set up a solvency support fund for strategic companies, "FASEE" for its acronym in Spanish, whose mission is to provide temporary public financial aid to alleviate the impact of the health emergency on the capital structures of solvent companies deemed strategic for the national or regional productive or economic fabric.

On 28 August 2020, Duro Felguera, deemed a strategic company for several sectors of the national and Asturian regional productive fabric, applied for an initial €100 million of temporary financial support from FASEE, applying for an additional €20 million at the end of that same year. That application was accompanied by a viability plan and financial information, along with certificates substantiating compliance with FASEE aid eligibility requirements. After providing additional information on three occasions, among other things to update the underlying economic and financial assumptions, the viability plan was updated on 18 February 2021; that update included a plan for the reimbursement of the temporary financial aid and measures for ensuring compliance with the repayment plan.

After analysing all the documentation submitted and carrying out due diligence, Spain's state-owned industrial holding company, SEPI, concluded that all the eligibility requirements had been met, and that the lines of action, projections and financing in the viability plan were valid, so verifying that FASEE support is essential for maintaining the Group's operations until its activity recovers. In that process, SEPI received external financial and legal advice and those experts issued favourable reports, further ratifying the viability plan presented and signing off on the series of legal contracts to be entered into with Duro Felguera.

At a meeting held on 9 March 2021, Spain's Cabinet authorised the provision of the agreed temporary financial aid, to be paid out of the FASEE fund, in a total sum of €120 million. FASEE's Management Board had ruled favourably on the case on 3 March 2021.

On 8 September 2021, the Group updated and fine-tuned its viability plan, attaching an economic memorandum which was approved by FASEE's Management Board on 16 November 2021 and authorised by the Spanish Cabinet on 23 November 2021.

That temporary financial aid has been structured into two phases, whose dates of completion got pushed back in time as follows:



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Phase one: Provision of €40 million, by means of a €20 million profit participating loan and a €20 million ordinary loan, which were paid out on 10 May 2021.

Phase two: Provision of €80 million. The original plan was to extend a €50 million profit participating loan and provide a capital injection and/or profit participating loan of €30 million on 30 June 2021 but that disbursement date was ultimately pushed back, at the request of the Group, to 30 September 2021 and later again to 30 November 2021, at the latest.

The idea for that second phase was that FASEE would contribute capital in an amount less than that contributed by a potential industrial investor from the private sector brought in to participate in the equity raise alongside FASEE. The remainder of the disbursement, up to a total of €80 million, would take the form of a profit participating loan. If no private sector industrial investor had come on board by the time the second phase of temporary public financial aid was due to complete, the above-mentioned €30 million contribution would take the form of a profit participating loan. In the end, since it was not possible to bring a private industrial investor into the company's equity by the deadline for completing the second phase of the temporary financial aid, the total sum of €80 million corresponding to that second phase was paid in as a profit participating loan on 29 November 2021. In addition, in December 2021, and as envisaged in the public financing contract with FASEE, the Group asked the latter to convert the €20 million ordinary loan into a profit participating loan. FASEE has yet to approve that request. In short, it is expected that following approval of the above conversion request in 2022, all of the public temporary aid awarded to the Group through FASEE, €120 million in total, will take the form of a profit participating loan, until such time as a private investors takes a stake. The proceeds will be used to cover the operating and financial needs of the recipient companies on the terms contemplated in the viability plan.

The Duro Felguera Group companies benefitting from this aid are: Duro Felguera, S.A., DF Mompresa, S.A. Unipersonal, DF Operaciones y Montajes, S.A. Unipersonal, DFOM Biomasa Huelva, S.L. Unipersonal, Duro Felguera Calderería Pesada, S.A. Unipersonal and Felguera IHI, S.A. Unipersonal, as joint and several obligors.

The proceeds must be put exclusively towards making Duro Felguera viable again (the latter acting as borrower and recipient of the proceeds, with the remaining beneficiaries as joint and several obligors), specifically by executing the updated viability plan for 2020-2027.

In December 2021, Duro Felguera, S.A. and the rest of the beneficiary companies entered into an agreement by which Duro Felguera, S.A. agrees to hold the beneficiary subsidiaries and joint and several obligors harmless against, and to reimburse them for, any amounts incurred in the event that any of them has to pay more than the proceeds received and recorded in the financial account set up between Duro Felguera and each obligor.

The key terms and conditions (interest rates, maturities and other aspects) of the financing received from FASEE are outlined in Note 22.



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NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS (€ thousand)

Regional Government of Asturias

On 8 October 2021 the regional government of Asturias published authorisation for execution of an agreement between its Industry, Employment and Economic Development Board and its development company, SRP, for the award of €6 million of financial aid to the Duro Felguera Group, likewise under the umbrella of FASEE. As a result, the company entered into a €6 million profit participating loan agreement with SRP on 27 December 2021, subject to certain conditions to be ratified by FASEE and the Group's creditor banks before 31 March 2022 in respect of certain sections of the agreement; that process was in progress as at the date of authorisation for issue of these consolidated financial statements for issue and is expected to get resolved in the near future. The key terms and conditions (interest rates, maturities and other aspects) of the financing arranged with SRP are outlined in Note 22.

Refinancing of Duro Felguera's financial liability

On 29 November 2021, the parent company entered into a refinancing agreement covering its financial liabilities with all of the entities comprising its syndicate of banks. That agreement contemplates the repayment, restructuring and conversion of its financial liabilities, in a single act, as follows:

- Class A Convertible Bonds: Amendment of the terms and conditions applicable to those bonds so as to:
 - Extend the final maturity date to that of the sixth anniversary of completion of the refinancing agreement.
 - Modify the ordinary conversion windows so that the holders of the Class A Convertible Bonds can exercise their conversion rights during a period of time immediately following the end of each calendar quarter (i.e., 31 March, 30 June, 30 September and 31 December), as well as other adjustments in keeping with the terms and conditions of the refinancing agreement.
- Class B Convertible Bonds: Full-fledged cancellation of 14,227,267,955 unsecured bonds with a unit nominal amount of €0.01 euros convertible into newly issued ordinary shares of the parent company.
- Repay €7.5 million of the syndicated loan.
- Modify €25.5 million of the syndicated loan in order to convert it into a profit participating loan in the same amount payable by the parent, to be divided into two tranches: a first tranche (PPL1) of €20 million; and a second tranche (PPL2) of €5.5 million.

On 30 December 2021 the company repaid €2.5 million of the PPL1 tranche, therefore leaving €17.5 million of the PPL1 and the full €5.5 million of the PPL2 tranche outstanding as at the date of authorisation for issue of these financial statements for issue.



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- Convert a portion - €52 million - of the syndicated loan into bonds convertible into ordinary new-issue shares of the parent (the class C convertible bonds), by offsetting credit claims, to be issued by Duro Felguera on the agreed terms and conditions.

The refinancing agreement included a resolutive clause where by the Group had to receive definitive court approval for the stock of debt covered by the agreement by 28 February 2022. Such approval has been obtained within that deadline.

The key terms and conditions (interest rates, maturities and other aspects) of the financing received from the bank syndicate are outlined in Note 22.

Capital structure and financial situation. Present and future.

At 31 December 2021 the Group presented negative working capital and negative equity for accounting purposes. The Group's parent was in the same situation as at year-end.

From an equity standpoint, the parent did not meet the grounds for dissolution at 31 December 2021, despite having negative equity of €137,504 thousand. Spanish Royal Decree-Law 27/2021 amends Law 3/2020, on bankruptcy and organisational measures to address COVID-19 in the area of government justice, such that article 13 is currently worded as follows: "1. "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 (Ley de Sociedades de Capital), approved by Royal Legislative Decree 1/2010, of 2 July, losses reported in 2020 and 2021 shall not be taken into consideration. If the result for the 2022 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". As a result, at year-end 2021 the parent does not have to include the losses generated in 2020 in assessing whether it meets the grounds for dissolution. Moreover, the profit participating loans are treated as equity for company law purposes with respect to capital reductions and liquidation requirements, as indicated in article 3 of the Resolution issued by the Spanish Audit and Accounting Institute, ICAC, on 5 March 2019. As at 31 December 2021, the amount of all profit participating loans agreed under the refinancing agreement was €129 million (€100 million with FASEE, €23 million with banks and €6 million with the regional government of Asturias, via the SRP).

With respect to the profit participating loan from SRP, the Group expects to secure approval for the last few terms and conditions from FASEE and the banks, as indicated above, by 31 March 2022.

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 the aforementioned Royal Decree-Law, the parent's equity for company law purposes amounts to €162,668 thousand, as shown in the following table:



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(€ thousand)

Equity of the parent company at 31 December 2021	-137,504
Profit participating loan, FASEE (*)	100,000
Profit participating loan, SRP	6,000
Profit participating loan, banks	23,000
Loss in 2020 attributable to the parent	171,172
Equity of the parent for company law purposes at 31 December 2021(*)	162,668

(*) This amount is expected to be increase by €20,000 thousand on the conversion of the ordinary loan into a profit participating loan following as per the request sent to FASEE in December 21, which at the date of authorisation for issue of these consolidated financial statements is still being processed.

It is important for the Group to focus on execution of its viability plan in 2022, a year in which it expects to become profit-making again, thanks in part to a backlog of €335.6 million as at year-end 2021, as well as new contracts expected to begin to materialise in the near future thanks to the guarantee line backed by CESCE which the Group began to draw down in February 2022 and will help it return to activity levels more aligned with its capacity, all of which bolstered by the gradual crystallisation of the results of the Group's effort to close negotiations outstanding with customers, arbitration hearings and lawsuits and to rationalise ongoing project and general costs. The viability plan contemplates improved earnings momentum in 2022 and beyond, underpinned by all of the above-listed factors. Specifically, the Group had been pre-awarded contracts in the amount of €400 million as at the date of authorisation for issue of these financial statements, contracts it expects to secure and to begin to generate income over the course of this year. In addition, the Group has entered into agreements with General Electric and Técnicas Reunidas (in negotiation with TSK), among others, in relation to certain areas of complementary business opportunities that are likewise expected to translate into volume growth.

As regards its financial situation, in 2021 the Group took steps to preserve its liquidity, reducing overhead (an area it plans to continue to tackle with specific additional cost-cutting targets in 2022 on which work is already underway), and entering into transactional agreements with third parties in order to put an end to lawsuits, such as those reached with General Electric and Stoneway towards the end of 2021 (Notes 1 and 35). The financial restructuring completed by the Group in 2021, with the financial support of FASEE, the regional government of Asturias and its syndicate of banks, has strengthened its financial situation, laying solid foundations for execution of its viability plan and, specifically, the recalibration of its business model, articulated around customer care and project profitability and underpinned by its traditional businesses (Energy, Industrial Plants, Mining & Handling, Oil & Gas, Services and Heavy Boiler-making; refer to Note 5), historically profitable and recurring, coupled with a push into new areas, including renewable energy, energy storage, hydrogen and smart systems, all of which with the ultimate aim of remaining a strategic company for the productive fabric of Asturias and Spain. As at 31



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December 2021, the Group reported negative working capital of €32,032 thousand (2020: €203,867 thousand), as current liabilities include provisions related with its business activities involving projects suspended and subject to arbitration proceedings even though. In the opinion of the Group's in-house counsel and outside advisors, the amount of provisions recognised is not expected to imply an outflow of cash within 12 months of the reporting period and for which the Group is in the process of seeking negotiated alternative solutions that will bring the ongoing proceedings to a conclusion in its best interests (Note 2.4). As for its liquidity, the Group has €88,542 thousand of cash on its consolidated statement of financial position, which is sufficient to allow it to continue its operations business as usual and meet its commercial and financial obligations, considering pre-awarded contracts that are expected to materialise and generate additional income, boosting Group liquidity, in a conservative scenario, by more than €20 million in 2022. Elsewhere, offsetting any potential deviations from the viability plan, the Group expects a number of court proceedings to be settled in its favour in the course of 2022, which would, assuming all are ruled in its favour, generate additional cash inflows of up to €50 million. Moreover, the Group does not expect any cash outflows in 2022 in relation to ongoing tax proceedings (Note 31). Negative deviations with respect to execution of the viability plan or unfavourable outcomes in the proceedings and negotiations indicated could require the application of additional measures.

In light of the above considerations and circumstances, the parent's directors believe that the financial support implied by the liquidity injected by FASEE and SRP in the form of temporary financial aid, and the drawdown of the guarantee facilities (necessary to execute contracts in the Group's business sector), will enable the Group to carry on its operations business as usual and comply with the financial commitments and obligations assumed under the financing agreements executed (Note 22). At any rate, the Group continues to search for a private investor in order to further reinforce its capital structure. The Group is appraising various non-binding offers and expressions of interest received from potential investors.

The financing agreements reached with its banks, FASEE and SRP include certain mandatory prepayment clauses tied to future events related with lawsuit and arbitration settlements, tax inspections, material adverse effects and non-permitted changes of control, among others. The directors, with the assistance of internal and external tax and legal advisors, have evaluated the probability of occurrence of those prepayment events, factoring in the uncertainty associated with the final outcome of all those processes, and estimate that they will not affect execution of the viability plan, at least within 12 months from the date of authorisation for issue of these financial statements (Notes 31 and 35).

The financing agreements with its banks, FASEE and SRP likewise include certain mandatory Group reporting requirements to enable due oversight of delivery of the viability plan. To that same end, an Oversight Committee has been set up; representatives of FASEE and members of the Group sit on that committee, which meets monthly. The banks monitor developments quarterly with the help of their financial advisor.

Specifically in relation to the agreement with its banks, the Group must comply with two ratios on a half-yearly basis (leverage and interest coverage) (Note 22); compliance with those covenants will be tested for the first time on the basis of the Group's figures for the 12 months ending 30 June 2022. Potential deviations and/or slippage in delivering the EBITDA targets set down in the business plan and projections, possibly as a result of the health crisis, which appears to be remitting, or developments with respect to the



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proceedings outlined in Notes 31 and 35, would require constant supervision by the parent's directors. However, considering the pre-adjudication of new contracts as of the time of writing, materialisation of the Group's cost-cutting measures, coupled with the potential positive impact expected in 2022 of favourable outcomes in lawsuits and arbitration proceedings, government rulings and negotiations with customers and suppliers, the directors believe the Group will deliver the levels of EBITDA needed to comply with its covenants.

Reactivation of the world economy post-COVID, coupled with high levels of market liquidity and the support of European and international funds, notably including the Next Generation EU programme, is acting as a catalyst for the execution of industrial projects in many countries, while high electricity costs are prompting countries to accelerate certain investments in a bid to mitigate their dependence on imported energy. The Group has excellent references in many sectors and boasts a highly skilled and experienced team such that it believes it is well positioned to leverage the prevailing market momentum.

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

2.2. Basis of preparation

The consolidated financial statements for the year ended 31 December 2021 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 2021, and of the consolidated results, changes in consolidated equity and consolidated cash flows for the year then ended.

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

For comparative purposes, the Group presents jointly the consolidated statement of financial position at year-end 2021 and 2020, 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 2021 and 2020.



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The exclusion of Epicom, S.A. from the scope of consolidation of the Group - described in Note 2.26 of these financial statements - was treated as a discontinued operation, because that investee was a Group component that was sold or otherwise disposed of and it constituted a significant area in its own right that could be regarded as separate from the rest. To account for transactions of this kind, the Group includes within a single line item of the statement of profit or loss, "Profit/(loss) after tax for the year from discontinued operations", the profit or loss from the discontinued operation itself along with any gain or loss recognised as a result of measurement at fair value of the retained investment and any gain or loss on disposal of the ownership interest that was sold (Note 2.26 of the consolidated financial statements for 2020). The impact on profit or loss of the disposal and exclusion from consolidation of this investee was €3.5 million, comprising a €0.3 million loss for the period from the discontinued operation and a sum of €3.8 million that breaks down into the proceeds from the sale of a 40% ownership interest and the result of remeasuring the retained 60% investment – on which SEPI has a call option – at fair value less costs to sell (Notes 1, 2.3.e and 2.26). To facilitate comparison, the figures shown in the statement of profit or loss have been restated to include the Epicom, S.A. transactions under the single line item "Profit/loss after tax for the year from discontinued operations".

In 2021, exclusion of this investee from the scope of full consolidation decreased assets by €4,876 million, equity by €1,796 million and Group profit by €304 million with respect to 2020.

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

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

Changes in accounting policies and disclosures

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

Except where indicated otherwise below, the accounting policies used are the same as those applied in the 2020 annual consolidated financial statements.

(1) New mandatory standards, amendments and interpretations in 2021

Approved for use in the European Union		Mandatory for annual reporting periods beginning on or after:
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to Interest Rate Benchmark Reform (second phase)	1 January 2021
Amendments to IFRS 4 – Deferral of Application of IFRS 9	Deferral of the application of IFRS 9 to 2023	1 January 2021
Amendments to IFRS 16 Leases - Rent Concessions	Amendment to extend the term of application of the IFRS 16 practical expedient provided for COVID-19-related rent concessions	1 April 2021



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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 2021.

(2) New mandatory standards, amendments and interpretations applicable for annual periods after the calendar year beginning 1 January 2021

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

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

Not yet approved for use in the European Union		Mandatory for annual reporting periods beginning on or after:
Amendment to IAS 1 - Classification of Liabilities as Current or Non-current	Clarifies requirements regarding the classification of liabilities as current or non-current	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 on transactions such as leases and decommissioning obligations	1 January 2023
IFRS 17 - Insurance Contracts and amendments to IFRS 17	Establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. It will supersede IFRS 4	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



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For standards that become effective from 2022 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 2021 are not materially different from those applied during the year ended 31 December 2020.

2.3. 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 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.



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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



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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:

Company	% ownership interest	Location	Activity
<u>Fully-consolidated:</u>			
DF Mompresa, S.A.U (3)	100%	Gijón	Assembly and maintenance of turbines 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
DF Operaciones y Montajes, S.A.U. (3) Duro Felguera Calderería Pesada, S.A.U. (4)	100%	Gijón	Pressure vessels and heavy boiler-making Design, manufacture, supply, assembly, operation, maintenance, promotion, development, management, exploitation and marketing of renewable energy installations, products, technical solutions, works and services for generation as well as transmission, distribution, import, export, recycling, extraction, purchase and sale and wholesale or retail distribution, or the storage of energy from renewable sources, 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 Green Tech, S.A.U. (formerly DF Técnicas de Entibación, S.A.U.) (2) (4)	100%	Gijón	Fuel and gas storage equipment
Felguera I.H.I., S.A. (3)	100%	Gijón	Development of business management software
Felguera Tecnologías de la Información, S.A. (2) (3)	60%	Llanera	Investment in trading, industrial and service companies, agency and mediation services in diverse types of contract, and securities management and administration
Duro Felguera Investment, 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 Oil&Gas, 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, as well as any related industrial, commercial and financial operations including export and import of all activities and products included therein
Duro Felguera Logistic Systems, S.A.U. (2) (3)	100%	Gijón	Operation and maintenance of Ence's biomass power generation plant in Huelva
DFOM Biomasa Huelva, S.L. (2) (5)	100%	Gijón	



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Company	% ownership interest	Location	Activity
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
Duro Felguera Do Brasil Desenvolvimento 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

- 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 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 Saudi LLC (2) (3) (6)	50%	Saudi Arabia	Construction of electricity generation buildings and plants



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Company	% ownership interest	Location	Activity
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 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.



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In the opinion of the directors, there were no significant contingent liabilities related to the Group's investments in associates and joint ventures at 31 December 2021 and 2020 other than those disclosed in Note 35.

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

<u>Accounted for using the equity method:</u>			
Dunor Energía, S.A.P.I. de C.V. (1) (3) (4)	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 was still being performed.
(2) Not audited.
(3) Joint venture
(4) 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:

<u>Company</u>	% ownership interest	Location	Activity
<u>Associates</u>			
Sociedad de Servicios Energéticos Iberoamericanos, S.A. (2) (4)	25%	Colombia	Assembly and maintenance of electricity generation plants
Zoreda Internacional, S.A. (2) (4)	40%	Gijón	Environmental projects

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.



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

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

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

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

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

UTES in which the Company 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 proportional amount 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 2021 and 2020, there were no significant contingent liabilities related to the Group's interests in UTEs other than those disclosed in Note 35.

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



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Company	% ownership interest	Location	Activity
<u>Joint operations:</u>			
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 COKER block for the ADI-100 project at the Petronor refinery (Muskiz-Bilbao)
UTE FB 301/2	38.42%	Madrid	Construction and delivery of two liquefied gas storage tanks to the Enagas plant in El Musel.
Consorcio el Sitio (TGV-Y&V Ingeniería)	70%	Venezuela	Engineering, local supplies and construction of the Termocentro thermal power plant.
UTE Duro Felguera Argentina, S.A. – Masa Argentina, S.A.	51%	Argentina	Execution of "PTV-01 Contract Rehabilitation of steam turbine units Endesa Costanera"
UTE New Chilca	100%	Gijón	Execution of the construction work on the New Chilca combined cycle thermal plant
UTE DF-ELECNOR EMPALME II	50%	Madrid	Performance of foreign supplies and provision of offshore engineering services for the Empalme II combined cycle plant, as well as enlargement works and complementary and accessory services
UTE DFOM NUCLEO KENIA I	100%	Gijón	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
DF-Romelectro consortium (**)	70%	Romania	Construction of a combined-cycle power plant

(*) The Company consolidates 100% of the operations considering the venturer's financial position and the guarantees extended.

(**) From the inception of the consortium, the Group consolidates 100% of the operations based on its control of the consortium. The other venturer is subcontractor in the relationship with the customer.

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



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e) Changes in the scope of consolidation

The main movements in the consolidation scope in 2021 were as follows:

	Additions
GROUP	-

	Disposals
GROUP	Epicom, S.A. (Notes 1, 2.2 and 2.26)

Changes in the Group's consolidation scope in 2020:

	Additions
GROUP	Duro Felguera Logistic Systems, S.A. DFOM Biomasa Huelva, S.L.

	Disposals
GROUP	Duro Felguera Australia Pty Limited Operaciones y Mantenimiento Solar Power, S.L.

UTES	UTE Andasol III
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The impacts of these changes in the consolidation scope on consolidated equity and profit or loss were not significant in 2020.

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



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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 2.5.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.

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

	€ thousand	
	31 December 2021	31 December 2020
Trade receivables and completed work pending certification	31,934	30,765
Total current assets	31,934	30,765
Trade and other payables	9,025	12,864
Provisions for contingencies and guarantees	66,840	80,192
Total current liabilities	75,865	93,086



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2.5. 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



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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 appropriate 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 2021 was 116.34 Argentine pesos per euro (2020: 102.79 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 2021 and 2020 was 582.5% and 385.9%, respectively, while on an annual basis the index for 2021 was 51% (2020: 35%).



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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 €1,770 thousand and is recognised in profit or loss (Note 30).

The main impacts on the DF Group's consolidated financial statements for the year ended 31 December 2021 arising from the above were as follows:

	<u>€ thousand</u>
Revenue	23
Operating profit/(loss)	(56)
Profit/(loss) for the year from continuing operations	1,770
Accumulated exchange differences	(8,335)
Impact on equity	-

2.6. Intangible assets

a) Goodwill

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

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

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

The Group no longer recognises any goodwill following the deconsolidation of Epicom in 2021.

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.



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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 life, 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.

2.7. 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.



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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:

	<u>Years of estimated useful life</u>
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 that must be returned to the grantor under concession arrangements, the period of the arrangement 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 2.10).

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.

2.8. 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;



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- Commencement of development with a view to sale, for a transfer from investment property to inventories;
- End of owner-occupation, for a transfer from owner-occupied property to investment property; and
- Inception of an operating lease to another party, for a transfer from inventories to investment property.

After initial recognition, these assets are stated at acquisition cost less accumulated depreciation and any accumulated impairment losses recognised (Note 2.10).

2.9. 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.



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2.10. 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.

Management performs impairment tests annually on each cash-generating unit where there is an indication of impairment. The main components of the impairment tests are:

- Profit or loss forecasts
- Investment and working capital projections
- The applicable discount rate, i.e. the weighted average cost of capital. The main inputs for calculation of this variable are the cost of debt and risks specific to the assets.
- A growth rate for extrapolating the free cash flows beyond the budget/forecast projection horizon.
- Terminal value

These projections are based on past experience and the best estimates available, which are consistent with external sources of information.

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.



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2.11. 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 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.

2.12. Financial assets

2.12.1 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.



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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 is based on an expected credit loss model, whereby the loss allowance for the financial instrument is measured at the amount of 12-month expected losses or lifetime expected credit losses if the credit risk has increased significantly.

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.



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According to the 12-month expected credit loss model, the Group estimated that the financial assets measured at amortised cost are subject to impairment loss on the basis of the facts and circumstances that existed at that date, as follows:

Item	Gross carrying amount at 31 December 2021	Expected loss		Carrying amount after ECL impairment at 31 December 2021
		%	€ thousand	
Past-due and impaired trade receivables	16,511	100%	(16,511)	-
Trade receivables "Stage 3"	85,431	65%-100%	(73,302)	12,129
Other receivables "Stage 1-2"	29,009	0.5%-9%	(445)	28,564
Total trade and other receivables	130,951		(90,258)	40,693
Completed work pending certification "Stage 3"	19,003	100%	(19,003)	-
Completed work pending certification and impaired Other completed work pending certification "Stage 1-2"	8,515	100%	(8,515)	-
Total completed work pending certification	27,376	0.3%-3%	(323)	27,053
Other receivables "Stage 3"	54,894		(27,841)	27,053
Other receivables "Stage 1-2"	16,769	74%-100%	(13,149)	3,620
Total receivables	1,210	-	-	1,210
Other financial assets	17,979		(13,149)	4,830
Cash	31,705	0.3%-0.6%	(157)	31,243
	88,997	0.1%-0.3%	(100)	88,987
	<u>324,311</u>		<u>(131,505)</u>	<u>192,806</u>

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

c) Financial assets at fair value through other comprehensive income

This category includes non-derivative financial assets that are not included in any of the above categories. For the Group, these are mainly investments in companies not included in the scope of consolidation in 2021 and 2020 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.



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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.

2.12.2 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.

2.13. 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.

2.14. 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.

2.15. 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.

2.16. 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.



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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.

2.17. 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.

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

- (a) The instrument includes no contractual obligation:
 - (i) to deliver cash or another financial asset to another entity; or
 - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

- (b) If the instrument will or may be settled in the issuer's own equity instruments, it is:
 - (i) a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or
 - (ii) a derivative that will be settled exclusively by the issuer via the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity'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.



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2.17.1 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.

2.17.2 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 by the Group, which are classified within debts and payables, are subsequently measured at amortised cost provided the contractual terms



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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 joint account agreements (contratos de cuentas en participación). In those instances the borrower measures the loan at cost plus any interest payable to the lender in keeping with the contractually agreed terms and conditions. Transaction costs are recognised in profit or loss on a straight-line basis over the life of the profit participating loan.

c) Trade payables

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

The accounting treatment of non-recourse reverse factoring agreements is not explicitly addressed in 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. The Group had not drawn down its reverse factoring facility at either year-end.

2.17.3 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.

2.18. Income tax

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.

a) Income tax expense

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 Company and its



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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.

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 provided for in article 55 et seq. of Corporate Income Tax Law 27/2014, of 27 November.

According to Group policies, the current income tax incurred by each individual company in the consolidated tax group is determined based on accounting profit or loss before tax, increased or decreased by permanent differences, as appropriate, with taxable profit or loss, less any tax relief and tax credits corresponding to each company in the consolidated tax group, excluding withholdings and payments on account.

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

The Group recognises taxable profit or loss, tax relief and tax credits of the UTEs in which it has interests in proportion to its interest. This may be done at the end of the UTE's reporting period or in the next tax period according to article 46 of the consolidated text of Spain's Corporate Income Tax Law. The Group has elected to do so at the end of the reporting period. The tax relief and tax credits to which a UTE is entitled will be attributed to the venturers irrespective of whether the UTE reports a taxable profit or a tax loss.

Current tax is the amount of income tax payable (recoverable) by the Group as a result of tax settlements for a period. Deductions and other tax relief applicable to payable taxes, excluding withholdings and payments on account, and the carry forward of unused tax losses recognised in the current reporting period are accounted for as a reduction in current tax.

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.

b) Deferred tax assets and liabilities

Deferred tax liabilities are recognised for all taxable temporary differences except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither the accounting profit or loss nor taxable profit or loss, and in respect of temporary differences associated with amendments to the taxation of impairment losses on securities representing interests in the capital or equity of companies approved by Royal Decree 3/2016, of 2 December. According to tax regulations, the reversal of these differences is recognised in fifths as a positive adjustment to the tax base each year. The outstanding tax burden to be recognised to the end of the fifth year is not recognised as deferred tax. To the extent that differences arise between the tax base and the carrying amount of the investment, the related deferred



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tax asset is recognised according to the general recognition criteria explained in the following paragraph. Deferred tax assets are not recognised for investments which the Group intends to continue to hold according to its business strategy.

Deferred tax assets are only recognised to the extent that it is probable that the tax group or each individual company in the tax group that files taxes individually will have taxable profit against which the deductible temporary differences can be utilised, irrespective of the statutory limit for recognition if it is a longer or unlimited time period where allowed by tax laws, or if the tax group or individual companies have deferred tax liabilities (equivalent for these purposes to taxable profit) with a plan to reverse the temporary difference to offset tax losses or other tax credits, considering the tax ceiling for the related set-off (quantitative limits and minimum taxation), where applicable.

At the consolidated level, the tax effects that could exist from any differences between the carrying amount of an investee in the consolidated financial statements and its tax base are also considered. In general, these differences arise from retained earnings generated from the acquisition date of the investee, from tax credits associated with the investment and from translation differences for investees whose functional currency is not the euro. Deferred tax assets and liabilities arising from these differences are recognised except, in the case of taxable temporary differences (positive tax base), when the investor can control the timing of the reversal of the temporary difference or the difference is not expected to reverse in the foreseeable future and, in the case of deductible temporary differences (negative tax base) only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that the tax group or consolidated entity subject to tax will have taxable profit against which the temporary difference can be utilised.

Deferred tax assets and liabilities relating to items recognised directly in equity are recognised in equity.

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. At the end of each reporting period, previously unrecognised deferred tax assets are also reassessed. A previously unrecognised deferred tax asset is recognised if it has become probable that taxable profit will be available against which the asset can be utilised. 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.

2.19. 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 2000P, technical interest rate of 0.79% p.a. (2020: 0.32%) and consumer prices indices showing an increase of 1% p.a. (2020: 1%).



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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 0.79% p.a. (2020: 0.32% 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. As at 31 December 2021, the Group recognised a provision of €1,654 thousand to cover the probable amounts, in the opinion of its legal advisors, of the cash outflow derived from ongoing employment proceedings, specifically including coverage of the potential payment of a termination benefit to the Group's former CEO, as well as other termination benefits potentially payable in connection with other ongoing cases (Note 25). 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.

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.

2.20. 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



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advisors. 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 2021 and 2020, the consolidated entities were party to a number of legal proceedings, arbitration proceedings, and claims arising in the ordinary course of their business activities. Both the Group's internal and external legal and tax advisors, and its directors, consider that the provisions recognised are sufficient and that the outcome of these proceedings and claims will not have a material impact on the consolidated financial statements in the years in which they are resolved (Notes 31 and 35).

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.

2.21. 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 Energy, Mining & Handling, Oil & Gas and Manufacturing businesses.

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 2021 and 2020, in none of the projects was it considered that the outcome cannot be estimated reliably.



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

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

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

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

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

c) Completed work pending certification/work certified in advance

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



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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 2021 and 2020, the Group did not have any capitalised bidding costs.

e) Provisions for budgeted losses

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

f) Recognition of revenue from the services business

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

g) Recognition of revenue from the sale of goods

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

h) Recognition of interest income

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



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2.22. 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 2.9.

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.

2.23. 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.

2.24. Earnings per share

- Basic earnings per share:

Basic earnings per share are calculated by dividing:

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

- Diluted earnings per share:

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



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- a) the after-tax effect on earnings of interest and other finance costs associated with dilutive potential ordinary shares, and
- b) the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.25. 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.

2.26. Discontinued operations

A discontinued operation is any component of the Group that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, among other requirements.

When accounting for the results generated by discontinued operations, the Group includes the corresponding post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of assets or disposal groups constituting the discontinued operation under a single line item titled "Profit/(loss) after tax for the year from discontinued operations".

In addition, when the Group classifies an operation as discontinued, it reclassifies the above amount for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

As described in Notes 1, 2.2 and 2.5, in 2021 the Group sold 40% of its subsidiary Epicom, S.A., relinquishing control of that investee. In accordance with IFRS 5, the sale of that business was classified as a discontinued operation.

The nature and carrying amounts of the assets within the scope of the discontinued operation as at 31 May 2021 were as follows:



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	€ thousand
Intangible assets	4,078
Property, plant and equipment	1,124
Non-current financial assets	186
Inventories	1,699
Trade and other receivables	629
Other current assets	164
Cash and cash equivalents	903
Total assets	8,783
Current provisions	9
Current financial liabilities	802
Trade and other payables	2,845
Total liabilities	3,656

As a result, the Group recognised a gain of €3.5 million on the sale of a 40% interest and the remeasurement at fair value less costs to sell of the remaining 60% (Note 2.2.), over which SEPI has a call option, which has been classified as a financial investment at fair value, insofar as the Group no longer controls that investee.

The breakdown of the revenue, expenses and profit before tax recognised in "Profit/(loss) after tax for the year from discontinued operations" is provided below:

	€ thousand	
	2021 (Unaudited)	2020 (Audited)
Revenue	1,511	4,564
Changes in inventories of finished goods and work in progress	285	(311)
Cost of sales	(499)	(1,255)
Gross profit	1,297	2,998
Employee benefits expense	(924)	(1,691)
Amortisation and depreciation	(336)	(517)
Operating expenses	(343)	(515)
Other gains/(losses) net	9	94
Operating profit	(297)	369
Net finance income/(cost)	(7)	(21)
Share of loss/(profit) of associates	-	-
Profit/(loss) before tax	(304)	348
Income tax expense	-	(86)
Profit/(loss) for the year from continuing operations		-
Profit/(loss) after tax for the year from discontinued operations	(304)	262



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The net cash flows attributable to the operating, investing and financing activities of discontinued operations were:

Cash flows from/(used in) discontinued operations

(€ thousand)

	2021	2020
Cash flows (used in)/from operating activities	-1,689	2,168
Cash flows used in investing activities	-91	-625
Cash flows (used in)/from financing activities	-2,004	463

2.27. Statement of cash flows

Cash flows are inflows and outflows of cash and cash equivalents, which are short-term, highly-liquid investments that are subject to an insignificant risk of changes in value.

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

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

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

3. Financial risk management

3.1. Financial risk factors

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



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a) Market risk

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk on transactions in foreign currencies, mainly the US dollar (USD) -so in principle, depreciation in emerging countries would not have a direct impact on the project revenue- and to a lesser extent, local currencies in emerging countries, the most important of which at present are the Argentine peso (ARP), Algerian dinar (DZD) and Indian rupee (INR). 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 26.b). Translation differences are disclosed in Note 18.

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 2021, if the euro had weakened by 5% against the US dollar, with all other variables held constant, post-tax profit for the year would have been €138 thousand higher (2020: €105 thousand lower), whereas if it had strengthened by 5%, post-profit for the year would have been €125 thousand lower (2020: €95 thousand higher), mainly as a result of foreign exchange gains/losses on translation to US dollars 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 US dollars, and the effect of the stage of completion at the year-end.

(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.



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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.

Against the current backdrop, with COVID-19 causing delays in project execution and invariably resulting in time overruns, the Group reassessed its estimate of the total costs in the budgets used to calculate the stage of completion (Note 2.21) and the onerous contract provision.

(iii) Cash flow and fair value interest rate risk

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

The Group's interest rate risk arises from non-current borrowings. There was a substantial modification of the terms of these borrowings at year-end 2021. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

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

Based on the simulations performed, the impact on profit or loss of a ± 10 basis point shift would be an increase/decrease of €149 thousand (2020: €86 thousand).

b) Credit risk

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

- Assets arising from financial instruments and sundry balances included in cash and cash equivalents (Note 15).
- Trade and other receivable balances (Note 12).

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. 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



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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 2021 was €31,730 thousand (2020: €33,936 thousand).

The Group recognised an impairment loss on its financial assets of €131,505 thousand, which included the estimate of expected credit loss under IFRS 9 (Notes 2.12 and 12).

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 maintaining availability under committed credit lines. Management also monitors the forecasts for the Group's liquidity reserves based on estimated cash flows.

Set out below is the Group's net cash position at 31 December 2021 and comparative data:

	€ thousand	
	2021	2020
Borrowings and derivatives (Notes 13 and 22)	(170,472)	(95,323)
Less: Cash and cash equivalents (Note 15)	88,542	24,896
Net cash/(debt) position	(81,930)	(70,427)
Undrawn credit lines (Note 22)	-	-
Total liquidity surplus/(shortfall)	(81,930)	(70,427)

The Company's financial debt at 31 December 2021 included aid from FASEE and debt renegotiated with financial institutions in the form of profit participating loans, ordinary loans and convertible bonds (Notes 1 and 2.1). At 31 December 2020, this was mainly debt with a bank syndicate that was refinanced and restructured in 2021.

The Group also had €23,042 thousand of deposits under "Current financial assets" in the statement of financial position as at 31 December 2021 (Note 11) as security for execution of its projects due to the lack of guarantees. However, an amount of €16 million is held in the escrow account for the Iernut project, which was called by the third party on 15 July 2021 and which continues to be treated as a receivable as the Company expects to recover it in due course. Note that current liabilities have been recognised to cover the associated contingencies.

Cash and cash equivalents at 31 December 2021 (Note 15) included €1,228 thousand subject to certain restrictions, basically as it provides guarantees for third-party lawsuits pending court rulings or counterparty agreements (2020: €1,921 thousand, with this amount including pledges as security for project guarantees or cash deposits made in lieu of project guarantees).



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The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities are included in the analysis where the contractual maturities are essential for understanding the cash flow schedule. The amounts disclosed in the table are the contractual cash flows discounted:

At 31 December 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Loans and finance lease liabilities (Note 22)	12,387	662	135,181	6,255
Convertible bonds (Note 22.a))	-	-	-	15,987
Trade and other payables (Note 23)	159,709	-	-	-

Liquidity risk in 2020 was higher than expected in the 2020 cash plan, largely due the particularly strong impact of the coronavirus crisis on collection and payment flows on Group activities and the real estate market by pushing back plans to sell assets until the climate became more propitious. The net cash position rose by €11,503 thousand in 2021, mainly as a result of the rescheduling of projects, most notably Bellara and Djelfa, the completion of the Lernut project, following delays in arranging the public aid and negotiating refinancing agreements with the banks. The documents were ultimately signed on 29 November 2021, despite initial hopes that everything would be completed by 30 June 2021.

Following the approval of the temporary public financial aid from the Solvency Support Fund for Strategic Companies described in Note 2.1., the directors are confident that the assumptions set out in the viability and cash flow plan put forward will materialise.

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:



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

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

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

At its meeting of 18 January 2022, the 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.

- Market risk, meaning the risk of changes and imbalances in the supply and demand for certain raw materials, products and services, potentially compromising the Group's supply chain.

- Technological risk, relating to technological innovations that emerge or are championed as part of the transition process, and the resulting replacement of old systems with these new technologies.

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

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

- Resilience and responsiveness to climate change and the challenges it poses, not only ecological but also regulatory, and for which the company will be better prepared.

- Enhanced market position, thanks to a more sustainable, resilient and energy-efficient product design, and improved reputation, aligned with the demands of an increasingly sustainability-conscious society.



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- Better terms of borrowing when undertaking sustainable projects, with significant reductions in interest rates, coupled with higher credit ratings for bond issues.
- Broader and more diversified spectrum of investors in the Group, including funds and investors who look at the sustainability and responsible business performance of their investees or through inclusion in sustainability-focused indices and portfolios.
- Global trend towards clean energy sources, leading to increased energy efficiency, reduced costs and improved storage capacity.
- The search for greater efficiency in the management of the Group's resources and waste, enabling it to reduce operating costs.

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

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

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

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

3.2. Capital risk management

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

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

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

After the debt restructuring, the Group is subject to compliance with two half-yearly ratios tested every 12 months as explained in Note 22.b). To 31 December 2020, financial debt was subject to compliance with a (gross financial debt/EBITDA) ratio. It classified the debt from the €85,000 syndicated loan as current so no waiver had been obtained from the banks by 31 December 2020. Lastly, as explained in Note 2.1., a financial restructuring agreement was reached in 2021 including new terms and conditions for repayment,



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interest rates, covenants and other obligations. Nevertheless, the entire amount of interest-bearing loans and borrowings is subject to a range of mandatory prepayment clauses (Note 22).

4. Accounting estimates and judgements and fair value measurement

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

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

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

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

Estimated impairment losses on real estate assets

The Group receives independent valuations of its investment property, and the land and buildings it owns for the production centres and offices in Gijón (classified as property, plant and equipment) at least annually. It recognises impairment losses when the estimated fair value is less than carrying amount, in line with the accounting policy described in Note 2.10. The Group recognised an impairment loss of €7,521 thousand in the statement of profit or loss for 2020 (Notes 7 and 8). The change in value in 2021 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 2.10, 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:



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

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

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

The discount rates used for assets valued under the dynamic residual method ranged from 8.6% to 10.6%.

An increase of 1% in the market discount rate used in the appraisal would give rise to the recognition of an additional impairment loss at 31 December 2020 of €87 thousand.

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 7 and 8.

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

In 2021, 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 2.10.

The estimate of fair value, as described in Note 2.10, 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:



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- 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; and
- industry benchmarks.

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

This subsidiary's assets are located on a concession for the use of public space granted by the Gijón Port Authority, which runs until 2023 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 2.6, 2.7 and 2.8.

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 2021:



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

	€ thousand			
	Level 1	Level 2	Level 3	Total
<u>Liabilities</u>				
Convertible bonds	-	15,987	-	15,987
Total liabilities	<u>-</u>	<u>15,987</u>	<u>-</u>	<u>15,987</u>

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2020:

	€ thousand			
	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Financial instruments at fair value through other comprehensive income:				
Equity securities	1	-	5,232	5,233
Total assets	<u>1</u>	<u>-</u>	<u>5,232</u>	<u>5,233</u>

	€ thousand			
	Level 1	Level 2	Level 3	Total
<u>Liabilities</u>				
Convertible bonds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 valuation techniques (Levels 3). At 31 December 2021, the Group's stakes in Ausenco and Epicom, S.A. were in this category.

The Group classified its retained investment in Epicom, S.A., following the disposal of 40% (see Note 1), as a financial instrument classified as a non-current asset measured



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at fair value. Fair value was determined using the price of the call option granted to the third party acquirer as that price was consistent with the price at which 40% of the company was sold in the same financial period.

The Group also has a stake in Ausenco, Ltd, a company over which it has no control. Given the limited amount of updated information available to the Group on this investment, the Group measured the investment based on an assessment of the likely trend in value taking the latest available appraisal carried out in March 2020 by an independent expert based on the performance of comparable listed companies from December 2020 to December 2021. The Group engaged an independent expert to perform this assessment. A series of listed companies in the same industry operating in the geographical areas of Australia, Canada, the US and Europe were selected. Their revenue, EBITDA and market capitalisations were analysed to determine the market impact of COVID-19 and thus determine an outlook for the trend in Ausenco, Ltd's valuation, adjusted with audited financial information of the company as at 31 December 2020.

This exercise yielded a range of possible reversal of impairment in fair value of 31.4% to 69.0%. Accordingly, the Group recognised a reversal of impairment of €2,589 thousand using the adjusted valuation method with the range average.

The method and main assumptions used to measure convertible bonds are disclosed in Note 22.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 2021 stood at €8,358 thousand (Note 25).

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

Litigation

The Group sets aside, based on the estimates of its internal and external legal advisors, sufficient provisions to cover the forecast outflows of cash which may arise from litigation with the various social agents for the amounts claimed, discounted where they are expected to exceed one year. The Group's provisions and contingent liabilities at 31 December 2021 are disclosed in Notes 25, 31 and 35. Due to the complexities involved in these proceedings, there is a high level of uncertainty regarding the probability and outcome of rulings and the quantification of the potential financial consequences.



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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 25.

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 12), and a €6 million claim from the Djelfa project customer following acceptance, by signing a protocol, of that amount by the customer, which is still pending formalisation in an addendum to the contract (Note 35).

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 2.18 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.



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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 this connection, in 2021 the Group did not recognise any impairment on these receivables (2020: €6,154 thousand).

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 2.12 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 2022 following the redefinition of the business lines on which the Group will operate in execution of the viability plan.

Over the past few years, the Group has evolved from a typically industrial and manufacturing business, to a business in which the service component has gained weight. It still has the manufacturing workshop of Calderería Pesada, which is highly specialised and makes the Group a reference and one of the few manufacturers in the world able to manufacture certain types of equipment.

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, except property, plant and equipment of the Manufacturing segment, which amounted to €11,221 thousand.

The bulk of the Group's activity in recent years has been concentrated in the Energy and Services segments. The product consists of the integration of basic engineering, detailed engineering, civil engineering, equipment supply, assembly, commissioning and financing of complex installations. The main fields of activity are the construction of power plants, mineral park facilities, design and supply of equipment for ports. Despite the diversity of specialities, the type of returns and risks are consistent in these projects.



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The "Specialised services" segment includes the provision of specialised services to industry, such as detailed engineering, assembly, and the operation and maintenance of industrial plants.

The Oil & Gas segment carries out turnkey projects for the oil/gas/petrochemical industry, especially in the international arena.

Finally, the Group had a production workshop, which is included herein under the Manufacturing segment. This line operates in the manufacture of pressure vessels, heavy boilers and research laboratory equipment.



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Segment information provided to the Board of Directors for reported segments at 31 December 2021 is as follows:

	€ thousand							
	Energy	Mining & Handling	Oil & Gas	Specialised Services	Manufacturing	Other	Inter-group transactions	GROUP
Revenue from external customers (Note 26)	(586)	20,737	3,764	36,231	22,706	1,616	-	84,468
Inter-segment revenue	770	520	121	7,821	-	8,706	(17,938)	-
Total revenue	184	21,257	3,885	44,052	22,706	10,322	(17,938)	84,468
Losses, impairment and changes in trade provisions	7,537	(287)	(1,633)	5,737	(490)	78	-	10,942
Interest income (Note 30)	15	248	-	913	-	41,861	(4,162)	38,875
Interest expense (Note 30)	(1,056)	(1)	(2)	(284)	(82)	(7,155)	4,162	(4,418)
Change in fair value of financial instruments	-	-	-	-	-	-	-	-
EBITDA	(7,999)	7,065	(3,622)	3,601	(277)	(7,887)	-	(9,129)
Profit/(loss) before tax	(9,871)	7,246	(4,180)	4,126	(2,160)	24,438	-	19,599



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 NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS
 (€ thousand)

Segment information at 31 December 2020 is as follows:

	€ thousand							
	Energy	Mining & Handling	Oil & Gas	Specialised Services	Manufacturing	Other	Inter-group transactions	GROUP
Revenue from external customers (Note 26)	59,597	9,373	6,300	41,021	15,452	5,964	-	137,707
Inter-segment revenue	875	1,971	1,767	3,203	199	8,682	(16,697)	-
Total revenue	60,472	11,344	8,067	44,224	15,651	14,646	(16,697)	137,707
Losses, impairment and changes in trade provisions	(71,581)	(12,231)	1,401	(16,908)	(3,230)	(4,654)	-	(107,203)
Interest income (Note 30)	23	591	22	1,070	-	4,720	(4,723)	1,703
Interest expense (Note 30)	(2)	(3)	(23)	(405)	(74)	(6,934)	4,723	(2,718)
Change in fair value of financial instruments	-	-	-	-	-	-	-	-
EBITDA	(77,281)	(12,474)	590	(20,077)	(7,001)	(21,731)	-	(137,974)
Profit/(loss) before tax	(91,701)	(11,954)	436	(20,499)	(10,880)	(33,910)	-	(168,508)



DURO FELGUERA, S.A. AND SUBSIDIARIES

NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS (€ thousand)

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 and engineering and systems integration (Note 26), and exchange differences and corporate activities not allocated to any business area.

"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	
	2021	2020 (*)
Operating profit/(loss)	(16,822)	(144,309)
Depreciation and amortisation (Notes 7, 8 and 9)	5,121	7,327
Impairment and gains/(losses) on disposal of fixed assets	(567)	7,248
Exchange differences (Note 30)	3,139	(9,126)
EBITDA	<u>(9,129)</u>	<u>(138,860)</u>

(*) Presented solely and exclusively for comparative purposes (Note 2.2).

In 2020, Group EBITDA was significantly impacted by COVID-19, prompting a request for temporary public financial aid from the FASEE fund. The Group's activity in 2021 was also slowed somewhat by the delays in negotiating and approving the restructuring operation with FASEE and various banks. As a result, it was not until the end of the year when the funding and guarantee facility needed to undertake the new projects became available. The Group's activity was affected by COVID-19-related restrictions on mobility and materials, which kept it from achieving the expected level of execution of certain projects.

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

Geographical area	€ thousand			
	2021	%	2020	%
- Spain	37,049	43.86%	41,406	31.10%
- Latin America	3,642	4.31%	1,854	1.39%
- Europe	27,415	32.46%	41,628	31.26%
- Africa and the Middle East	12,725	15.06%	38,487	28.91%
- Asia Pacific	1,280	1.52%	3,594	2.70%
- Other	2,357	2.79%	6,174	4.64%
Total	<u>84,468</u>	<u>100%</u>	<u>133,143</u>	<u>100%</u>



DURO FELGUERA, S.A. AND SUBSIDIARIES

NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS (€ thousand)

For the year ended 31 December 2021, segments sales with a single customer representing over 10% of the Group's revenue amounted to €11.37 million in Africa and the Middle East for the Mining & Handling segment, €11.8 million in Europe for the Manufacturing segment, and €12.3 million in Spain for the Services segment (2020: €29.8 million in Africa and the Middle East and €18 million in Europe in the Energy segment).

Revenue in 2021 from significant external customers amounted to €11.37 million in Algeria, €8.4 million in Bulgaria and to €3.4 million in Croatia (2020: €29.8 million in Dubai and €18 million in Romania).

6. Assets and liabilities classified as held for sale

Although the Group is pressing on with its non-strategic asset disposal plan (mainly office buildings), the health crisis has severely impacted the real estate market, especially the office market. In 2020, the Group recognised impairment losses of €7,521 thousand on part of its real estate assets based on an independent expert appraisal (Notes 7 and 8). The values remained at similar levels in 2021. There were also delays in estimated sales periods, ruling out the possibility of the transactions being completed in the short term; the Group does not intend to embark on an active disposal process until the real estate market rebounds. Therefore, at 31 December 2021, since no agreements had been signed and the requirements in the current accounting framework had not been met, the Group did not have any assets classified as available for sale.



DURO FELGUERA, S.A. AND SUBSIDIARIES

NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS
(€ thousand)

7. Property, plant and equipment

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

	€ 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 2020	21,887	10,815	3,319	3	1,135	37,159
Cost	30,500	35,507	11,960	3	10,349	88,319
Accumulated depreciation	(8,613)	(24,447)	(8,641)	-	(9,214)	(50,915)
Impairment losses	-	(245)	-	-	-	(245)
Carrying amount	21,887	10,815	3,319	3	1,135	37,159
Additions	960	7	59	552	89	1,667
Decreases	(7)	(98)	(70)	-	(71)	(246)
Other movements	(16)	(20)	491	-	(150)	305
Depreciation	(2,627)	(1,572)	(427)	-	(231)	(4,857)
Reversal of depreciation	1	101	73	-	64	239
Other depreciation movements	3	15	7	-	124	149
Reversal of impairment losses	(2,729)	-	(113)	-	(1)	(2,843)
Balance at 31 December 2020	17,472	9,248	3,339	555	959	31,573
Cost	31,437	35,396	12,440	555	10,217	90,045
Accumulated depreciation	(11,236)	(25,903)	(8,988)	-	(9,257)	(55,384)
Impairment losses	(2,729)	(245)	(113)	-	(1)	(3,088)
Carrying amount	17,472	9,248	3,339	555	959	31,573
Balance at 1 January 2021	17,472	9,248	3,339	555	959	31,573
Cost	31,437	35,396	12,440	555	10,217	90,045
Accumulated depreciation	(11,236)	(25,903)	(8,988)	-	(9,257)	(55,384)
Impairment losses	(2,729)	(245)	(113)	-	(1)	(3,088)
Carrying amount	17,472	9,248	3,339	555	959	31,573
Additions	1,059	1	20	-	99	1,179
Decreases	(584)	(37)	(523)	(552)	(215)	(1,911)
Other movements	(17)	4	3	-	(9)	(19)
Depreciation	(692)	(1,351)	(412)	-	(203)	(2,658)
Reversal of depreciation	68	23	246	-	209	546
Other depreciation movements	(5)	(2)	(13)	-	(8)	(28)
Impairment losses	365	-	10	-	1	376
Balance at 31 December 2021	17,666	7,886	2,670	3	833	29,058
Cost	31,895	35,364	11,940	3	10,092	89,294
Accumulated depreciation	(11,865)	(27,233)	(9,167)	-	(9,259)	(57,524)
Impairment losses	(2,364)	(245)	(103)	-	-	(2,712)
Carrying amount	17,666	7,886	2,670	3	833	29,058



DURO FELGUERA, S.A. AND SUBSIDIARIES

NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS (€ thousand)

The main changes in 2021 related to the sale of shares representing 40% of Epicom, S.A. and the grant of a call option on the remaining sixty (60) percent, exercisable within two years, to SEPI. The potential voting rights are considered substantive and give SEPI control over the company. Therefore Epicom, S.A. was removed from Duro Felguera's scope of consolidation when the agreement became effective, resulting in the derecognition of property, plant and equipment for a net amount of €597 thousand (Notes 1, 2.2, 2.3.e and 2.26).

The most significant movements in 2020 related to additions for right-of-use assets for the lease of offices and the extension of service concession arrangement of the Duro Felguera Calderería Pesada (El Tallerón) facilities.

a) Property, plant and equipment under construction

There were no significant additions in 2021 and 2020.

b) Self-constructed property, plant and equipment

In 2021 and 2020, 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 2021, there were items of property, plant and equipment with a carrying amount of €3,224 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 (2020: €15,602 thousand), of which €11,687 thousand relate to items subject to an attachment order by the taxation authorities, which must be revoked in a ruling by the National High Court of 13 February 2020 (Note 31). The Group formally requested lifting of those embargoes, but as at the date of authorisation for issue of the accompanying consolidated financial statements the taxation authorities had yet to issue any order cancelling them.

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 €1,755 thousand (2020: €2,642 thousand).



DURO FELGUERA, S.A. AND SUBSIDIARIES

NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS (€ thousand)

f) Subsidised assets

The net carrying amount of subsidised assets at 31 December 2021 was €15,685 thousand (2020: €16,608 thousand).

g) Fully depreciated assets

At 31 December 2021, there were fully depreciated assets still in use amounting to €26,938 thousand (2020: €26,809 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 2021 was approximately €10,389 thousand (2020: €11,932 thousand), of which €1,770 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 2021 of €1,237 thousand (2020: €835 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 2.10 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 (Note 1.1) was recognised in the accompanying statement of profit or loss for 2020, since the fair value of the assets was lower than their carrying amount. In 2021, the appraisal made by an independent expert did not give rise to the recognition of any additional impairment losses on the Group's land and buildings.



DURO FELGUERA, S.A. AND SUBSIDIARIES

NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS
(€ thousand)

8. Investment properties

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

	€ thousand		
	Land	Buildings	Total
Balance at 1 January 2020	20,319	7,008	27,327
Cost	21,112	24,287	45,399
Accumulated depreciation	-	(15,135)	(15,135)
Impairment losses	(793)	(2,144)	(2,937)
Carrying amount	20,319	7,008	27,327
Decreases	-	(5,849)	(5,849)
Depreciation	-	(375)	(375)
Reversal of depreciation	-	4,411	4,411
Impairment losses	(3,862)	(818)	(4,680)
Reversal of impairment losses	-	1,399	1,399
Balance at 31 December 2020	16,457	5,776	22,233
Cost	21,112	18,438	39,550
Accumulated depreciation	-	(11,099)	(11,099)
Impairment losses	(4,655)	(1,563)	(6,218)
Carrying amount	16,457	5,776	22,233
Decreases	-	-	-
Depreciation	-	(353)	(353)
Reversal of depreciation	-	-	-
Impairment losses	-	(27)	(27)
Reversal of impairment losses	195	68	263
Balance at 31 December 2021	16,652	5,464	22,116
Cost	21,112	18,438	39,550
Accumulated depreciation	-	(11,452)	(11,452)
Impairment losses	(4,460)	(1,522)	(5,982)
Carrying amount	16,652	5,464	22,116

Investment properties include mainly land in the municipalities of Langreo and Oviedo (Asturias), of which €0.8 million (2020: €0.8 million) correspond to plots zoned as rural estates located in various areas of the Langreo municipality, €8.2 million (2020: €8.2 million) to industrial plots and developable land, and €8.4 million (2020: €10 million) to buildings in Gijón, Oviedo and La Felguera.

As described in Notes 2.10 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.

Based on the appraisals, a reversal of impairment of €263 thousand (Notes 1.1 and 4) was recognised in the accompanying statement of profit or loss for 2021, since the fair value of the assets was higher than their carrying amount. In 2020, the appraisal made by an independent expert gave rise to the recognition of impairment losses amounting to €4,680 thousand.

At year-end 2021, the fair value of the Group's investment properties, as appraised by the independent expert valuer, amounted to €30,319 thousand (2020: €30,041 thousand).



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NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS (€ thousand)

a) Investment properties subject to guarantees

At 31 December 2021, there were investment properties amounting to €12,482 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 (2020: €12,953 thousand), of which €446 thousand relate to items subject to an attachment order by the taxation authorities, which must be revoked in a ruling by the National High Court of 13 February 2020 (Note 31). The Group formally requested lifting of those embargoes, but as at the date of authorisation for issue of the accompanying consolidated financial statements the taxation authorities had yet to issue an mandate cancelling them.

9. Intangible assets

The breakdown of items composing "Intangible assets" by internally generated and other intangible assets is as follows:

	€ thousand					Total
	Goodwill	Development	Computer software	Construction in progress and advances	Other assets	
Balance at 1 January 2020	3,286	2,461	8,487	235	-	14,469
Cost	3,286	8,086	21,411	235	-	33,018
Accumulated amortisation	-	(5,625)	(12,924)	-	-	(18,549)
Carrying amount	3,286	2,461	8,487	235	-	14,469
Additions	-	96	-	-	-	96
Decreases	-	-	-	(235)	-	(235)
Amortisation allowance	-	(630)	(1,982)	-	-	(2,612)
Balance at 31 December 2020	3,286	1,927	6,505	-	-	11,718
Cost	3,286	8,182	21,411	-	-	32,879
Accumulated amortisation	-	(6,255)	(14,906)	-	-	(21,161)
Carrying amount	3,286	1,927	6,505	-	-	11,718
Balance at 1 January 2021	3,286	1,927	6,505	-	-	11,718
Cost	3,286	8,182	21,411	-	-	32,879
Accumulated amortisation	-	(6,255)	(14,906)	-	-	(21,161)
Carrying amount	3,286	1,927	6,505	-	-	11,718
Additions	-	673	3	-	-	676
Decreases	(3,286)	(3,327)	(3)	-	-	(6,616)
Transfers and other movements	-	(601)	-	-	-	(601)
Amortisation allowance	-	(151)	(1,958)	-	-	(2,109)
Elimination of amortisation	-	2,313	3	-	-	2,316
Balance at 31 December 2021	-	834	4,550	-	-	5,384
Cost	-	4,927	21,411	-	-	26,338
Accumulated amortisation	-	(4,093)	(16,861)	-	-	(20,954)
Carrying amount	-	834	4,550	-	-	5,384

The main changes in 2021 related to the sale of shares representing 40% of Epicom, S.A. and the grant of a call option on the remaining sixty (60) percent, exercisable within two years, to SEPI. The potential voting rights are considered substantive and give SEPI control



DURO FELGUERA, S.A. AND SUBSIDIARIES

NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS (€ thousand)

over the company. As a result, Epicom, S.A. was removed from Duro Felguera's scope of consolidation when the agreement became effective (Notes 1, 2.2, 2.3.e and 2.26), resulting in the derecognition of goodwill from this company amounting to €3,286 thousand and capitalised development expenditure amounting to a net €1,014 thousand.

a) Fully amortised assets

At 31 December 2021, there were fully amortised assets still in use amounting to €9,690 thousand (2020: €10,646 thousand).

b) Self-constructed intangible assets

In 2021, the Group capitalised labour and sundry materials costs for self-constructed intangible assets amounting to €72 thousand (2020: €96 thousand) under "Self-constructed assets".

c) Goodwill

At 31 December 2021, the Group did not recognise any goodwill in intangible assets (2020: €3,286 thousand arising from the acquisition of Epicom, S.A.).

The sale of shares representing 40% of Epicom, S.A. to SEPI resulting in the removal of this company from the Group's control and scope of consolidation and the derecognition of the goodwill from this company of €3,286 thousand.

d) Development expenditure

Capitalised development expenditure at 31 December 2021 relate to the following projects:

	€ thousand			
	Cost	Accumulated amortisation	Impairment	Carrying amount
Study into the manufacture of large-size equipment	673	(34)	-	639
Mock-up of Hydroprocessing Reactor	240	(144)	-	96
Improvement to welding processes – time optimisation	138	(56)	-	82
Design and development of sludge collectors	20	(16)	-	4
Other projects	3,856	(3,843)	-	13
	<u>4,927</u>	<u>(4,093)</u>	<u>-</u>	<u>834</u>



DURO FELGUERA, S.A. AND SUBSIDIARIES

NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS (€ thousand)

10. Investments accounted for using the equity method

	€ thousand	
	2021	2020
Opening balance	20	20
Disposals	-	-
Share of profit/(loss)	(784)	(14,426)
Transfers	784	14,426
Closing balance	20	20

The share of the loss of Dunor Energía S.A.P.I. de C.V. was deducted from the loans granted by the Group to this company until it was fully offset. A provision was recognised for the additional losses (Notes 2.3.c) and 25), given the existence of guarantees to the end customer and certain obligations with the other partner.

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

Name	Country of incorporation	€ thousand				% ownership interest
		Assets	Liabilities	Revenue	Profit / (loss)	
2021						
• Zoreda Internacional S.A.	Spain	N/A	N/A	N/A	N/A	40%
• Sociedad de Servicios Energéticos Iberoamericanos S.A.	Colombia	(*)	(*)	(*)	(*)	(*)
• Dunor Energía, S.A.P.I. de C.V.	Mexico	7,920	48,325	-	(1,568)	50%
2020						
• Zoreda Internacional S.A.	Spain	N/A	N/A	N/A	N/A	40%
• Sociedad de Servicios Energéticos Iberoamericanos S.A.	Colombia	(*)	(*)	(*)	(*)	25%
• Dunor Energía, S.A.P.I. de C.V.	Mexico	5,038	40,818	2,673	(28,853)	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.

In 2020, the banks called the guarantee extended by the Group on 50% of Dunor Energía S.A.P.I. de C.V.'s borrowings. Since the Group did not have the funds to meet this obligation, it recognised the liability under "Bank borrowings, and bonds and other marketable securities" in an amount of €3,089 thousand at 31 December 2020 (Note 22). The debt was cancelled at the end of 2021.



DURO FELGUERA, S.A. AND SUBSIDIARIES

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This company was considered a joint venture, so both venturers exercise joint control over the company and have rights to its net assets. Therefore, the Group accounted for the investment using the equity method, as described in Note 2.3.c). Under the terms of the financing agreement entered into by the two venturers, they became joint guarantors, each jointly and severally liable for 50% of all Dunor Energía, S.A.P.I. de C.V.'s payment obligations, with a maximum liability of 50% each.

On 26 August 2020 Dunor, lodge an application for arbitration against CFE with the London Court of International Arbitration ("LCIA"), claiming 100% of the principal of \$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 \$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. The simultaneous submission of pleadings and costs is pending. Once submitted, the arbitration proceedings will be effectively completed, thus enabling the tribunal to review the case and formulate the award.

At 31 December 2020, given the lack of recognition of the claims in administrative proceedings and the resulting claim made via arbitration channels, the Group re-estimated the probability of success in the claims recorded under IFRS 15. This led to the recognition of losses amounting to €14,426 thousand in the 2020 consolidated statement of profit or loss, under "Share of profit/(loss) of companies accounted for using the equity method". The situation did not change in 2021.



DURO FELGUERA, S.A. AND SUBSIDIARIES

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11. Financial instruments

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

	€ thousand		
	Amortised cost	Fair value through OCI	TOTAL
<u>31 December 2021</u>			
On-balance sheet assets			
- Equity instruments	-	8,159	8,159
- Non-current financial assets	41	-	41
- Other non-current assets	-	-	-
Total classified in non-current assets	41	8,159	8,200
- Equity instruments	-	5,320	5,320
- Trade and other receivables (Note 12) (*)	72,805	-	72,805
- Deposits	23,042	-	23,042
- Other current assets	3,978	-	3,978
Total classified in current assets	99,825	5,320	105,145
Total	99,784	13,479	113,345

	€ thousand		
	Amortised cost	Fair value through OCI	TOTAL
<u>31 December 2020</u>			
On-balance sheet assets			
- Equity instruments	-	5,233	5,233
- Non-current financial assets	225	-	225
- Other non-current assets	-	-	-
Total classified in non-current assets	225	5,233	5,458
- Equity instruments	-	-	-
- Trade and other receivables (Note 12) (*)	76,689	-	76,689
- Deposits	36,704	-	36,704
- Other current assets	3,236	-	3,236
Total classified in current assets	116,629	-	116,629
Total	116,854	5,233	122,087

(*) 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 2021, equity instruments include mainly the ownership interests in Ausenco, Ltd., recognised in non-current assets, and Epicom, S.A. recognised in current assets (2020: the interest in Ausenco, Ltd.), taking into consideration the call option granted on the shares.

The Group had €23,042 thousand of deposits and escrow accounts, of which €16 million related to the Iernut project in Romania, deposited as security for execution of its projects due to the lack of guarantees, which were enforced as described in Note 3.1.c.



DURO FELGUERA, S.A. AND SUBSIDIARIES

NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS
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	€ thousand		
	Fair value through profit or loss	Debts and payables (amortised cost)	TOTAL
<u>31 December 2021</u>			
On-balance sheet liabilities			
- Bank borrowings (note 22)	-	23,056	23,056
- Finance lease liabilities (Note 22)	-	1,241	1,241
- Convertible bonds Class A and C (Note 22)	15,987	-	15,987
- Profit participating loans (Note 22)	-	126,000	126,000
- Other financial liabilities	-	4,187	4,187
- Trade and other payables (Note 23) (*)	-	151,792	151,792
Total	15,987	306,276	322,263

	€ thousand		
	Fair value through profit or loss	Debts and payables (amortised cost)	TOTAL
<u>31 December 2020</u>			
On-balance sheet liabilities			
- Bank borrowings (Note 22)	-	88,831	88,831
- Finance lease liabilities	-	894	894
- Other financial liabilities	-	5,597	5,597
- Trade and other payables (Note 23) (*)	-	182,793	182,793
Total	-	278,115	278,115

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

12. Trade and other receivables

	€ thousand	
	2021	2020
Trade receivables	130,951	147,992
Less: Allowance for expected credit losses (Note 2.12.)	(90,258)	(98,901)
Completed work pending certification (*)	27,053	22,645
Trade and other receivables (*)	4,829	4,639
Personnel	230	314
Current tax assets	-	-
Other taxes receivable (Note 24)	27,170	27,236
Total	99,975	103,925
Less: Non-current portion: Other receivables	-	-
Current portion	99,975	103,925

(*) Amounts net of the allowance for expected credit losses (Note 2.12)



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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 2021, in addition to receivables provisioned, receivables amounting to €31,730 thousand had fallen due (2020: €33,936 thousand).

The ageing analysis of these receivables is as follows:

	€ thousand	
	2021	2020
Up to 3 months	7,384	2,272
Between 3 and 6 months	358	549
Between 6 months and 1 year	3,197	2,617
More than 1 year	20,791	28,498
	<u>31,730</u>	<u>33,936</u>

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	
	2021	2020
Opening balance	22,645	54,940
Completed work pending certification and invoiced the previous year	(5,563)	(14,704)
Changes due to exchange rates and other	373	(2,801)
Impairment of completed work pending certification	(2,278)	(22,885)
Change of project progress (Revenue – Billings)	11,876	8,095
Closing balance	<u>27,053</u>	<u>22,645</u>

At 31 December 2021, the amount of completed work pending certification over 12 months past due was €47,240 thousand, of which provisions had been recognised for €27,841 thousand (Note 2.12.).

Breakdown by project of completed work pending certification over 12 months past due at 12 December 2021:



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	€ thousand		
	Completed work pending certification	Impairment	Net amount
> 1 year			
Termocentro	16,433	(16,433)	-
CVO	6,161	(6,161)	-
Tuticorin	2,397	(2,397)	-
Aconcagua	7,773	-	7,773
Petalcalco Green	3,881	-	3,881
Pressure vessel manufacturing	5,652	(2,017)	3,635
Other	1,740	(510)	1,230
Total > 1 year	44,037	(27,518)	16,519
Other completed work pending certification	10,857	(323)	10,534
	54,894	(27,841)	27,053

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. The most significant past-due balances relate to:

- Termocentro (Venezuela)

At 31 December 2021, 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 €15,112 thousand (2020: €14,726 thousand). No amounts related to this project were received between February 2017 and the date of authorisation for issue of these consolidated financial statements.

Since the customer is a public institution, the Group equated the receivable from this customer to Venezuela sovereign debt. To estimate expected credit losses, it considered the available information before default of the Venezuelan government's CDS curve. Meanwhile, in light of the severe worsening of Venezuela's economic, political and social situation over the past few years and more so since the sovereign rating was downgraded from CCC to C, the recovery rate remains low, at around 15%.

As a result, the Group has kept an allowance for 85% of the entire outstanding balances, including the amount of completed work pending certification and the provision for the withholding to be applied to the customer. This led to the recognition of €571 thousand of additional impairment losses in 2021.

Under the terms of the agreement signed with the customer, at 31 December interest amounting to €60,928 thousand had accrued to the Group (2020: €52,705 thousand) which had not been recognised and was considered as contingent assets.



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- 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. The situation did not change in 2021.

- Aconcagua

The Group recognised €6 million 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 counterclaim for wilful misconduct and bad faith by DF (which the Company considers unlikely) of €124 million and, if no fraud is found, at the 15% cap in the contract, i.e. €16.37 million. On 1 March 2021, the Group filed a lawsuit for an amount equal to €25 million.

Nevertheless, considering the technical results provided in the lawsuit and performance tests showing higher amounts than the guaranteed amounts, the Group considers it objective both technically and legally, and it is highly probable that a reversal will not occur.

It also considered an EPC consultancy report containing an analysis with a technical and contractual opinion and an external legal opinion determining that "DF has contractual, legal and technical grounds showing that ERSA misinterpreted the agreement and that DF is entitled to receive the performance bonus. Therefore, based on the information available, the results of the performance test and the wording of the agreement, it is highly likely that DF will obtain the performance bonus".

The amount receivable for this project at year-end and shown on the Group's statement of financial position at 31 December 2021 was €10.5 million, of which €6 million related to the performance bonus and the remainder to other milestones in the contract.

b) Trade and other receivables

"Trade and other receivables" consists mainly of the following items:



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	€ thousand	
	2021	2020
Guarantees called on the Tuticorin project ^(*)	-	-
Liquidation of Carrington ^(*)	3,620	3,383
Other receivables	1,209	1,256
	<u>4,829</u>	<u>4,639</u>

^(*) Net of expected-loss allowance based on the estimate of the liquidator in the UK (Carrington) case (Nota 2.12)

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 2021	98,901	31,501	14,738	145,140
Allowance for impairment of receivables	2,809	635	-	3,444
Unused amounts reversed	(7,283)	(2,761)	(1,589)	(11,633)
Amounts used	(6,790)	(608)	-	(7,398)
Transfers	2,808	-	-	2,808
Exchange differences	(187)	(926)	-	(1,113)
Balance at 31 December 2021	<u>90,258</u>	<u>27,841</u>	<u>13,149</u>	<u>131,248</u>

d) Foreign currency balances

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

	€ thousand	
	2021	2020
Euro	66,280	63,172
US dollar	10,746	19,134
Argentine peso	537	142
Indian rupee	2,738	2,636
Algerian dinar	8,137	8,135
Mexican peso	1,791	2,208
Chilean peso	5,969	6,232
Peruvian nuevo sol	1,326	1,498
United Arab Emirates dirham	5	7
Romanian new leu	-	-
Brazilian real	2	53
Canadian dollar	1	62
Kuwaiti dinar	345	453
Costa Rican colón	953	-
Pound sterling	165	-
Colombian peso	846	-
Other currencies	134	193
	<u>99,975</u>	<u>103,925</u>



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13. 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 2021 and 2020.

14. Inventories

	€ thousand	
	2021	2020
Production materials and supplies	1,344	2,419
Work in progress	194	1,353
Finished goods	-	-
Advances to suppliers	5,454	3,925
	<u>6,992</u>	<u>7,697</u>
Less: Impairment losses	(561)	(987)
	<u>6,431</u>	<u>6,710</u>

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.

15. Cash and cash equivalents

	€ thousand	
	2021	2020
Cash and banks	88,408	22,593
Short-term bank deposits and promissory notes	134	2,303
Cash and cash equivalents (excluding bank overdrafts)	<u>88,542</u>	<u>24,896</u>

At 31 December 2021, an amount of €1,228 thousand was subject to certain restrictions, basically as it provides guarantees for third-party lawsuits pending court rulings or counterparty agreements (2020: €1,921 thousand, pledged as security for project guarantees or cash deposits made in lieu of project guarantees).

Short-term deposits at credit institutions relate to investments of cash surpluses maturing within three months. (2020: €2,147 thousand related to a deposit in Indian rupees (INR) at an EIR of 5.75%).

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



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	€ thousand	
	2021	2020
Euro	86,213	20,051
US dollar	1,294	998
Romanian leu	11	43
Canadian dollar	42	37
Brazilian real	34	11
Pound sterling	-	83
Argentine peso	71	12
Algerian dinar	8	1,206
Australian dollar	-	-
United Arab Emirates dirham	158	28
Mexican peso	8	9
Colombian peso	193	11
Indian rupee	337	2,150
Peruvian nuevo sol	96	251
Chilean peso	5	4
Chinese yuan	-	-
Other currencies	72	2
	<u>88,542</u>	<u>24,896</u>

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

16. Capital and share premium

a) Capital

Share capital at 31 December 2021 was represented by 96 million fully subscribed and paid shares in book-entry form with a par value of €0.05 each.

Share capital at 1 January 2020 was represented by 4,800 million fully subscribed and paid shares in book-entry form with a par value of €0.01 each.

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

<u>Shareholder</u>	Ownership (%) direct and indirect	
	2021	2020
UBS Switzerland AG (*)	4.02%	3.94%
Morgan Stanley and Co International PLC (*)	2.97%	3.66%
TSK Electrónica y Electricidad, S.A.	3.12%	3.12%

(*) Depositories 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.



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

c) Treasury shares

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

d) Convertible bonds

At 31 December 2020, the Group concluded that the Class A Convertible Bonds were equity instruments given the following circumstances:

- They do not contain a contractual obligation to deliver cash or another financial asset since the bonds, at final maturity, unless they have been converted previously, will be redeemed and the claim represented by the bonds released and extinguished.
- The instrument will only be settled in the Issuer's own equity instruments and is a non-derivative since it is not required to deliver a variable number of own instruments. Therefore, holders of Class A Convertible Bonds will receive a fixed number of equity instruments - a total of 6,127,660 new shares applying the contractual exchange ratio after the reverse split explained in section b)- (previously 306,382,979 new shares), considering that:
 - Since any modification of the Company's capital is considered remote, the contractual obligations assumed in the 2018 refinancing agreement, mainly that the Company could not adopt any resolutions or carry out any transaction that modify the Issuer's share capital except where they relate to the exercise of the Right of Conversion of the Bondholders, imply that share capital is fixed, fulfilling the condition of fixed-for-fixed conversion.
 - Considering that the Class B Convertible Bonds will never be converted before the Class A Convertible Bonds, given the nature and condition of the Class B Convertible Bonds:
 - a) The valuation of the Class B Convertible Bonds indicates a lower value, so their conversion is considered remote.
 - b) The Group's business plan considers conversion of the Class B Convertible Bonds before year four to be remote.
 - c) Even if the share price rises, the possibility of converting the Class B Convertible Bonds in year two is considered remote, since the higher the value of the Group, the greater the number of shares received by the bondholders and, accordingly, the higher the percentage of share capital and value of the Group the holders will receive, which is not the case with the Class A Convertible Bonds.

The independent expert's initial valuation in 2018 concluded that the Class A Convertible Bonds were worth €8,093 thousand, which was recognised in other equity instruments.



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As explained in Note 22, the Class A Convertible Bonds were modified as a result of the refinancing agreement reached with banks on 29 November 2021 and the commitments with with FASEE and reclassified to financial liabilities.

e) Equity attributable to equity holders of the Parent

From an equity standpoint, the parent company did not meet any of the grounds for dissolution at 31 December 2021, despite having negative equity of €137,504 thousand: Firstly, because profit participating loans are treated as equity for company law purposes with respect to capital reductions and liquidations. At 31 December 2021, the amount of all profit participating loans agreed under the refinancing agreement was €129 million (€100 million with FASEE, €23 million with banks and €6 million with the Regional Promotion Society of the Principality of Asturias (Sociedad Regional de Promoción del Principado de Asturias or "SRP"). In addition, in December 2021 and as envisaged in the public financing contract with FASEE, the Group asked the latter to convert the €20 million ordinary loan into a profit participating loan. FASEE has yet to approve the request. Once this takes place, the total amount of the profit participating loan will be €149 million. Secondly, because Royal Legislative Decree 27/2021, on procedural and organisational measures in response to COVID-19, states that losses incurred in financial years 2020 and 2021 should not be counted when determining whether a ground for dissolution exists. 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 the aforementioned Royal Decree-Law, the parent's equity for company law purposes amounts to €162,668 thousand, as shown in the following table:

(€ thousand)

Equity of the parent company at 31 December 2021	-137,504
Profit participating loan, FASEE (*)	100,000
Profit participating loan, SRP	6,000
Profit participating loan, banks	23,000
Loss in 2020 attributable to the parent	171,172
Equity of the parent for company law purposes at 31 December 2021(*)	162,668

(*) This amount is expected to be increase by €20,000 thousand on the conversion of the ordinary loan into a profit participating loan following as per the request sent to FASEE in December 21, which at the date of authorisation for issue of these consolidated financial statements is still being processed.

17. Share-based payments

No share delivery plan was agreed in 2021 or 2020.



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18. Reserves and valuation adjustments

a) Reserves

Breakdown of reserves at 31 December 2021 and 2020:

	€ thousand	
	2021	2020
Legal reserve of the parent	-	-
Other parent company reserves	(174,042)	(5,756)
Consolidation reserves in the parent	287,544	216,197
Consolidation reserves in subsidiaries	(199,296)	(142,178)
Reserves in jointly controlled entities and associates	(19,363)	(4,937)
	<u>(105,157)</u>	<u>63,326</u>

Legal reserve

The legal reserve is allocated in accordance with article 274 of the Corporate Enterprises Act, which states that in any event, companies must earmark an amount equal to 10% of profit for the year to a legal reserve until such reserve reaches at least 20% of the capital. It may not be distributed, and can only be used to offset losses if no other reserves are available. Any amount of the reserve used for this purpose must be restored with future profits.

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

Consolidation reserves

These reserves comprise mainly consolidation adjustments made by the parent company for the elimination of impairment losses on fully consolidated investees and the elimination of provisions for liabilities on those investments, for €287 million.

b) Valuation adjustments

Valuation adjustments at year-end 2021 and 2020 related primarily to:

	€ thousand	
	2021	2020
Exchange differences on intergroup loans	(73,235)	(63,549)
Translation differences	10,039	11,112
Financial assets at fair value through OCI (Note 11)	2,529	587
	<u>(60,667)</u>	<u>(51,850)</u>

The breakdown by company at year-end 2021 and 2020 of exchange differences on intergroup loans, which according to IAS form part of the net investment, is as follows:



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Company	€ thousand	
	2021	2020
Duro Felguera Argentina, S.A.	(67,624)	(60,384)
Felguera Gruas India Private Limited	(1,291)	(1,356)
Other	(4,320)	(1,809)
	<u>(73,235)</u>	<u>(63,549)</u>

A breakdown of cumulative translation differences by company at year-end 2021 and 2020 is as follows:

Company	€ thousand	
	2021	2020
Duro Felguera, S.A.		
- Dubai branch	(291)	4,181
- India branch	535	544
- Algeria branch	4,315	5,603
- Peru branch	1,456	1,089
- Romania branch	(386)	(301)
- Egypt branch	(367)	(367)
- Mexico branch	580	715
Felguera IHI, S.A.		
- Costa Rica branch	(417)	(526)
- Peru branch	320	267
- Bolivia branch	27	59
- Colombia branch	(661)	(629)
Felguera Tecnologías de la Información, S.A.	2	-
Equipamientos Construcciones y Montajes, S.A. de C.V.	(726)	(1,127)
Turbogeneradores del Perú, S.A.C.	(165)	(164)
Duro Felguera Argentina, S.A.	13,653	9,292
PT Duro Felguera Indonesia	193	193
Felguera Diavaz Proyecto México S.A. de C.V.	2	2
Duro Felguera Do Brasil Desenvolvimento de Projetos Ltda.	(3,536)	(3,508)
Duro Felguera Australia Pty Ltd. (Note 2.3(e))	-	-
Duro Felguera Saudí LLC	11	11
DF USA, LLC	40	40
Dunor Energía S.A.P.I. de C.V.	(99)	1,429
DF Canada Ltd	15	34
Felguera Gruas India Private Limited	(7,403)	(7,136)
Felguera IHI Canadá INC	(9)	(9)
Proyectos e Ingeniería Pycor, S.A. de C.V.	(109)	(114)
Duro Felguera Chile	3,189	1,705
Mopre Montajes de Precisión de Venezuela, S.A.	(171)	(171)
	<u>10,039</u>	<u>11,112</u>



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19. Distribution of profit/(loss) and dividends

The proposed distribution of the 2021 profit of the parent company to be submitted for approval at the Annual General Meeting is as follows:

	<u>€ thousand</u>
Basis of distribution	
Profit (loss) attributable to the parent	<u>22,614</u>
Distribution	
Prior periods' losses	<u>22,614</u>

No interim dividends were paid in 2021 or 2020.

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

20. Non-controlling interests

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

	<u>€ thousand</u>	
	<u>2021</u>	<u>2020</u>
Opening balance	477	(16,451)
Profit/(loss) for the year	53	(80)
Distribution of dividends	-	-
Other movements	1	17,008
Closing balance	<u>531</u>	<u>477</u>

The distribution by company is as follows:

	<u>€ thousand</u>	
Company	<u>2021</u>	<u>2020</u>
Duro Felguera Argentina, S.A.		-
Felguera Tecnologías de la Información, S.A.	566	512
Felguera-Diavaz Proyectos México, S.A. de C.V.	(23)	(23)
Operación y Mantenimiento Solar Power, S.L.		-
DF Saudi	<u>(12)</u>	<u>(12)</u>
	<u>531</u>	<u>477</u>

The main change in 2020 related to the reclassification to equity of the parent of Duro Felguera Argentina, S.A.'s non-controlling interest of 10% in UTE Duro Felguera Argentina, S.A. - Fainser, S.A.



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The UTE was created as a vehicle to carry out the Vuelta de Obligado project in Argentina along with a required local partner. Duro Felguera Argentina, S.A. had control and decision-making power over all the venturers in the UTE and Fainser, S.A. had no veto power over any decisions adopted or to be adopted, nor any right to the rewards of the project because it did not contribute initially to the project. However, the venturer was obliged to assume its share of the losses incurred until the project was completed. Duro Felguera Argentina guaranteed all the UTE's third-party commitments. As a result, this investment did not fall under the scope of IFRS 11 Joint Arrangements, since decisions did not require the unanimous consent of the parties. As DF Argentina, S.A. had control over the investment, it was fully consolidated in the consolidated financial statements and the venturer's 10% non-controlling interest was recognised in the consolidated statement of financial position.

Since the venturer had the obligation to assume its share of losses and Fainser could not meet them given its financial position and filing for preventive bankruptcy in 2020, and because DF did not verify its credits with Fainser before the 30 July 2020 deadline for verification, based on the external legal opinion issued on 25 February 2021, the Group derecognised this non-controlling interest due to doubts that the non-controller shareholder would ultimately assume its share of losses.

21. Government grants

Reconciliation of government grants:

	€ thousand					
	Opening balance	Additions	Transfer to profit/(loss)	Decreases	Other movements	Closing balance
2020						
Government grants	3,846	-	(202)	-	(66)	3,578
2021						
Government grants	3,578	-	(242)		4	3,340

In 2020, this item included €1,350 thousand (2020: €1,431 thousand) resulting from the update at year-end of loans with subsidised interest rates pending transfer to profit or loss which will be carried out in coming years based on the depreciation of the assets financed by these loans.

The breakdown of capital grants is as follows:



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Granting entity	€ thousand	Purpose
Ministry of Education	1,172	Building in Gijón Technology Park
Ministry of Industry and Energy	174	CPI La Felguera building
I.F.R.	106	Warehouse in the Silvota industrial park
Ministry of Industry	164	New reactor manufacturing process
Principality of Asturias	113	Investment in bending machine
Ministry of Industry	143	Capital investment
Ministry of Industry	90	New welding processes
Other grants	1,378	
	3,340	

These are basically grants received for investment in capital goods. The conditions attached when the grants were awarded have been complied with.

22. Financial liabilities

	€ thousand	
	2021	2020
Non-current		
Convertible bonds	15,987	-
Bank borrowings	13,000	-
Finance lease liabilities	1,079	612
Other financial liabilities	128,019	3,158
	158,085	3,770
Current		
Bank borrowings	10,056	88,831
Finance lease liabilities	163	282
Other financial liabilities	2,168	2,440
	12,387	91,553
Total financial liabilities	170,472	95,323

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

	€ thousand	
	2021	2020
Euro	170,472	92,234
US dollars	-	3,089
	170,472	95,323



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

	€ thousand	
	2021	2020
Between 1 and 2 years	662	1,360
Later than 2 years and no later than 5 years	135,181	1,803
More than 5 years	22,242	607
	<u>158,085</u>	<u>3,770</u>

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

	€ thousand				2021
	2020	Cash flows	Other movements	Reclassifications	
Non-current bank borrowings	-	-	-	13,000	13,000
Current bank borrowings	88,831	(13,831)	(51,944)	(13,000)	10,056
Total liabilities arising from financing activities	<u>88,831</u>	<u>(13,831)</u>	<u>(51,944)</u>	-	<u>23,056</u>

a) Convertible bonds

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

Class A Convertible Bonds:

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

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

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



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(€ thousand)

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

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

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

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

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

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

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

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

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

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 these financial statement, 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 2021 indicated that Class A Bonds were worth €5,049 thousand.



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Class B Convertible Bonds:

In the 2018 refinancing, this item included the total nominal amount of the 14,227,267,955 Class B Convertible Bonds of €90,736,373.89, with a nominal amount of €0.01 each, convertible into newly issued shares of the Issuer of the same class and series as the ordinary shares of the Company currently outstanding. The maximum duration was five years from the effective date of the 2018 refinancing.

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

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

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

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

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

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



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

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

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

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

Class C Convertible Bonds:

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

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

The total nominal amount of the 51,999,997 Class C Convertibles Bonds is €51,999,997.00, with a nominal amount of €0.01, convertible into newly issued shares of the Issuer of the same class and series as the ordinary shares of the Company currently outstanding. The maximum duration is six years from the effective date of the 2021 refinancing.

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

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

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

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

The Conversion Price (C_p) is calculated at each conversion window as:

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



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

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

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

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

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, broken down by bank as follows

Share	Amount (€)	Share (%)
Banco Bilbao Vizcaya Argentaria, S.A.	2,806,000	3.30117647%
Banco Cooperativos Español, S.A.	3,195,000	3.75882353%
Banco Sabadell, S.A.	7,348,000	8.64470588%
Banco Santander, S.A.	38,623,000	45.43882353%
Caixabank, S.A.	25,037,000	29.45529412
Unicaja Banco, S.A.	7,991,000	9.40117647%
	85,000,000	100%

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

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

In the first half of 2020, the Group classified the €85,000 thousand syndicated loan as current since it was subject to early repayment and no waiver for breach of the gross financial debt/EBITDA ratio at 30 June 2020 had been given.



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

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

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

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

Original lender	PPL1		PPL2	
	Amount (€)	Participation (%)	Amount (€)	Participation (%)
Banco Santander, S.A.	8,232,642.00	41.16321	2,489,451.39	45.26275254545455
Caixabank, S.A.	5,780,482.57	28.90241285	1,609,501.07	29.26365581818182
Banco de Sabadell, S.A.	3,132,701.71	15.66350855	531,691.44	9.66711709090909
Banco Bilbao Vizcaya Argentaria, S.A.	807,465.32	4.0373266	194,868.02	3.54305490909091
Banco Cooperativo Español, S.A.	371,023.34	1.8551167	192,629.14	3.502348
Unicaja Banco, S.A.	1,675,685.06	8.3784253	481,858.94	8.76107163636364
Total	20,000,000	100%	5,500,000	100%

On 30 December 2021, the Group repaid €2.5 million of the PPL1 tranche, therefore leaving €17.5 million of the PPL1, which will be repaid according to the following schedule:



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- o 30 March 2022: €5,000,000
- o 30 October 2022: €5,000,000
- o 29 November 2024: €6,428,571.43
- o 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):

Date	Leverage ratio
30 June 2022	18.79x
31 December 2022 and 30 June 2023	7.76x
31 December 2023 and 30 June 2024	6.10x
31 December 2024 and 30 June 2025	2.71x
31 December 2025 and 30 June 2026	1.72x
31 December 2026 and 30 June 2027	1.13x
31 December 2027	0.68x

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



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Date	Interest coverage ratio
30 June 2022	1.54x
31 December 2022 and 30 June 2023	3.96x
31 December 2023 and 30 June 2024	4.19x
31 December 2024 and 30 June 2025	5.20x
31 December 2025 and 30 June 2026	10.28x
31 December 2026 and 30 June 2027	14.91x
31 December 2027	25.77x

- Convert a portion - €52 million - of the syndicated loan into bonds convertible into ordinary newly issued shares of the Company (the Class C Convertible Bonds), by offsetting credit claims, 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

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 202, in accordance with article 605.1 of the Insolvency Act.

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



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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 2020 provided the Group makes the scheduled repayment of €5 million by that date.
A fourth tranche of €20 million available as of 30 March 2020 provided the Group makes the scheduled repayment of €5 million by that date.

The guarantee facility is 70%-backed by CESCE.

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

c) Draw-downs on credit accounts and discounting facilities

Interest rates paid on draw-downs from credit accounts and bill discounting are as follows:

	2021	2020
Euro	-	-
US dollars	-	-

At 31 December 2021, the Group had no credit facilities.

d) 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 7.h).

e) Other financial liabilities

"Other financial liabilities" includes primarily:



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- 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 (Note 2.1 Application of the going concern principle).

- Regional government of Asturias:

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

- Is also includes 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" (Note 21), which will be released to profit or loss as the subsidised assets are depreciated.

The FASEE and SRP financing are both profit participating, for €100 million and €6 million, respectively. Remuneration for the participation comprises a variable portion that is permanent and a variable portion that is participating. The permanent variable rate is the IBOR plus an increasing annual spread from 2.5% to 9.5%, while the participating variable portion is 1% of consolidated annual EBITDA and only accrues if the amount is positive. The ordinary loan carries a fixed 2% rate. Interest periods are one year. Maturity is the third, fourth and fifth anniversary from the closing date of the financing, and entails different amounts. Upon request from the beneficiaries, the fund may approve the conversion of the ordinary loan into a profit participating loan where needed to avoid grounds for dissolution. The financing agreement provides for situations of full or partial early repayment, in which case the Fund may, but would not be required to, terminate the contract. The 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.

23. Trade and other payables

	€ thousand	
	2021	2020
Suppliers	102,016	122,127
Amounts due to related parties (Note 37)	17	17
Other payables	5,982	4,986
Personnel (salaries payable)	4,197	4,783
Current tax liabilities	209	1,526
Other taxes payable (Note 24)	7,707	6,218
Advances received for contract work	39,581	50,879
	<u>159,709</u>	<u>190,536</u>
Non-current portion	-	-
	<u>159,709</u>	<u>190,536</u>



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Regarding "Advances received for contract work", in 2021 contract revenue was realised on 40% of the previous year-end balance (2020: 78%), 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	
	2021	2020
Euro	102,378	113,980
Algerian dinar	31,917	30,456
US dollar	9,414	22,124
Mexican peso	616	4,675
Indian rupee	2,916	2,715
Argentine peso	2,172	3,382
Romanian new leu	4,033	6,611
Peruvian nuevo sol	264	501
Australian dollar	37	-
United Arab Emirates dirham	3,378	3,600
Kuwaiti dinar	1,246	1,336
Chilean peso	454	525
Brazilian real	55	50
Canadian dollar	23	78
Pound sterling	226	358
Colombian peso	483	-
Other	97	145
	<u>159,709</u>	<u>190,536</u>

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:



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	Days	
	2021	2020
Average supplier payment period	509	332.94
Ratio of transactions paid	313	131.05
Ratio of transactions outstanding	795	640.69

	€ thousand	
	2021	2020
Total payments made	60,428	67,229
Total payments outstanding	41,345	44,103

Excluding the Djelfa product, which resumed in 2021 (see Note 1), the average supplier payment period would be 311.14 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 2021, the Group had past-due balances with suppliers amounting to €76,294 thousand for services, works or supplies related mainly to projects. Of this amount, 46% 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.

Of the total amount of past-due balances at year-end, 42.3% 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.



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24. Taxes receivable and payable and deferred taxes

a) Taxes receivable and payable

The main taxes receivable and payable are as follows:

	<u>€ thousand</u>	
	<u>2021</u>	<u>2020</u>
Taxes receivable		
Value added tax ^(*)	25,603	25,563
Personal income tax withholdings	-	1
Prepaid taxes, income tax of other countries and non - resident withholdings	425	745
Receivable for refund of prior year's income tax	-	-
Other	1,142	927
	<u>27,170</u>	<u>27,236</u>
Taxes payable		
Value added tax	(5,075)	(2,934)
Social Security payables	(1,045)	(1,310)
Other	(364)	(324)
Personal income tax withholdings	(1,221)	(1,268)
Other taxes	(2)	(382)
	<u>(7,707)</u>	<u>(6,218)</u>

^(*) Includes €6.9 million of value added tax refundable, which was set off against the outstanding amount owed arising from the tax assessments described in Note 31 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:

	<u>€ thousand</u>	
	<u>2021</u>	<u>2020</u>
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	11,663	16,539
Deferred tax assets to be recovered within 12 months	1,911	6,542
	<u>13,574</u>	<u>23,081</u>
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	(13,403)	(16,604)
Deferred tax liabilities to be recovered within 12 months	(1,872)	(6,510)
	<u>(15,275)</u>	<u>(23,114)</u>
Net amount	<u>(1,701)</u>	<u>(33)</u>



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

	€ thousand	
	2021	2020
Opening balance	(33)	122
(Charge)/credit to profit or loss	(637)	456
Adjustment / Decreases	-	-
(Charge)/credit to reserves	(1,031)	(611)
Closing balance	<u>(1,701)</u>	<u>(33)</u>

Reconciliation of deferred tax assets and liabilities in the year:

Deferred tax assets	€ thousand			
	Provision for employee benefit obligations	Tax losses and deductions	Other	Total
At 1 January 2020	-	23,963	6,343	30,306
(Charge)/Credit to profit or loss	-	(6,490)	(116)	(6,606)
Decreases	-	-	-	-
Charge/(Credit) to equity	-	-	(619)	(619)
At 31 December 2020	-	17,473	5,608	23,081
(Charge)/Credit to profit or loss	-	(8,468)	(653)	(9,121)
Decreases	-	-	-	-
Charge/(Credit) to equity	-	-	(386)	(386)
At 31 December 2021	-	9,005	4,569	13,574

Deferred tax liabilities	€ thousand				
	Gains on transactions with non-current assets	Asset revaluation	Class B Convertible Bonds	Other	Total
At 1 January 2020	37	2,341	23,964	3,842	30,184
Charge/(Credit) to profit or loss	-	(478)	(6,499)	(84)	(7,061)
Decreases	-	-	-	-	-
Charge/(Credit) to equity	-	66	-	(75)	(9)
At 31 December 2020	37	1,929	17,465	3,683	23,114
Charge/(Credit) to profit or loss	-	-	(8,460)	(24)	(8,484)
Decreases	-	-	-	-	-
Charge/(Credit) to equity	-	671	-	(26)	645
At 31 December 2021	37	2,600	9,005	3,633	15,275

Assets for the carry forward of unused tax losses are recognised to the extent that it is probable that taxable profit will be realised enabling their utilisation, as explained below.



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The tax group may utilise tax losses with no timing limit up to a maximum of 25% of previous taxable profit. This limit is not applicable to the amount of income arising from tax relief or deferments granted in an agreement with the taxpayer's creditors. There are also other unrecognised positive temporary differences limiting the impact of applying this limit.

The Group recognised a deferred tax liability in 2018 of €33,276 thousand for the accounting income related to the conversion of the Class B Convertible Bonds for €134,204 thousand arising from the refinancing agreement signed by the Group in 2018.

According to article 11.13 of Corporate Income Tax Law 27/2014, of 27 November, this accounting income will be included for tax purposes in proportion to the financial expenses recognised in the tax period relative to the total financial expenses pending recognition arising from the debt. In addition, this taxable income may be offset with prior years' tax losses without limit.

In 2018, the Group recognised a deferred tax asset for the same amount (€33,276 thousand) as the liability recognised for deferred income from the Class B Convertible Bonds since the tax income could be offset in full with those losses.

In 2021, following the cancellation of the Class B Bonds, the outstanding amount of the proceeds from Class B Bonds was reversed for tax purposes, for an amount of €69,859 thousand (2020: €25,994 thousand), giving rise to a movement of €17,465 thousand (2020: €6,499 thousand) in both the related deferred tax liability and the deferred tax asset for the offset of unused tax losses.

In addition, also based on article 11.13 the Group recognised a deferred tax liability in 2021 of €9,005 thousand for the accounting income related to the conversion of the Class C Convertible Bonds for €37,037 thousand arising from the refinancing agreement signed by the Group in 2021. The Group also recognised a deferred tax asset for the same amount (€9,005 thousand) as the liability recognised for deferred income from the Class C Convertible Bonds since the tax income could be offset in full with those losses.

"Other" includes deferred tax assets amounting to €4,569 thousand (2020: €5,608 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 2021 and 2019 of the Spanish tax group are as follows:



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	2021		2020	
	Base	Tax charge	Base	Tax charge
Tax losses	134,564	33,641	160,089	40,022
Deductions				
R&D and technological innovation	-	4,307	-	4,705
Donations	-	193	-	193
Reversal of temporary measures	-	98	-	75
Double international taxation	-	436	-	435
Losses of foreign operations	117,815	29,454	106,766	26,691
Losses of subsidiaries	406,831	101,708	414,524	103,631
Other	83,071	20,768	96,052	24,014
	<u>742,281</u>	<u>190,603</u>	<u>777,431</u>	<u>199,766</u>

There is no time limit in Spain for recognising the carry forward of tax losses or deductible temporary differences.

The deadlines for applying tax credits are 18 years for R&D and technological innovation and 10 years for donations. Double taxation tax credits and tax credits for the reversal of temporary measures are not subject to any time limit.

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

	2021		2020	
	Base	Tax charge	Base	Tax charge
Peru	199	59	212	63
Brazil	3,912	1,330	3,576	1,216
Argentina	42,656	12,797	30,412	9,124
Chile	21,724	5,865	19,782	5,340
	<u>68,491</u>	<u>20,051</u>	<u>53,982</u>	<u>15,743</u>

The tax bases from Argentina and Peru may be applied up to 6 and 4 years, respectively, from the year in which they arise. Tax bases from Brazil and Chile may be applied without any timing limit.

25. Provisions for other liabilities and charges

The breakdown of this item in the consolidated statement of financial position as at 31 December 2021 and 2020 is as follows:



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	€ thousand	
	2021	2020
Provisions for pensions and similar obligations	1,218	1,355
Other pension funds	1,218	1,355
Provisions for contingent liabilities and commitments	93,500	102,445
Provisions for contingent liabilities	93,500	102,445
	<u>94,718</u>	<u>103,800</u>

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 2021	1,355	91,602	10,843	103,800
Provisions charged to profit or loss:				
Provisions	133	11,719	160	12,012
Reversals credited to profit or loss:				
Reversals	(41)	(15,236)	(3,694)	(18,971)
Payments or amounts used:				
Payments of pensions	(240)	-	-	(240)
Other payments	-	(3)	(429)	(432)
Other movements	11	(1,573)	111	(1,451)
Balance at 31 December 2021	<u>1,218</u>	<u>86,509</u>	<u>6,991</u>	<u>94,718</u>

Movements in 2021 related primarily to provisions for completion of works and other trade provisions, as follows:

Provisions for completion of works and other trade provisions

- Provisions recognised mainly to cover shortfalls in the Termocandelaria, Iernut and Djelfa projects.
- Reversals related mainly to the provision for losses incurred as the related projects are executed and for other project risks.
- Other provisions, which include mainly payments made by the Company in respect of employee benefit obligations and the conclusion of cases involving employees.
- Other movements, which include mainly the amounts of transfers and adjustments for exchange differences in provisions recognised in foreign currency.



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Other provisions

- Provisions for occupational risks and risks subject to legal proceedings and other matters.

a) Pensions and similar obligations

	€ thousand	
	2021	2020
Non-current obligations		
Coal vouchers	88	100
Other obligations with employees	1,130	1,255
	<u>1,218</u>	<u>1,355</u>

Annual provisions for coal vouchers and other employee obligations are calculated based on actuarial studies described in Note 2.19.

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 0.79% p.a. (2020: 0.32% p.a.) and increases in consumer prices of 1% p.a. (2020: 1%).

Coal vouchers (Note 2.19.a)

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

	€ thousand		
	Serving personnel	Retired personnel	Total
At 1 January 2020	-	104	104
Arising during the year	-	-	-
Payments	-	-	-
Reversals	-	(4)	(4)
At 31 December 2020	-	100	100
Arising during the year	-	-	-
Payments	-	-	-
Reversals	-	(12)	(12)
At 31 December 2021	-	88	88

Other obligations with employees (Note 2.19.b)

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



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	€ thousand
At 1 January 2020	<u>1,224</u>
Provisions charged to profit or loss	475
Amounts used	(417)
Surplus	(2)
Transfers	(25)
At 31 December 2020	<u>1,255</u>
Provisions charged to profit or loss	133
Amounts used	(240)
Surplus	(29)
Transfers	11
At 31 December 2021	<u>1,130</u>

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	
	2021	2020
Provisions for warranties	8,358	10,508
Provisions for onerous contracts	7,186	814
Provision for project completion	63,227	59,256
Provisions for other liabilities and penalties	7,738	21,024
	<u>86,509</u>	<u>91,602</u>

Provisions for onerous contracts includes mainly a provision of €3.7 million related to the Djelfa project and a provision of €3.1 million related to the Termocandelaria project.

The amount of the provision for project completion includes estimated losses on termination of the Jebel Ali Power Station (Note 35).

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	4,681	Next 6 months
Liabilities and charges due to labour disputes	1,654	Between 12 and 24 months
Liabilities and charges due to legal proceedings	656	Between 6 months and 3 years
	<u>6,991</u>	



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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 28).

	€ thousand	
	2021	2020
Analysis of total provisions:		
– Non-current	7,499	5,196
– Current	87,219	97,249
	<u>94,718</u>	<u>102,445</u>

26. Revenue

a) Revenue

The breakdown of revenue by activity is as follows:

	€ thousand	
	2021	2020
Energy	(586)	59,597
Mining & Handling	20,737	9,373
Oil & Gas	3,764	6,300
Specialised Services	36,231	41,021
Manufacturing	22,706	15,452
Other	1,616	1,400
Revenue	<u>84,468</u>	<u>133,143</u>

"Other" includes the revenue generated by companies not assigned to a specific business activity, mainly industrial control, for €946 thousand (2020: €4,564 thousand for security and defence, and industrial control activities).

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

	€ thousand	
	2021	2020
Euro	67,008	104,777
Algerian dinar	965	3,944
United Arab Emirates dirham	-	16,728
US dollar	14,066	5,009
Argentine peso	92	72
Peruvian nuevo sol	251	12
Indian rupee	-	773
Kuwaiti dinar	963	1,777
Chilean peso	168	-
Colombian peso	853	-
Mexican peso	102	-
Other currencies	-	51
	<u>84,468</u>	<u>133,143</u>



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b) Foreign currency balances and transactions

The amounts of foreign currency transactions are as follows:

	€ thousand	
	2021	2020
Sales	17,460	28,366
Purchases	(2,830)	(29,580)
Services received	(13,414)	(12,396)

27. Personnel expenses

The breakdown of this item in the accompanying consolidated statement of profit or loss for 2021 and 2020 is as follows:

	€ thousand	
	2021	2020
Salaries and wages	(43,618)	(43,790)
Termination benefits	(28)	(1,651)
Social security costs	(13,586)	(14,562)
Other employee benefits expenses	(546)	(611)
	<u>(57,778)</u>	<u>(60,614)</u>

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

The furlough has a duration of 14 months (until 28 February 2022) and affects a total of 778 workers, with an upper limit of 400 workers per month.

The furlough scheme produced savings in 2021 of €2,415 thousand.

28. Supplies and other operating expenses

a) Materials consumed

The breakdown of this item in the accompanying consolidated statement of profit or loss for 2021 and 2020 is as follows:

	€ thousand	
	2021	2020
Consumption of goods for resale and raw materials	(4,624)	(41,834)
Subcontracted work	(18,768)	(22,688)
Write-down of merchandise, raw materials and other supplies	(561)	(525)
	<u>(23,953)</u>	<u>(65,047)</u>



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b) Other operating expenses

The breakdown of this item in the accompanying consolidated statement of profit or loss for 2021 and 2020 is as follows:

	€ thousand	
	2021	2020
Leases	(2,391)	(3,699)
Repairs and maintenance	(1,756)	(1,539)
Independent professional services	(9,382)	(11,720)
Transportation	(727)	(1,822)
Insurance premiums	(2,146)	(1,804)
Banking and similar services	(2,474)	(2,781)
Advertising	(119)	(68)
Utilities	(1,126)	(1,267)
Other services	(5,830)	(7,763)
External services	(25,951)	(32,433)
Taxes	(1,233)	(6,314)
Losses, impairment and changes in trade provisions (Notes 12 and 25)	10,942	(107,203)
	<u>(16,242)</u>	<u>(145,950)</u>

29. Other income/(expense)

	€ thousand	
	2021	2020
Other income/(expense)	542	(868)
	<u>542</u>	<u>(868)</u>

30. Net finance income/(expense)

	€ thousand	
	2021	2020
Finance income from:		
– Financial interest	68	374
– Finance income net of restructuring (Notes 1 and 22)	37,037	-
– Gain of purchasing power due to hyperinflation	1,770	1,329
	<u>38,875</u>	<u>1,703</u>
Finance expense and others	(4,418)	(2,718)
Change in fair value of financial instruments	-	-
Net foreign exchange difference	3,139	(9,126)
Impairment/(reversal of impairment) of financial instruments	(391)	(1)
Total net finance income/(cost)	<u>37,205</u>	<u>(10,142)</u>



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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 2.5 d)).

31. Income tax

a) Reconciliation

	€ thousand	
	2021	2020
Current tax	(26)	-
Foreign taxes (including irrecoverable withholdings)	(1,100)	(4,508)
Adjustments to current tax in respect of prior years	1,295	837
Adjustments to deferred tax in respect of prior years (Note 24)	-	(41)
Current year deferred tax (Note 24)	(637)	497
Effect of change in tax rate (Note 24)	-	-
Other	-	-
	<u>(468)</u>	<u>(3,215)</u>

The reconciliation of tax expense to accounting profit/(loss) is as follows:

	€ thousand	
	2021	2020
Consolidated profit/(loss) before tax	19,599	(168,507)
Tax at 25%	(4,900)	42,127
Inter-group/branch adjustments and eliminations	(1,071)	(2,951)
Other non-deductible expenses	(7,119)	(19,193)
Adjustment in respect of prior years	1,295	-
Foreign taxes (including irrecoverable withholdings)	(1,100)	(4,508)
Use of tax loss carryforwards	15,292	115
Unrecognised tax losses	(3,180)	(16,035)
Derecognition of tax assets of prior years	-	(2,950)
Other	315	180
Tax charge/(refund)	<u>(468)</u>	<u>(3,215)</u>



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The reconciliation between consolidated accounting profit/(loss) and taxable income/(tax loss) is as follows:

	€ thousand	
	2021	2020
Consolidated profit/(loss)	22,614	(171,643)
(+) Share of non-controlling interests	53	(79)
(-) Profit/(loss) from discontinued operations	3,536	-
(-) Income tax	(468)	(3,215)
Consolidated accounting profit/(loss) for the year before tax	19,599	(168,507)
Unrecognised permanent and temporary differences	(6,365)	124,626
Temporary differences	31,913	(27,482)
Preliminary tax base	45,146	(71,363)
Utilisation of unused tax losses of the tax group	(61,167)	-
Utilisation of unused tax losses outside the tax group	-	(460)
Taxable income/(tax loss):	<u>(16,021)</u>	<u>(71,823)</u>
Attributable to the tax group	-	(31,963)
Positive, non-tax group	7,690	3,531
Negative, non-tax group	(23,711)	(43,391)
	<u>(16,021)</u>	<u>(71,823)</u>

The effective tax rate was 2.60% (2020: -1.91%).

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

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 this scheme, the taxable amount is calculated on the basis of the consolidated results of Duro Felguera, S.A. and these subsidiaries.

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

However, each consolidating 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.

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 2017 and thereafter for the tax group, and 2017 thereafter for the tax group and the rest of the Spanish subsidiaries.



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- Value added tax: 2011 and 2012 for Duro Felguera, S.A. and 2018 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 2018 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 VAT Group 212/08, also headed by Duro Felguera, S.A., in respect of value added tax for 2011 to 2012, and of income tax withholding for 2011 and 2012, the following settlement agreements were received:

- Settlement agreement whereby Duro Felguera, S.A. must pay €101 million in corporate income tax, plus €22 million in late-payment interest. 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 in 2017 with the Central Economic Administrative Court, which was dismissed in May of 2021. The Company filed an application for judicial review of the decisions with the National Court, with Duro Felguera itself submitting the appeal, which is pending response by the State Attorney.
- Settlement agreement dated 19 July 2017, requiring Duro Felguera to pay €2,552 thousand in VAT, plus €601 thousand in late-payment interest. On 24 August 2017, 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 dated 17 July 2017, requiring Duro Felguera to pay €326 thousand in corporate income tax – related party transactions, plus €75 thousand in late-payment interest. 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.
- Agreement for settlement of personal income tax on behalf of UTE TERMOCENTRO for €624 thousand plus €151 thousand for late-payment interest in addition to an agreement for resolution of penalty proceedings for €432 thousand. A tax appeal was filed against both agreements, but was dismissed. An administrative appeal was filed with the National Court, for which a ruling has yet to be issued.

The Company did not recognise any liability related to these proceedings since in management's opinion, and based on reports issued by independent third parties in prior



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years and up to the reporting date, the arguments are sufficiently strong to expect a ruling in the Company's favour.

The arguments can be summarised as follows:

- Doctrine of estoppel: the AEAT already inspected 2009, in which UTE TERMOCENTRO took a significant charge for its members that was considered exempt. No amount was adjusted in this connection.
- Substantive arguments accrediting UTE TERMOCENTRO's foreign operations.
- Delays in the proceedings: the proceedings were extended by a year and we have been attributed unjustified delays that are questionable. This could result in one, two or even three financial years becoming statute-barred, depending on the delay.

Meanwhile, the Spanish National Court, in a decision of 28 December 2019 in relation to a dispute similar to the one facing Duro Felguera, held that a supply arrangement outside Spanish territory for a non-Spanish recipient should always be considered as operating abroad and therefore ruled in favour of the taxpayer on that particular point. Therefore, the Company is of the opinion that the National Court's ruling in this case supports our position in the case at hand.

To date, the Company has not made any payments related to these proceedings. Alongside its main application to the National Court for judicial review, the Company sought injunctive relief in the form of suspension of the debt, which was granted for all proceedings with real estate collateral except the injunctive relief in the form of suspension requested in relation to the agreement to resolve sanctioning proceedings against UTE TERMOCENTRO for €23.04 million, for which a ruling is still pending, although the directors expect it will go in favour of the Group, like the previous ruling.

On 6 March 2018, the Spanish taxation authorities notified the commencement of an audit of Tax Group 22/1978, the parent of which is Duro Felguera, S.A., in respect of corporate income tax for 2013 and 2014, and VAT Group 212/08, also headed by Duro Felguera, S.A., for the period from 4/2014 to 12/2014, as well as of personal income tax for the period from 4/2014 to 12/2014.

As a result of these tax audits, the following settlement agreements were received:

- Settlement agreement dated 14 January 2020, requiring UTE TERMOCENTRO to pay €245 thousand in personal income tax (€202 thousand relating to the actual tax and €43 thousand to late-payment interest). Although the Company decided to settle the debt within the voluntary period, in February 2020 it filed a tax appeal against the settlement agreement before the TEAC, for which a ruling has yet to be issued.
- Agreement for resolution of sanctioning proceedings for personal income tax against UTE TERMOCENTRO, requiring payment of €152 thousand, for which an appeal against the assessment was lodged with the TEAC.
- Settlement agreement for corporate income tax issued on 14 January 2020 and relating to the joint venture UTE TERMOCENTRO, requiring no payment but setting non-tax exempt taxable income to be charged by the joint venture to the venturers



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of €58,865 thousand for 2013 and €34,226 thousand for 2014, with an estimated impact on consolidated income tax for 2013 and 2014 of €25,208 thousand, as explained in the following point. The Company filed a tax appeal against the settlement agreement before the TEAC, for which a ruling has yet to be issued.

- Settlement agreement of 1 June 2020 whereby Duro Felguera, S.A. must pay €30,422 thousand in corporate income tax (€25,208 thousand in tax and €5,214 thousand in late-payment interest). The Company filed a tax appeal against the settlement agreement before the TEAC, for which a ruling has yet to be issued. In addition, the Company, while still within the voluntary payment period, requested suspension of enforcement of the settlement agreement with a full waiver of the collateral requirement.
- Settlement agreement of 1 June 2020 whereby Duro Felguera, S.A. must pay €74 thousand in corporate income tax - related party transactions (€63 thousand in tax and €12 thousand in late-payment interest). Although the Company decided to settle the debt within the voluntary period, it filed a tax appeal against the settlement agreement before the TEAC, for which a ruling has yet to be issued.
- Agreement to resolve sanctioning proceedings against UTE TERMOCENTRO with respect to income tax, as notified on 30 July 2020, ordering it to pay €5,573 thousand. The sanction imposed is based on the authorities' disagreement over the taxable income charged by UTE Termocentro to its members. An administrative appeal was filed with the TEAC against this proposed sanction, 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 open to inspection of income tax for 2012 and 2015, which it has appealed and poses a potential tax liability of 42,517,732.52 and 2,007,226.97 Brazilian reais, respectively. In the opinion of the Company's management and its external tax advisors, it is unlikely that the amount will have to be paid.

32. 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 16).



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	2021	2020
Profit/(loss) attributable to the parent (€ thousand)	22,614	(171,643)
Weighted average number of ordinary shares in issue (thousand)	96,000	96,000
Basic earnings/(loss) per share (€)	<u>0.24</u>	<u>(1.79)</u>

b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. At 31 December 2020, the Company considered as dilutive potential shares those resulting from a potential conversion of Class A Convertible Bonds into 6,127,660 new shares by virtue of the contractually established exchange ratio following the reverse split described in Note 16 (previously 306,382,979 new shares)). At the closing date of these consolidated financial statements, conversion of the Class B Convertible Bonds (Note 22 a) was considered remote. In 2021, it considered conversion of the Class A and C Convertible Bonds, calculating the weighted average number of potential ordinary shares outstanding in the year.

	2021	2020
Profit/(loss) attributable to the parent (€ thousand)	22,614	(171,643)
Weighted average number of ordinary shares in issue (thousand)	104,288	102,128
Basic earnings/(loss) per share (€)	<u>0.22</u>	<u>(1.68)</u>

33. Dividends per share

No dividend was paid in 2021 or 2020.

34. 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:



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a) Cash flows from operating activities

	€ thousand	
	2021	2020
Profit/(loss) for the year before tax	23,135	(168,508)
Profit/(loss) adjustments		
Depreciation and amortisation (Notes 7, 8 and 9)	5,120	7,844
Impairment	(611)	103,642
Changes in provisions	(10,288)	-
Grants released to profit or loss	(242)	(269)
(Gains)/losses on derecognition and disposal of assets	44	(274)
Gains/(losses) from derecognition and disposal of financial instruments (Note 10)	-	14,426
Finance income (Note 30)	1,838	(1,703)
Finance costs (note 30)	4,419	2,718
Exchange differences (Note 30)	-	715
Finance income net of restructuring (Note 30)	(37,037)	-
Gain/(loss) on loss of control of subsidiaries	(3,009)	(9,142)
Other income and expenses	(72)	10,989
	<u>(43,514)</u>	<u>128,946</u>
Working capital changes		
Inventories	(1,980)	1,405
Trade and other receivables	8,169	37,012
Other current assets	-	(2,442)
Trade and other payables	(35,972)	(32,282)
Other current liabilities	(4,635)	(28,174)
Other non-current assets and liabilities	856	(143)
	<u>(33,562)</u>	<u>(24,624)</u>
Other cash flows from operating activities		
Interest paid	(10,110)	(2,284)
Interest received	68	
Income tax (paid) / received	(720)	(911)
	<u>(10,762)</u>	<u>(3,195)</u>
Cash flows from operating activities	<u>(64,703)</u>	<u>(67,381)</u>



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(€ thousand)b) Cash flows from investing activities

	€ thousand	
	2021	2020
Payments for investments		
Property, plant and equipment, intangible assets and investment properties	(508)	(734)
Other financial assets ^(*)	(339)	(21,140)
	<u>(847)</u>	<u>(21,874)</u>
Proceeds from sale of investments		
Group companies, associates and business units	-	-
Property, plant and equipment, intangible assets and investment properties	-	546
Other financial assets	16,121	488
	<u>16,121</u>	<u>1,034</u>
Other cash flows from investing activities		
Interest received	-	1,703
Loss of control, Epicom (Note 2.3.e))	(903)	
Loss of control of Duro Felguera Australia Pty Ltd. (Note 2.3.e))	-	(9,423)
	<u>(903)</u>	<u>(7,720)</u>
Cash flows from investing activities	<u>14,371</u>	<u>(28,560)</u>

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

c) Cash flows from financing activities

	€ thousand	
	2021	2020
Proceeds from and payments for financial liability instruments		
Issue	126,000	-
Redemption and repayment	(12,022)	(1,302)
	<u>113,978</u>	<u>(1,302)</u>
Cash flows from financing activities	<u>113,978</u>	<u>(1,302)</u>



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35. 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 2021 and 2020, the Group had extended the following bank guarantees:

	€ thousand	
	2021	2020
Guarantees provided in sales contracts in progress	225,880	222,679
Other	1,267	1,448
	<u>227,147</u>	<u>224,127</u>

As explained in Notes 7, 8 and 22, the Group has provided certain assets as collateral, and granted pledges and cash restrictions to third parties (Note 11). Certain projects signed by Group subsidiaries with customers are backed with the corporate guarantee of the Group's parent company ensuring compliance with the commercial terms.

The Group has also received bonds and other guarantees from third parties for execution of its projects amounting to €33,951 thousand.

Group management considers that the risks of litigation, arbitration and claims are reasonably covered by the provisions recognised in these consolidated financial statements at 31 December 2021, and does not expect any further significant liabilities than those recognised to arise. The main lawsuits, arbitration and claims are as follows:

Lawsuit by the Special Prosecutor

Regarding the ruling delivered by Central Examining Court no. 2 of Madrid accepting the charge filed against Duro Felguera, S.A. and other companies by the Special Prosecutor on the grounds of corruption and organised crime over the potential existence of an alleged offence of corruption of a foreign authority or public official, in addition to an alleged crime of money laundering in relation to payments amounting to approximately \$80.6 million, and also those matters discussed in the notes to the 2020 financial statements, as at the date of the accompanying financial statements no further actions or additional proceedings had occurred beyond those discussed below.

The period for the investigation of the case has now been extended until 22 July 2022 by order of Central Examining Court no. 2, which annulled the order that set 22 January 2022 as the deadline for the investigation period.

As explained in the 2020 consolidated financial statements, the Group considered that the documentation and other actions included in the reports provide sufficient justification or contractual evidence of the payments made, as they are based on contractual obligations assumed by individuals duly authorised for their grant in ordinary contracts —the rendering of (advisory and technical assistance) services— and inherent in the activity comprising the Group's objects (given their nature as indivisible or at least complementary to obtaining and executing a major international contract). Moreover, this contractual evidence has enabled its documentary proof, accounting recognition, inclusion in the Group's official and only accounts, its financial statements, and its annual accounts, which are assured by the Group's auditors.



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In light of the expert report issued by a third party, the evidence contained in the documentation provided in the Prosecutor's investigation and the pre-trial proceedings of the Central Examining Court, as well as information gleaned from testimonies given to the Prosecutor and the court, and, in general, all actions taken as at the date of the proceedings, the Group's defence argues that there is no evidence whatsoever that Duro Felguera S.A., its board or board members, executives, employees or representatives authorised, were aware of and/or consented to payments or granted improper advantages or benefits to authorities or public servants in Venezuela to corrupt them or induce them to misuse their public competences, powers or functions in negotiating, arranging and executing Termocentro's combined cycle plant construction project with C.A. Electricidad de Caracas. Therefore, no liability should be attributed to the Duro Felguera Group for any potential money laundering crimes, since there is no predicate offence, nor any involvement. Finally, it considers that the Group's measures and policies outlined in its non-financial reporting are still appropriate.

Although the Group's outlook and view of the potential impact is positive based on the internal investigation carried out, with the information available to date it is not possible to determine the probability or extent of the potential consequences, which will depend on the outcome of the criminal proceedings.

The Group has not recognised any provision, since it considers that the conditions for recognition provided in IAS 37.14 b) and c) are not met.

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., such penalty amounting to €1,323 thousand, and prohibiting those companies from dealing with public sector companies for an as-yet unspecified scope and duration.

On 3 December 2019, the Group filed an appeal with the National Court (Audiencia Nacional) against this administrative decision and requested a precautionary suspension of the effectiveness of the sanction.

On 4 March 2020, notification was given of the ruling granting the suspension of payment of the sanction, contingent on posting sufficient guarantees.

On 12 February 2021, a notification was submitted to the National Court with a copy of the mortgage arranged in guarantee of payment of the penalty, stating that an application had been submitted to place the mortgage on record at the corresponding property register.

On 27 July 2021, the National Court was notified of the filing of the mortgages at the corresponding property registers, certificates of registration were provided as supporting documents, and full effectiveness of the suspension was requested.

On 13 March 2021, the Company and DF Operaciones y Montajes, S.A. received notice of the National Court's decision to throw out the appeal for reconsideration filed by the State



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Attorney's Office against the ruling of 28 February 2020 granting the interim injunction requested, which was fully upheld.

On 4 November 2021, the State Attorney filed an appeal for judicial review against the granting of the injunctive relief; this appeal was answered by DF Operaciones y Montajes, S.A. and Duro Felguera, S.A. on 21 December 2021, requesting that it be held inadmissible.

To cover this risk, the Group recognised a provision, which in the opinion of its internal legal advisors is 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.

No relevant contingent assets were recognised relating to claims submitted by the Group that do not relate to contractually agreed amounts.

An in-depth assessment was performed on project claims, after which provisions were recognised at the amounts considered probable (Note 25). 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. 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 with issued for or against it as plaintiff or defendant are as follows:

1) Vuelta de Obligado

ICC arbitration instituted by General Electric ("GE") against the Group seeking payment of penalties for late payment assumed by GE with respect to the customer in line with the settlement between GE and the customer, which was disputed by the Group. Now GE is attempting to hold the Group liable for \$65 million and further claims for financing and services rendered to DF for \$13.2 million, according to the latest memorial filed by GE in the arbitration proceedings. On 22 January 2021, the Group filed its defence and counterclaim with the arbitration court, seeking payment of cost overruns, contract extension costs, and financial and legal costs amounting to \$128 million. On 10 September 2021, the Group filed a rejoinder and reply memorial identifying claims for an updated amount of \$129.6 million.

The Group's main legal argument rests on the illegality of the settlement. It states that by entering into the settlement, GE acted contrary to its previous actions, when it gave legitimacy to the Group's entitlement to restore the contract's financial equilibrium. In 2016, GE itself, in defence of the Group's interests, brought an arbitration suit against the



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customer with the Buenos Aires Stock Exchange. GE subsequently withdrew from the arbitration as directed by the terms of the settlement with the customer, thereby undermining the Group's legitimate right to the contract's rebalancing and to compensation for cost overruns arising from a delay that was not attributable to the Group. GE's failure to comply with its most basic obligations undermined the Group's claims, causing serious damage to the Group, which is the subject of the counterclaim submitted to the ICC International Court of Arbitration.

In accordance with the rules of procedure of the arbitration, the Group submitted its defence and counter-suit memorial. Evidence included several legally qualified expert reports on delay and reasonable amount. In the opinion of the Group's directors and its internal and external legal advisors, these reports lend credibility to, support and strengthen the Group's arguments and claims. They believe there are solid legal grounds defending the Group's position and that it is unlikely that GE's claims will result in any payment by the Group.

As a result of these claims, the Group recognised an impairment loss on this asset in 2018 for the sum of €16,557 thousand, as a receivable unrecognised by the customer in relation to the project.

In October 2021, the management teams of Duro Felguera and General Electric, as well as their legal representatives in the arbitration, took part in a mediation process, culminating in an agreement in principle.

Finally, on 20 November 2021, prior to the arbitration hearing, Duro Felguera and General Electric agreed to terminate the arbitration by mutual agreement, with the parties therefore waiving their respective claims.

To ensure the full effectiveness of their new agreement, the parties instructed the Court of Arbitration to terminate the arbitration proceedings. The Tribunal confirmed receipt of their request on 24 November 2021 and announced the commencement of proceedings for the formal termination of the ICC proceedings. The agreement reached between the parties has had no equity impact on the group.

The ICC confirmed the termination and proceeded to refund part of the deposit of procedural costs made by Duro Felguera before the Court of Arbitration, amounting to \$275 thousand.

2) Matheu & Lujan

In 2019, the Group submitted an application for arbitration against its customers Stoneway Capital Corporation y Araucaria Energy, S.A. before the ICC International Court of Arbitration in New York claiming \$31 million (subsequently raised to \$37 million according to the statement of claim filed in December 2020) in unpaid amounts by the customer on the Matheu and Lujan projects. The Group recognised a receivable in relation to this claim of €4.15 million at 30 June 2021 after recognising an impairment loss in application of IFRS 9.

The defendants initially announced a counterclaim of approximately \$75 million, although that amount was subsequently reduced to \$13.8 million, as set out in the Statement of Defence and Counterclaim filed on 6 August 2021.



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In April 2021, holding company Stoneway filed for Chapter 11 voluntary insolvency proceedings in New York, which are now ongoing. The Group served notice of its claim in those insolvency proceedings in September.

Araucaria Energy, S.A., Stoneway's Argentine subsidiary and which holds the power generation rights attached to the Matheu & Luján projects, continues to operate and is not party to the holding company's insolvency proceedings.

In May 2021, Stoneway applied to the Court of Arbitration for an automatic stay of arbitration against Stoneway and Araucaria. This request was dismissed by the Court, which decided that the arbitration would continue against Araucaria.

Following the resumption of the arbitration proceedings against Araucaria, the parties engaged in settlement discussions. On 21 December 2021, the United States Bankruptcy Court for the Southern District of New York, [In re Stoneway Capital Ltd. et al., Case No. 21- 10646 (JLG)], ratified the settlement agreement signed by the parties, under which Stoneway Capital Corporation and Araucaria Energy S.A. paid the Group the sum of \$10 million in respect of the claims of DF Mompresa, S.A.U. and Duro Felguera Argentina, S.A.

This significant settlement has exceeded the Company's expectations regarding the outcome of this litigation and is in line with the current viability plan.

3) 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 second relates to the court's rejection of two extensions to the previous action and their joinder. Both cases are currently proceeding via ordinary channels. The Group's directors and its internal and external legal advisors consider it likely that a ruling partially in favour of the Group will be obtained, although these proceedings typically last 4-5 years on average. The Group did not recognise any amount for its credit claim related to these proceedings in its statement of financial position. The Group's total claim as plaintiff is \$45.5 million.

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 also initiated an administrative proceeding to terminate the contracts. In the opinion of the directors and internal and external legal advisors, this process could result in a final administrative ruling of contract termination. However, in view of how the case



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is progressing before the courts as regards the merits of the claim, the directors are confident that the Group is not exposed to any risk.

4) Jebel Ali Power Station Project

In April 2020, the Group requested international arbitration against customer Dubai Electricity & Water Authority (DEWA) seeking to restore the financial equilibrium between the parties under the contract. At this cut-off date the amount was valued at \$61 million, but is not recognised in the accompanying consolidated financial statements.

After suspending work on the site because of the COVID-19 outbreak, DEWA sent Duro Felguera a notice of default on 9 May 2020, which led to the enforcement of the €47.8 million of advance payment and performance bonds issued by Dubai Islamic Bank and the counter-guarantee secured by the parent company. In doing so, Dubai Islamic Bank appropriated the funds held by the Group in its project accounts amounting to €8.7 million and blocked these accounts entirely.

On 23 June 2020, DF brought an action in ordinary proceedings against DIB and DEWA for improper enforcement of the guarantees provided.

Dubai Islamic Bank filed a lawsuit against the Group before the courts of Gijón, claiming payment of a sum equivalent to €46 million under the financial agreement for the guarantees provided. As an ancillary claim, DIB is seeking payment of this amount on the basis of the corporate guarantee provided by the parent company on 1 March 2019.

DIB and DEWA received notice of the lawsuit on 13 September 2021. DEWA has filed a declinatory plea on the grounds that this matter should be heard before the courts of Dubai, not of Gijón. While the declinatory plea brought by DEWA has been upheld, the courts of Gijón continue to have jurisdiction in relation to DIB. DF has since lodged an appeal against the order upholding the plea. DIB contested the claim and requested a joinder of proceedings (DF's claim against DIB and DEWA, and DIB's claim against DF).

The customer filed a lawsuit in the Dubai Court claiming project completion costs and penalties for delay and loss of profits, among other amounts. The Group then replied, disputing the jurisdiction of the Dubai Court. Non-jurisdiction of this court was ruled at first instance. In December 2020, DEWA appealed the first-instance ruling, and in July 2021 the appeal was allowed. The case was returned to the court of first instance that had already ruled in favour of Duro Felguera. In September 2021, the Group filed an appeal for judicial review based on the arguments initially upheld by the first instance court, in favour of settling the dispute in international arbitration. Duro Felguera's appeal for judicial review was dismissed at the hearing held on 14 October 2021, and following a legislative change in Dubai — which allowed the appeal — it was filed again on 27 January 2022.

Both proceedings are still in the early stages and the final outcome at the reporting date remains uncertain. Nevertheless, the parent company's directors, together with its in-house and external advisors, made the estimate they considered to be the most reasonable in the more likely scenario of the project being cancelled, based on the current circumstances and the negotiations that must take place between the parties. Accordingly, the Company recognised a provision in this connection.



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At present, as required for arbitration, mediation proceedings are being conducted before the Legal Affairs Department (LAD), Dubai's public mediation body. The aim is to settle the disputes between DEWA and the Group under this contract amicably.

5) Djelfa

The Group has called for a review on a number of occasions and held several meetings with management of Société Algérienne de Production de l'Electricité (SPE) regarding the cost overruns incurred on the project, which were beyond the Group's control, among other issues, since it is entitled to recoup cost overruns caused by the delay in SPE's granting the letter of credit and contractual advances by more than 17.5 months and SPE's late execution of the civil engineering work. The Group claims that these delays resulted in substantially higher contract execution costs.

On 8 July 2020, the Group, exercising its contractual and legal rights, requested arbitration against the Algerian Chamber of Commerce and Industry seeking restoration of the economic and financial equilibrium of the contract entered into between the parties, for an amount equal to more than €200 million. On 25 March 2021, the CACI served notice of the commencement of arbitration proceedings.

After resuming negotiations, on 19 July 2021 the customer and the Group signed a protocol setting out the initial terms for restarting construction work, in a bid to settle their differences in the short run by engaging in talks. Aside from bringing personnel and subcontractors into the project to enable its resumption, the conditions of the memorandum of understanding included the release of withholdings by the customer so that the Group's suppliers on the project could be paid; the creation of a claims negotiation table; and the replacement of subcontractors in order to further optimise project costs. On 23 December 2021, a notification was received from the customer confirming its partial acceptance of the claims submitted along with technical variations amounting to €5.6 million. An extension of the administrative deadline for the project has also been agreed with the customer, and it will end now in February 2024.

Meanwhile, Court of First Instance No. 11 of Oviedo issued a ruling upholding the claim made by the Group on 19 June 2020 for precautionary protection—in the form of an injunction— against enforcement of the bank guarantees. The ruling ordered the counter-guarantors to hold off on payment until the arbitration had been resolved. The counter-guarantors submitted statements of opposition to these precautionary measures. On 23 July 2021, the court dismissed the counter-guarantors' motions and kept the precautionary measures in place. The court ruling also requires the Group to keep the court informed on a monthly basis on the state of progress of the CACI arbitration. On 1 September 2021, the court was notified appropriately on the required terms. On 18 January 2022, Court of First Instance No. 11 of Oviedo issued an order annulling the precautionary measures granted in June 2020. The bank guarantees have not been enforced.

As at the date of authorisation for issue of these consolidated financial statements, the project has been resumed, the conditions set out in the memorandum of understanding are being fulfilled, suppliers have joined the project, and withholdings have been released by the customer and have been used to pay project suppliers so that the project can move forward.



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6) Aconcagua

The Group is involved in ICC arbitration proceedings against customer ENAP Refinerías, S.A. over breaches of contract and project delays attributed to the customer. On 1 March 2021, the Group filed a claim seeking the sum of €29.6 million.

The customer then filed a reply and counterclaim alleging that the Group had terminated the contract unlawfully and seeking damages for that alleged breach. On 30 August 2021, the Group submitted a new memorial contesting the customer's counterclaim. The proceedings are ongoing. In September 2021, the parties submitted their requests for discovery of documents and objections to the other side's requests. On 11 October the parties submitted their non-objected documents and on 25 October the Court decided on the submission of the objected documents. On 7 January 2022, ENAP filed its Counterclaim Reply Brief.

The Group recognised a receivable of €10.7 million in the consolidated statement of financial position, of which €6 million related to the contractual right to a Performance Bonus for complying with the performance tests relating to energy production above the guaranteed amounts (Performance Guarantees) described in the contract, supported by the technical report of an external expert. As explained in Note 12, the Group's 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 that there will be no reversal, as this is supported by an independent expert report and, therefore, duly accredited.

7) Iernut

On 2 April 2021, the customer, S.N.G.N. ROMGAZ S.A. sent a notice of termination of the "Construction of a combined cycle plant of up to 430 MW in Iernut (Romania)" contract, which Duro Felguera is carrying out in a consortium with S.C. Romelectro S.A. (the "Consortium"). The notice included its intention of enforcing the amounts withheld from the Consortium and deposited with the Romanian Treasury as a performance bond and alleges failure to meet the contract execution period. In this respect, the Consortium had previously requested restoration of the contract balance and extension of the contractual period due to the occurrence of unforeseeable causes not attributable to the contractor (e.g. the pandemic, legislative changes, increases in the scope of the contract and instructions issued by the customer) that had a material impact on execution of the contract. At the date of notice of contract termination, the Consortium had achieved 94% completion of the project.

On 8 April, ROMGAZ and the Consortium agreed to suspend their respective legal actions for 15 days in the hope of reaching an amicable agreement to continue with the project. Despite further extensions of this agreement through to June 2021, the contract termination ultimately became final on that date due to the parties' failure to reach a settlement. On 15 July 2021, the performance bond — in the form of contractual payments withheld from the Consortium and deposited with the Romanian Treasury (€16 million being attributable to DF) — was enforced by the customer. The Consortium's appeal against the enforcement was dismissed.

In April 2021, DF and its partner Romelectro filed a lawsuit against the customer SNGN Romgaz SA before the court of Sibiu (Romania), claiming that the customer had no right to apply penalties for late performance in the amount of 12,078,264.85 leu (approx.



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€2,500,000) and no right to terminate the contract, claiming also the extension of the deadline.

Subsequently, in December 2021, DF and its partner Romelectro filed a lawsuit against the customer SNGN Romgaz SA before the court of Bucharest (Romania), claiming an extension of the contract performance period by 19 months, plus payment of €58,382,138.63 in project extension costs, costs of contract amendments, and changes in the law, customer instructions and interest.

As at the date of authorisation for issue of these notes to the consolidated financial statements, the opinion of the Group's external legal advisers is that the outcome of the situation — which is still at a very early stage — remains uncertain. The customer has yet to submit a fully substantiated claim that could be scrutinised for the purpose of assessing its likelihood of success in court and marshalling arguments for recovery of the performance bond. Faced with incomplete information and high uncertainty, the parent company has decided to continue to recognise its claim as an asset, although liabilities have been recorded for this project to cover any contingency that might arise. In any event, the directors are confident that the situation will finally be resolved in favour of the interests of the Group, on the basis that the contract termination was unlawful. In due course, greater clarity will be forthcoming so that the accounting estimates made at this early stage of the process can be adjusted with some confidence. In parallel to the legal proceedings, the Group is continuing to negotiate matters with the customer. In January 2022, it presented a proposal for the reactivation of the project, the recovery of the escrow account and the recognition by the customer of the project's cost overruns. It is therefore confident that the outcome of this process will ultimately be favourable to the Group's interests.

8) Empalme

In relation to the Empalme II project being undertaken by Dunor, in which the Company exercises joint control alongside another partner, and pursuant to the agreement signed with the state-owned customer in question, namely the Federal Electricity Commission (Comisión Federal de Electricidad or "CFE"), the approach was determined for calculating the financial and indirect cost overruns caused by extending the period of the CFE's liability, which the customer recognised expressly. The CFE ratified the agreement in a notification dated 20 February 2019. Following ratification of the agreement and the submission of the documentation to the CFE, the consideration was deemed to be highly probable. Therefore, the Group recognised an amount of €12 million corresponding to its share.

In August 2019, the customer charged Dunor penalties for failure to deliver certain spare parts and for non-compliance with certain performance tests. This resulted in a €7 million reduction in the total contract amount. However, the Group did not recognise any impairment allowance on the outstanding amount of the contract since it had a third-party expert report supporting contractual compliance in relation to the spare parts and the correct performance of the plant. In February 2020, the customer signed a certificate recognising the revenue, in which it recognised €8.8 million in finance cost overruns due to a delay not attributable to Dunor, out of the total €24 million claimed by the Group via administrative channels. The CFE paid these finance cost overruns to Dunor in 2020.

In a bid to protect the performance bond, Dunor filed for precautionary measures from the 1st District Court in Civil Matters of Mexico City. The aim was to protect Dunor's rights and, until the disputes were resolved, prevent the CFE from:



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- Initiating a procedure to declare a default event.
- Enforcing the performance bond.

On 19 August, the court notified DUNOR that it had granted these precautionary measures. On 9 October 2020, the CFE lodged a petition for protection against the court's decision to grant the precautionary measures requested by DUNOR. The petition was allowed in May 2021. On 7 June 2021, Dunor filed an application for review of the protection granted to CFE. Dunor's application is pending a court decision, and the precautionary measures decreed remain in force.

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 amount of \$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 \$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. The simultaneous submission of pleadings and costs is pending. Once submitted, the arbitration proceedings will be effectively completed, thus enabling the tribunal to review the case and formulate the award.

At 31 December 2020, given the lack of recognition of the claims in administrative proceedings and the resulting claim made via arbitration channels, the Group re-estimated the probability of success in the claims recorded under IFRS 15. This led to the recognition of losses amounting to €14,426 thousand in the 2020 consolidated statement of profit or loss, under "Share of profit/(loss) of companies accounted for using the equity method".

This criterion has been maintained at 31 December 2021, although in the opinion of the directors and their legal advisors it is likely that the final outcome of this procedure will be favourable to the Group's interests. In addition, negotiations are ongoing with the customer with a view to ending the arbitration proceedings.

9) Other

The criminal prosecution of the former chairman and CEO, Ángel Antonio del Valle, before the courts of Gijón was dismissed with final effect by order 131/2021, of 18 March 2021, delivered by the Provincial Court of Asturias. Therefore, no contingent asset has arisen in this connection.

Aside from the matters described above, there are a number of other minor contingencies, related mainly to cases involving employees and suppliers (Notes 23, 25 and 27), for which the Group believes the existing provisions to be sufficient.



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36. Commitments

There were no firm commitments to purchase fixed assets at 31 December 2021 or 2020.

37. Related party transactions

The following transactions were carried out with related parties:

a) Purchases of goods and services

	€ thousand	
	2021	2020
Purchases of goods and services		
- Associates	-	-
- Related parties	-	-
	<u>-</u>	<u>-</u>

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 2021 and 2020 is as follows:

	€ thousand	
Remuneration item:	2021	2020
Remuneration for membership of the board and/or board committees	366	350
Salaries	412	391
Other	6	9
	<u>784</u>	<u>750</u>

Directors did not receive any other benefits. For severance and termination benefits, see Note 2.19.

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

It should be noted that the Company, following the signing on 31 March 2021 of the Management Agreements with the Spanish Solvency Support Fund for Strategic Companies (FASEE), is subject to Article 6.1. f) of Order PCM/679/2020, of 23 July, publishing the Resolution of the Council of Ministers of 21 July 2020, on the terms of reference of the



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Solvency Support Fund for Strategic Companies (Official State Gazette of 24 July 2020). The article states that 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.

Senior management

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

The breakdown of the remuneration accrued by members of senior management, excluding members of the Board of Directors, in 2021 and 2020 is as follows:

	2021	2020
Total remuneration paid to senior executives (€ thousand)	958	1,377
No. of senior executives at 31 December	5	8
Average remuneration (€ thousand)	192	172

c) Dividends and other benefits

	€ thousand	
	2021	2020
Dividends and other benefits distributed:		
- Significant shareholders (Note 16)	-	-
	-	-

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

	€ thousand	
	2021	2020
Receivables from related parties (Note 12):		
- Associates	-	-
- Related parties	-	-
	-	-
Payables to related parties (Note 23):		
- Associates	17	17
- Related parties	-	-
	17	17



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e) Loans to related parties

	€ thousand	
	2021	2020
Opening balance	-	-
Additions	-	-
Loan repayments received	-	-
Other movements	-	-
Closing balance	-	-

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

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

38. Joint operations

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

	€ thousand	
	2021	2020
Assets:		
Non-current assets	-	-
Current assets	70,264	67,230
	<u>70,264</u>	<u>67,230</u>
Liabilities:		
Non-current liabilities	-	-
Current liabilities	(137,566)	(137,589)
	<u>(137,566)</u>	<u>(137,589)</u>
Net assets	<u>(67,302)</u>	<u>(70,359)</u>
Revenue	3,456	5,111
Expenses	(410)	(12,906)
Profit/(loss) after tax	<u>3,046</u>	<u>(7,795)</u>



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These disclosures do not include the balances and transactions of the DF-Romelectro consortium and UTE Duro Felguera Argentina, S.A. – Fainser, S.A., as the Group has control over these vehicles, as explained in Note 2.3.d).

39. Other information

e) Average number of Group employees by category

	2021 (excluding the furlough effect)	2021 (including the furlough effect)	2020 (excluding the furlough effect)	2020 (including the furlough effect)
Directors	1	1	1	1
Senior managers	5	5	7	7
Managers	18	18	19	19
Middle managers	111	105	131	125
Qualified staff	433	377	504	448
Support positions	69	61	71	61
Operators	430	429	440	422
	<u>1,067</u>	<u>996</u>	<u>1,173</u>	<u>1,083</u>

f) Number of men/ women by category

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

	2021			2020		
	Men	Women	Total	Men	Women	Total
Directors	1	-	1	1	-	1
Senior managers	4	1	5	4	1	5
Managers	15	5	20	11	5	16
Middle managers	95	17	112	100	19	119
Qualified staff	328	104	432	354	118	472
Support positions	31	41	72	28	41	69
Operators	458	2	460	424	3	427
	<u>932</u>	<u>170</u>	<u>1,102</u>	<u>922</u>	<u>187</u>	<u>1,109</u>

At 31 December 2021, there were nine (9) employees with a disability of greater than 33% (31 December 2020: seven (7) employees), all of them men.

g) 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.



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

In 2021 and 2020, 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:

- 2021 (€ thousand)

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

- 2020 (€ thousand)

Description	Fees payable to the principal auditor or companies belonging to its network
Audit services	493
Non-audit services	34
Services required by applicable law and regulations	8
Other assurance services	4
Tax services	21
Other services	1
Total professional services	527



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NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS (€ thousand)

40. Events after the reporting period

The following significant events have occurred between 31 December 2021 and the date of authorisation for issue of these consolidated financial statements:

- On 11 January 2022, Duro Felguera announced a new, more dynamic Company structure and organisation, focused on customers, profitability and continuous improvement.

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

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

The Services business line performs various services related to the specialised assembly, commissioning, and operation and maintenance of energy and industrial facilities.

The new organisation, which features new managers and executives appointed via internal promotion processes, will enable the Company to become more customer-oriented and will make its projects more profitable in order to deliver the objectives set by the Company in the viability plan approved by the Solvency Support Fund for Strategic Companies ("FASEE").

- Duro Felguera, through its subsidiary DF Operaciones y Montajes (DFOM), has announced the award of a contract worth €100 million with an industrial customer in the Netherlands for the refurbishment and repair of its facilities. The scope of the project includes detailed engineering, supplies, and mechanical, electrical and refractory assembly. The performance period is one and a half years.

Following the award of this contract on 22 December 2021, the Company has achieved the order intake target set out in its viability plan for that year.

- 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 creation of this committee required certain minor amendments to the Regulations of the Board of Directors, as some of the duties now ascribed to it were previously among those entrusted to the Audit, Risk and Compliance Committee. Therefore, the Board of Directors also resolved, at the same meeting, to amend the Regulations of the Board of Directors accordingly.

Also at that meeting the Board of Directors agreed to set the number of members of the Sustainability Committee at three (3), with its composition being as follows:



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Jordi Sevilla Segura (Chairman)
Rosa Aza Conejo (Director)
José Julián Massa Gutiérrez del Álamo (Director)
Jesús Sánchez Lambás (non-director Secretary)

- At the meeting of the Board of Directors held on 9 February 2022, and upon the recommendation of the Nomination and Remuneration Committee, it was agreed to accept the resignation for personal reasons tendered by the non-director Secretary, Bernardo Gutierrez de la Roza Pérez, and to appoint Jesús Sánchez Lambás as the new non-director Secretary, who will also perform the same duties on the various committees attached to the Board of Directors.

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41. Additional note for English translation

The consolidated financial statements for the year ended 31 December 2021 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.



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DURO FELGUERA, S.A. AND
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2021 Management Report



DURO FELGUERA, S.A. Y SOCIEDADES DEPENDIENTES

GENERAL PERFORMANCE

	€ thousand	
	2021	2020
Revenue	84,468	133,143
EBITDA ⁽¹⁾	(9,129)	(138,860)
Profit/(loss) before tax	19,599	(168,856)
Net financial debt ⁽²⁾	(81,930)	(70,427)
Order intake ⁽³⁾	175,116	78,635
Order backlog ⁽⁴⁾	335,614	268,063

- (1) EBITDA is earnings before interest, tax, depreciation and amortisation. Its calculation is disclosed in Note 5.
- (2) Net financial debt is the amount of gross debt less cash and cash equivalents. Its calculation is disclosed in Note 3.
- (3) Order intake is the total amount of contracts won in the year, calculated by adding the amounts of each contract signed during the year.
- (4) Order backlog is the amount pending execution of signed contracts held by the Company, calculated by subtracting the amount executed from the total amount of each contract.

Last year was an important time for Duro Felguera. On 9 March 2021, the Council of Ministers agreed to authorise the temporary public financial aid requested from the Solvency Support Fund for Strategic Companies, for a total of €120 million. This operation — together with the agreement to refinance the financial liability entered into on 29 November 2021 with the banking syndicate under the terms described in these notes to the financial statements and the financial support granted by the Principality of Asturias through Sociedad Regional de Promoción for €6 million on 27 December 2021 (Note 1) — has enabled the Company to strengthen its financial and equity position. The financing agreement also includes a revolving guarantee facility of up to €80 million, with 70% of the cover provided by the credit insurer CESCE. As a result of this refinancing operation, the Group recorded a positive extraordinary financial result of €37 million net of related costs, enabling it to report profit after tax (PAT) of €22.6 million in 2021.

In terms of new order intake in 2021, highlights included the award of a project worth €100 million in the Netherlands, consisting of the refurbishment and repair of the facilities of an industrial customer. As a result, order intake totalled €175.1 million in the period, 123% higher than in 2020.

As for the performance of projects already in the pipeline, the Group resumed the 1,500 MW power project in Djelfa (Algeria) in 2021, under the terms of a framework agreement signed with the customer. The parties are now confident that the project will be successfully completed. Elsewhere, the Group is continuing to negotiate with the customer in relation to the Iernut project in Romania. In January 2022, it presented a proposal for the reactivation of the project, the recovery of the escrow account and recognition by the customer of the project's cost overruns, in the hope of being able to successfully complete this 430 MW power facility.

In terms of economic activity, the recovery has been an uneven affair across the different countries in which the Group operates, despite the progress made in vaccination programmes worldwide to alleviate the impact of the health crisis. As a result, activity in 2021 continued to be affected by the mobility restrictions in place in certain countries, thus slowing the rate of progress made towards certain projects. The Group's activity in 2021



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was also slowed somewhat by the delays in negotiating and signing the restructuring operation with FASEE and various banks. As a result, it was not until the end of the year when the funding and guarantee facility needed to undertake the new projects became available. Revenue therefore amounted to €84.5 million in 2021, down 37% from 2020.

EBITDA was a negative €9.1 million, compared to a negative €138.9 million in 2020. In 2020, Group EBITDA was significantly impacted by COVID-19, prompting a request for temporary public financial aid from the FASEE fund. A structural cost reduction plan was deployed in 2021 and there are specific targets for further reductions in 2022, with work already in progress.

A number of favourable settlement agreements for the Group were reached in 2021, thus marking a successful end to lengthy and costly arbitration processes. Notably, the Group reached an agreement with General Electric to end their arbitration proceedings in connection with the CVO project, with no impact on profit or loss. A similar arrangement was reached with Stoneway Capital Corporation and Araucaria Energy S.A. in relation to the Luján and Matheu projects in Argentina, which led to the collection of \$10 million in 2021. Meanwhile, several negotiation processes are continuing in relation to ongoing lawsuits and are expected to result in a satisfactory outcome.

The Group is continuing the search for a private investor and their incorporation would not only have the effect of further strengthening the Group's financial and/or equity position, but would also accelerate the process of implementing the viability plan. The Group is continuing to appraise various non-binding offers and expressions of interest received from potential investors.

The order backlog at the end of the year stood at €335.6 million, of which 90% related to international projects.

At 31 December 2021, the Group' gross financial debt, including the amount of public financial support from FASEE and the Principality of Asturias, amounted to €170.5 million. This amount also includes €5 million relating to Class A Bonds and €10.9 million relating to Class C Bonds, which in no case will result in cash outflows for the Group. Cash at 31 December 2021 stood at €89 million, thus bringing net financial debt to €81.5 million.

Average headcount for the Group went from 1,173 employees at 31 December 2020 to 1,067 employees at 31 December 2021.

From an equity standpoint, the parent did not fall within any of the grounds for dissolution at 31 December 2021, despite having negative equity of €137,504 thousand.

Firstly, because profit participating loans are treated as equity for company law purposes with respect to capital reductions and liquidations. At 31 December 2021, the amount of all profit participating loans agreed under the refinancing agreement was €129 million (€100 million with FASEE, €23 million with banks and €6 million with the Regional Promotion Society of the Principality of Asturias (Sociedad Regional de Promoción del Principado de Asturias or "SRP"). In addition, in December 2021, and as envisaged in the public financing contract with FASEE, the Company asked the latter to convert the €20 million ordinary loan into a profit participating loan. FASEE has yet to approve that request. Once this takes place, the total amount of the profit participating loan will be €149 million.



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Secondly, because Royal Legislative Decree 27/2021, on procedural and organisational measures in response to COVID-19, states that losses incurred in financial years 2020 and 2021 should not be counted when determining whether a ground for dissolution exists. 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 the aforementioned Royal Decree-Law, the parent's equity for company law purposes amounts to €162,668 thousand, as shown in the following table:

(€ thousand)

Equity of the parent company at 31 December 2021	-137,504
Profit participating loan, FASEE (*)	100,000
Profit participating loan, SRP	6,000
Profit participating loan, banks	23,000
Loss in 2020 attributable to the parent	171,172
Equity of the parent for company law purposes at 31 December 2021(*)	162,668

(*) This amount is expected to be increase by €20,000 thousand on the conversion of the ordinary loan into a profit participating loan following as per the request sent to FASEE in December 21, which at the date of authorisation for issue of these consolidated financial statements is still being processed.

Corporate governance and organisational structure

On 30 April 2021, José Jaime Argüelles Álvarez was appointed Chief Executive Officer of the parent company. Two new directors representing FASEE also joined the Group on that date, following the signing of the temporary public financing agreement with the fund.

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

BUSINESS OUTLOOK

Industrial projects in many countries can now be undertaken or resumed following the reactivation of the world economy post-COVID, coupled with high levels of liquidity within the market and the support of European and international funds, including the Next Generation EU funds.

The Group's vision going forward is focused on:

- Strengthening the core businesses of Duro Felguera, which have been historically profitable and stable.
- Stepping up activity in the renewable energy, energy storage and digitalisation sectors, aligned with the energy transition and ongoing digital transformation.



DURO FELGUERA, S.A. AND SUBSIDIARIES

1. Strengthening traditional businesses

The traditional businesses are: Conventional Energy, Industrial Plants (Industrial Complexes, Mining & Handling, Oil & Gas and Manufacturing) and Services.

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

Conventional energy

Duro Felguera undertakes EPC projects or integrations through all phases of the process for industrial 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.

The Company executes turnkey power generation projects across Europe, Latin America, the Middle East and Africa, with a total installed capacity of more than 23,000 MW.

Industrial plants:

Industrial plants/sites

EPC/integration projects for the engineering and construction of industrial plants.

Mining & Handling

The 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, DF has amassed extensive know-how and the necessary capabilities to perform EPC and EPCM projects efficiently.

Oil & Gas

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

Manufacturing of capital goods

Duro Felguera has its own workshops for the manufacture of capital goods, through subsidiary company 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. The Company is an international benchmark in this field.



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Assembly, operation and maintenance 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.

2. Stepping up activity in renewable energies and digitisation

Renewables

The growth of the renewable energy sector opens up an opportunity for Duro Felguera. There is an urgent need for energy that does not run out and, above all, for a firm commitment to sustainability and climate change, and "green" energy is the solution to this. For Duro Felguera it is an opportunity for growth, as the renewable energy market is thriving and the outlook for the next few years is promising. The objective in this business segment is to become a relevant yet selective company, successfully combining development, integration, construction and operation with recurring business in the renewable energy sector in Spain, Latin America and other parts of the world.

DF Green Tech

Duro Felguera has set up the subsidiary DF Green Tech, which is dedicated to championing renewable energies. The focus in this growing sector is on the development, integration and construction, and especially the promotion of photovoltaic facilities by securing the relevant EPC and O&M contracts. The aim is also to create value due to the high market demand for this type of asset. This segment would also include industrial onshore wind, energy storage and green hydrogen.

Off-shore wind power

Given the urgent need to decarbonise the world's energy, Duro Felguera is committed to the manufacture of foundation structures for offshore wind turbines, as part of its aim to expand and diversify its products to ensure the sustainability and growth of the Group's manufacturing line. To succeed, it will rely on the extraordinary know-how and manufacturing prowess of the Duro Felguera Calderería Pesada workshop, which is also due to be enlarged and upgraded.

Smart Systems

Duro Felguera has combined Epicom, Felguera TI (focusing on cybersecurity and digitisation) and Logistics Systems into a single area: Smart Systems. The aim is to have a more comprehensive product and service offering in existing segments, while expanding businesses and promoting new growth drivers, including segments and geographies.

Smart Systems' expansion will come through encrypted communication for military and civilian use, digitisation and smart logistics systems:

Encrypted military communications

Growth here will come from expanding the customer base of EPICOM, in which the Group holds a 60% stake (although, as detailed in Note 1, it has been removed from the consolidation perimeter), to include military and other forces from Spain and other EU and



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NATO countries. To succeed in this task, sales and technological development capacities will be increased to offer products tailored to the needs of its new customers.

Encrypted civilian communications

Duro Felguera aims to penetrate the encrypted communication sector for civilian use by targeting companies that require maximum security in their communications, relying on a strategic partner with a strong track record in the civil sector and with a value proposition backed by Duro Felguera's differentiated product.

Logistics systems

Duro Felguera also intends to pursue growth in heavy-duty warehouse automation projects in the cardboard and dairy product niches, bolstering the specialist sales team in target regions.

MAIN RISKS AND UNCERTAINTIES

a) Market risk

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk on transactions in foreign currencies, mainly the US dollar (USD) -so in principle, depreciation in emerging countries would not have a direct impact on the project revenue- and to a lesser extent, local currencies in emerging countries, the most important of which at present are the Argentine peso (ARP), Algerian dinar (DZD) and Indian rupee (INR). 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 26.b). Translation differences are disclosed in Note 18.

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. Nevertheless, there were no outstanding hedges at 31 December 2021.



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At 31 December 2021, if the euro had weakened by 5% against the US dollar, with all other variables held constant, post-tax profit for the year would have been €138 thousand higher (2020: €105 thousand lower), whereas if it had strengthened by 5%, post-profit for the year would have been €125 thousand lower (2020: €95 thousand higher), mainly as a result of foreign exchange gains/losses on translation to US dollars 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 US dollars, and the effect of the stage of completion at the year-end.

(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.

Against the current backdrop, with COVID-19 causing delays in project execution and invariably resulting in time overruns, the Group reassessed its estimate of the total costs in the budgets used to calculate the stage of completion (Note 2.21) and the onerous contract provision.

(iii) Cash flow and fair value interest rate risk

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

The Group's interest rate risk arises from non-current borrowings. There was a substantial modification of the terms of these borrowings at year-end 2021. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

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

Based on the simulations performed, the impact on profit or loss of a ± 10 basis point shift would be an increase/decrease of €149 thousand (2020: €86 thousand).

b) Credit risk

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

- Assets arising from financial instruments and sundry balances included in cash and cash equivalents (Note 15).
- Trade and other receivable balances (Note 12).



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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. 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 2021 was €31,730 thousand (2020: €33,936 thousand).

The Group recognised an impairment loss on its financial assets of €131,505 thousand, which included the estimate of expected credit loss under IFRS 9 (Notes 2.12 and 12).

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 maintaining availability under committed credit lines. Management also monitors the forecasts for the Group's liquidity reserves based on estimated cash flows.

Set out below is the Group's net cash position at 31 December 2021 and comparative data:

	€ thousand	
	2021	2020
Borrowings and derivatives (Notes 13 and 22)	(170,472)	(95,323)
Less: Cash and cash equivalents (Note 15)	88,542	24,896
Net cash/(debt) position	(81,930)	(70,427)
Undrawn credit lines (Note 22)	-	-
Total liquidity surplus/(shortfall)	(81,930)	(70,427)

The Company's financial debt at 31 December 2021 included assistance from FASEE and debt renegotiated with financial institutions in the form of profit participating loans, basic loans and convertible bonds (Notes 1 and 2.1). At 31 December 2020, this was mainly debt with a bank syndicate that was refinanced and restructured in 2021.

The Group also had €23,042 thousand of deposits under "Current financial assets" in the statement of financial position as at 31 December 2021 (Note 11) as security for execution of its projects due to the lack of guarantees. However, an amount of €16 million is held in the escrow account for the Iernut project, which was called by the third party on 15 July 2021 and which continues to be treated as a receivable as the Company expects to recover



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it in due course. Note that current liabilities have been recognised to cover the associated contingencies.

Cash and cash equivalents at 31 December 2021 (Note 15) included €1,228 thousand subject to certain restrictions, basically as it provides guarantees for third-party lawsuits pending court rulings or counterparty agreements (2020: €1,921 thousand, with this amount including pledges as security for project guarantees or cash deposits made in lieu of project guarantees).

Liquidity risk in 2020 was higher than expected in the 2020 cash plan, largely due the particularly strong impact of the coronavirus crisis on collection and payment flows on Group activities and the real estate market by pushing back plans to sell assets until the climate became more propitious. The net cash position rose by €11,503 thousand in 2021, mainly as a result of the rescheduling of projects, most notably Bellara and Djelfa, the completion of the Lernut project, following delays in arranging the public aid and negotiating refinancing agreements with the banks. The documents were ultimately signed on 29 November 2021, despite initial hopes that everything would be completed by 30 June 2021.

Following the approval of the temporary public financial aid from the Solvency Support Fund for Strategic Companies described in Note 2.1., the directors are confident that the assumptions set out in the viability and cash flow plan put forward will materialise.

d) Climate change risks

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

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

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

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

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

- Reputational risk, which is closely related to lawsuits. This risk has increased following the appearance of COVID, within a society that is becoming increasingly conscious



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of issues such as the environment, sustainability and good business practices. Essentially, the market will reward companies that are perceived as leaders in the transformation and modernisation of the sector, but may spurn or punish companies that contribute in a less visible way to this transformation or are perceived as obsolete in terms of ESG.

At its meeting of 18 January 2022, the 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.

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

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

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

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

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



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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

TREASURY SHARE TRANSACTIONS

At 31 December 2021 and 2010, the parent company did not hold any treasury shares.

RESEARCH AND DEVELOPMENT ACTIVITIES

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

The Group 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.

To succeed in this task, we have drawn up a plan to target R&D and innovation projects that will improve both the performance of our current products and services and help us acquire new competencies to further our business vocation as an integrator and EPC operator across all sectors in which we operate.

In 2021, despite budget constraints, the Group pressed on with R&D+i projects that were already under way at the start of the year, investing a total of €72 thousand over the period (2020: €96 thousand).

AVERAGE PAYMENT PERIOD TO SUPPLIERS

Note 23 to the financial statements provides information on the average payment period to suppliers. The average payment period to suppliers is relatively long, due to the stoppage of some of the Group's main projects during the year, with 46% of the past-due balances with suppliers corresponding to the Djelfa project. Following completion of the financial restructuring process in 2021, the Group has begun negotiating with its suppliers in a bid to reach an agreement on new payment schedules or forgiveness of past-due amounts.



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SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The following significant events have occurred between 31 December 2021 and the date of authorisation for issue of these consolidated financial statements:

- On 11 January 2022, Duro Felguera announced a new, more dynamic Company structure and organisation, focused on customers, profitability and continuous improvement.

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

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

The Services business line performs various services related to the specialised assembly, commissioning, and operation and maintenance of energy and industrial facilities.

The new organisation, which features new managers and executives appointed via internal promotion processes, will enable the Company to become more customer-oriented and will make its projects more profitable in order to deliver the objectives set by the Company in the viability plan approved by the Solvency Support Fund for Strategic Companies ("FASEE").

Duro Felguera, through its subsidiary DF Operaciones y Montajes (DFOM), has announced the award of a contract worth €100 million with an industrial customer in the Netherlands for the refurbishment and repair of its facilities. The scope of the project includes detailed engineering, supplies, and mechanical, electrical and refractory assembly. The performance period is one and a half years.

Following the award of this contract on 22 December 2021, the Company was able to achieve the order intake target set out in its viability plan for that year of €175 million.

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 Code of Good Governance.

The creation of this committee required certain minor amendments to the Regulations of the Board of Directors, as some of the duties now ascribed to it were previously among those entrusted to the Audit, Risk and Compliance Committee. Therefore, the Board of Directors also resolved, at the same meeting, to amend the Regulations of the Board of Directors accordingly.

Also at that meeting the Board of Directors agreed to set the number of members of the Sustainability Committee at three (3), with its composition being as follows:

Jordi Sevilla Segura (Chairman)
Rosa Aza Conejo (Director)
José Julián Massa Gutiérrez del Álamo (Director)
Jesús Sánchez Lambás (non-director Secretary)



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- At the meeting of the Board of Directors held on 9 February 2022, and upon the recommendation of the Nomination and Remuneration Committee, it was agreed to accept the resignation for personal reasons tendered by the non-director Secretary, Bernardo Gutierrez de la Roza Pérez, and to appoint Jesús Sánchez Lambás as the new non-director Secretary, who will also perform the same duties on the various committees attached to the Board of Directors.

ANNUAL CORPORATE GOVERNANCE REPORT

The Annual Corporate Governance Report for 2021 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 2021 is included as an appendix to this Management Report and forms an integral part of this document.

NON-FINANCIAL STATEMENT

Also attached is the text of the non-financial statement prepared by the Board of Directors of Duro Felguera, S.A. and which forms part of the 2021 consolidated management report.

OTHER RELEVANT INFORMATION

Stock market data

The main stock-market data for the Group in 2021 and 2020 are as follows:

	2021	2020
Closing price	0.877	0.619
High (€)	1.500	0.840
Low (€)	0.614	0.130
Trading volume ('000 shares)	376,087	856,092
Cash (€ thousand)	381,679	430,474
Number of shares (x 1.000)	96,000	96,000
Market cap at year-end (€ thousand)	84,144	59,424

Source: Madrid Stock Exchange



ANNUAL REPORT ON DIRECTOR
REMUNERATION OF LISTED COMPANIES

English translation for information purposes only.
In the event of discrepancies between the English
and the Spanish version, the Spanish version shall
prevail.

ISSUER IDENTIFICATION DETAILS

Year-end date: [31/12/2021]

TAX ID (CIF):: [A-28004026]

Company name:

[DURO FELGUERA, S.A.]

Registered office:

[ADA BYRON, 90 PARQUE CIENTIFICO Y TECNOLOGICO (GIJON) ASTURIAS]

A. REMUNERATION POLICY OF THE COMPANY FOR THE CURRENT FINANCIAL YEAR

A.1.1 Explain the current director remuneration policy applicable to the year in progress. To the extent that it is relevant, certain information may be included in relation to the remuneration policy approved by the General Meeting, provided that these references are clear, specific and concrete .

Such specific determinations for the current year as the board may have made in accordance with the contracts signed with the executive directors and with the remuneration policy approved by the General Shareholders' Meeting must be described, as regards directors' remuneration both in their capacity as such and for executive functions carried out.

In any case, the following aspects must be reported, as a minimum:

- a) Description of the procedures and company bodies involved in determining and approving the remuneration policy and its terms and conditions.
- b) Indicate and, where applicable, explain whether comparable companies have been taken into account in order to establish the company's remuneration policy.
- c) Information on whether any external advisors took part in this process and, if so, their identity.
- d) Procedures set forth in the current remuneration policy for directors in order to apply temporary exceptions to the policy, conditions under which those exceptions can be used and components that may be subject to exceptions according to the policy.

The current director remuneration policy applicable to 2022 falls under the framework of the remuneration policy for 2021, 2022 and 2023 approved at the Annual General Meeting held on 29 October 2020.

The remuneration policy applicable to the year in progress outlines the following framework:

1.- Cash remuneration

a) Fixed remuneration

The members of the Board of Directors receive fixed remuneration or remuneration in their capacity as such, with a total annual limit of €600 thousand. This limit shall remain in place until it is modified via a resolution of the General Meeting. This amount is received by the directors in their capacity as such and is considered a fixed amount or attendance fee at meetings of the Board of Directors and board committees, without prejudice to reimbursement of related expenses and other objective circumstances considered relevant.

b) Attendance fees

Members of the Board of Directors who are members of one or more board committees (Audit Committee, Risk and Compliance Committee, and Nomination and Remuneration Committee) and committees that may be created receive an attendance fee. As explained, 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 27 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 and provided that the dividend on shares is not less than 4%.

d) Share-based payments

In addition, aside from the preceding paragraphs, director remuneration may entail the delivery of shares or share options or a remuneration based on the Company's share price.

There is no remuneration of this type at present.

2.- Remuneration in kind

a) Health insurance.

The Company pays the premiums on the health insurance policies taken out for each director.

Board members are also included as policyholders in a civil liability policy for directors and senior managers that is not considered income under current tax laws.

The Board of Directors, on the recommendation of the Nomination and Remuneration Committee, as the body tasked with setting director remuneration, agreed to maintain an amount of fixed remuneration in 2022 with a similar structure to that of 2021 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 2021, 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 equal monthly payments. This remuneration of the Chairman of the Board of Directors replaces the remuneration of director in his capacity as such.

3.- The fixed remuneration detailed above (sections 1 and 2), for directors in their capacity as such, is lower than the maximum amount outlined in the current director remuneration policy. Distribution of the difference is contingent on a recommendation in due course to the Board of Directors by the Nomination and Remuneration Committee based on criteria of necessity and opportunity.

4.- Variable remuneration/profit-sharing

As outlined in the remuneration policy (see section 1-c).

5.- Remuneration in kind.

Payment of the health insurance premium is maintained.

6.- Executive director remuneration.

- Fixed component of €435,000 and annual remuneration of €40,000 in the director's capacity as such and variable remuneration up to 75% of the fixed salary, which accrues in accordance with achievement of certain terms and conditions in 2022 (see description in sections below).

To assign 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.

The proposed director remuneration was prepared by the Nomination and Remuneration Committee taking into account comparable companies in the sector and without the involvement of any external advisor.

A.1.2 Relative importance of variable remuneration items vis-à-vis fixed remuneration (remuneration mix) and the criteria and objectives taken into consideration in their determination and to ensure an appropriate balance between the fixed and variable components of the remuneration. In particular, indicate the actions taken by the company in relation to the remuneration system to reduce exposure to excessive risks and to align it with the long-term objectives, values and interests of the company, which will include, as the case may be, mention of the measures taken to ensure that the long-term results of the company are taken into account in the remuneration policy, the measures adopted in relation to those categories of personnel whose professional activities have a material impact on the risk profile of the company and measures in place to avoid conflicts of interest.

Furthermore, indicate whether the company has established any period for the accrual or vesting of certain variable remuneration items, in cash, shares or other financial instruments, any deferral period in the payment of amounts or delivery of accrued and vested financial instruments, or whether any clause has been agreed reducing the deferred remuneration not yet vested or obliging the director to return remuneration received, when such remuneration has been based on figures that have since been clearly shown to be inaccurate.

For directors in their capacity as such, variable remuneration is determined as a share of up to 2.5% of net profit once other statutory payments have been made and in accordance with the limits established in article 218 of the Corporate Enterprises Act, provided that the dividend on shares is not less than 4%.

The relative importance of this variable remuneration item vis-à-vis fixed remuneration is determined on the basis of net profits earmarked for distribution to shareholders. The resulting amount of variable remuneration shall be an amount that assures an appropriate remuneration mix.

Executive director remuneration in 2022 comprises:

- a) annual variable remuneration (see section A-1)
- b) a long-term incentive of up to three times the director's annual fixed salary based on the share price reaching a certain level, after completing three (3) years from the start date of the director's contractual relationship of 4 May 2021.

A.1.3 Amount and nature of fixed components that are due to be accrued during the year by directors in their capacity as such.

- a) Fixed annual remuneration of up to €600 thousand for all members of the Board of Directors in their capacity as such (see section A-1).
- b) Health insurance. The amount is €113.9 thousand and covers, in addition to all Company directors, staff with posts of responsibility.

A.1.4 Amount and nature of fixed components that are due to be accrued during the year for the performance of senior management functions of executive directors.

Fixed annual remuneration of €435,000.

A.1.5 Amount and nature of any component of remuneration in kind that will accrue during the year, including, but not limited to, insurance premiums paid in favour of the director .

Annual insurance premiums:

Health insurance: €5,462.48
Life insurance: €343.55.
Accident insurance: €38.35

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.

There is a long-term incentive of up to three times the director's annual fixed salary based on the share price reaching a certain level, after completing three (3) years from the start date of the director's contractual relationship of 4 May 2021.

Aside from these incentives, the Company, after signing the Management Agreements with the Spanish Solvency Support Fund for Strategic Companies (FASEE) on 31 March 2021, is subject to article 6.1.f) of Order PCM/679/2020, of 23 July, publishing the Resolution of the Council of Ministers of 21 July 2020, on the terms of reference of the Solvency Support Fund for Strategic Companies (Official State Gazette of 24 July 2020), which prevents payment of any variable remuneration until such time as 75% of the Financial Aid granted is repaid.

"Until such time as 75% of the Financial Support granted through equity instruments or through hybrid equity instruments is repaid, the remuneration of the members of the board of directors, of the administrators, or of those holding supreme corporate responsibility at the Beneficiaries, may not exceed the fixed part of their remuneration in force at the close of the 2019 financial year. Remuneration of directors appointed at the request of the Management Board in accordance with this Agreement shall be comparable to remuneration of others with a similar level of responsibility. In no circumstances may premiums or other variable remuneration components or similar be paid."

The wording of the clauses in the Management Agreement between the Company and FASEE are an exact reproduction of article 6.1.f) of that Ministerial Order.

A.1.7 Main characteristics of long-term savings schemes. Among other information, state the contingencies covered by the system, whether through defined contributions or benefits, the annual contribution that needs to be made to the defined contribution system, the benefits directors are entitled to in the event of defined benefit systems, the conditions under which economic rights are consolidated for directors and their compatibility with any other type of payment or severance pay as a result of the early termination or dismissal of the director, or deriving from the termination of the contractual relation, in the terms provided, between the company and the director.

Indicate whether the accrual or vesting of any of the long-term savings plans is linked to the attainment of certain objectives or parameters relating to the director's short- or long-term performance.

Not applicable.

A.1.8 Any type of payment or severance pay for early termination or dismissal of the director, or deriving from the termination of the contractual relation, in the terms provided, between the company and the director, whether voluntary resignation by the director or dismissal of the director by the company, as well as any type of agreement reached, such as exclusivity, post-contractual non-competition, permanence or loyalty, which entitle the director to any type of remuneration.

There is an indemnity clause in the event of unilateral termination without cause of the Contract for an amount of one-and-a-half year's fixed salary.

Directors may also be eligible for this indemnity in the following situations:

- a) Failure of the parties to reach an agreement over a contractual modification if the Articles of Incorporation or the Remuneration Policy is amended, or if resolutions of the Annual General Meeting or the Board of Directors regarding remuneration are suspended, substituted or repealed.
- b) Failure to pay or a delay in payment of agreed-upon consideration where non-payment is serious and repeated, provided that it is not due to a general delay throughout the Company. However, for these purposes a delay of more than forty-five (45) days shall be considered just cause for termination of the contract by the Chief Executive Officer.

- c) Any other serious breach by the Company of its contractual terms and obligations, except in cases of force majeure.
- d) Appointment of another chief executive and, in general, adoption by the Board of Directors of any measures restricting the director's management authority except where such measure or measures are required by law.
- e) Removal or dismissal as director or revocation of the powers delegated by the Board of Directors without just cause or mutual agreement between the parties, death or declaration of death, or full permanent disability, absolute permanent disability or severe disability of the Chief Executive Officer without the need for an administrative declaration.

Executive directors may not perform any activities, directly or indirectly, that entail competition with the activities effectively carried out by the Company during their contractual relationship, or constitute or hold directorships or acquire shares and/or ownership interests or products or instruments whose underlyings are shares or equity interests in companies and/or entities that engage in the same business activity as the Company at that time without express authorisation by the General Meeting or unless they are shares or securities of listed companies.

An amount is 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 indemnification 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.1.9 Indicate the conditions that the contracts of executive directors performing senior management functions should contain. Among other things, information must be provided on the duration, limits on amounts of indemnification, minimum contract term clauses, notice periods and payment in lieu of these notice periods, and any other clauses relating to signing bonuses, as well as compensation or golden parachute clauses for early termination of the contractual relationship between the company and the executive director. Include, among others, the pacts or agreement on non-competition, exclusivity, permanence and loyalty, and post-contractual non-competition, unless these have been explained in the previous section.

The executive director has a permanent contract. See the preceding section for the remaining terms (e.g. limits on amounts of indemnification, minimum contract term clauses, notice periods and payment in lieu of these notice periods, and any other clauses relating to signing bonuses, as well as compensation or golden parachute clauses for early termination of the contractual relationship).

A.1.10 The nature and estimated amount of any other supplementary remuneration that will be accrued by directors in the current year in consideration for services rendered other than those inherent in their position.

Not applicable.

A.1.11 Other items of remuneration such as any deriving from the company's granting the director advances, loans or guarantees or any other remuneration.

Not applicable.

A.1.12 The nature and estimated amount of any other planned supplementary remuneration to be accrued by directors in the current year that is not included in the foregoing sections, whether paid by the company or by another group company.

Not applicable.

A.2. Explain any significant change in the remuneration policy applicable in the current year resulting from:

- a) A new policy or an amendment to a policy already approved by the General Meeting.
- b) Significant changes in the specific determinations established by the board for the current year regarding the remuneration policy in force with respect to those applied in the previous year.
- c) Proposals that the board of directors has agreed to submit to the general shareholders' meeting to which this annual report will be submitted and which are proposed to be applicable to the current year .

The Director Remuneration Policy for financial years 2021, 2022 and 2023 was approved at the Annual General Meeting held on 29 October 2020, on a recommendation by the Board of Directors based on a report from the Nomination and Remuneration Committee. It was practically the same as the previous policy, with no material changes.

At the same Annual General Meeting, approval was also given to a recommendation by the Board of Directors based on a report by the Nomination and Remuneration Committee on executive director remuneration to reduce the maximum amount of fixed remuneration and modify the section on variable remuneration to give more weight to overall remuneration so it is aligned with market practice for similar positions at similar companies.

For both the annual variable remuneration and the long-term incentive, the Board of Directors has devised a precise formula for clawing back, where applicable, amounts of variable remuneration components paid if, for the delivery of shares, the share price at the delivery date does not comply with the required terms and conditions of payment or the amounts were paid on the basis of data that were subsequently clearly shown to be inaccurate, as set out in the Director Remuneration Policy for financial years 2021, 2022 and 2023, approved at the Annual General Meeting held on 29 October 2020.

A.3. Identify the direct link to the document containing the company's current remuneration policy, which must be available on the company's website.

The following link is to all of the Company's corporate policies, including the current remuneration policy. Clicking on the link to the relevant policy.

<https://www.durofelguera.com>

A.4. Explain, taking into account the data provided in Section B.4, how account has been taken of the voting of shareholders at the General Shareholders' Meeting to which the annual report on remuneration for the previous year was submitted on a consultative basis.

The item on the Annual General Meeting agenda containing the consultative vote on the 2019 annual report on director remuneration for 2019 was approved with 12,769,920 votes in favour, representing 97.2000% of the votes cast for this agenda item. Considering the large percentage of votes in favour by shareholders in the consultative vote regarding this item on the agenda, the application of the Company's remuneration policy is considered appropriate.

B. OVERALL SUMMARY OF HOW REMUNERATION POLICY WAS APPLIED DURING THE YEAR LAST ENDED

B.1.1 Explain the process followed to apply the remuneration policy and determine the individual remuneration contained in Section C of this report. This information will include the role played by the remuneration committee, the decisions taken by the Board of Directors and the identity and role of any external advisors whose services may have been used in the process of applying the remuneration policy in the year last ended.

Individual remuneration disclosed in section C of this report was determined using the criteria in the Director Remuneration Policy for financial years 2021, 2022 and 2023 approved at the Annual General Meeting held on 29 October 2020.

The remuneration policy for the 2021 for directors in their capacity as such contained two components: a fixed component and a variable component. The variable component was not applied since there was no distribution of profit among shareholders.

As regards directors' remuneration in their capacity as such, the Nomination and Remuneration Committee proposed, in line with the remuneration policy that sets the overall maximum amount annual remuneration for directors in their capacity as such, an overall amount of €600,000, including a fixed annual remuneration in their capacity as such for both directors and for members and chairmen of board committees, which replaced the payment of fees for attending board and board committee meetings.

Therefore, remuneration of directors in their capacity as such is determined as follows:

Non-executive Chairman of the of the Board of Directors: €100,000/year, plus €1,567.77 of remuneration in kind (health insurance).

Member of the Board of Directors: €40,000/year.

Chairman of each board committee: €15,000/year.

Member of each board committee: €7,500/year.

Lead independent 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 2021 was €784 thousand.

The remuneration pertaining to directors appointed by the Spanish Solvency Support Fund for Strategic Companies (FASEE), M^a Jesús Álvarez González, César Hernández Blanco and Miguel Santiago Mesa, is integrated into the Public Treasury, in accordance with Article 2.3 of Royal Decree-Law 25/2020 of 3 July, on urgent measures to support economic recovery and employment.

The executive director accrued fixed remuneration up to 30 April 2021 of €124 thousand and the following remuneration in kind: (i) health insurance: €1,650.80; (ii) life insurance: €305.49; and (iii) accident insurance: €27.02.

The executive director accrued fixed remuneration from 4 May 2021 of €321 thousand and the following remuneration in kind: (i) health insurance: €78.59; (ii) life insurance: €38.06; and (iii) accident insurance: €11.33.

Because of the change of executive director in the first four months of the year arising from support of the FASEE, no variable remuneration was accrued in 2021. 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) Reduction of 20% of the executive director's fixed remuneration in the first four (4) months of the year while the employee furlough scheme was in place.
- b) Suspension of any payment of variable remuneration from signing of the Management Agreement with FASEE until repayment of 75% of the financial aid received.

c) Cap on variable remuneration of the fixed remuneration of members of the Board of Directors, administrators or those holding supreme corporate responsibility at year-end 2019 from the date of signing of the Management Agreement with FASEE until repayment of 75% of the financial aid received.

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

See section B.1 above.

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

Furthermore, report on the relationship between the remuneration obtained by the directors and the results or other performance measures of the company in the short and long term, explaining, as the case may be, how the variations in the performance of the company have influenced changes in the remuneration of directors and how the latter contribute to the short- and long-term results of the company.

See section B.1 above.

B.4. Report on the result of the consultative vote at the General Shareholders' Meeting on remuneration in the previous year, indicating the number of votes against, if any:

	Number	% of total
Votes cast	24.403.425	100,00
	Number	% of total
Votes against	562.327	2,30
Votes in favour	23.587.923	96,66
Blank ballots	87.466	0,36
Abstentions	165.709	0,68

Comment

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

See section B.1. A new Remuneration Policy was approved in 2020 for financial years 2021, 2022 and 2023, but the criteria were the same as in previous policies. Therefore, there were no changes in how fixed components were determined.

B.6. Explain how the salaries accrued and vested by each of the executive directors over the past financial year for the performance of management duties were determined, and how they changed with respect to the previous year.

In 2021, Chief Executive Officer José María Orihuela Uzal received fixed remuneration until 30 April 2021 of €124,116.67.

Jaime Argüelles Álvarez received fixed remuneration from 4 May 2021 to 31 December 2021 of €321,169.65.

B.7. Explain the nature and the main characteristics of the variable components of the remuneration systems accrued and vested in the year last ended.

In particular:

- a) Identify each of the remuneration plans that determined the different types of variable remuneration accrued by each of the directors in the year last ended, including information on their scope, date of approval, date of implementation, any vesting conditions that apply, periods of accrual and validity, criteria used to evaluate performance and how this affected the establishment of the variable amount accrued, as well as the measurement criteria used and the time needed to be able to adequately measure all the conditions and criteria stipulated, explaining the criteria and factors applied in regard to the time required and the methods of verifying that the performance or any other kind of conditions linked to the accrual and vesting of each component of variable remuneration have effectively been met.
- b) In the case of share options and other financial instruments, the general characteristics of each plan will include information on both the conditions to acquire unconditional ownership (consolidation) and to exercise these options or financial instruments, including the price and term to exercise them.
- c) Each director that is a beneficiary of remunerations systems or plans that include variable remuneration, and his or her category (executive director, external proprietary director, external independent director or other external director).
- d) Information is to be provided on any periods for accrual, vesting or deferment of payment of vested amounts applied and/or the periods for retention/unavailability of shares or other financial instruments, if any.

Explain the short-term variable components of the remuneration:

Not applicable. See section B.1.3

Because of the change of executive director in the first four months of the year arising from support of the FASEE, no variable remuneration was accrued in 2021

Explain the long-term variable components of the remuneration systems:

[]

B.8. Indicate whether certain variable components have been reduced or clawed back when, in the former case, payment of non-vested amounts has been deferred or, in the latter case, they have vested and been paid, on the basis of data that have subsequently been clearly shown to be inaccurate. Describe the amounts reduced or clawed back through the application of the "malus" (reduction) or clawback clauses, why they were implemented and the years to which they refer .

[] Not applicable.

B.9. Explain the main characteristics of the long-term savings systems where the amount or equivalent annual cost appears in the tables in Section C, including retirement and any other survivor benefit that are financed, totally or partially, by the company, whether through internal or external contributions, indicating the type of plan, whether it is a defined contribution or benefit, the contingencies covered, the conditions to consolidate economic rights for directors and their compatibility with any type of severance pay for early termination or termination of the contractual relationship between the company and the director.

[] Not applicable.

B.10. Explain, where applicable, the indemnification or any other type of payment deriving from the early cessation, whether at the company's or the director's initiative, or from the termination of the contract in the terms provided therein, accrued and/or received by directors during the year last ended .

[] No amounts were paid for these items in 2021 . As at the date of this report, no indemnification had accrued for the outgoing executive director in 2021 as there was debate about whether his removal falls within the scope of situations eligible for indemnification. The indemnification included in his contract is €652,500.

B.11. Indicate whether there have been any significant changes in the contracts of persons exercising senior management functions, such as executive directors, and, where appropriate, explain such changes. In addition, explain the main conditions of the new contracts signed with executive directors during the year, unless these have already been explained in Section A.1.

[] See section A.1

B.12. Explain any supplementary remuneration accrued by directors in consideration of the provision of services other than those inherent in their position.

[] Not applicable.

B.13. Explain any remuneration deriving from advances, loans or guarantees granted, indicating the interest rate, their key characteristics and any amounts returned, as well as the obligations assumed on their behalf by way of guarantee.

[] Not applicable.

B.14. Itemize the remuneration in kind accrued by the directors during the year, briefly explaining the nature of the various salary components.

Directors in their capacity as such:
Health insurance: 3.733,09 €.

Executive Director:

In 2021, the Chief Executive Officer, José María Orihuela Uzal, received the following remuneration in kind up to 4 May 2021:

Annual insurance premiums:

Health insurance. 1.650,80 €.

Life insurance.- 305,49 €

Accident insurance. 27,02 €

During the period from 4 May to 31 December 2021, Jaime Argüelles Álvarez, Chief Executive Officer during that period, received the following remuneration in kind involving annual insurance premium:

Health insurance.- 78,59 €

Life insurance.- 38,06 €

Accident insurance.- 11,33 €

B.15. Explain the remuneration accrued by directors by virtue of payments settled by the listed company to a third company at which the director renders services when these payments seek to remunerate the director's services to the company.

Not applicable.

B.16. Explain any itemize sums accrued during the fiscal year in relation to any other item of remuneration other than the foregoing, whatever its nature or the group company paying it, including all benefits in any form, especially when this is considered a related party transaction or its settlement distort the true and fair picture of the total remuneration accrued by the director. Explain the sum paid or pending payment, the nature of the compensation received and the reasons, where applicable, why it was not considered remuneration for the Director for such office or compensation for the performance of executive duties. Also indicate if it is considered appropriated or not to include such amounts in the sums payable under "other items" in section C.

Not applicable.

C. ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Type	Period of accrual
Ms ROSA ISABEL AZA CONEJO	Chair/Independent	From 01/01/2021 to 31/12/2021
Mr JOSE JAIME ARGUELLES ALVAREZ	Executive	From 30/04/2021 to 31/12/2021
Mr MIGUEL SANTIAGO MESA	External	From 30/04/2021 to 23/07/2021
Mr JOSE MARÍA ORIHUELA UZAL	Executive	From 01/01/2021 to 30/04/2021
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO	Independent	From 01/01/2021 to 31/12/2021
Mr JORDI SEVILLA SEGURA	Independent	From 01/01/2021 to 31/12/2021
Ms MARIA JESUS ALVAREZ GONZALEZ	External	From 28/07/2021 to 31/12/2021
Mr VALERIANO GOMEZ SANCHEZ	Independent	From 01/01/2021 to 31/12/2021
Mr CESAR HERNANDEZ BLANCO	External	From 30/04/2021 to 31/12/2021

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 2021	Total in 2020
Ms ROSA ISABEL AZA CONEJO	100							2	102	86
Mr JOSE JAIME ARGUELLES ALVAREZ	26			294				1	321	
Mr MIGUEL SANTIAGO MESA	9								9	
Mr JOSE MARÍA ORIHUELA UZAL	7			117				2	126	435
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO	40		23						63	
Mr JORDI SEVILLA SEGURA	40		15						55	39
Ms MARIA JESUS ALVAREZ GONZALEZ	17								17	
Mr VALERIANO GOMEZ SANCHEZ	40		23						63	52
Mr CESAR HERNANDEZ BLANCO	27								27	

Additional information

The remuneration pertaining to directors appointed by the Spanish Solvency Support Fund for Strategic Companies (FASEE), M^a Jesús Álvarez González, César Hernández Blanco and Miguel Santiago Mesa, is integrated into the Public Treasury, in accordance with Article 2.3 of Royal Decree-Law 25/2020 of 3 July, on urgent measures to support economic recovery and employment.

ii) Movement table of share-based remuneration schemes and gross benefits from consolidated shares or financial instruments.

Name	Name of the Plan	Financial instruments at the beginning of 2021		Financial instruments granted during 2021		Financial instruments consolidated during the fiscal year				Expired and unexercised instruments	Financial instruments at the end of 2021	
		Nº of instruments	Nº of equivalent shares	Nº of instruments	Nº of equivalent shares	Nº of instruments	Nº of equivalent/consolidated shares	Price of consolidated shares	Gross profit of consolidated shares or financial instruments (Thousands €)	Nº of instruments	Nº of instruments	Nº of equivalent shares
Ms ROSA ISABELAZA CONEJO	Plan							0,00				
Mr JOSE JAIME ARGUELLES ALVAREZ	Plan							0,00				
Mr MIGUEL SANTIAGO MESA	Plan							0,00				
Mr JOSE MARÍA ORIHUELA UZAL	Plan							0,00				
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO	Plan							0,00				
Mr JORDI SEVILLA SEGURA	Plan							0,00				
Ms MARIA JESUS ALVAREZ GONZALEZ	Plan							0,00				
Mr VALERIANO GOMEZ SANCHEZ	Plan							0,00				
Mr CESAR HERNANDEZ BLANCO	Plan							0,00				

Observaciones

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iii) Long-term saving schemes.

Name	Remuneration for vesting of rights to savings schemes
Ms ROSA ISABEL AZA CONEJO	
Mr JOSE JAIME ARGUELLES ALVAREZ	
Mr MIGUEL SANTIAGO MESA	
Mr JOSE MARÍA ORIHUELA UZAL	
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO	
Mr JORDI SEVILLA SEGURA	
Ms MARIA JESUS ALVAREZ GONZALEZ	
Mr VALERIANO GOMEZ SANCHEZ	
Mr CESAR HERNANDEZ BLANCO	

Name	Company's contribution for the fiscal year (thousands €)				Amount of accumulated funds (thousands €)			
	Savings schemes with vested economics rights		Savings schemes with non-vested economics rights		Savings schemes with vested economics rights		Savings schemes with non-vested economics rights	
	2021	2020	2021	2020	2021	2020	2021	2020
Ms ROSA ISABEL AZA CONEJO								
Mr JOSE JAIME ARGUELLES ALVAREZ								
Mr MIGUEL SANTIAGO MESA								
Mr JOSE MARÍA ORIHUELA UZAL								
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO								
Mr JORDI SEVILLA SEGURA								
Ms MARIA JESUS ALVAREZ GONZALEZ								
Mr VALERIANO GOMEZ SANCHEZ								
Mr CESAR HERNANDEZBLANCO								

Additional information

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iv) Details of other concepts:

Name	Concept	Remuneration amount
Ms ROSA ISABEL AZA CONEJO		
Mr JOSE JAIME ARGUELLES ALVAREZ		
Mr MIGUEL SANTIAGO MESA		
Mr JOSE MARÍA ORIHUELA UZAL		
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO		
Mr JORDI SEVILLA SEGURA		
Ms MARIA JESUS ALVAREZ GONZALEZ		
Mr VALERIANO GOMEZ SANCHEZ		
Mr CESAR HERNANDEZ BLANCO		

Additional information

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b) Remuneration paid to company Directors for their membership of the boards of other group companies :

i) Remuneration accrued in cash (in thousands €)

Name	Fixed remuneration	Expenses	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Compensation	Other concepts	Total year 2021	Total year 2020
Ms ROSA ISABEL AZA CONEJO										
Mr JOSE JAIME ARGUELLES ALVAREZ										
Mr MIGUEL SANTIAGO MESA										
Mr JOSE MARÍA ORIHUELA UZAL										
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO										
Mr JORDI SEVILLA SEGURA										
Ms MARIA JESUS ALVAREZ GONZALEZ										
Mr VALERIANO GOMEZ SANCHEZ										
Mr CESAR HERNANDEZ BLANCO										

Additional information

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ii) Movement table of share-based remuneration schemes and gross benefits from consolidated shares or financial instruments.

Name	Name of the Plan	Financial instruments at the beginning of 2021		Financial instruments granted during 2021		Financial instruments consolidated during the fiscal year				Expired and unexercised instruments	Financial instruments at the end of 2021	
		Nº of instruments	Nº of equivalent shares	Nº of instruments	Nº of equivalent shares	Nº of instruments	Nº of equivalent/consolidated shares	Price of consolidated shares	Gross profit of consolidated shares or financial instruments (Thousands €)	Nº of instruments	Nº of instruments	Nº of equivalent shares
Ms ROSA ISABELAZA CONEJO	Plan							0,00				
Mr JOSE JAIME ARGUELLES ALVAREZ	Plan							0,00				
Mr MIGUEL SANTIAGO MESA	Plan							0,00				
Mr JOSE MARÍA ORIHUELA UZAL	Plan							0,00				
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO	Plan							0,00				
Mr JORDI SEVILLA SEGURA	Plan							0,00				
Ms MARIA JESUS ALVAREZ GONZALEZ	Plan							0,00				
Mr VALERIANO GOMEZ SANCHEZ	Plan							0,00				
Mr CESAR HERNANDEZ BLANCO	Plan							0,00				

Observaciones

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iii) Long-term saving schemes.

Name	Remuneration for vesting of rights to savings schemes
Ms ROSA ISABEL AZA CONEJO	
Mr JOSE JAIME ARGUELLES ALVAREZ	
Mr MIGUEL SANTIAGO MESA	
Mr JOSE MARÍA ORIHUELA UZAL	
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO	
Mr JORDI SEVILLA SEGURA	
Ms MARIA JESUS ALVAREZ GONZALEZ	
Mr VALERIANO GOMEZ SANCHEZ	
Mr CESAR HERNANDEZ BLANCO	

Name	Company's contribution for the fiscal year (thousands €)				Amount of accumulated funds (thousands €)			
	Savings schemes with vested economics rights		Savings schemes with non-vested economics rights		Savings schemes with vested economics rights		Savings schemes with non-vested economics rights	
	2021	2020	2021	2020	2021	2020	2021	2020
Ms ROSA ISABEL AZA CONEJO								
Mr JOSE JAIME ARGUELLES ALVAREZ								
Mr MIGUEL SANTIAGO MESA								
Mr JOSE MARÍA ORIHUELA UZAL								
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO								
Mr JORDI SEVILLA SEGURA								
Ms MARIA JESUS ALVAREZ GONZALEZ								
Mr VALERIANO GOMEZ SANCHEZ								
Mr CESAR HERNANDEZBLANCO								

Additional information

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iv) Details of other concepts:

Name	Concept	Remuneration amount
Ms ROSA ISABEL AZA CONEJO		
Mr JOSE JAIME ARGUELLES ALVAREZ		
Mr MIGUEL SANTIAGO MESA		
Mr JOSE MARÍA ORIHUELA UZAL		
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO		
Mr JORDI SEVILLA SEGURA		
Ms MARIA JESUS ALVAREZ GONZALEZ		
Mr VALERIANO GOMEZ SANCHEZ		
Mr CESAR HERNANDEZ BLANCO		

Additional information

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c) Summary of remuneration (in thousands €):

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

Name	Remuneration accrued in the company					Remuneration accrued in group companies					Total company + group year 2021
	Total cash remuneration	Gross profit from shares or consolidated financial	Remuneration from savings schemes	Other remuneration	Total company year 2021	Total cash remuneration	Gross profit from shares or consolidated financial	Remuneration from savings schemes	Other remuneration	Total group year 2021	
Ms ROSA ISABEL AZA CONEJO	102				102						102
Mr JOSE JAIME ARGUELLES ALVAREZ	321				321						321
Mr MIGUEL SANTIAGOMESA	9				9						9
Mr JOSE MARÍA ORIHUELA UZAL	126				126						126
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO	63				63						63
Mr JORDI SEVILLASEGURA	55				55						55
Ms MARIA JESUS ALVAREZ GONZALEZ	17				17						17
Mr VALERIANO GOMEZ SANCHEZ	63				63						63
Mr CESAR HERNANDEZ BLANCO	27				27						27
TOTAL	783				783						783

Additional information

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C.2. Indicate the evolution over the last five years of the amount and percentage variation of the remuneration accrued by each of the directors of the listed company who have held this position during the year, the consolidated results of the company and the average remuneration on an equivalent basis with regard to full-time employees of the company and its subsidiaries that are not directors of the listed company.

	Total sums payable and annual variation in %								
	Fiscal year 2021	2021/2020 variation in %	Fiscal year 2020	2020/2019 variation in %	Fiscal year 2019	2019/2018 variation in %	Fiscal year 2018	2018/2017 variation in %	Fiscal year 2017
Executive Directors									
Mr JOSE MARÍA ORIHUELA UZAL	126	-71.03	435	-0,46	437	n.s	36	-	0
Mr JOSE JAIME ARGUELLESALVAREZ	321	-	0	-	0	-	0	-	0
Non-Executive Directors									
Ms ROSA ISABEL AZA CONEJO	102	18.60	86	681.82	11	-	0	-	0
Mr JOSE JULIAN MASSA GUTIERREZ DEL ALAMO	63	10.53	57	375.00	12	-	0	-	0
Mr VALERIANO GOMEZ SANCHEZ	56	43.59	39	-	0	-	0	-	0
Mr CESAR HERNANDEZ BLANCO	27	-	0	-	0	-	0	-	0
Mr MIGUEL SANTIAGO MESA	9	-	0	-	0	-	0	-	0
Ms MARIA JESUS ALVAREZ GONZALEZ	17	-	0	-	0	-	0	-	0
Mr JORDI SEVILLA SEGURA	56	43.59	39	-	0	-	0	-	0
Company's consolidated results									
	22.677	-	-171.723	-	4.942	-93.43	75.192	-	-271.218
Average employee remuneration									
	37.860	1.17	37.423	1.84	36.747	0.56	36.544	0.93	36.207

Additional information

D. OTHER RELEVANT INFORMATION

If there are any significant issues relating to directors' remuneration that it has not been possible to include in the foregoing sections of this report, but which it is necessary to include in order to provide more comprehensive and reasoned information on the remuneration structure and practices of the company with regard to its directors, list them briefly.

The remuneration pertaining to directors appointed by the Spanish Solvency Support Fund for Strategic Companies (FASEE), M^a Jesús Álvarez González, César Hernández Blanco and Miguel Santiago Mesa, is integrated into the Public Treasury, in accordance with Article 2.3 of Royal Decree-Law 25/2020 of 3 July, on urgent measures to support economic recovery and employment.

These directors did not accrue or receive any remuneration in kind.

This annual remuneration report was approved by the Board of Directors of the company in its meeting held on 28 February 2022:

28/02/2022

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

Si

No



ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED PUBLIC LIMITED COMPANIES

ISSUER IDENTIFICATION DETAILS

Year-end date:

[31/12/2021]

TAX ID (CIF):

[A-28004026]

Company name:

[**DURO FELGUERA, S.A.**]

Registered office:

[ADA BYRON, 90 PARQUE CIENTIFICO Y TECNOLOGICO (GIJON) ASTURIAS]

A. OWNERSHIP STRUCTURE

A.1. Complete the following table on the share capital and allocated voting rights, including, if applicable, those corresponding to shares with loyalty voting rights, as of the closing date of the financial year:

Indicate whether the Company's bylaws contain a provision for double voting due to loyalty:

Yes
 No

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

[In 2021, the Company did not register any loyalty-attributed shares in accordance with article 527 ter et seq of the Corporate Enterprises Act.]

A.2. List the direct and indirect holders of significant shareholdings as of the closing date of the financial year, including the directors who have a significant shareholding:

Name or company name of shareholder	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
UBS SWITZERLAND, AG	0.00	4.02	0.00	0.00	4.02
TSK ELECTRONICA Y ELECTRICIDAD, S.A.	3.12	0.00	0.00	0.00	3.12

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights
No data				

Indicate the most significant changes in the shareholder structure during the year:

Most significant movements

[There were no significant transactions in 2021.]

- A.3.** List, regardless of the percentage, the shareholding at year-end of the members of the Board of Directors who hold voting rights attributed to shares of the Company or through financial instruments, excluding the directors identified in section A.2 above:

Name or company name of director	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights	% voting rights that <u>can be transmitted</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO	0.03	0.00	0.00	0.00	0.03	0.00	0.00

Total percentage of voting rights held by the Board of Directors	0.03
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Breakdown of the indirect holding:

Name or company name of director	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights	% voting rights that <u>can be transmitted</u> through financial instruments
No data					

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

Total percentage of voting rights held by the Board of Directors	0.03
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- A.4.** If applicable, indicate any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, with the exception of those reported in section A.6:

Name or company name of related party	Nature of relationship	Brief description
No data		

- A.5.** If applicable, indicate any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or its group, unless they are insignificant or arise in the ordinary course of business:

Name or company name of related party	Nature of relationship	Brief description
No data		

- A.6.** Describe the relationships, unless insignificant for both parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of directors that are legal persons.

Explain, if applicable, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or who are linked to significant shareholders and/or companies in their group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of any directors of the listed company, or their representatives, who are in turn members or representatives of members of the Board of Directors of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
No data			

Not applicable, as there are no Directors appointed by significant shareholders. See section H

- A.7.** Indicate whether the company has been notified of any shareholders' agreements that may affect it, in accordance with the provisions of Articles 530 and 531 of the Spanish Corporate Enterprises Act. If so, describe them briefly and list the shareholders bound by the agreement:

Yes
 No

Parties to the shareholders' agreement	% of share capital concerned	Brief description of the agreement	Expiry date of the agreement, if any
MARIO DOMINGUEZ FERNANDEZ, MARIA ANGELES HERNANDEZ SANCHEZ, PEDRO REDONDO PERAL, JORGE ROMAN ESCUDERO, JOSE AURELIO SUAREZ DEVESA, FERNANDO BARANDIARAN GOÑI, MARIA BELEN MARTIN HERNANDO, JESUS MARIA BARRON RUIZ, IGNACIO LOPEZ DE ZUBIRIA FRANSOY, UNAI VAZ BRAVO, CLEMENTINA ESTEVEZ RIVAS, ANTONIO MARTINEZ HERNANDEZ, LUIS FERMIN BRANDES ELIZALDE, VICTOR MANUEL MARQUEZ LOPEZ, JUAN BENITEZ BUENO, RAUL GABARRON DIMAS, ALBERTO ARIAS ABAD, CARLOS ELIAS BARRO ROCES, EDUARDO BREÑA BREÑA, DIEGO SOBRINO LOPEZ, RAFAEL RUIZ SANABRIA, ROBERTO PEREZ LOPEZ, BRANDRES ELIZALDE S.L.	1.43	On 25 September 2021, a block-and-command minority shareholder association was created. At 31 December 2021, this association held shares representing 1.4284% of share capital.	The association has a minimum duration of four months, with tacit renewal for four-month periods.

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

Yes
 No

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

The company is not aware of any form of shareholder agreement or concerted action; hence there is no change to be reported.

A.8. Indicate whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify them:

Yes
 No

A.9. Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
		0.00

Since total redemption of treasury shares in 2018, the Company has not carried out any transactions with treasury shares.

(*) Through:

Name or company name of direct shareholder	Number of direct shares
No data	

A.10. Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

At a General Meeting, the shareholders authorised the Board of Directors to carry out the derivative acquisition of treasury shares up to the maximum amount permitted by prevailing legislation for a period of five years from the date of the General Meeting, held on 22 June 2017.

A.11. Estimated floating capital:

	%
Estimated floating capital	92.86

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:

B. GENERAL SHAREHOLDERS' MEETING

B.1. Indicate whether there are any differences between the minimum quorum regime established by the Spanish Corporate Enterprises Act for General Shareholders' Meetings and the quorum set by the company, and if so give details:

Yes
 No

B.2. Indicate whether there are any differences between the company's manner of adopting corporate resolutions and the regime provided in the Spanish Corporate Enterprises Act and, if so, give details:

Yes
 No

B.3. Indicate the rules for amending the company's articles of incorporation. In particular, indicate the majorities required for amendment of the articles of incorporation and any provisions in place to protect shareholders' rights in the event of amendments to the articles of incorporation.

[The applicable rules are those set forth in the Spanish Corporate Enterprises Act.]

B.4. Give details of attendance at General Shareholders' Meetings held during the reporting year and the two previous years:

Date of general meeting	Attendance data				
	% physically present	% present by proxy	% distance voting		Total
			Electronic voting	Other	
31/05/2019	3.72	30.29	0.00	0.00	34.01
Of which floating capital:	3.71	8.91	0.00	0.00	12.62
31/05/2019	3.40	10.29	0.00	0.00	13.69
Of which floating capital:	3.40	3.25	0.00	0.00	6.65
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

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	

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 corporate governance reports for recent financial years.

C. STRUCTURE OF THE COMPANY'S ADMINISTRATION

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors established in the articles of incorporation and the number set by the general meeting:

Maximum number of directors	12
Minimum number of directors	6
Number of directors set by the general meeting	10

C.1.2 Complete the following table on Board members:

Name or company name of director	Representative	Category of director	Position on the Board	Date first appointed	Date of last appointment	Election procedure
Mr. VALERIANO GÓMEZ SÁNCHEZ		Independent	DIRECTOR	30/01/2020	30/01/2020	CO-OPTION
Ms. ROSA ISABEL AZA CONEJO		Independent	DIRECTOR	30/09/2019	30/09/2019	CO-OPTION
Mr. JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO		Independent	DIRECTOR	30/09/2019	30/09/2019	CO-OPTION
Mr. JORDI SEVILLA SEGURA		Independent	DIRECTOR	17/04/2020	17/04/2020	CO-OPTION
Mr. JOSÉ JAIME ARGÜELLES ÁLVAREZ		Executive	CHIEF EXECUTIVE OFFICER	30/04/2021	30/04/2021	CO-OPTION
Mr. CÉSAR HERNÁNDEZ BLANCO		Other External	DIRECTOR	30/04/2021	30/04/2021	CO-OPTION
Ms. MARIA JESUS ÁLVAREZ GONZÁLEZ		Other External	DIRECTOR	28/07/2021	28/07/2021	CO-OPTION

Total number of directors	7
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Indicate any cessations, whether through resignation or by resolution of the general meeting, that have taken place in the Board of Directors during the reporting period:

Name or company name of director	Category of the director at the time of cessation	Date of last appointment	Date of cessation	Specialised committees of which he/she was a member	Indicate whether the director left before the end of his or her term of office
Mr. JOSÉ MARÍA ORIHUELA UZAL	Executive	30/11/2018	30/06/2021		NO
Mr. MIGUEL ÁNGEL SANTIAGO MESA	Other external	30/04/2021	23/07/2021		YES

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 the general meeting

1. José María Orihuela Uzal was co-opted to replace another director who was appointed at the General Meeting held on 22 June 2017. Therefore, he should have been re-elected at the General Meeting held on 30 June 2021, but no such resolution was passed.
2. Miguel Ángel Santiago Mesa, who was appointed director on the nomination by Sociedad Estatal de Participaciones Industriales (SEPI), notified his resignation on termination of his professional relationship with that entity.

C.1.3 Complete the following tables on the members of the Board and their categories:

EXECUTIVE DIRECTORS		
Name or company name of director	Post in organisation chart of the company	Profile
Mr. JOSÉ JAIME ARGÜELLES ÁLVAREZ	CHIEF EXECUTIVE OFFICER	Industrial engineer, with broad professional experience in the industrial engineering sector. He has chaired several committees and industry associations.

Total number of executive directors	1
Percentage of Board	14.29

He was appointed Chief Executive Officer on 30 April 2021 pursuant to the Management Agreements entered into with SEPI on 31 March 2021.

PROPRIETARY DIRECTORS		
Name or company name of director	Name or company name of the significant shareholder represented by the director or that nominated the director	Profile
No data		

INDEPENDENT DIRECTORS	
Name or company name of director	Profile
ROSA ISABEL AZA CONEJO	<p>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.</p> <p>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.</p> <p>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 VASTUR (Autopista Concesionaria Principado de Asturias).</p> <p>From 2010 to 2016, she held the positions of Chair of the National Commission of the Postal Sector and of the Port Authority of Gijón.</p> <p>In 2016, she returned to the University of Oviedo, taking part in teaching activities and speaking at master's degree lectures and conferences at several universities.</p> <p>She is currently a member of the Development Advisory Council of the Ministry of Development. As regards research, the most important lines of her work relate to economic analysis of tourism, transport and infrastructure; she is the author of several articles and books in these fields.</p>
JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO	<p>Economist of the State, having achieved the highest score in the competitive examination among all appointees in his year. Doctorate in Economics, master's degree in International Economics and bachelor's degree in Economics and Business Administration from the University of Deusto.</p> <p>He has pursued a career in financial markets: he created the Spanish options and futures market and developed the IBEX 35 index. He is the former CEO of MEFF and chairman of Iberclear.</p> <p>He has extensive experience as a director of several companies, including Hunosa, Repsol Exploración, MexDer, AIAF, ECofex, Enusa, Banesco and RegisTR.</p> <p>He also teaches finance at CUNEF, a university that focuses on economics, business, law and finance.</p>
JORDI SEVILLA SEGURA	<p>He took a degree in Economics from the University of Valencia and was later appointed, by competitive examination, to the Senior Corps of Trade Experts and Economists of the State.</p> <p>He has dedicated his entire career to public service. He held senior positions in several government departments, including the Ministry of Agriculture and the Ministry of Economy and Finance.</p> <p>From 2000 to 2004 he held the position of Secretary of Economic Policy and Employment on the Federal Executive Committee of the PSOE party.</p> <p>From 2004 to 2007, he was the Minister of Public Administration.</p> <p>He is a former Senior Counselor at PwC, and Vice President at Llorente y Cuenca.</p> <p>He is the Chairman of the Red Eléctrica Group and of the Board of Directors of Red Eléctrica Corporación, a listed company.</p> <p>He formerly taught at the Escuela de Organización Industrial (EOI) and at Instituto de Empresa (IE), where he was an associate professor of Economic Environment for an Executive Master's programme.</p>

VALERIANO GÓMEZ SÁNCHEZ	<p>Graduate in Economics from the University of Barcelona.</p> <p>He has dedicated his entire career to public service and held senior positions at government agencies and departments.</p> <p>He is a former Director General of the Employment Promotion Fund of the Integrated Iron and Steel Sector. From 1988 to 1994, he was an Executive Advisor to the Technical Office of the Minister of Labour and Social Security.</p> <p>He was a member of the Consejo Económico y Social (Economic and Social Council) of Spain from 2001 to 2003.</p> <p>He was the Secretary General of Employment at the Ministry of Labour and Social Affairs, and from 2010 to 2011 he was the Minister of Labour and Immigration.</p> <p>He is a former member of the Fiscal Committee of the Economic and Social Agreement and of the General Council of INEM, the Spanish state-controlled employment institute, and a former director of Izar and Navantia.</p>
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Number of independent directors	4
Percentage of Board	57.14

[Not applicable.]

Indicate whether any director classified as independent receives from the company or any company in its group any amount or benefit other than remuneration as a director, or has or has had a business relationship with the company or any company in its group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or company name of director	Description of the relationship	Reasoned statement
ROSA ISABEL AZA CONEJO	Not applicable	Not applicable
JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO	Not applicable	Not applicable
JORDI SEVILLA SEGURA	Not applicable	Not applicable
VALERIANO GÓMEZ SÁNCHEZ	Not applicable	Not applicable

OTHER EXTERNAL DIRECTORS			
Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:			
Name or company name of director	Reasons	Company, manager or shareholder to which the director is related	Profile
MARÍA JESÚS ÁLVAREZ GONZÁLEZ	Appointed by Spain's Solvency Support Fund for Strategic Companies, Fondo de Apoyo a la Solvencia de Empresas Estratégicas (FASEE), pursuant to the financing agreement entered into between the Group and FASEE	SOLVENCY SUPPORT FUND FOR STRATEGIC COMPANIES	Degree in Law and in Economics and Business Administration (Universidad Pontificia de Comillas- ICADE). She has extensive experience at Sociedad Estatal de Participaciones Industriales (SEPI) and has been director at several companies, including Indra and Red Eléctrica.
CÉSAR HERNÁNDEZ BLANCO	Appointed by Spain's Solvency Support Fund for Strategic Companies, Fondo de Apoyo a la Solvencia de Empresas Estratégicas (FASEE), pursuant to the financing agreement entered into between the Group and FASEE	SOLVENCY SUPPORT FUND FOR STRATEGIC COMPANIES	Degree in Economics and Business Administration from University of Valladolid. He holds an international MBA. He is currently Director of Planning and Control Officer at SEPI. He has held several directorships at a range of companies, including Mercasa and SEPIDES.

Total number of other external directors	2
Percentage of Board	28.57

[See section H.]

Indicate any changes that have occurred during the period in each director's category:

Name or company name of director	Date of change	Previous category	Current category
No data			

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past four years, as well as the category of each:

	Number of female directors				% of total directors for each category			
	2021	2020	2019	2018	2021	2020	2019	2018
Executive					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	1	1	2	2	25.00	25.00	33.33	33.33

Other External	1				50.00	0.00	0.00	0.00
Total	2	1	2	2	28.57	20.00	33.33	25.00

There was only one female independent director in 2021, who was also the chairwoman. She was appointed external director on 28 July 2021 through co-option pursuant to the Management Agreements with SEPI.

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 selection procedures 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 the Company's 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 2022.

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.

In 2021, there were several changes in the membership of the Company Board: (i) the Chief Executive Officer was replaced; (ii) a resolution was passed at the General Meeting to set the number of directors at 10, and at 31 December 2021 the Company had 7 directors; i.e. having increased from 5 to 10 directors.

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 seeking a certain professional profile, the Company takes this into consideration and only evaluates the profile that is most adequate to the corporate interests, without taking into account the gender of the candidate.

The Company's Corporate Governance Policy provides that the Company should ensure that the procedures for selecting directors and senior executives favour a diversity of gender, experience and knowledge and have no implicit bias whatsoever and that, in particular, they favour the selection of women directors and senior executives. Accordingly, the Nomination and Remuneration Committee's policy, in line with the doctrine enshrined in the case-law of the Spanish Supreme Court 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 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.

In 2021, there were several changes in the membership of the Company Board: see section C.1.5 above.

The Nomination Committee will re-evaluate its selection policy to continue increasing the number of women Directors on the Board with the objective of achieving compliance with the recommendation in 2022, while balancing this objective with fulfilment of the Management Agreements with SEPI.

C.1.8 If applicable, explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name or company name of shareholder	Reason
No data	

Indicate whether the Board has declined any formal requests for presence on the Board from shareholders whose equity interest is equal to or greater than that of others at whose request proprietary directors have been appointed. If so, explain why the requests were not granted:

- Yes
- No

C.1.9 Indicate the powers, if any, delegated by the Board of Directors to directors or Board committees:

Name or company name of director or committee	Brief description
JOSÉ JAIME ARGÜELLES ÁLVAREZ	The Board of Directors has delegated to the Chief Executive Officer all powers that are delegable under the law and the Articles of Incorporation.

C.1.10 Identify any members of the Board who are also directors, representatives of directors or managers in other companies forming part of the listed company's group:

Name or company name of director	Company name of the group entity	Position	Does the director have executive powers?
JOSÉ JAIME ARGÜELLES ÁLVAREZ	DURO FELGUERA INVESTMENT, S.A.U.	Representative of the sole director, Duro Felguera, S.A.	YES
JOSÉ JAIME ARGÜELLES ÁLVAREZ	DURO FELGUERA CALDERERIA PESADADA, S.A.U.	Representative of the sole director, Duro Felguera, S.A.	YES
JOSÉ JAIME ARGÜELLES ÁLVAREZ	DURO FELGUERA OIL & GAS, S.A.U.	Representative of the sole director, Duro Felguera, S.A.	YES
JOSÉ JAIME ARGÜELLES ÁLVAREZ	DURO FELGUERA GREEN TECH, S.A.U.	Representative of the joint director, Duro Felguera, S.A.	YES
JOSÉ JAIME ARGÜELLES ÁLVAREZ	FELGUERA IHI, S.A.U	Representative of the joint director, Duro Felguera, S.A.	YES
JOSÉ JAIME ARGÜELLES ÁLVAREZ	DURO FELGUERA LOGISTIC SYSTEMS, S.A.U	Representative of the sole director, Duro Felguera, S.A.	YES

C.1.11 List any directors or representatives of legal-person directors of your company who are members of the Board of Directors or representatives of legal-person directors of other companies listed on regulated markets other than group companies of which the company has been informed:

Name or company name of director	Company name of the listed entity	Position
CÉSAR HERNÁNDEZ BLANCO	MERCASA	DIRECTOR
VALERIANO GÓMEZ SÁNCHEZ	EL MARMAREL ESCUELAS, S.L.	DIRECTOR

Miss María Jesus Alvarez Gonzalez is member of the Settlement Committee of Radio y Televisión Española, S.A. and member of the Technical Investment Committee of Spain's Recapitalisation Fund for Companies Affected by COVID-19.

Indicate, where appropriate, the other remunerated activities of the directors or directors' representatives, whatever their nature, other than those indicated in the previous table.

Identity of the director or representative	Other paid activities
JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO	.- Lecturer at CUNEF Universidad .- External consultant of the IMF
VALERIANO GÓMEZ SÁNCHEZ	.- Economist at A25 Abogados&Economistas .- Consultant and advisor in Grupo 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
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)	784
Funds accumulated by current directors for long-term savings systems with consolidated economic rights (thousands of euros)	
Funds accumulated by current directors for long-term savings systems with unconsolidated economic rights (thousands of euros)	
Pension rights accumulated by former directors (thousands of euros)	

The remuneration pertaining to directors appointed by the Spanish Solvency Support Fund for Strategic Companies (FASEE), M^a Jesús Álvarez González, César Hernández Blanco and Miguel Santiago Mesa, is integrated into the Public Treasury, in accordance with Article 2.3 of Royal Decree-Law 25/2020 of 3 July, on urgent measures to support economic recovery and employment.

C.1.14 Identify members of senior management who are not also executive directors and indicate their total remuneration accrued during the year:

Name or company name	Position(s)
JOSÉ OLASO AYESTA	CORPORATE TECHNICAL DIRECTOR
ÁNGEL LUIS PÉREZ GONZÁLEZ	HEAD OF CORPORATE PRODUCTION
MARIA CAMINO SÁNCHEZ RODRÍGUEZ	HEAD OF ASSESSMENT AND BIDS
RAFAEL BERMEJO GONZÁLEZ	CHIEF FINANCIAL OFFICER
FERNANDO RIBEIRO SIMOES	HEAD OF CORPORATE MARKETING AND SALES

Number of women in senior management	1
Percentage of total senior management	20.00

Total remuneration of senior management (thousands of euros)	958
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All the executives who formed part of the Management Committee during 2021 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

Description of amendment(s)

The Board regulations were amended to (i) incorporate the amendments arising from the reform of the Corporate Enterprises Act introduced by Law 11/2018, of 28 December, which amends the Commercial Code, the Consolidated Text of the Spanish Corporate Enterprises Act and the Spanish Audit Act 22/2015 (Ley de Auditoría de Cuentas), in relation to non-financial and diversity information; and (ii) make technical improvements on certain matters.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors. List the competent bodies, steps to follow and criteria applied in each procedure.

In 2015, the Board of Directors approved a "Director Nomination and Selection Policy" which, in general, establishes a subjective scope of application for natural person directors and, in the case of legal person candidates, the natural persons that will represent them.

The process and the procedure is summarised as follows: The Company's Nomination and Remuneration Committee proposes the nomination or re-election of independent directors, while the Board of Directors is responsible for nominating or re-electing proprietary, executive and other external directors.

Within the framework of the process of selecting prospective candidates for seats on the Board of Directors, and notwithstanding the competencies of the General Meeting, the Nomination and Remuneration Committee will have the following authorities:

- Evaluate the competencies, knowledge and experience necessary for the Board of Directors. To this end, the Committee shall define the duties and capabilities necessary in candidates who shall fill each vacancy and evaluate the time and dedication necessary in order to efficiently fulfil their commitment.
- Submit to the Board of Directors, proposals for the appointment of independent directors for their nomination through co-option or for their submission to the General Meeting's decision, in addition to proposals for the re-election or dismissal of said directors by the General Meeting;
- Inform of any proposals for appointment of all other directors for their nomination by co-option or for their submission to the General Meeting's decision, in addition to proposals for the re-election or dismissal of said directors, by the General Meeting;
- Set a target for representation for the least represented gender on the Board, in accordance with the most authoritative case-law on so-called "Positive Discrimination", and draw up guidelines on how to achieve this objective.

As regards director removal, the only body authorised to make such decision is the General Meeting. However, the Board regulations provide for certain situations in which directors should resign or place their position at the disposal of the Board of Directors (see C.1.19).

C.1.17 Explain to what extent the annual evaluation of the Board has given rise to significant changes in its internal organisation and in the procedures applicable to its activities:

Description of amendment(s)

The annual evaluation is not expected to 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 (Guía Técnica 1/2019 Comisión de Nombramientos y Remuneraciones).

For the 2021 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 2021 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:

Directors shall tender their resignation to the Board and, as the case may be, formally complete such resignation, in the following events:

When due to supervening circumstances they engage in one of the grounds for disqualification or prohibition established in law, the Articles of Incorporation, or these Regulations.

When they lose credibility, suitability, solvency, competency, availability or commitment to the duties necessary to be a Director of the Company.

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.

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.

When an independent director comes under any of the impediments provided in Article 8.1.c) of the Board of Directors' Regulations.

When circumstances arise that could harm the Company's name and reputation, in particular when directors are investigated for any crime, they must resign if the Board, after a report from the Nomination and Remuneration Committee, deems it appropriate. Similarly, if, once the investigation has been completed, an oral trial is ordered to commence, the Director must again place his or her position at the disposal of the Board and resign if the Board, following a report by the Nomination and Remuneration Committee, deems it appropriate.

C.1.20 Are qualified majorities other than those established by law required for any particular kind of decision?

- Yes
 No

If so, describe the differences.

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, for being appointed as chairman of the Board of Directors.

- Yes
 No

C.1.22 Indicate whether the articles of incorporation or Board regulations establish any limit as to the age of directors:

- Yes
 No

C.1.23 Indicate whether the articles of incorporation or Board regulations establish any term limits for independent directors other than those required by law or any other additional requirements that are stricter than those provided by law:

- Yes
 No

C.1.24 Indicate whether the articles of incorporation or Board regulations establish specific rules for appointing other directors as proxy to vote in Board meetings, if so the procedure for doing so and, in particular, the maximum number of proxies that a director may hold, as well as whether any limit has been established regarding the categories of director to whom votes may be delegated beyond the limits imposed by law. If so, briefly describe these rules.

No.

C.1.25 Indicate the number of meetings held by the Board of Directors during the year. Also indicate, if applicable, the number of times the Board met without the chairman being present. Meetings where the chairman gave specific proxy instructions are to be counted as attended.

Number of Board meetings	32
Number of board meetings held without the chairman's presence	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	0
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Indicate the number of meetings held by each Board committee during the year:

Number of meetings held by the Audit, Risk and Compliance Committee	13
Number of meetings held by the Nomination and Remuneration Committee	9

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

Number of meetings in which at least 80% of directors were present in person	32
Attendance in person as a % of total votes during the year	100.00
Number of meetings with attendance in person or proxies given with specific instructions, by all directors	
Votes cast in person and by proxies with specific instructions, as a % of total votes during the year	0.00

C.1.27 Indicate whether the individual and consolidated financial statements submitted to the Board for issue are certified in advance:

Yes
 No

Identify, if applicable, the person(s) who certified the individual and consolidated financial statements of the company for issue by the Board:

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the financial statements it presents to the General Shareholders' Meeting are prepared in accordance with accounting regulations.

The Audit Committee's duties include analysing any incidents and ensuring that the financial statements present fairly the Company and its subsidiaries (consolidated) and holding meetings with the external auditors. The Chairman of the Audit Committee reports all resolutions and decisions to the Board of Directors, which is the ultimate decision-making body. Throughout the year, the Audit Committee and the Director of Internal Audit hold regular meetings with the auditors to assist them in acquiring a better understanding. The Management Control Department and the Project Risk Control Department have been operating since 2019, with the latter reporting to the Audit, Risk and Compliance Committee. The Company has also been implementing initiatives to improve the ICFR system developed in 2019.

C.1.29 Is the Secretary to the Board also a director?

- Yes
 No

If the secretary is not a director, complete the following table:

Name or company name of the secretary	Representative
BERNARDO GUTIÉRREZ DE LA ROZA PÉREZ	

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 June. 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 the 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)	1	18	19
Amount invoiced for non-audit services/Amount for audit work (in %)	0.18	3.21	3.39

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	2	2
	Individual	Consolidated
Number of years audited by the current audit firm/number of years in which the company has been audited (%)	6.25	6.25

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, and at least four days in advance, each director is provided with financial information on the Company, including the parent company and all subsidiaries (consolidated) as at the end of the immediately preceding month, together with detailed information regarding each agenda item and the proposals to be submitted under each. The monthly information includes at least the following: The separate income statement of the parent company and the consolidated income statement of the group, with comparative data for the year before and the budget; contracting data and a comparison with the budget; cash report and projections, with a detail of net cash; information regarding the number of employees, changes, distribution by area, equality, etc.; events and incidents that may have an impact on the results of the Company and the Group, monitoring of corporate social responsibility and sustainability, and a report on any other matters related to agenda items for which a decision must be taken.

C.1.36 Indicate whether the company has established rules obliging directors to inform the Board of any circumstances, whether or not related to their actions in the company itself, that might harm the company's standing and reputation, tendering their resignation where appropriate. If so, provide details:

Yes
 No

Explain the rules

Directors must tender their resignation in the circumstances provided for by law. When circumstances arise that could harm the Company's name and reputation, in particular when directors are investigated for any crime, they must resign if the Board, after a report from the Nomination and Remuneration Committee, deems it appropriate. Similarly, if, once the investigation has been completed, an oral trial is ordered to commence, the Director must again place his or her position at the disposal of the Board and resign if the Board, following a report by the Nomination and Remuneration Committee, deems it appropriate.

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

Yes
 No

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

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

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

Number of beneficiaries	4
Type of beneficiary	Description of the agreement
Chief Executive Officer and Senior Management	The agreement with Jose María Orihuela, Chief Executive Officer until 30 April 2021, contains an indemnity clause in the event of unilateral termination without cause of the Contract for an amount of one and a half years' fixed salary. The agreement with current Chief Executive Officer, Jose Jaime Argüelles Álvarez, contains an indemnity clause in the event of unilateral termination without cause of the Contract for an amount of one and a half years' 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. At year-end 2021, the Management Committee did not have any indemnity or golden parachute clauses.

Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:

	Board of Directors	General shareholders' meeting
Body authorising the clauses	√	

	Yes	No
Are these clauses notified to the General Shareholders' Meeting?		√

C.2. Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their members, and the proportion of executive, proprietary, independent and other external directors forming them:

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

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The Audit, Risk and Compliance Committee is regulated by the Corporate Enterprises Act, the Articles of Incorporation, the Regulations of the Board of Directors and its own regulations, the latest amendment of which was approved by the Board of Directors on 21 June 2019.

Its members, particularly the Chairman, are appointed with regard to their knowledge and experience in accounting, auditing, or risk management matters.

The members of the Audit Committee resign voluntarily if not re-elected to the position of director or when so decided by the Board of Directors. In accordance with the Internal Board Regulations, the Chairman of the Audit Committee shall be appointed by the Board of Directors from among independent Directors. The Chairman must be replaced every four (4) years and may be re-elected after one (1) year has elapsed since removal.

On 1 April 2020, the Board of Directors resolved to appoint the independent director José Julián Massa Gutiérrez del Álamo as member and Chairman of the Audit, Risk and Compliance Committee based on his proven professional experience in auditing and accounting matters.

The Audit, Risk and Compliance Committee meets whenever called by the Chairman or requested by two of its members and, in any event, at least four times per year, within fifteen days following the end of each calendar quarter. One of the meetings is called to debate all matters that must be submitted to the Annual General Meeting, regarding both the appointment of the external auditor and the evaluation of the information that the Board of Directors must approve and include in its annual public documentation, including the Audit Report.

Continued in section H.

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date on which the Chairperson of this committee was appointed.

Name of directors with experience	JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO
Date of appointment of the chairperson	01/04/2020

Nomination and Remuneration Committee		
Name	Position	Category
VALERIANO GÓMEZ SÁNCHEZ	CHAIRMAN	Independent
JORDI SEVILLA SEGURA	MEMBER	Independent
JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The Nomination and Remuneration Committee ("the Committee") is regulated by the provisions of the Corporate Enterprises Act, the Articles of Incorporation and the Internal Board Regulations, the latest amendment of which was approved by the Board of Directors on 21 June 2019, and by the Committee's own Regulations.

The Nominations and Remuneration Committee does not have executive duties, but has authority to inform, advise and make proposals within its area of competency. It is formed by a minimum of three (3) and a maximum of five (5) non-executive directors, with a majority of independent directors.

Currently, the Committee comprises three members, based on a report issued by the Nomination and Remuneration Committee, to adapt the number of members of the Committee to the current size of the Board of Directors. All committee members are independent directors.

Continued in section H

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	2021		2020		2019		2018	
	Number	%	Number	%	Number	%	Number	%
Audit, Risk and Compliance Committee	0	0.00	0	0.00	0	0.00	1	33.33
Nomination and Remuneration Committee	0	0.00	0	0.00	1	33.33	0	0.00

C.2.3 Indicate, where applicable, the existence of any regulations governing Board committees, where these regulations are to be found, and any amendments made to them during the year. Also indicate whether any annual reports on the activities of each committee have been voluntarily prepared.

Board Committees are regulated by the Articles of Incorporation, the Board Regulations, and the Regulations of each Committee. The rules are 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 2021.

D. RELATED PARTY AND INTRAGROUP TRANSACTIONS

D.1. Explain, if applicable, the procedure and competent bodies for the approval of related-party and intragroup transactions, indicating the criteria and general internal rules of the entity that regulate the abstention obligations of the affected directors or shareholders and detailing the internal reporting and periodic control procedures established by the company in relation to those related-party transactions whose approval has been delegated by the board of directors.

[The procedure to be followed for transactions with related parties is provided for in the Board Regulations.]

D.2. Individually list those transactions that are significant due to their amount or relevant due to their subject matter carried out between the company or its subsidiaries and shareholders holding 10 % or more of the voting rights or represented on the board of directors of the company, indicating which was the competent body for their approval and whether any shareholder or director affected abstained. In the event that the competence has been of the board, indicate whether the proposed resolution has been approved by the board without the vote against of the majority of the independent directors:

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

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

[Not applicable.]

D.3. Individually list any transactions that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with the company's directors or managers, including those transactions carried out with entities that the director or manager controls or jointly controls, and indicating the competent body for their approval and whether any shareholder or director affected abstained. In the event that the competence has been of the board, indicate whether the proposed resolution has been approved by the board without the vote against of the majority of the independent directors:

Name or corporate name of the directors or managers or of their controlled or jointly controlled entities	Name or corporate name of the company or subsidiary	Link	Amount (€ thousand)	Approving body	Identification of the significant shareholder or director who abstained.	The proposal to the board, if so, has been approved by the board without a majority of independent directors voting against it.
No data						

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

Not applicable.

- D.4.** Individually report on intra-group transactions that are significant due to their amount or relevant due to their subject matter carried out by the company with its parent company or with other entities belonging to the parent company's group, including the listed company's own subsidiaries, unless no other related party of the listed company has an interest in such subsidiaries or such subsidiaries are wholly owned, directly or indirectly, by the listed company.

In any case, report any intragroup transaction conducted with entities established in countries or territories considered as tax havens:

Company name of the entity within the group	Brief description of the transaction and other information required for its evaluation	Amount (thousands of euros)
No data		N/A

Not applicable.

- D.5.** Individually list the significant transactions due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with other related parties that are so in accordance with the International Accounting Standards adopted by the EU, which have not been reported under the previous headings.

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

Not applicable.

D.6. List the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders or other related parties.

The Board Regulations establish the mechanisms and procedures in the event of a conflict of interest between the Company, its directors, the natural person representatives of legal person directors, significant shareholders, and managers.

These mechanisms require the aforementioned persons to inform the Board of Directors, via various means, of their interest in competing companies or those with similar corporate purposes, and in the event of a conflict of interest, the affected person may not participate in the Company's decisions regarding any matters involving the conflict of interest.

Moreover, the Internal Rules of Conduct in Securities Markets and the treatment of confidential and/or privileged information set out the circumstances in which there is a conflict of interest involving employees and managers and determines the procedures to avoid conflicts of interest and a mechanism from resolving conflicts, delegating this power in the Nomination and Remuneration Committee. There is also a principle of abstention by the director, employee or manager in the process for resolving conflicts of interest.

D.7. Indicate whether the company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether it is listed or not, and has, directly or through any of its subsidiaries, business relationships with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them.

- Yes
 No

E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Explain the scope of the company's Risk Management and Control System, including tax risk.

On 20 February 2018, the Board approved the updated version of the "Risk Control and Management Policy" in which, in accordance with its powers under Article 5 of its Regulations, the basic principles and guidelines are established for the control and management of all risks, including tax risks, faced by the Company, based on the identification of the main business risks and taking forward the most suitable internal control and management systems.

As a pillar of the Integral Risk Management System, Duro Felguera has adopted a Risk Control and Management Policy whose objective is to specify the principles for identifying, assessing, evaluating, managing and communicating the risks involved in the strategy and operations of Duro Felguera, thus ensuring a general framework for managing the threats and uncertainties inherent in the business processes and the environment in which the Group operates.

The objectives pursued by the company's Risk Management System are:

- To contribute to the achievement of the Company's strategic objectives.
- To put in place maximum safeguards for the protection of the company's interests and, therefore, the interests of all shareholders and other stakeholders.
- To protect Duro Felguera's reputation.
- To safeguard the business stability and financial soundness of Duro Felguera, sustainably over time.
- To support regulatory compliance.
- To help ensure that operations are conducted to the committed standards of safety and quality.

Therefore, the core principles underpinning risk control and management at DF are:

- To promote a risk management-oriented approach in the framing of strategy and risk appetite, through to incorporation of risk variables in operational decisions.
- To separate and assign responsibilities to the risk-taking areas and areas responsible for risk analysis, control and supervision, and seek to ensure use of the most effective instruments for risk mitigation.
- To report transparently on the Group's risks and operation of the control systems, through approved communication channels.
- To ensure compliance with corporate governance rules and standards and their updates in accordance with the best international practices, acting at all times in accordance with the Company's corporate governance rules.

The scope of application of the Risk Management System embraces all companies, departments, projects and areas of the Duro Felguera Group.

E.2. Identify the bodies within the company responsible for preparing and executing the Risk Management and Control System, including tax risk:

The functions and responsibilities of the company's various bodies relating to the Risk Management System are as follows:

- Board of Directors

Article 5 "Powers of the Board" of the Board Regulations specifies the non-delegable functions of the Board, including the determination of risk identification, control and management policies, including for tax risks, and the supervision of reporting and control systems.

The "Risk Control and Management Policy" describes the functions of the Board of Directors of DF in this regard, including its responsibility for defining, updating and approving the Risk Control and Management Policy and setting the levels of acceptable risk and risk tolerance at the given time.

- Audit Committee

The functions related to the supervision of the internal control and risk management systems, aimed at ensuring that the main risks are identified, managed and maintained at the approved levels, have been delegated to the Audit Committee.

- Sustainability Committee

This committee specialises in monitoring compliance with the Company's environmental, social and corporate governance policies and rules, as well as its internal codes of conduct.

- Management Committee

The Management Committee must promote the identification and assessment of risks at all levels of the Company, assign responsibilities for the risks identified, ratify the results of risk assessments in order to determine their criticality and approve actions or responses to risk proposed and executed by the officer for each risk.

- Risks Department

The Risks Department was reinforced in December 2018, and it now reports directly to the Audit Committee since January 2019, supporting the Board of Directors and the Management Committee in the fulfilment of their functions, by performing its duties:

To ensure the proper functioning of the risk management system by providing methodological support to risk officers for risk identification and assessment;

To standardise and consolidate the reports on risk identification and assessment drawn up by each of the risk officers, in order to submit a regular status report to the Management Committee and the Audit Committee; and

To monitor risk management outcomes through the risk indicators reported by the Management Control area and monitoring of the fulfilment and effectiveness of the action plans executed by risk officers.

- Risk Officers

At Duro Felguera, risk management is the responsibility of each business area head, who may delegate to one or more people, depending on the nature and importance of the risk. As risk officers they must:

Identify and assess in depth the risks under their area of responsibility; Propose and report the necessary information for monitoring risks; Propose and implement action plans for risk mitigation; and Report on the effectiveness of such plans

- Internal Audit Department

The Internal Audit Department is responsible for verifying that appropriate systems and processes have been implemented to ensure awareness of the risks faced by the Group and of the regulations applicable to the organisation. The Department therefore conducts a continuous audit of the Risk Management System, which must be provided for in the Annual Audit Plan, scrutinising the operation of the System in terms of its design, implementation and effectiveness.

E.3. Indicate the main risks, including tax risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives:

Company is exposed to a range of risks, inherent in the different lines of business in which it operates, and grouped into four categories which are updated regularly (at least annually) or whenever significant events occur that affect the company's activities or the environment and, therefore, may affect assessment of the company's risks.

These categories are as follows:

- Strategic: risks associated with key long-term objectives. Such risks may arise from the actions of other key market participants (customers, competitors, regulators, investors or others), from changes in the competitive environment or from the business model itself. The main risks within this category are those related to the market and the company's order backlog.
- Operational: risks associated with the normal operations carried out at Duro Felguera, including all risks related to operating procedures and the efficient and effective use of the organisation's resources. In this category, the key risks are those relating to execution and management of the main contracts and to project planning.
- Financial: risks related to the economic and financial management of Duro Felguera and the preparation of financial information. The main risks in this category are those relating to liquidity and exchange rates.
- Compliance: risks of non-compliance with external and internal regulations by the Company's management or employees and, specifically, those related to crime prevention and taxes.
- Climate: primarily transition risks; i.e. risks that may arise from changes in technology, regulations or customers' needs to deliver their climate goals; and physical risks; i.e. risks of physical harm that may arise from a deterioration in the Company's assets caused by adverse climate phenomena.

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

As Company evaluates its risks on the basis of the following variables:

- Impact, defined as the consequences and effects that the risk would have on the Group if it materialised.
- Probability that the risk will materialise.

For risks with a higher impact and residual probability, the directors set risk tolerance according to the most representative risk indicators. Since December 2018, following the approval of the new Risk Control and Management Policy, the Company has been working on improving the indicators of the key risks, so that the level of risk tolerance and measurement can be more objective.

Likewise, in some cases, the tolerance level set is "zero", as in the case of the main compliance risks, for which the Company has implemented a plan to strengthen the compliance system.

E.5. Indicate which risks, including tax risks, have materialised during the year.

As explained in the consolidated financial statements, the main risks that materialised in 2021 related to financing capacity, exchange rate fluctuations and deviations in the performance of certain contracts.

E.6. Explain the response and oversight plans for the company's main risks, including tax risks, as well as the procedures followed by the company in order to ensure that the Board of Directors responds to any new challenges that arise.

In response to the main risks, various actions have been taken that are mitigating the impact of the materialised risks and that help the monitor risks considered to have the greatest impact and probability. These actions are as follows:

There have been changes in the organisational structure, including the appointment of a Chief Executive Officer the creation of new divisions and the assignment of responsibilities in order to have a streamlined and nimble organisation.

In November, the Company signed a temporary public financial aid agreement from FASEE, the refinancing of financial liabilities, and the financial aid agreement with the regional government of Asturias through the SRP, thus improving its liquidity situation and equity. The Company was also granted a new guarantee facility that will make it easier to secure new projects.

The liquidity monitoring procedure has been strengthened to improve financial management.

Monitoring of project progress and controls over financial and management reporting are being strengthened.

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATING TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms forming your company's Internal Control over Financial Reporting (ICFR) system.

F.1. The entity's control environment.

Report on at least the following, describing their principal features:

F.1.1 The bodies and/or departments that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision.

Duro Felguera's Internal Control over Financial Reporting (ICFR) system comprises a process involving all levels across the organisation. Therefore, it is implemented by all staff.

The Board, as the body ultimately responsible for the existence and maintenance of a suitable and effective ICFR system, created the necessary organisational structure to ensure that regulated financial reporting is implemented correctly and that the Group's internal control operates effectively. As provided in the Board Regulations of 2019 at article 17, the Audit, Risk and Compliance Committee of Duro Felguera must oversee:

- The effectiveness of the Company's internal controls, internal audit and risk management systems. The Committee must 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 and the corresponding time frame for follow-up activities.
- 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.

The Finance Department, in conjunction with Internal Audit, 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, which reports to and is under the oversight of the Audit, Risk and Compliance Committee, is tasked with overseeing and assessing the ICFR system with a suitable scope and schedule in order to arrive at findings on its effectiveness, and that audit engagement will form part of its Annual Audit Plan.

F.1.2 The existence or otherwise of the following components, especially in connection with the financial reporting process:

- Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) clear definition of lines of responsibility and authority with an appropriate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for their proper dissemination throughout the entity.

Under the Regulations of the Board of Directors, the specification of the Group's organisational structure and any changes to it are the responsibility of the Board.

In short, the Finance Department leads the preparation of financial reporting, although according to the ICFR system, all parties involved work towards the transparency, integrity, accuracy and reliability of financial information. Lines of responsibility and authority are assigned in detail in the ICFR Governance Model adopted by the Board of Directors (as indicated in section F.1.1). Functions and responsibilities are assigned to:

- 1) Board of Directors
- 2) Audit, Risk and Compliance Committee
- 3) Duro Felguera Finance Department
- 4) Departments and areas
- 5) Internal Audit

In addition, the Model creates a specific ICFR coordination unit that reports to the Finance Department, supporting the Department in the performance of its role as a second line of defence.

Duro Felguera knows how important training is as a means of raising awareness and knowledge of the Model among staff. Therefore, it has held training sessions at least coinciding with the processes of updating and reviewing the Model as a whole. In the current year, as part of the Company's drive to promote the ICFR system, training was given coinciding with the model's update following the organisational changes that occurred and hiring of new employees with responsibilities for this Model. This training is described in further detail 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, 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 in 2018, 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 on the Company's ethical values in 2021 that include specific information regarding the Code of Conduct. All employees have access to the Code of Conduct on the DF intranet and third parties via the corporate website.

The Board of Directors approved an update of the Code of Conduct on 15 February 2022. This update entailed the inclusion of new principles and behaviours to reinforce those described in previous versions.

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 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: DF is committed to abide by prevailing legislation on import and export.

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.

Use of facilities: The company and its employees must maintain a decent, convenient and safe workplace.

Protection of third-party intellectual and industrial property rights: Personnel subject to DF's Code of Conduct must at all times respect the intellectual and industrial property of third parties.

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, Finance, 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 a complaint is made against a member of the Board, the Internal Audit and Regulatory Compliance Department must inform the Secretary of the Board, who will then act as the point of liaison and refer the matter to the Nomination and Remuneration Committee, which will propose a decision.

The Compliance Committee's activity was halted in 2021 following the departure of several members, although its activity resumed in early 2022.

Whistleblower channel allowing notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, indicating whether this channel is confidential:

DF has made available to its employees several channels to report incidents and concerns or raise questions:

The Ethics Line: <https://lineaetica.durofelguera.com/en/>, for reporting potential breaches of the Code of Conduct, the Crime Prevention Model or any other applicable rule or regulation.

The email address: dcn@durofelguera.com, for submitting doubts about or queries regarding application or interpretation of applicable internal and external rules and regulations.

Two reports were received in 2021. The Internal Audit and Regulatory Compliance Department oversaw the investigations.

Meanwhile, in early 2022, adopting a proposal put forward by the Audit, Risk and Compliance Committee, the Board of Directors of Duro Felguera approved the update of the internal standard for incident reporting and internal investigations. The standard specifies the principles of operation of our whistleblower channel and creates procedures for reporting, processing and, as the case may be, investigating incidents that come to light via the channel or otherwise become known to DF or any DF Group company.

- 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:

A training session was held in 2021 on the ICFR system as part of the efforts made in the fourth quarter of 2021 to promote the system throughout the Company.

Meanwhile, in December 2021, a document entitled Technical Developments, which includes the main changes to accounting policies and procedures occurring during the year, was provided to the Finance Department.

In general, at Duro Felguera there is a Consolidation and Reporting area within the Finance Department staffed by accountants operating as a technical unit, who seek the opinion of external experts for complex transactions and regulatory changes. A corporate accounting manual is available on the intranet to support standardised application of accounting policies and criteria. The Group reviewed the manual and approved a new version on 31 December 2020, which is currently under review.

We maintain an ongoing conversation with our external auditors and other accounting experts, who keep us informed about new developments in accounting, risk management and internal control over financial reporting and provide us with updated materials and aids.

- Clarify the roles and duties of users and areas involved in ICFR and assign responsibility for processes.

- Ascertain the effectiveness and efficiency of model execution, management and oversight using a self-assessment system. - Strengthen the internal control model by generating and filing control evidence.

In general, at Duro Felguera there is a Consolidation and Reporting department staffed by accountants operating as a special technical unit; for complex transactions and regulatory changes, they seek the opinion of external experts. A corporate accounting manual is available on the intranet to support standardised application of accounting policies and criteria. The Group reviewed the manual and approved a new version on 31 December 2020.

We maintain an ongoing conversation with our external auditors and other accounting experts, who keep us informed about new developments in accounting, risk management and internal control over financial reporting and provide us with updated materials and aids.

F.2. Assessment of risks in financial reporting.

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including risks of error and fraud, as regards:

- Whether the process exists and is documented.

The system of Internal Control over Financial Reporting designed at Duro Felguera is based on the internal control framework set out in the COSO (Committee of Sponsoring Organizations of the Treadway Commission) report and on the recommendations of the CNMV, Spain's securities market regulator, in its paper Internal Control over Financial Reporting in Listed Companies.

Based on this model, Duro Felguera performs quality assurance for internal control over financial reporting by identifying and managing critical risks relating to the authorisation, recognition and processing of transactions and to financial reporting and disclosures. Duro Felguera is also vigilant of fraud risks and anticipates any corrective measures required to mitigate the risk of errors and omissions that might compromise the reliability of financial reporting.

As indicated in the methodology set out in its Systems of Internal Control over Financial Reporting (ICFR) Manual, Duro Felguera delimits the scope of the system on the basis of both quantitative and qualitative criteria. This approach pinpoints high-risk account items and disclosures that could have a material impact on financial reporting, and identifies which Group companies should be included within the scope of ICFR.

In addition, DF has created a matrix of controls targeting potential risks in each accounting process. An owner and a supervisor, and the evidence required, are specified for each control. The entire process is completed with a two-stage self-assessment. At the first stage, the control owner reports an assessment of the controls for which he or she is responsible to the control supervisor. At the second stage, control supervisors submit to the Group Finance Department a report that consolidates all controls under their authority. Finally, the Finance Department collates all reports received from control supervisors and submits the results to the Audit Committee.

In the second half of 2021, the scope of the ICFR system was assessed and updated. Due to the difficulties faced by the Group over the year – mainly, the effects of the COVID-19 pandemic, a protracted decline in financial position and vacancies among key personnel – ICFR controls and the wider system in general were not evidenced and documented in accordance with the relevant guidelines and requirements. However, both automatic controls and certain transaction-specific controls that are of key importance to the Group remained in operation. As at 31 December 2021, specific steps had been taken to bring the ICFR model fully into operation in accordance with the principles and guidelines underpinning its design.

The resumption of full operation of the ICFR system only covers the December 2021 close, and is thus relevant to the figures presented in the financial statements of Duro Felguera. However, none of the transactions outside the scope of the month of December 2020 are supported by the documentation requirements specified in the ICFR controls and financial risk matrices.

Management's commitment to resume full operation of the ICFR system in the first few months of 2022 was successfully met: virtually all controls set out in the risk matrices that make up the Group's model have been implemented. Meanwhile, the Company has promoted the Regulatory Compliance Programme. It updated the applicable regulations, especially the Code of Conduct, the Regulatory Compliance Policy and the Anti-Corruption Policy, and Management has disseminated a message of zero tolerance to corruption and fraud

- Whether the process covers all the objectives of financial reporting, (existence and occurrence; completeness; valuation; presentation; disclosure and comparability; and rights and obligations), whether it is updated and if so how often.

The reliability of the information reported by DF to the markets requires the fulfilment of the following control objectives, according to their impact on the financial statements:

Occurrence: The reported transactions and events have occurred and relate to the entity.

Completeness: All the facts and transactions that had to be reported have indeed been reported.

Accuracy: Amounts and other data relating to transactions and events have been properly reported.

Transaction period: Transactions and events have been recorded in the correct period.

Classification: Transactions and events have been recognised in the appropriate account entries.

Existence: Reported assets, liabilities and equity are in existence.

Rights and obligations: The entity owns or controls the rights to the assets, and the liabilities are obligations of the entity.

Measurement and allocation: Assets, liabilities and equity are reported in the financial statements at the appropriate amounts and any resulting valuation adjustments or allocations have been properly accounted for.

The safeguarding of assets and the prevention and detection of fraud are considered objectives of ICFR because of their impact on the above objectives.

Such objectives are reviewed and updated when significant changes arise in the Group's business with an impact on financial reporting. A comparison of the real situation to the theoretical framework brings to light areas for improvement.

In this vein, the Code of Conduct's principles include transparency in financial reporting, underpinned by the application of accounting best practices to ensure information disclosed to markets is accurate.

- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex corporate structures or special purpose vehicles.

Delimitation of the scope of consolidation of the Duro Felguera Group requires continuous communication between the Legal and Economic-Financial areas, more specifically the Consolidation area, so that the Group has an updated view of its financial 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 climate.

The main input for building the Risk Map is the Strategic Plan, which is prepared, reviewed and approved by the Board of Directors. Duro Felguera is enduring economic and financial hardship, including in its search for new financing. The Strategic Plan was laid before shareholders at the General Meeting of 29 October 2020, and was subsequently updated in line with the new financial assumptions negotiated with the banks. According to the schedule, the update of the risk map should be completed in 2022, once the Chief Risk Officer position is filled.

As noted in above, the ICFR system was updated during the fourth quarter of 2021. This entailed updating the Company's financial risks and the criminal risk matrices affecting legal and reputational risks. Accordingly, the process of updating the Group's risk control model that began in 2021 is continuing in 2022.

- 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 discussing with the auditors significant weaknesses of the internal control system uncovered during the audit, without jeopardising the auditor's independence.

F.3. Control activities.

Report on whether the company has at least the following, describing their main characteristics:

F.3.1 Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.

As outlined in the Internal Control over Financial Reporting Manual, the financial reporting review process can be defined as an ongoing process that occurs throughout the overall financial reporting process. This implies defining and implementing a number of controls, which are classified by their importance in relation to preparing financial information into differing levels of criticality (from low to very high). To execute the controls, certain key figures are defined within the Company, who will be tasked with executing and reviewing the control, and presenting their findings to the Finance Department through the related self-assessments.

Meanwhile, as described in the control matrices, the Financial Department performs specific checks on information obtained from all departments involved in preparing financial statements, mainly the Group's finance area.

The process continues with the role of the Audit, Risk and Compliance Committee, which, in accordance with article 17 of the Board Regulations, is under a duty to "supervise the process of preparing and reporting the mandatory financial information on the Company and, where appropriate, the Group, and to submit recommendations or proposals to the Board of Directors to ensure completeness of the information, review compliance with regulatory requirements, and ensure the appropriate delimitation of the scope of consolidation and the correct application of accounting principles."

In its review of financial reporting, the Audit, Risk and Compliance Committee is assisted by a team of external auditors, who audit the information published at year-end and conduct a six-monthly limited review.

The final authorisation for issue of financial reporting is the responsibility of the Board of Directors. Under article 5 of the Board Regulations, the Board has the power to "approve the financial information that, due to its status as a listed company, the Company must periodically make public, ensuring that such reporting gives a true and fair view of the equity, financial position and results of the Company, in accordance with the provisions of the law."

Again, for the ICFR system, as mentioned in section F.2.1, the Group has in place a system of self-assessment at different levels: 1) control executors, 2) control supervisors, and 3) the Finance Department. The Finance Department submits a report setting out the key ICFR results of the period to the Audit, Risk and Compliance Committee.

The Internal Audit unit, for its part, runs tests on the design, implementation and operational effectiveness of the controls under the ICFR system. Such controls are designed to meet the objectives described in section F.2.1.

For the purposes of financial reporting, the most critical processes within the DF Group's activities are listed below:

- Accounts receivable
- Accounts payable
- Fixed assets
- Accounting close
- Consolidation and reporting
- Intragroup and related party transactions
- Taxes
- Treasury and financing
- Human resources
- Revenue and production
- Procurement and purchases

The controls designed and put in place to review and validate judgements, estimates, assessments and forecasts are considered within each of the above processes by specific nature and subject matter, and are finally examined at the senior executive level by the Finance Department.

The documentation of the system of internal control over financial reporting for these processes was bolstered in previous years, following the COSO 2013 internal control framework, to include high-level descriptions of financial reporting processes, and improved specifications of their related controls and evidence requirements. In 2021, there was no significant change in the flowcharts, narratives, financial risk matrices or controls implemented for each of the above processes.

Duro Felguera has a documentation repository comprising the risk matrices and controls for each process, which are available to be viewed by parties involved in the ICFR system, who can also upload relevant evidence. Moreover, ICFR officers, the Finance Department and Internal Audit thus have a comprehensive overview of all processes, which enables them to oversee and test the controls. In 2021, we reviewed and updated control officers' roles and clearance levels.

F.3.2 Internal IT control policies and procedures (access security, control of changes, system operation, operational continuity and segregation of duties, among others) which support significant processes within the company relating to the preparation and publication of financial information.

As a rule, Duro Felguera, within the framework of its ICFR system, has implemented controls of IT systems for processes and sub-processes via separation of functions, assigning different profiles to the different roles of the Group's employees.

In addition, Duro Felguera bases most of its activities on its IT systems. For this reason, in 2019 DF updated its internal control policies for information systems, adapting them to the COBIT environment (Control Objectives for Information and related Technology) in five main areas:

- Security
- Segregation of roles
- Organisation and management of the Information Technologies area
- Operation and use
- Change management

F.3.3 Internal control policies and procedures for overseeing the management of activities subcontracted to third parties, as well as of those aspects of assessment, calculation or valuation entrusted to independent experts, which may materially affect financial statements.

As a result of the Company's internationalisation, part of the financial reporting preparation and regulatory compliance is performed in foreign locations. To better ensure compliance with local (accounting, tax, legal, etc.) legislation in each country and, therefore, reduce exposure to compliance risk, Duro Felguera has a cooperation agreement with an internationally renowned accounting and audit firm for the preparation of financial information in foreign locations whenever thought necessary. Accordingly, compliance is up to professionals with proven knowledge of local requirements who belong to an internationally recognised firm. Nevertheless, this firm operates under the close supervision and control of Duro Felguera professionals, who verify the supporting documentation of the transactions underlying the financial statements. Duro Felguera has internal controls in place to review the financial information prepared by the external firm, as set out in "Control for Review of Outsourced Activities".

As with the ICFR model as a whole, its start back up in December 2021 could imply the existence of certain control weaknesses in 2021 since the process was not fully evidenced and documented because of the changes undergone by the Company.

However, at year, as a result of the Management's commitment, the various controls under the procedure were executed again by the relevant control owners, and thus covered the figures presented in the financial statements. Other than transactions concluded in December 2020, all transactions in the year were outside the scope of the resumption of the "Procedure for Review of Outsourced Activities".

We identified the following activities with a potentially material impact on the financial statements, in connection with which the Group seeks assistance from independent experts:

- The complexity of the projects and settings in which the Group operates internationally calls for outside support for the assessment of complaints and litigation. Our advisers' opinions are continuously monitored by the Legal Affairs department of Duro Felguera.
- We engage reputable firms to conduct actuarial studies and valuations of personnel-related liabilities. The results are scrutinised by the Duro Felguera Talent and Human Resources department to ensure that they are reasonable.
- When the Group engages a third party to appraise property or other assets, it first ensures that the appraiser is properly trained and qualified, competent, independent and compliant with applicable laws and regulations. Control of such activities is conducted by the Duro Felguera Finance Department.
- We engage valuations of financial assets and liabilities from leading independent firms that employ highly experienced, qualified and skilled professionals. Assessments and valuations conducted by outside parties are reviewed by the Duro Felguera Finance Department. Whenever thought necessary, further opinions are requested for comparison.
- Legal opinions on matters relating to the Company's financial position and commercial and company law.

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 the Duro Felguera group up to date and communicating them appropriately.

The Group has an accounting manual that identifies and explains the relevant financial reporting standards and specifies how they must be applied to the Company's own operations and transactions.

Where the application of an accounting standard is especially complex, the Group seeks input and assistance from outside advisers, from the regulatory body or from the external auditor.

In 2020, work was done to revise and update the DF Accounting Policies Manual to bring it into alignment with International Financial Reporting Standards (IFRS). The updated (December 2020) version of the Manual is published on the corporate intranet and is currently under review. It is readily accessible to all Group employees involved in the preparation of financial information. As noted previously, a review is conducted to assess whether it should be updated. The Finance Department is performing this review, as shown in the ICFR control matrices.

F.4.2 Mechanisms for capturing and preparing financial information in standardised formats for application and use by all units of the entity or group, and support its main financial statements and notes, as well as disclosures concerning ICFR.

The process of consolidation and preparation of financial information is centralised with the Consolidation area within the Administration and Reporting department, which in turn reports to the Duro Felguera Finance Department. The process begins with the receipt of accounting closes from centralised subsidiaries that use a common ERP. Next, we convert the information received from foreign companies, branches and consortia 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.

On a quarterly basis, the General Accounting department verifies that all information required from foreign-registered companies is included on the closing checklist, and that the list has been properly checked off.

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.

In 2021, IT tools were applied to XBRL labelling of the consolidated financial statements and notes with a view to publication in xHTML format so as to comply with the ESEF Regulation.

F.5. Supervision of the functioning of the system.

Report on at least the following, describing their principal features:

F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function one of the responsibilities of which is to provide support to the committee in its task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

As provided in article 6 of the Regulations of the Audit, Risk and Compliance Committee, the Committee is tasked with "with supervising the effectiveness of the Company's internal control, the internal audit and risk management systems, and discussing 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 time allocated within the scope of the Plan is allocated to 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.

In 2021, as a result of the furlough programme that applied to the Internal Audit unit and to the rest of the Group, the Internal Audit Plan adopted by the Audit, Risk and Compliance Committee was not carried out as completely as originally intended. Several engagements within the Plan, moreover, were dropped, owing to departure from the Group of key personnel at a range of departments. These circumstances also affected Internal Audit's ability to oversee ICFR. The Plan called for quarterly tests to be conducted by Internal Audit. Such tests could not be completed because, as mentioned above, the entire staff was affected by a furlough programme for a period of six months, and tasks prior to ICFR supervision were not executed.

The Internal Audit Department will perform the audit for the closing at December 2021, as described in the 2022 Audit Plan, conducting design tests and implementing the most relevant controls at the end of December 2021, possibly including additional controls of lesser criticality. The audit findings will be presented to the Audit, Risk and Compliance Committee.

The Audit, Risk and Compliance Committee's activities, both oversight regarding ICFR and the other areas of its remit, are recorded in the minutes of its meetings.

Internal Audit is not an executive body and has no direct authority over any area of the organisation or any of the activities and transactions that it evaluates. Functionally, it falls under the Audit, Risk and Compliance Committee. The Committee safeguards the independence and objectivity of Internal Audit, ensures that its activities range over a wide scope of coverage, and sees that recommendations arising from its engagements are properly considered and that suitable action is taken accordingly.

The leading officer of the Internal Audit unit will be in charge of the entire department and will manage a tightly cohesive team, which now comprises two highly qualified professionals.

F.5.2 If there is a procedure by which the account auditor (in accordance with the contents of the Normas Técnicas de Auditoría (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses detected.

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

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.

F.6. Other relevant information

Not applicable.

F.7. External auditor's report.

Report:

F.7.1 Whether the ICFR information sent to the markets has been subjected to review by the external auditor, in which case the entity should include the corresponding report as an attachment. If not, reasons why should be given.

In 2021, 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 2021.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company's conduct. General explanations are not acceptable.

1. That the articles of incorporation of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.

Complies [] Explain []

2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:

- a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.
- b) The mechanisms in place to resolve any conflicts of interest that may arise.

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

3. That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:

- a) Changes that have occurred since the last General Shareholders' Meeting.
- b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

Complies [] Complies partially [] Explain []

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies [] Complies partially [] Explain []

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of pre-emptive rights in an amount exceeding 20% of the capital at the time of delegation.

And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of pre-emptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies [X] Complies partially [] Explain []

6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:

- a) Report on the auditor's independence.
- b) Reports on the workings of the audit and nomination and remuneration committees.
- c) Report by the audit committee on related party transactions.

Complies [X] Complies partially [] Explain []

7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.

And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

Complies [] Complies partially [] Explain [X]

The Board of Directors does not believe that broadcasting general meetings live has any direct impact on increasing shareholder participation. The latest Annual General Meeting, held by remote means exclusively because of the special circumstances arising from COVID-19, saw a considerably lower quorum than in previous years.

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 means.

8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called.

Complies [X] Complies partially [] Explain []

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

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

Complies [X] Complies partially [] Explain []

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

- a) Should immediately distribute such complementary points and new proposals for resolutions.
- b) Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.
- c) Should submit all these points or alternative proposals to a vote and apply the same voting rules to them as those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.
- d) That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.

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

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

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

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

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

Complies [X] Complies partially [] Explain []

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

Complies [X] Explain []

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

- a) Is concrete and verifiable;

- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and
- c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.

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

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

Complies []

Complies partially []

Explain []

There are no 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 2022.

15. That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.

Complies []

Complies partially []

Explain []

See section H..

16. That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.

This criterion may be relaxed:

- a) In large-cap companies where very few shareholdings are legally considered significant.
- b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

Complies []

Explain []

17. That the number of independent directors should represent at least half of the total number of directors.

That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the

company's share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies [X] Explain []

18. That companies should publish the following information on its directors on their website, and keep it up to date:

- a) Professional profile and biography.
- b) Any other Boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) Date of their first appointment as a director of the company's Board of Directors, and any subsequent re-elections.
- e) Company shares and share options that they own.

Complies [X] Complies partially [] Explain []

19. That the annual corporate governance report, after verification by the nomination committee, should explain the reasons for the appointment of any proprietary directors at the proposal of shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honoured, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honoured.

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

20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.

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

21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

Complies [X] Explain []

22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

Complies [X]

Complies partially []

Explain []

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the Board of Directors, even if he or she is not a director.

Complies [X]

Complies partially []

Explain []

Not applicable []

24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.

And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Complies [X]

Complies partially []

Explain []

Not applicable []

[See section C.1.2.]

25. That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.

And that the Board regulations establish the maximum number of company Boards on which directors may sit.

Complies [X] Complies partially [] Explain []

26. That the Board of Directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.

Complies [X] Complies partially [] Explain []

27. That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions.

Complies [X] Complies partially [] Explain []

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes at the request of the director expressing them.

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

29. That the company should establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies [X] Complies partially [] Explain []

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.

Complies [] Explain [X] Not applicable []

Directors are immediately informed of all new developments and changes in matters relating to auditing, accounting and legislation by the Company's internal technical services, which produce and deliver reports and are available to the Directors to clarify any doubts and provide further information as required.

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 be duly recorded in the minutes.

Complies [X] Complies partially [] Explain []

32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies [X] Complies partially [] Explain []

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out the duties assigned by law and the articles of incorporation, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.

Complies [X] Complies partially [] Explain []

34. That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.

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

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.

Complies [X] Explain []

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

- a) The quality and efficiency of the Board of Directors' work.
- b) The workings and composition of its committees.
- c) Diversity in the composition and skills of the Board of Directors.
- d) Performance of the chairman of the Board of Directors and of the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies [X] Complies partially [] Explain []

37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.

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

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

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

39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies [] Complies partially [] Explain []

40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies [] Complies partially [] Explain []

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

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

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

- a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational , technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.
- b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.
- c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.
- d) Generally ensuring that internal control policies and systems are effectively applied in practice.

2. With regard to the external auditor:

- a) In the event that the external auditor resigns, examining the circumstances leading to such resignation.
- b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
- c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks.
- e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' independence.

Complies [X]

Complies partially []

Explain []

43. That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.

Complies [X]

Complies partially []

Explain []

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.

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

45. That the risk management and control policy identify or determine, as a minimum:

- a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.
- b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.
- c) The level of risk that the company considers to be acceptable.
- d) Measures in place to mitigate the impact of the risks identified in the event that they should materialised.
- e) Internal control and information systems to be used in order to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Complies [X] Complies partially [] Explain []

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) Ensuring the proper functioning of the risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the company.
- b) Actively participating in drawing up the risk strategy and in important decisions regarding risk management.
- c) Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.

Complies [] Complies partially [X] Explain []

The Company understands that the Audit, Risk and Compliance Committee (ARCC) must necessarily be independent. Therefore, it considers that any unit that reports functionally to the Committee should not be involved in its management, so it does not comply with the second part of b) above, as the Risk Department, which reports to the ARCC, does not participate in risk management decisions.

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 []

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 [] 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 [] 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 [] Complies partially [] Explain []

52. That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:
- a) That they be composed exclusively of non-executive directors, with a majority of independent directors.
 - b) That their chairpersons be independent directors.
 - c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and require them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.
 - d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
 - e) That their meetings be recorded and their minutes be made available to all directors.

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

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies [X] Complies partially [] Explain []

54. The minimum functions referred to in the foregoing recommendation are the following:
- a) Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.
 - b) Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.
 - c) The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.
 - d) Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.
 - e) Supervision and evaluation of the way in which relations with the various stakeholders are handled.

Complies [X] Complies partially [] Explain []

55. That environmental and social sustainability policies identify and include at least the following:

- a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct-
- b) Means or systems for monitoring compliance with these policies, their associated risks, and management.
- c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.
- d) Channels of communication, participation and dialogue with stakeholders.
- e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies [X]

Complies partially []

Explain []

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies [X]

Explain []

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies []

Complies partially []

Explain [X]

The Articles of Incorporation include variable remuneration through profit-sharing of up to 2.5% of net profit, provided that the dividend on shares is not less than 4% of the par value of the shares. This percentage may be lowered via a shareholders resolution in General Meeting and the Board of Directors has full discretion regarding distribution of the amount among directors.

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 that established in the Remuneration Policy and the Articles of Incorporation, there is no need to wait any longer to verify compliance with the conditions, since variable remuneration is based on the closed and audited financial statements as submitted at the General Meeting for deliberation.

See section H regarding payment of variable remuneration.

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.

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

As indicated in the response to recommendation 59 above, since the General Meeting is the corporate body that approves the financial statements that serve as the yardstick for determining whether or not variable remuneration to Directors is due, the shareholders at a General Meeting examine and consider the report of the external auditors, which would include any qualifications as to the financial statements and results.

61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.

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

This recommendation is not followed because although the Remuneration Policy provides for the possibility of delivering shares or financial instruments linked to the value of shares, there are no remuneration plans in force that involve payment by delivery of shares or financial instruments linked to their value.

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

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

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

H. FURTHER INFORMATION OF INTEREST

1. If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which it is necessary to include in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.

Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.

3. The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In such case, name the code in question and the date the company began following it. Specific mention must be made as to whether the company adheres to the Code of Good Tax Practices of 20 July 2010:

Due to a lack of space in other sections, following the principle of transparency that governs the Company's policies and our policy on relations with shareholders, disclosed are provided below on the following:

1.- Grant of €120 million of state aid charged to the Solvency Support Fund for Strategic companies (Fondo de Apoyo para la Solvencia de Empresas Estratégicas or 'FASEE').

As approved by the Council of Ministers on 9 Madrid 2021, on 9 April 2021 the Company entered into Management Agreements with Sociedad Estatal de Participaciones Industriales (SEPI), in representation of the FASEE. Essential requirements under these agreements for receipt of the financial aid include certain decisions by the Board of Directors that must be previously and expressly approved by the FASEE. If the Company fails to comply with this requirement, the FASEE may declare breach and claim reimbursement of the financial aid.

The regulation of the FASEE and the Management Agreements both impact corporate governances in respect of:

A) Payment of the variable remuneration referred to in sections G.60; G.61 and G.62.

Article 6.1.f) of Order PCM/679/2020, of 23 July, publishing the Resolution of the Council of Ministers of 21 July 2020, establishing the terms of reference of the Solvency Support Fund for Strategic Companies (Official State Gazette of 24 July 2020) 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 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."

B) Nomination of directors by Sociedad Estatal de Participaciones Industriales. Related to sections A.6, C.1.3, C.15, G.5 on the nomination of directors.

According to the Management Agreements, the FASEE will appoint two directors, who cannot be dismissed. Directors appointed pursuant to these agreements are considered external directors since FASEE is not a Company shareholder. For the same reason the answer to section C.1.8 is no.

AUDIT COMMITTEE

Continuation of the section relating to the functioning of the Committee and the key actions carried out during the 2020 financial year:

Functions:

The main functions of the Committee are to:

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

- b) 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.
- c) Supervise 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 and 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) 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.
- f) Ensure 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) Examine and review 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) 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/his engagement and regularly request information on the audit plan and its execution from him/her, in addition to ensuring his/her independence in the exercise of audit duties.
- i) 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.

On this point, the Committee shall ensure that:

Remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

The Company notifies any change of external auditor to the Comisión Nacional del Mercado de Valores as "inside information", accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

In the event that the external auditor resigns, examining the circumstances leading to such resignation.

Ensure that the external auditor has a yearly meeting with the Board of Directors in full to inform it of the work undertaken and developments in the Company's risk and accounting positions.

Ensure fulfilment of the audit engagement, requiring that the auditor's opinion on the financial statements and the content of the report are drafted clearly and precisely.

Issue on an annual basis, prior to the issuance of the audit report on the financial statements, a reporting containing an opinion regarding whether the independence of auditors and audit firms has been compromised. This report shall be published on the Company's website sufficiently in advance of the Annual General Meeting, and must contain, in all cases, a reasoned evaluation of the provision of each and every additional service referenced in the previous point, considering each service individually and jointly, separate to the statutory audit and in relation to the system of independence and regulations governing auditing activities.

j) Inform the Board of Directors, with prior notice, about all matters foreseen in law, the Bylaws and the Regulations of the Board of Directors; in particular those regarding:

j.1) The financial information that the Company must regularly make public;

j.2) The non-financial information that the Company must regularly make public;

j.3) The creation or acquisition of shares in special purpose entities or those registered in countries or territories considered tax havens; and

j.4) Transactions with related parties.

Any report issued by the Audit Committee regarding related party transactions shall be published on the Company's website sufficiently in advance of the Annual General Meeting.

j.5) Any structural changes, mergers or acquisitions the Company may be planning, including their financial terms and accounting impact and, in particular, the proposed exchange ratio.

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

l) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities in the Company.

- m) Supervise the Internal Codes of Conduct and regulatory compliance not expressly attributed to another Committee or to the Company's Board of Directors. In this respect, the Audit Committee shall:
- m.1) Supervise the internal standards and procedures there to ensure the proper monitoring of the code of conduct and regulatory compliance across the various departments and areas of the Company, especially the Company's General Code of Conduct and internal regulations on the stock market; and ensure that they remain up to date at all times.
- n) Oversee compliance with the Company's corporate governance rules. In this respect, the Audit Committee shall be responsible for:
- n.1) Supervision of transparency in corporate actions.
 - n.2) The periodic evaluation of the effectiveness of the Company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
 - n.3) Reporting and, if appropriate, raising proposals to the Board of Directors regarding the development of the corporate governance rules for the Company and its Group based on the provisions of the Articles of Incorporation and in accordance with the applicable legislation at all times.
- o) Monitor 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) Specifically, the Committee shall ensure that the corporate social responsibility policy specifies 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 impede the manipulation of data and protect integrity and honour.
- p) Supervision of 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. Appointment of a new internal auditor and compliance officer.
4. Oversight of implementation of actions and improvements to the ICFR system
5. Oversight and monitoring of the Crime Prevention Model

NOMINATION AND REMUNERATION COMMITTEE

Functions:

1. 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:
 - 2.1 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 underrepresented 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) Inform of any proposals for 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 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.

h) Verify the information on director pay contained in corporate documents, including the Annual Directors' Remuneration Report.

i) Make sure that potential conflicts of interest do not undermine the independence of external advice given to the Committee.

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.

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

a) Inform of any proposals to the Board of Directors for appointment or dismissal of senior management and the basic terms of their contracts. For these purposes, the Committee shall receive from the Management, the Board of Directors or its committees, as appropriate, a description of the post to be filled, the desired profile of potential candidates, the selection proposal and the contractual terms that will be offered to the new incumbent, all of which must be in line with the remuneration policy for senior managers. The Committee may also interview candidates if it deems this necessary, request further information and, in general, take any action it deems necessary before making its final proposal.

b) Propose, to the Board of Directors, the remuneration policy of general managers and of whomever else discharges senior management duties under the direct supervision of the Board of Directors, the Executive Committee or Chief Executive Officers, while ensuring compliance with that policy.

c) Periodically review the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensure that their individual remuneration is proportional to that received by the company's other directors and senior managers.

d) Verify the information on director pay contained in corporate documents, including the Annual Directors' Remuneration Report.

e) Verify, each time substantial amendments are made to the contracts or changes made to the policies, that the terms of the contracts of 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.

2.3. 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.

2.4. Draw up, for submission to the Board of Directors, the corresponding annual directors' remuneration statement (ADRS), which must be disclosed in accordance with the law.

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

Key actions carried out in 2020 included:

1. Proposal to appoint Directors by co-option.
2. Proposal to the shareholders at the General Meeting to ratify Director appointments.
3. Proposal to appoint members of the Audit Committee and of the Nomination and Remuneration Committee.
4. Proposal for appointment of Senior Managers.
5. Assessment of the Board of Directors with the assistance of an external and independent third party.



**ANNUAL CORPORATE GOVERNANCE
REPORT OF LISTED PUBLIC LIMITED
COMPANIES**

English translation for information purposes only. In the event of discrepancies between the English and the Spanish version, the Spanish version shall prevail.

This Annual Corporate Governance Report was approved by the Board of Directors of the company in its meeting held on:

[31/0/2022]

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

[] Yes
[√] No



Letter from the CEO

Dear reader,

First and foremost, thank you for showing an interest in this Non-Financial Statement, which describes the Group's performance in the non-financial realm in 2021.

Last year was an important time and a positive experience for Duro Felguera. On 9 March 2021, the Council of Ministers agreed to authorise the temporary public aid requested from the Solvency Support Fund for Strategic Companies (known as the FASEE), for a total of 120 million euros, as subsequently ratified by ministers on 23 November in relation to the second phase of this aid scheme. The Group received a further 6 million euros in financial aid on 27 December 2021 from the Principality of Asturias through Sociedad Regional de Promoción, as well as a guarantee facility worth 80 million euros and an agreement to refinance the financial liabilities signed with the banking syndicate on 29 November. All of this valuable support has enabled the Group to strengthen its financial and equity position, providing it with a more solid and promising position from which to accomplish its viability plan and relaunch its business model by focusing on its core businesses: Energy, Industrial Plants (Industrial Complexes, Mining & Handling, Oil & Gas, and Heavy Boilermaking) and Services, all historically capable of generating recurring profits. Duro Felguera also plans to drive renewable energy, energy storage, hydrogen and smart systems, without losing sight of our commitment to sustainability.

As a firm expression of this commitment, the General Meeting of Shareholders recently announced the creation of the Sustainability Committee, which was ultimately set up on 18 January 2022. The Committee will oversee compliance with Duro Felguera's environmental, social and corporate governance policies and rules.

Corporate governance is a key concern for Duro Felguera and throughout 2021 we worked to update some of the key principles and rules in this realm. Ethical behaviour is a constant presence at our Group and one of the tools we rely on to succeed in this pursuit is our Code of Conduct, which explicitly enshrines the defence, compliance and protection of fundamental rights and public freedoms and which all parties (employees, members of the organisation and partners) have the inexorable duty to comply with.

In line with this new roadmap, we have drawn up an Ecological Transition Plan that focuses on four of the 17 Sustainable Development Goals, which we will discuss below, and which will steer our actions on environmental issues and sustainable development. We aspire to help meet the needs of the here and now without compromising the needs of future generations by striking a suitable balance between economic growth, social inclusion and environmental protection.

In 2021, the Environmental and Quality Management Systems were further integrated into the business. This process began in December 2019 —with the signing of the corporate Quality and Environment Policy for the entire Group— and ended in March 2020, upon obtaining ISO 14001 and 9001 certifications at corporate level, the scope of which extends to all of Duro Felguera's businesses and subsidiaries. Excellence in quality remains essential and is, for us, essential for the creation of value for our stakeholders.

The COVID-19 pandemic continued to have a heavy impact on our professional and personal lives throughout the year. In 2020 we all had to learn to live with



the impact of the pandemic both at work and at home, and throughout 2021 the safety and health of our employees remained very much at the centre of our efforts. The Covid Monitoring Committee has been busy in coordinating, advising on, studying and analysing the general measures envisioned in the COVID-19 Contingency Plan; specific action plans for sites, centres and projects; guidelines on how to monitor cases and contacts; and guidance on international travel. This hard work was again recognised with the V-Safe Certification, issued by TÜV Austria.

When it comes to CSR, contributing to the development of local, national and international communities continues to feature prominently in our strategy. Because we undertake projects in a wide variety of territories, we must ensure strict respect for all local labour standards, while also deploying environmental protection measures to minimise the impact of our activity and doing our utmost to contribute to the development of the local communities with which we interact. Throughout the year, our initiatives were local rather than global, with most of them taking place in Asturias. This is mainly because of the state our projects are in right now, though this does not change our broader commitment.

I would especially like to thank the team of people who make up Duro Felguera for their ongoing efforts. Their commitment, in these complicated and uncertain times, has been key and absolutely essential in building the future of our Group. A new dawn full of challenges and opportunities now awaits us at Duro Felguera. We know that the path will not be easy and will require effort and hard work, but thanks to our collective commitment and experience and the dedication of all those who are part of this century-old company, we will succeed in restoring it to its former glory.



1. About us

With more than 160 years of history in industrial activities, Duro Felguera now executes end-to-end projects for the construction 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.

New business segments have recently been developed 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

The Group specialises in executing turnkey projects for energy, industrial and Oil & Gas facilities, providing industrial services and manufacturing capital goods. We are innovative and sustainable, delivering differential industrial and technological solutions.

Vision

To consolidate Duro Felguera’s core businesses and drive its activity towards renewable energies and smart systems, while providing customers with a quality service that meets their needs, delivering sustainable profitability for shareholders and enabling the professional development of its employees.

Values

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



1.2 Business model

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

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

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

Conventional Energy

Duro Felguera undertakes EPC projects for all types of industrial 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 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 23,000 MW.

Industrial Plants

Mining & Handling

The 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, DF has amassed extensive know-how and the necessary capabilities to perform EPC and EPCM projects efficiently.

Oil & Gas

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

DF Calderería Pesada

Duro Felguera has its own workshops for the manufacture of capital goods, through subsidiary company 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.

Services

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

Renewable Energies

Duro Felguera has set up the renewables business unit, DF Green Tech, with the aim of centralising the strategic development of Renewable Energies. DF Green Tech will therefore focus on solar, wind and offshore technologies, while also targeting new technologies, especially hydrogen and energy storage. DF Green Tech will tackle 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, harnessing the capabilities and prime locations that the Group has at DF Calderería Pesada.

Smart Systems

Duro Felguera has decided to group EPICOM (a company not included in the scope of the NFS following its exit in 2021, despite holding a 60% stake, as explained in the 2021 consolidated financial statements), Felguera TI (with a focus on cybersecurity and digitisation) and Sistemas Logísticos into a single Business Unit called 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 vectors such as automation solutions, digitalisation, cyber security, energy efficiency and smart energy storage.



1.3 Duro Felguera in the world

Duro Felguera is present in the following countries, through its commercial offices or through the projects that the Company undertakes in different regions.

ALGERIA
BAHRAIN
BELGIUM
BRAZIL
BULGARIA
CANADA
CHILE
COLOMBIA
CROATIA
SPAIN
UNITED STATES
UAE (DUBAI)
FRANCE
ITALY
JAPAN
LITHUANIA
MOROCCO
MEXICO
NETHERLANDS
PANAMA
PERU
QATAR
UNITED KINGDOM
ROMANIA
RUSSIA
TUNISIA
SOUTH AFRICA



1.4 Strategy

In 2021, Duro Felguera signed the financial restructuring agreement for the Group, in the form of 120 million euros in temporary public financial aid from the FASEE, the refinancing of financial liabilities with financial institutions, and a further 6 million euros in financial support granted by the Principality of Asturias through Sociedad Regional de Promoción.

Duro Felguera now has a stronger equity and liquidity position following the financial restructuring. This, together with a guarantee facility worth up to 80 million euros, will enable the Group to accomplish its viability plan with renewed optimism, 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.

The Group is continuing the search for a private investor and their arrival would certainly accelerate the process of implementing the viability plan. The Group is continuing to appraise various non-binding offers and expressions of interest received from potential investors.



The core businesses of Duro Felguera are: Conventional Energy, Industrial Plants (Industrial Complexes, Mining & Handling, Oil & Gas and Manufacturing) and Services. In all these businesses, Duro Felguera operates in a sector that remains strong globally, although the EPC segment is highly competitive, with inherently greater risks and complexity in terms of project execution. The Group has a highly experienced and knowledgeable team and excellent customer references across the various lines that make up the traditional business segment: Duro Felguera's strategy here is to build stronger relations with recurring customers and leverage alliances to build capacities and grow in Latin America and in non-domestic but stable markets with local alliances, all complemented with the development of new products.

The main trends in the market are the gradual replacement of fossil fuels by renewable energy. The growth of the renewable energy sector opens up an opportunity for Duro Felguera. There is an urgent need for energy that does not run out and, above all, for a firm commitment to sustainability and climate change, and "green" energy is the solution to this. For Duro Felguera it is an opportunity for growth, as the renewable energy market is thriving and the outlook for the next few years is promising. The objective in this business segment is to become a relevant yet selective company, successfully combining development, integration, construction and operation with recurring business in the renewable energy sector in Spain, Latin America and other parts of the world.

Demand for encryption systems is also expected to grow exponentially over the coming years. Growth in Smart Systems will be achieved through encrypted communication for military and civilian use, digitisation and smart logistics systems.

Encrypted military communications

Growth in this area will come from expanding EPICOM's customer base to include Spanish government bodies and forces, and EU and NATO countries. To achieve this, it will step up sales and technological development capabilities to offer products tailored to the needs of new customers.

Encrypted civilian communications

Duro Felguera aims to penetrate the encrypted communication sector for civilian use by targeting companies that require maximum security in their communications, with a strong track record in the civil sector and with a value proposition backed by Duro Felguera's differentiated product.

Logistics systems

Duro Felguera also intends to pursue growth in heavy-duty warehouse automation projects in the cardboard and dairy product niches, bolstering the specialist sales team in target regions.



2. Corporate governance

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

The focus in 2021 was to make further progress in updating and reinforcing various corporate policies and functions.

2.1 Ownership structure

Share capital

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

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

Direct holders of significant shareholdings, excluding directors

2021

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

(*) Depositaries of securities held by others

2020

Name of shareholder	% of shares carrying direct voting rights
UBS Switzerland, AG (*)	3.94
Morgan Stanley and Co International PLC (*)	3.66
TSK Electrónica y Electricidad, S.A.	3.12

(*) Depositaries of securities held by others

In 2021, there were no shareholders with financial instruments carrying voting rights (nor in the previous year).



Treasury shares

There were no treasury shares in either 2021 or 2020.

Estimated free float

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

2021

Estimated free float	89.89%
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2020

Estimated free float	89.28%
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2.2 Corporate governance

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

Therefore, 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
- » Sustained growth through customer satisfaction, technological development and internationalisation, environmental protection activities, and respect for occupational safety and health.
- » Commitment to and promotion of shareholders' rights.
- » Compliance with the law and adoption of the best governance practices.
- » Commitment to transparency.

The Board and its committees are regulated by the Spanish Companies 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 decision-making body. The main responsibilities of the Group's Board of Directors consist of defining, supervising and monitoring the strategies and general guidelines that Duro Felguera and its Group must follow, reporting and being accountable to shareholders, proposing dividend distributions at the Annual General Meeting, and overseeing financial reporting.

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

At 31 December 2021, the Board was composed of seven (7) members, five (5) of whom were independent and two (2) of whom were external, and three (3) vacancies.

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

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

At 31 December 2020, the Board comprised five (5) members, all independent, and three (3) vacancies.



Name of director	Category	Position	Length of tenure	Method of selection
Rosa Isabel Aza Conejo	Independent	Chairman	Since 30 September 2019	Co-option by the Board
José María Orihuela Uzal	Executive director	Chief Executive Officer	From 30 November 2018 to 30 June 2021	Co-option by the Board
Jordi Sevilla Segura	Independent	Director	Since 17 April 2020	Co-option by the Board
Valeriano Gómez Sánchez	Independent	Director	Since 30 January 2020	Co-option by the Board
José Julián Massa Gutiérrez del Álamo	Independent	Director	Since 30 September 2019	Co-option by the Board

Independent directors

In 2021 and 2020, no independent director received from the Company any form of remuneration beyond the remuneration expressly assigned to this position.

Board diversity

The Company's Corporate Governance Policy provides that the Company should ensure that the procedures for selecting members favour a diversity of gender, experience and knowledge and have no implicit bias whatsoever and that, in particular, they favour the selection of women directors.

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

At year-end, women accounted for 28.57% of total Board membership (20% at year-end 2020).

Committees

Audit, Risk and Compliance Committee

At the end of financial years 2021 and 2020, the Committee comprised the following members elected by the Board of Directors from among its non-executive directors:



2021

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

2020

Name	Position	Category
José Julián Massa Gutiérrez del Álamo	Director and Chairman	Independent
Jordi Sevilla Segura	Director	Independent
Valeriano Gómez Sánchez	Director	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 2021, the Audit, Risks and Compliance Committee met on 13 occasions, having met 12 times in 2020.

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

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 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 framework of the policy drawn up by the Board of Directors.

- » Monitor the preparation and presentation of the required financial and non-financial 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, while checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- » Ensure the independence of the internal audit, risk and compliance functions that report to the committee; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; set its priorities and work programmes, ensuring that it focuses primarily on the main risks the Group is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- » Examine and review the annual work plan of the internal audit, risk and compliance 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.
- » 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/his engagement and regularly request information on the audit plan and its execution from him/her, in addition to ensuring his/her independence in the exercise of audit duties.
- » 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.
- » Inform the Board of Directors, with prior notice, about all matters foreseen in law, the Bylaws and the Regulations of the Board of Directors; in particular those regarding:
 - The financial information that the Company must periodically make public;



- The non-financial information that the Company must periodically make public;
 - The creation or acquisition of shares in special purpose entities or those registered in countries or territories considered tax havens; and
 - Transactions with related parties.
Any report issued by the Audit Committee regarding related-party transactions shall be published on the Company's website sufficiently in advance of the Annual General Meeting.
 - Any structural changes, mergers or acquisitions the Company may be planning, including their financial terms and accounting impact and, in particular, the proposed exchange ratio.
- » Receive from Senior Management the justification for any change of accounting criteria or principles, and to review such reasons.
 - » Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities in the Company.
 - » Supervise the Internal Codes of Conduct and regulatory compliance not expressly attributed to another Committee or to the Company's Board of Directors.
 - » Verify compliance with the Company's corporate governance rules.
 - » Monitor compliance with the Company's corporate social responsibility policy.
 - » Supervise the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.
 - » Perform any other duties entrusted to it by the Board of Directors.

Nomination and Remuneration Committee

At 31 December 2021 and 2020, the committee had three members:

2021

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

2020

Name	Position	Category
Valeriano Gómez Sánchez	Director and Chairman	Independent
Jordi Sevilla Segura	Director	Independent
José Julián Massa Gutiérrez del Álamo	Director	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 2021, the Nomination and Remuneration Committee met on nine occasions, having met 11 times in 2020.

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

- » In relation to directors and the Board of Directors:
 - Evaluate the competencies, knowledge and experience necessary for the Board of Directors. To this end, the Committee shall define the duties and capabilities necessary in candidates who shall fill each vacancy and evaluate the time and dedication necessary in order to efficiently fulfil their commitment, and run an annual check on compliance with the director selection policy.
 - Set a target for representation of the under-represented gender on the Board, and draw up guidelines on how to achieve that target.
 - 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, 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.
 - Verify the information on director pay contained in corporate documents, including the Annual Directors' Remuneration Report.
 - 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 or resignation 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 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.
 - Verify the information on senior officers' pay contained in corporate documents, including the Annual Directors' Remuneration Report.
 - Verify, each time substantial amendments are made to the contracts or changes made to the policies, that the terms of the contracts of the senior management are consistent with the remuneration policies in force.
 - Ensure, annually, that senior management remuneration policies are properly implemented, that no payments are made that are not provided for in those policies, and propose any measures that may be needed to recover any amounts unduly paid.
 - Periodically review the general remuneration systems for the Group's staff, including an assessment as to their suitability and results.
- » Review and evaluate Corporate Governance Policies, ensuring that all such policies remain up-to-date and compliant with prevailing law and regulations, and making any proposals for review, modification and improvement that it deems appropriate.
- » Draw up, for submission to the Board of Directors, the corresponding annual directors' remuneration statement (ADRS), which must be disclosed in accordance with the law.
- » Perform any other duties entrusted to it by the Board of Directors.

Sustainability Committee

Set up in January 2022. See section 7 – Events after the reporting period.

Nomination and appointment to the Board

In 2015, the Board approved a Director Nomination and Selection Policy, which can be found on the Group's corporate website and explains the natural persons eligible



to serve as directors and, in the case of legal person candidates, the natural persons who will represent them.

In terms of procedure, proposals for the appointment or re-election of independent directors fall to the Nomination and Remuneration Committee of Duro Felguera, or to the Board itself in the case of proprietary, executive and other external directors.

Remuneration

The Directors' Remuneration Policy is approved by the shareholders at a General Meeting, on the recommendation of the Board and following a report from the Nomination and Remuneration Committee. The current Policy was approved at the General Meeting of 29 October 2020, and is effective for 2021, 2022 and 2023.

Average remuneration of directors and Senior Management

In 2021 and 2020, the average remuneration of the Board of Directors and Senior Management, broken down by gender in euros, was as follows:

2021

	Total	Men	Women
Directors ¹	114,073	123,077	83,065
Senior Management	191,564	201,251	152,815

2020

	Total	Men	Women
Directors ²	119,921	127,571	83,515
Senior Management	193,646	221,091	128,877

- (i) The average remuneration of the Chief Executive Officer is included under the category of "Directors".
- (ii) Does not include attendance fees and/or fees for seats held on Board committees.
- (iii) Average remuneration has been calculated as an arithmetic average taking into account the length of time spent in office during the financial year.
- (iv) Both fixed remuneration and remuneration in kind count towards average remuneration.
- (v) The Senior Management comprises each and every person who sat on the Management Committee throughout 2021, based on how long they remained in office. It does not include the Chief Executive Officer.
- (vi) The Group has a provision of €1,654 thousand to cover the probable amounts, in the opinion of its legal counsel, of the cash outflow derived from ongoing employment proceedings, specifically including coverage of the potential payment of a termination benefit to the Group's former CEO, as well as other termination benefits potentially payable in connection with other ongoing cases.
- (vii) No variable remuneration was linked to ESG targets or plans in either 2021 or 2020. However, this is an option that will be assessed by the newly constituted Sustainability Committee (see section 7. Events after the reporting period).

¹ For further information, please see the Directors' Remuneration Report for 2021

² For further information, please see the Directors' Remuneration Report for 2020



- (viii) 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.

Breakdown of remuneration received by item

2021

Type of remuneration (%)	Directors	Senior Management
Pension plans and funds	0%	0%
Fixed remuneration	91.60%	98.63%
Variable remuneration	0%	0%
Items under the Company's articles (*)	7.65%	0%
Other forms of remuneration (**)	0.75%	1.37%

(*) Attendance fees and/or fees for seats held on Board committees.

(**) In-kind remuneration.

2020

Type of remuneration (%)	Directors	Senior Management
Pension plans and funds	0%	0%
Fixed remuneration	90.92%	98.73%
Variable remuneration	0%	0%
Items under the Company's articles (*)	7.91%	0%
Other forms of remuneration (**)	1.17%	1.27%

(*) Attendance fees and/or fees for seats held on Board committees.

(**) In-kind remuneration.

3. Ethics and compliance

Duro Felguera's Regulatory Compliance Policy was approved by the Board of Directors on 19 December 2019. It sets out the core aspects of its Crime Prevention Model, its commitment to establish 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 Company.

Duro Felguera likewise drew up, approved and implemented a Crime Prevention Handbook on 23 December 2015, which was subsequently reviewed and updated on 19 December 2019 and once again reviewed both in-house and externally in 2021. It is now pending final ratification by the Board and once approved will it become the main framework of reference of the Crime Prevention Model. The Handbook sets out the model for organising, preventing, managing and controlling crime risks at the Group. The Map of Criminal Risks and Controls on which the Model is based was approved on 23 December 2015. At a meeting held on 18 December 2020, the Board



of Directors approved the updated Crime Prevention Model and, more specifically, the updated criminal risk map and controls, as explained later in this section.

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 Internal Codes of Conduct and matters of regulatory compliance, responsibility for which is not expressly vested in another committee or in the Board of Directors.

Along these lines, Duro Felguera has adopted a model consisting of three clearly differentiated lines of defence, which allows for a specific allocation of responsibilities.

The first line of defence comprises Senior Management, which must ensure compliance with the policies and procedures prescribed by Duro Felguera and act ethically and responsibly at all times. It is responsible for maintaining an effective control environment, ensuring that its actions comply with applicable legislation and internal rules and regulations. It is also responsible for ensuring the optimal implementation of controls by supervising that the different areas carry them out correctly.

The second line of defence is the Compliance Committee, a collegiate control body tasked with specific regulatory compliance functions at Duro Felguera. The Compliance Committee is responsible for the periodic supervision and monitoring of the Crime Prevention Model in place at Duro Felguera, so that the main criminal risks are adequately identified, managed and reported internally. This committee is entrusted with the duties described in Article 31 bis.2. 2 of the Criminal Code (Código Penal).

The Compliance Committee is independent and stand-alone and reports directly to the Audit, Risk and Compliance Committee, which in turn reports to the Board of Directors on the work carried out by the committee and on the reports and other documents drawn up.

The Head of Internal Audit and Regulatory Compliance holds a permanent seat on the Compliance Committee of Duro Felguera, ensuring the proper and effective fulfilment of its duties, without prejudice to any further support that may be requested or provided by other divisions of the Company, whether on an ad hoc or regular basis.

The effective implementation of the crime prevention plan and, in general, of the crime prevention policy is the responsibility of the Head of Regulatory Compliance, who reports directly to the Audit, Risk and Compliance Committee.

As of September 2021, the new Head of Audit and Compliance will assume the compliance functions hitherto temporarily delegated to the Chief Financial Officer with the support of the in-house Legal Services team and Duro Felguera's external advisors.



The Crime Prevention Model, which the Board of Directors agreed to review and update at its meeting of 18 December 2020, was reviewed again in 2021 and the latest update — adapting the model to the current structure and standards — is currently pending approval. This document includes, among other aspects, a review of the structure and functioning of the oversight and control body (Compliance Committee and Regulatory Compliance Officer).

The Internal Audit function, as the third line of defence, supports the process of overseeing the Crime Prevention Model. Internal Audit ensures that the controls in place are sufficient and effective, i.e. by determining whether or not the defined control environment reasonably mitigates the criminal risks to have been identified.

In 2021, the Internal Audit and Compliance functions were merged to carry out specific work on the compliance model. To ensure the full effectiveness of the model and to prevent the risk of incompatibilities arising, the Internal Audit Department is supervised by a Compliance Committee, as per the recommendations of the Institute of Internal Auditors published in its good governance practices.

The Group provides a global framework enabling all employees to identify their legal obligations. This framework, which aims to strengthen stakeholders' confidence in Duro Felguera, comprises:

- Code of Conduct: enshrines the values and principles that underpin the actions of Duro Felguera, and to which all covered persons, third parties looking to work with any Group company, and all of Duro Felguera's other stakeholders have access.
- Crime Prevention Handbook: sets out a model for organising, preventing, managing and controlling criminal risks at Duro Felguera. All of this relating to the criminal liability of legal persons. The handbook describes the entire governance model when it comes to crime prevention, identifying and defining the structure and functions of the bodies entrusted with internal control and explaining how the Crime Prevention Model should be implemented and monitored.
- Identification of criminal risks, as well as general and specific policies and controls to mitigate the criminal risks identified.
- Methodology for the assessment and identification of criminal risks: serves as the basis for identifying and evaluating criminal risks in relation to each of the business activities carried out by Duro Felguera, and then prioritising them accordingly.
- Crime prevention and compliance training: aimed at all Covered Persons.
- Standard on how to report incidents and conduct internal investigations: which explains how the Ethics Line at Duro Felguera works.
- Standard on Third Party Due Diligence: requires Duro Felguera to assess the risks arising from its commercial relations with: (i) commercial intermediaries; (ii) potential partners in associative contracts; and (iii) external advisers and consultants.

The Group also has policies and regulations to ensure compliance with legal obligations and regulatory requirements relating to its business activities, as mentioned in section 2. Good governance. Throughout 2021, work was carried out to update: (i) the Anti-Corruption Policy; (ii) the Code of Conduct; (iii) the Third Party



Code of Conduct; (iv) the Whistleblowing and Internal Investigation Standard; (v) the Regulatory Compliance Policy; (vi) the Crime Prevention Handbook and; (vii) the Criminal Risk Matrix; the updated versions of the first four of these were approved on 15 February 2022, while the rest are expected to be approved at forthcoming Board meetings.

3.1 Code of conduct

On 15 February 2022, the Board of Directors of Duro Felguera approved the latest version of the Code of Conduct (modifying the previous version approved in December 2018) to meet the requirements of both stakeholders and the markets in general. The Code is mandatory for all employees, executives and members of the Board, and for subsidiaries and investees that do not have a code of their own that covers 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.

Ethics Line

As mentioned in the Internal Incident and Investigation Reporting Standard approved by the Board of Directors on 7 September 2017 and subsequently reviewed on 22 July 2020, Duro Felguera has set up an Ethics Line as a communication channel available to all Covered Persons and third parties with whom the Company maintains or may maintain business relations. The Ethics Line allows all such persons to report incidents related to conduct that may violate Duro Felguera's corporate policies, the Crime Prevention Model, the Code of Conduct, or other internal rules, including financial and/or accounting rules, and especially any conduct that could qualify as criminal.

All incidents will be properly investigated and/or managed with all legal safeguards in place, particularly the need to respect the fundamental principles of presumption of innocence, confidentiality and non-reprisal.



To ensure absolute respect for these principles, Duro Felguera has created a web portal that can be accessed through links on the corporate Intranet and website, as well as through the following address: <https://lineaetica.durofelguera.com/>. Both the incident report form and the applicable regulations can be found on the specific website set up for this purpose. The handling of reports is governed by the Standard on the Reporting of Internal Incidents and Investigations.

These incidents are typically received by the Head of Internal Audit and Regulatory Compliance (though the special cases defined in the Standard may be heard by other profiles), who then conducts a preliminary analysis of the facts reported and informs the Compliance Committee as to whether or not they are admissible. If so, an investigation is launched.

During the investigation process, the Instructing Officer, who will normally be the Head of Internal Audit and Regulatory Compliance (except in the event of a conflict of interest), may be assisted by internal and/or external investigators. The investigation process shall culminate in the transfer of the motion for a resolution to the relevant executive body, which shall decide on the matter in accordance with the legislation in force. Once a decision has been reached, it will be communicated to the parties concerned and the case will be closed.

This channel may also be used to handle queries relating to matters of regulatory compliance. These matters are typically heard and resolved by the Head of Internal Audit and Regulatory Compliance.

Duro Felguera entertains both queries and reports of incidents made anonymously.

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

In 2021, two complaints were received over the “Ethics Line” and both were addressed in due course. In addition, a total of 14 disclosures or consultations were received by email (dcn@durofelguera.com), all of which were likewise analysed and answered.

3.2 Compliance and Anti-Corruption

The creation of an independent compliance area, reporting directly to the Audit, Risk and Compliance Committee, reinforces Duro Felguera’s commitment to transparency and ethics by encouraging all stakeholders to participate in a corporate culture based on integrity.

Anti-corruption measures

Duro Felguera and its Group reject all forms of corruption, fraud or bribery. It therefore establishes measures to prevent and combat this type of conduct, such as the drafting of regulations and the implementation of a whistleblower channel. All Duro Felguera employees are also subject to the obligations set out in the Code of Conduct.

No reports or complaints of corruption were received during the year.

Meanwhile, a number of preliminary proceedings are still being heard before the Audiencia Nacional (National High Court), having been lodged in September 2017, for a possible offence of corruption of an authority or foreign official against Duro



Felguera. The deadline for investigating the case has been extended until 28 July 2022, without prejudice to any further six-month extensions that the court may agree upon in accordance with Law 2/2020, of 27 July, amending Article 324 of the Criminal Procedure Act. For further information, see Note 35 to the 2021 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 the Company, with the aim of fostering a culture of compliance across the entire Company. Several lines of investigation have been initiated since that meeting.

These actions effectively show that the Group has been promoting and strengthening its compliance culture since 2017, with an active review and updating of policies and procedures in this realm, the most important of which are as follows: (i) the Anti-Corruption Policy (in the process of being approved); (ii) the Standard on the Reporting of Incidents and Internal Investigations; (iii) the Standard on Third Party Due Diligence; (iv) the Corporate Social Responsibility Policy approved on 23 December 2015; (v) the Risk Control and Management Policy approved on 23 December 2015 and subsequently reviewed by the Board of Directors on 20 December 2018; and (vi) NIG.03 Project Risk Control and Management, issued on 11 November 2019.

Duro Felguera's Code of Conduct also explicitly prohibits all forms of corruption. In particular, it is prohibited to offer, promise or give, directly or indirectly, anything of value in a bid to influence the recipient to carry out some action, or refrain from carrying out some action, for the benefit or gain of Duro Felguera, other Group companies or any third party. Not only is it prohibited to offer, promise or give anything of value, but also to solicit, accept or receive any such item as consideration for performing or abstaining from some action for the benefit or gain of any third party.

Under no circumstances may monetary or in-kind gifts, loans, individual benefits or actions of third parties, whether natural or legal persons, be accepted in connection with the Group's activities when doing so could lead to a loss of independence and fairness in relations with the Company's different stakeholders.

The Group encourages the utmost collaboration and diligence among all of its employees when interacting with the public authorities, and also during inspection proceedings and in response to any requests, requirements or other processes received from or initiated by those authorities or other regulatory bodies. When engaging in tendering, bidding or contract award procedures, Duro Felguera rigorously abstains from influencing or altering, or attempting to influence or alter, the normal course of these processes in a bid to obtain a favourable outcome or more advantageous terms for the future contract holder, or with the aim of substantially modifying the requirements, conditions and criteria of the tender or award of the contract in question.

The Duro Felguera Code of Conduct forbids us from making political contributions in the Group's name or on its behalf, where doing so constitutes, or may constitute, any form of political affiliation or involvement. There are no known breaches of the Code in relation to contributions to political parties.

As mandated by the Code of Conduct, Duro Felguera is firmly committed not to engage in practices that may be considered irregular in relations with government



bodies or regulators, market operators, suppliers and other stakeholders, including any practice related to money laundering.

Duro Felguera also has a Standard on Third Party Due Diligence in place, which was approved by the Board of Directors on 19 December 2019. It explains the procedure that the Group must follow when launching any procurement process or entering into any partnership agreement with external third parties. It also insists that a preliminary analysis and study be conducted prior to the commencement of any professional or commercial relationship, thus helping to ensure that the Group does not incur any possible liability should any technical, financial or compliance risk arise from such relations. Its update is expected to be approved in 2022.

Meanwhile, an updated version of IMR 08 – Management and Use of Information and Communication Tools was approved by the Board of Directors on 18 December 2020 to incorporate all the technological developments that have emerged in recent years and which affect the working tools and equipment of all employees. At the same meeting, and as we mentioned previously, the Board of Directors also ratified the updates made to the Crime Prevention Model with the aim of further strengthening and defining internal measures to prevent situations and conduct conducive to corruption, fraud and bribery.

3.3 Tax transparency

Duro Felguera's tax strategy identifies, adopts and implements effective methods to reduce tax risks. Note 31 to the consolidated financial statements for 2021 expressly describes all tax contingencies and events affecting Duro Felguera for the years open to inspection or currently under inspection.

Duro Felguera's tax policy sets out the principles to be followed by Group companies as to tax performance and transparency. The policy, approved by the Board in December 2015, is designed to implement a responsible tax strategy within the framework of the Company's interests, sustainable value creation and the reduction of tax risks surrounding the activities of Duro Felguera.

The Group founds its practices on transparency, accurate reporting, good faith, cooperation with tax authorities, the principle of prudence, and compliance with the law and best practices. Our principles of action are:

- » Design of tax structure without using opaque or artificial tax structures. Duro Felguera is committed to the fight against tax havens and international tax evasion.
- » Commitment to payment on time and in proper form of all tax obligations.
- » Cooperation with tax authorities and proper application of tax law to relevant business factors to reduce uncertainty and minimise any non-compliance.
- » Management of tax risks arising from business interactions: Duro Felguera carries out an exhaustive analysis of tax aspects.
- » Academic training of relevant employees to enable them to comply with the Group's Tax Strategy and build up practices that prevent and reduce tax risks in the design and implementation of their activities.

The Board, as the highest 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 2021 and 2020:

	2021	2020
Algeria	64	69
Belgium	-	97,877
Eastern Europe (*)	665,551	716,324
Chile	3,286	45,988
Mexico	10,869	23,344
Peru	4,680	27,284
India	35,671	-
Total	720,121	910,885

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

The above amounts reflect taxes actually paid, which were mainly accrued in 2020. Different countries have different rules on when to recognise income and it is often not when the tax expense is recorded, but rather based on an accruals basis. Information on the reconciliation between the "Income tax" recorded and that which would result from applying the nominal tax rate in force in the country of the parent company (Spain) to "Profit before tax" is detailed in Note 31 "Income tax" of the consolidated financial statements.

The change in taxes paid in 2021 compared to the previous year is mainly due to the completion of the Fluxys project in Belgium in 2020 and the discontinuation of the Iernut project in Romania in 2021. In India a payment on account of income tax was made due to the bank interest generated by the cash trapped in the country.

Grants received

In 2021, a total of €6,494 was received in public grants and subsidies for energy efficiency projects (2020: €0). No government grants or subsidies were received in connection with R&D+I, occupational risk prevention, or investment.

Duro Felguera also received relief of €52,593.25 in relation to social security contributions for further training initiatives (€44,763 in the previous year).



4. Sustainable growth

4.1 Main financial indicators

Last year was an important time for Duro Felguera. In March, the Council of Ministers agreed to authorise the temporary public aid requested from the Solvency Support Fund for Strategic Companies, for a total of €120 million. This operation — together with the agreement to refinance the financial liability entered into with the banking syndicate under the terms described in these notes to the financial statements and the financial aid granted by the Principality of Asturias through Sociedad Regional de Promoción for €6 million (Note 1) — has enabled Duro Felguera to strengthen its financial and equity position. The financing agreement also includes a revolving guarantee facility of up to €80 million, with 70% of the cover provided by the credit insurer CESCE.

In terms of new order intake in 2021, highlights included the award of a project worth €100 million in the Netherlands, consisting of the refurbishment and repair of the facilities of an industrial customer. As a result, order intake totalled €175.1 million in the period, 123% higher than in 2020.

As for the performance of projects already in the pipeline, the Group resumed the 1,500 MW power project in Djelfa (Algeria) in 2021, under the terms of a framework agreement signed with the customer. The parties are now confident that the project will be successfully completed.

The recovery has been an uneven affair across the different countries in which the Group operates, despite the progress made in vaccination programmes worldwide to alleviate the impact of the health crisis. As a result, activity in 2021 continued to be affected by the mobility restrictions in place in certain countries, thus slowing the rate of progress made towards certain projects. The Group's activity in 2021 was also slowed somewhat by the delays in negotiating and signing the restructuring operation with FASEE and various banks. As a result, it was not until the end of the year when the funding and guarantee facility needed to undertake the new projects became available. Revenue therefore amounted to €84.5 million in 2021, down 37% from 2020.

A number of satisfactory settlement agreements for the Group were reached in 2021, thus marking a relatively successful end to lengthy and costly arbitration processes. Notably, the Group reached an agreement with General Electric to end their arbitration proceedings in connection with the CVO project, with no impact on profit or loss. A similar arrangement was reached with Stoneway Capital Corporation and Araucaria Energy S.A. in relation to the Luján and Matheu projects in Argentina, which led to the collection of \$10 million in 2021.

The Group is continuing the search for a private investor and their incorporation would not only have the effect of further strengthening the Group's financial and/or equity position, but would also accelerate the process of implementing the viability plan. The Group is continuing to appraise various non-binding offers and expressions of interest received from potential investors.

The order backlog at the end of the year stood at €335.6 million, of which 90% related to international projects.



Key financial indicators	2021	2020
Revenue	84,468	133,143
EBITDA	(9,129)	(138,860)
Working capital	(32,032)	(203,867)
Cash position (net of debt)	(81,390)	(70,427)
Order intake	175,116	78,635
Order backlog	335,614	268,063
Basic earnings per share	0.24	(1.79)
Diluted earnings per share	0.22	(1.68)
Gearing ratio	37.27%	32.42%

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	2021	2020
Spain	37,049	41,406
Latin America	3,642	1,854
Europe	27,415	41,628
Africa and the Middle East	12,725	38,487
Asia Pacific	1,280	3,594
Other	2,357	6,174
TOTAL	84,468	133,143

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

Europe: United Kingdom, Belgium, post-Soviet states, Bulgaria, Croatia, Lithuania, Greece, Romania, France and Portugal.

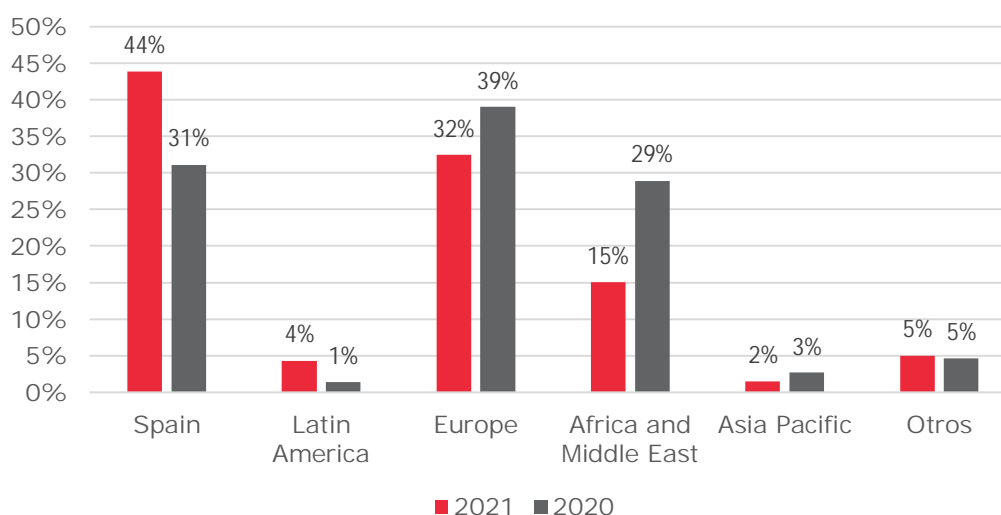
Africa and the Middle East: Algeria, United Arab Emirates, Egypt, Saudi Arabia, Morocco, Tunisia, Kuwait and Qatar.

Asia Pacific: India, Japan, China and Azerbaijan.

Latin America: Chile, Mexico, Argentina, Panama, Brazil, Colombia and Costa Rica.

Other: New Caledonia.

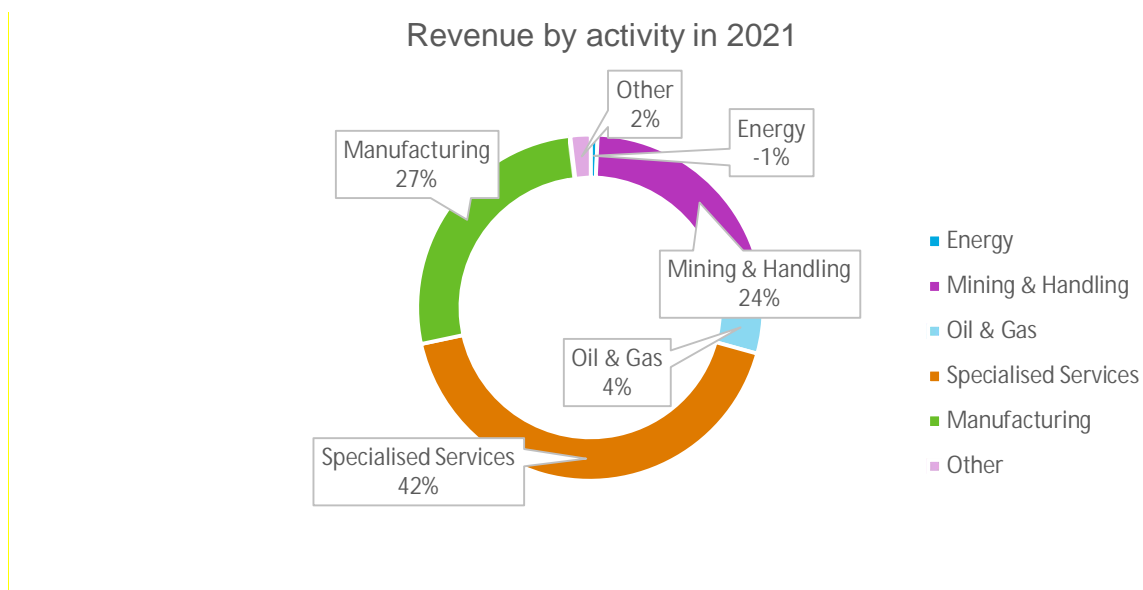
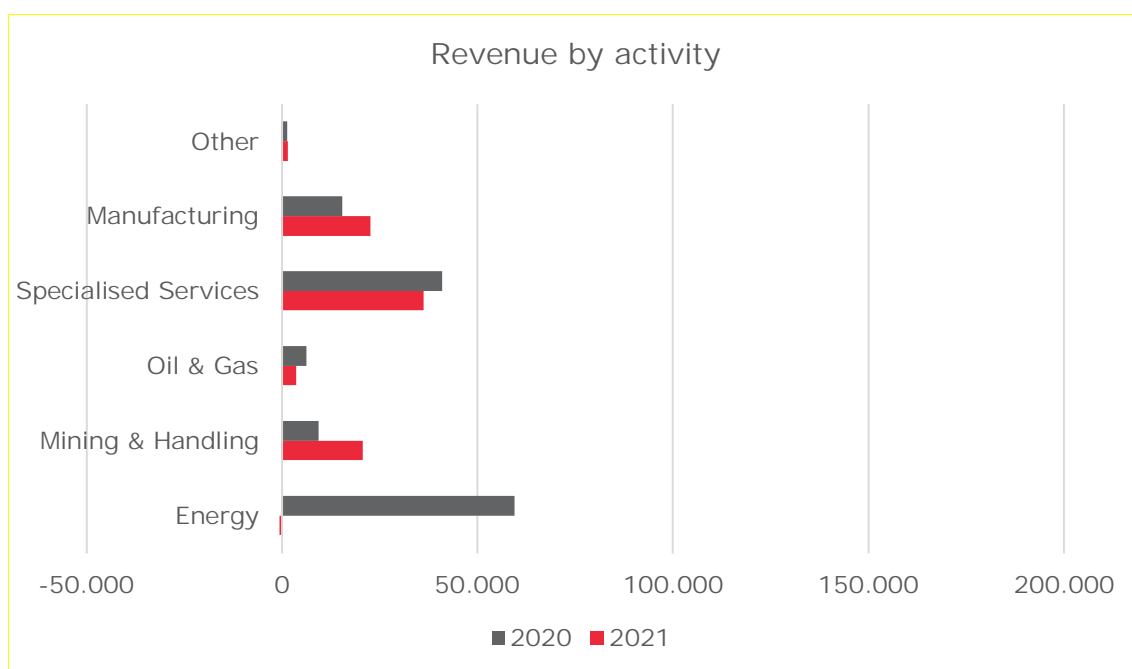
% revenue by geographical area

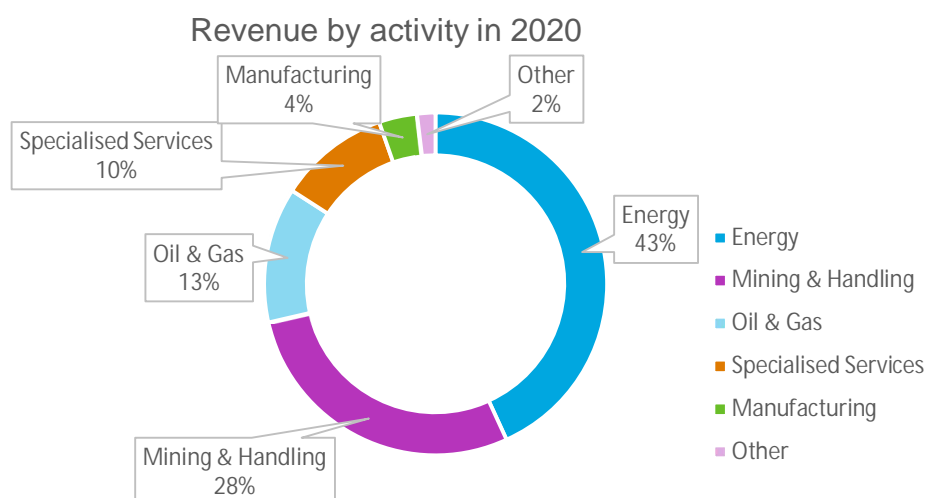




Revenue by activity, graphs for two financial years and comparison

Business lines	2021	2020
Energy	(586)	59,597
Mining & Handling	20,737	9,373
Oil & Gas	3,764	6,300
Specialised Services	36,231	41,021
Manufacturing	22,706	15,452
Other	1,616	1,400
TOTAL	84,468	133,143





Profit by geographical region

Pre-tax profit was as follows in 2021 and 2020, broken down by geographical market:

Geographical market	2021	2020
Spain	17,932	(70,243)
Europe	(987)	405
Africa and the Middle East	2,103	(51,824)
Asia Pacific	283	(11,425)
Latin America	256	(35,599)
Other	11	(170)
TOTAL	19,599	(168,856)

* (€ thousand)

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

Europe: United Kingdom, Belgium, post-Soviet states, Bulgaria, Croatia, Lithuania, Greece, Romania, France and Portugal

Africa and the Middle East: Algeria, United Arab Emirates, Egypt, Saudi Arabia, Morocco, Tunisia, Kuwait and Qatar

Asia Pacific: India, Japan, China and Azerbaijan

Latin America: Chile, Mexico, Argentina, Panama, Brazil, Colombia and Costa Rica

Other: New Caledonia



Value generated and distributed

Value generated	2021	2020
Revenue	84,468	133,143
Other non-financial income	386	592
Finance income	1,838	1,703
Share in profit or loss of associates	(784)	(14,426)
Proceeds of asset disposals	(44)	273
TOTAL value generated	85,864	121,285
Value distributed	2021	2020
Relations with suppliers	49,904	97,480
Employee remuneration	57,778	60,614
Total taxes payable by DF	(720)	(911)
Discontinued operations	3,536	0
TOTAL value distributed	110,498	157,183
Value retained	(24,634)	(35,898)

* (€ thousand)

4.2 Risk management

The nature of the industries in which Duro Felguera operates and its international activities entail risks that the Group identifies and controls, eliminating or mitigating any adverse impact. Duro Felguera is committed to developing a sustainable business model and therefore works to manage key social, environmental and economic impacts, including effects that could influence the decisions of our stakeholders.

The Group has end-to-end, standardised risk management in place throughout the organisation. Risk officers identify, analyse, evaluate, manage and communicate the risks involved in strategy and operations.

Duro Felguera thus seeks to achieve the goals of the Business Plan and reinforce the organisation's commitment to our stakeholders.

Risk management model

The comprehensive risk management system is based on the COSO ERM 2017 methodology, setting out the essential components of risk management, and is governed by the Risk Control and Management Policy, approved by the Board of Directors in 2018. This policy sets out the basic principles and guidelines for the sound control and management of all risks to which the Group is exposed, based on the identification and flagging of the main business risks and relying on the most suitable internal control and management systems. The policy sets out the following principles:



- Promote a risk-management culture, from strategic planning through to operational decision-making.
- Separate and assign responsibilities, and obtain or create the most effective instruments to cover risk.
- Report transparently on the Group's risks and operation of the control systems.
- Ensure compliance with corporate governance standards and update rules in accordance with best practices.

The risk management system employs a methodology based on the following five phases: identification, analysis, evaluation, management and communication of the risks associated with the strategy and operations of Duro Felguera, thus ensuring a general framework for managing the threats and uncertainties inherent in the business processes and the environment in which the Group operates, while operating at all times under a monitoring approach.

Governance of risk management

Since it is a Group-wide system, everyone at Duro Felguera is under the duty to support risk management. The Risk Management Policy sets down the following responsibilities:

- Board of Directors: defines, updates and approves the Risk Control and Management Policy and sets risk appetite.
- Audit Committee: oversees and controls the risk management system and makes risk appetite recommendations to the Board.
- Management Committee: identifies and evaluates risks throughout the Group, assigns responsibilities, confirms the results of risk assessments, and approves the actions proposed and executed by risk officers.
- Sustainability Committee: tasked with monitoring compliance with the Group's environmental, social and corporate governance policies and rules, as well as internal codes of conduct.
- Risks Department: reports directly to the Audit Committee and provides support to the Board and the Management Committee. Its role is to standardise, monitor and reinforce the risk system.
- Risk Officers: actively participate in the identification, assessment and proposal of risk management actions.

Development of the risk management model

There are two distinct levels of control within this model, under the principles of the Risk Control and Management Policy:

- Control and Management of Corporate Risks : the general risks associated with Duro Felguera's business in general.

Given the transversal nature and significance of this type of risk —and not only for the achievement of the objectives of the wider business but also for the Company's future prospects— the members of the Management Committee act as the officers of these corporate risks.



- **Control and Management of Project Risks:** the risks inherent in each particular project throughout its life, running from the commercial opportunity phase through to completion.

In this case, the Risk Officers are the members of the project team.

Duro Felguera's Corporate Risk Control and Management division draws up, updates and approves the Risk Map at least once a year.

The main input for building the Risk Map is the Strategic Plan, which is prepared, reviewed and approved by the Board of Directors.

These identified risks are classified into one or other of the following four categories:

- » **Strategic:** risks associated with key long-term objectives. They may arise from the actions of other key market participants (customers, competitors, regulators, investors or others), from changes in the competitive environment or from the business model itself. This category includes the following risks: market, geographic presence, partners, organisation, availability of funding and collateral, portfolio and reputational.
- » **Operational:** risks associated with the normal operations carried out at Duro Felguera, including all risks related to operating procedures and the efficient and effective use of the organisation's resources. More precisely, the main risks included in this category are: bidding and contracting, project planning, procurement and subcontracting, availability of resources and equipment, contract performance and management, asset security, occupational safety, information systems and cyber security, disasters, attracting and retaining talent, fraud and technology.
- » **Financial:** risks related to the economic and financial management of Duro Felguera (liquidity, interest rate, impairment of financial assets, exchange rate, credit risk and climate change) and financial reporting. These risks are explained at greater length in Note 3 – Financial risk management to the accompanying consolidated financial statements of Duro Felguera.
- » **Compliance:** risks of non-compliance with external and internal regulations by the Company's management or employees, particularly those related to crime prevention, tax, environmental concerns, employment, data protection and the securities market.

Once the identification of the risk inventory has been approved, the risks will be assessed and prioritised accordingly. Action plans and KPIs are defined to determine the risks considered critical for the Group and to be able to assign the right persons tasked with managing each of them. These Critical Risk Officers will invariably be members of the Management Committee.

Within the Project Risk Control and Management area, the following Internal Management Standard has been developed and implemented: "NIG-03: Control and Management of Project Risks".

This standard or rule defines the responsibilities and the methodology that must be applied as a standard and integrated procedure when managing projects throughout their entire life cycle: commercial opportunity, offer, award, performance and completion.



Three levels of risk are defined for each opportunity, offer or project, and as the opportunity evolves into an offer and then into a project, this assessment must be updated to include the additional information obtained. Depending on the level of risk, the tier of approval required for each opportunity, offer or project is defined. The level of risk depends on both the type of contract and certain risk-pricing parameters. There are three types of contract according to their scope (supplies, services, or EPC turnkey contracts) and the amount involved. The main parameters used in the risk assessment relate to customer, country, partner if applicable, turnover, bid cost, expected cash flow, need for bid security/collateral, possible need for equity investment, whether the parent company must also post collateral, disclaimer of liability under the contract and project complexity.

Once the risk level of the opportunity has been determined, the required approval level is obtained. For lower risk level opportunities, this approval rests with the Head of Corporate Marketing and Sales. If the risk level is moderate, approval shall also be granted by the Head of Corporate Marketing and Sales, though subject to approval by the Chief Executive Officer of those parameters that have raised the risk to moderate status. If the level of risk is high, the approval of the Chief Executive Officer is required.

Once the opportunity has been approved, the bid preparation phase commences and a risk and opportunity analysis of the bid must be carried out for the different areas involved (engineering, procurement, planning, contract management, construction, financial and tax, legal, HR, quality, environment and prevention), thus generating an updated risk level for the bid. At the lowest risk level, approval may be granted by the Head of Corporate Marketing and Sales, and as the level of risk increases the approval of the Management Committee, the Chief Executive Officer and the Board of Directors may be required.

If the bid is successful and the contract signed, risk control and risk management must be integrated into the project management phase. There are six core project management processes to ensure the proper control and management of project risks: risk management planning, risk identification, qualitative and quantitative risk analysis, risk response planning and risk control.

To make these six processes part of all project management activities, and to maintain process uniformity, a common template is used to perform the risk taxonomy for each project. During the project performance phase, Project Management must continuously monitor threats, opportunities and action plans and issue the risk taxonomy report, which will be reviewed by the Risks Manager, the Production Manager and the Head of Management Control. The frequency of these project risk review processes depends on the level of risk, with the low risk being six-monthly, moderate risk quarterly and high risk monthly. Once the project is more than 95% complete, the project risk closure report can be generated.

Given the current landscape, certain operational risks related to project planning, procurement, subcontracting and safety, among others, have materialised and have had to be managed accordingly in response to the situation in each country. Highlights include certain measures implemented in the realm of health and safety, as explained in section 5.3, as well as the assessment and contractual management with customers of situations arising from the pandemic.



5. Doing business responsibly

5.1 Our management approach

For Duro Felguera, Corporate Social Responsibility (CSR) is a commitment to sustainability, ethics and good practices. With this in mind, the CSR strategy is aimed at achieving a sustainable and socially responsible business model, strategies and business objectives.

Duro Felguera endeavours to become more competitive by adopting management practices underpinned by innovation, efficiency and sustainability, while promoting the application of principles of equality, transparency and trust in its dealings with stakeholders.

The CSR management framework at Duro Felguera is set out in the Corporate Social Responsibility Policy and the Code of Conduct, along with various voluntary commitments.

CSR Policy

Duro Felguera's CSR policy sets out the basic principles and general framework for action. It underpins the corporate responsibility strategy and practices and the commitments assumed with the Company's main stakeholders.

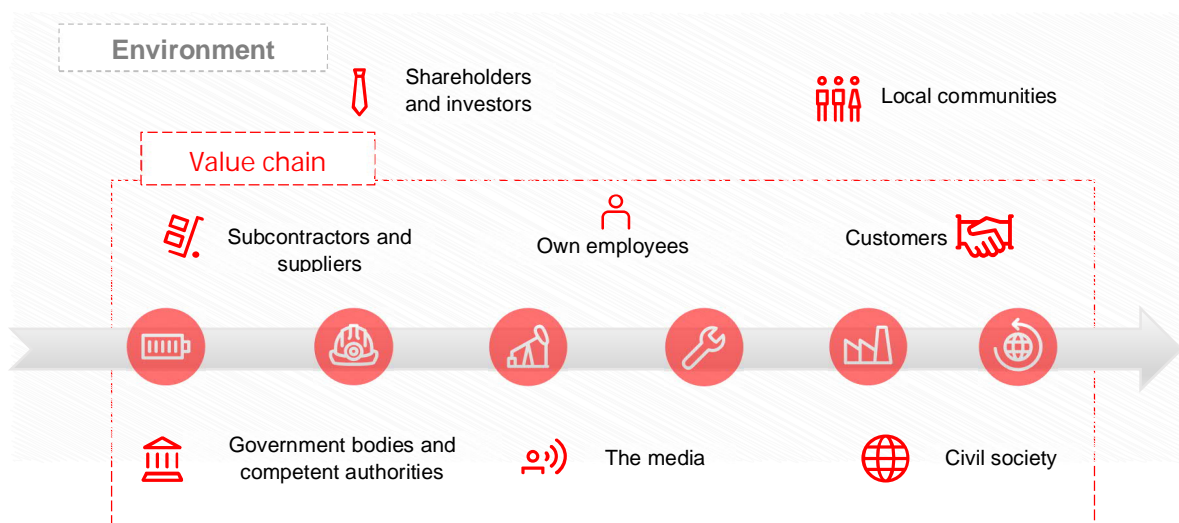
The principles that govern CSR at Duro Felguera are:

- Respect for the environment in project execution.
- Strict health and safety policies, ensuring the well-being of employees, facilities and project execution.
- Quality policies aimed at continuous improvement of processes.
- Continuous training for employees.
- Hiring young talent.
- Transparency in relations with our shareholders and investors.
- Ongoing dialogue with unions.
- Support for the development of local communities.
- Involvement with local social, cultural and sports organisations.
- Compliance, supervision and monitoring of existing legislation, the Group's internal rules and regulations, and good corporate governance practices undertaken by Duro Felguera.
- Cooperation with authorities and regulatory bodies.

Duro Felguera's Corporate Social Responsibility 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 CSR policy, while also sharing strategies and strengthening the business. Good CSR practices are shared through codes of conduct with suppliers.



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 2021 for each stakeholder group are as follows:

Stakeholder group	Communication channel
Own employees	Suggestion box Intranet Human Resources Department E-mail
Subcontractors and suppliers	Quality surveys Regular presentations Direct contact via telephone and e-mail Tours of the facilities Tours and inspections carried out by DF
Customers	Regular meetings and talks Workshops and conferences Polls Corporate website
Shareholders and investors	Investor Relations Department: online and/or telephone contact Contact form on the corporate website
Civil society and local communities	Corporate website Annual report The media Social media (LinkedIn, Twitter) Communication with local organisations Business associations Public and private bodies
The media	Corporate website Annual Report The media Local organisations Business associations Public and private bodies
Government bodies and competent authorities	Institutional relations Statutory announcements



Materiality analysis

A materiality analysis identifies the most relevant issues for companies and their stakeholders. Based on the result of the analysis, the priorities for action and the information to be presented in the report can be established.

The 2021 materiality analysis was carried out at Duro Felguera over³ the following phases:



Identification

During the external analysis, we analyse reports from our main competitors, along with news and content published by the press and media, requirements of the main customers in this realm, information from the main analysts on sustainability, emerging trends and regulations on sustainability, and the requirements laid down in non-financial reporting regulations.

When conducting the internal analysis, we analyse in-house sources such as the Strategic Plan, the inventory of corporate risks indicated in section 4.2 of this document, the vision and values of Duro Felguera, the Code of Conduct, the main policies, internal rules and handbooks approved by the Group, as well as interviews with the main people in charge of the different departments and areas of Duro Felguera.

The materiality analysis at Duro Felguera is carried out and updated every year, although it is also based on a time horizon aligned with the updated Strategic Plan (2021-2027), in that it is one of the sources used for our internal analysis, as just mentioned in the preceding paragraph.



Priorities

As a result of this analysis, 36 key topics were selected for assessment. Sources of information were weighted according to their importance for the Company and its stakeholders.



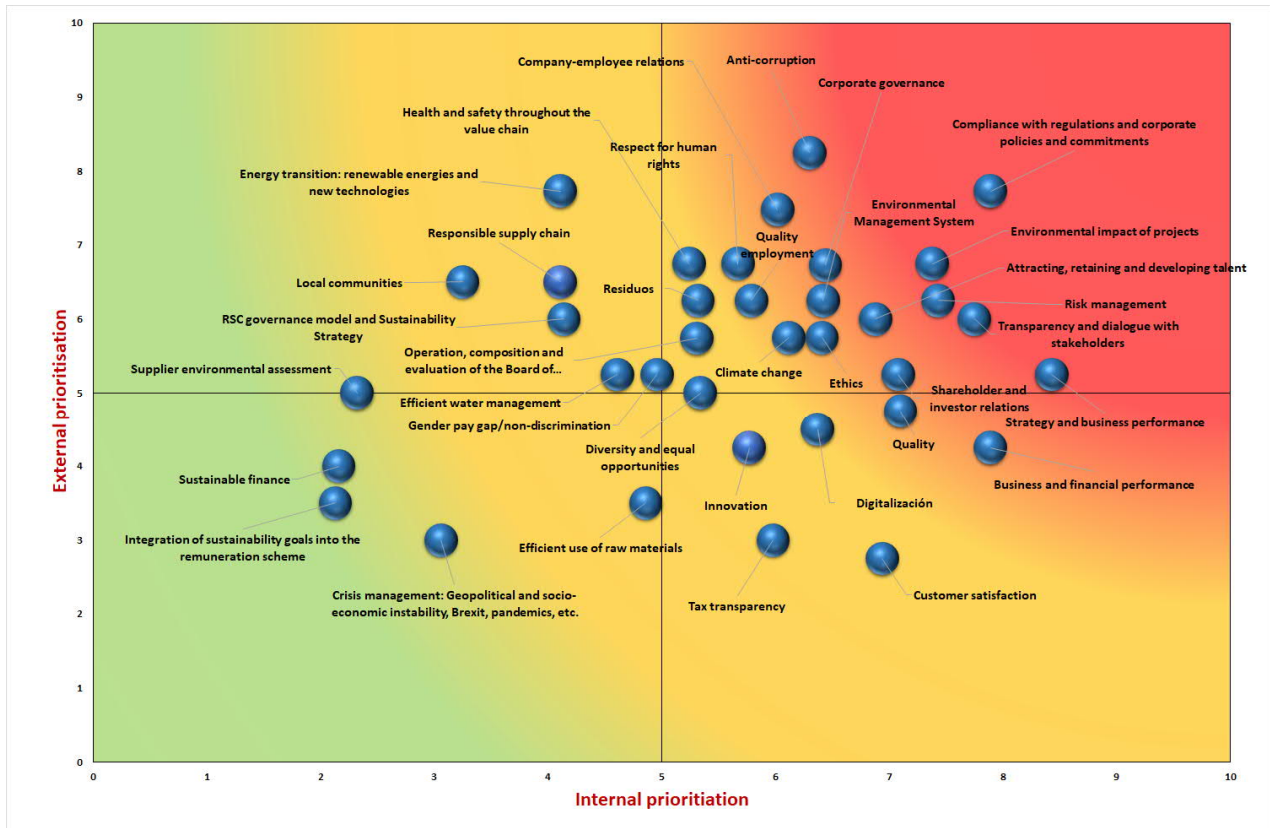
Validation

Our choice of priorities was validated internally by the Corporate Social Responsibility Area of Duro Felguera, which examined material topics and their weight in relation to the Group's goals.

³ The materiality analysis performed by DF mainly focused on assessing how non-financial aspects impact the Group's position and results (outside-in perspective). Furthermore, by complementing the analysis with an 'inside-out' exercise, in line with the terminology used by the EU for the concept of 'dual materiality', the material issues identified are also considered to be relevant in this respect. As a result of its commitment to continuous improvement and sustainability, the Group's objective for 2022 is to further enhance the analysis model by taking a deep dive into how society impacts the environment and, consequently, how the Group impacts its various stakeholders, and defining and identifying exhaustively the positive and adverse impact of each material issue on each stakeholder.







The Materiality Matrix was ultimately generated according to the two axes of materiality, based on both external and internal prioritisation:



Material topics

Our analysis showed that the following 36 topics are material:

 <p>Good governance</p> <ul style="list-style-type: none"> Corporate governance Shareholder and investor relations Risk management Ethics Compliance with regulations and corporate policies and commitments Anti-corruption Transparency and dialogue with stakeholders Operation, composition and evaluation of the Board of Directors ESG governance model and Sustainability Strategy Integration of sustainability goals into the remuneration scheme Crisis management: Geopolitical and socio-economic instability, Brexit, pandemics, etc. 	 <p>Economic dimension</p> <ul style="list-style-type: none"> Business and financial performance Tax transparency Strategy and business performance Quality Customer satisfaction Digitalisation and information security Responsible supply chain Innovation Sustainable finance 	 <p>Environmental dimension</p> <ul style="list-style-type: none"> Environmental impact of projects Waste and the circular economy Efficient water management Efficient use of raw materials Climate change Supplier environmental assessment Environmental Management System Energy transition: renewable energies and new technologies 	 <p>Social dimension</p> <ul style="list-style-type: none"> Respect for human rights Health and safety throughout the value chain Quality employment Company-employee relations Attracting, retaining and developing talent Local communities Diversity and equal opportunities Gender pay gap/non-discrimination
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Contribution to the Sustainable Development Goals

Duro Felguera has reaffirmed its commitment by embracing the 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs). These commitments were considered in the identification phase of the materiality analysis.

The main SDGs to be implemented and Duro Felguera’s contribution to their achievement are:

SDG	Goal	Material topic	Duro Felguera approach
<p>3 GOOD HEALTH AND WELL-BEING</p>	Ensure healthy lives and promote well-being for all at all ages	Health and safety throughout the value chain	<p>Firm commitment to employee and external partner health and safety, underscored by the work of the COVID-19 Monitoring Committee and the update of the COVID-19 Contingency Plan for handling the pandemic</p> <p>ISO 45001:2018 certification for internal audits and V-Safe certification for management of COVID-19 measures</p> <p>Work-life balance and time management</p>
<p>4 QUALITY EDUCATION</p>	Promote lifelong learning opportunities	<p>Company-employee relations</p> <p>Quality employment Talent attraction, retention and development</p> <p>Diversity and equal opportunities</p>	<p>Commitment to employee training by promoting and facilitating on-line training</p> <p>Agreements with universities and vocational training centres to offer internships to students</p> <p>In-house internship programme for daughters of women employees</p>
<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all	<p>Corporate governance</p> <p>Risk management governance</p> <p>Ethics</p> <p>Compliance with regulations and corporate policies and commitments</p> <p>Anti-corruption</p> <p>Transparency</p> <p>Respect for human rights</p>	<p>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</p> <p>With the implementation and update of policies and procedures; e.g. the Anti-Corruption Policy; the Code of Conduct; the Third Party Code of Conduct; the Whistleblowing and Internal Investigation Standard; the Regulatory Compliance Policy; the Crime Prevention Handbook and; the Criminal Risk Matrix</p> <p>Having a whistleblower channel (Ethics line) for reporting incidents arising from irregular behaviour or conduct that might violate the Code of Conduct</p>

Aside from these, which are the objectives, goals and actions currently being carried out, the 2021-2027 Strategic Plan and the 2021-2027 Ecological Transition Plan enshrine Duro Felguera’s future commitment to the 2030 Agenda as it pursues the following priority SDGs:



SDG	Goal	Material topic	Duro Felguera approach
<p>7 AFFORDABLE AND CLEAN ENERGY</p>	Ensure access to affordable, reliable, sustainable and modern energy for all	Strategy and business development Environmental impact of projects Environmental Management System Energy transition	Through a firm commitment to renewable energy with the creation and launch of the DF Green Tech subsidiary Electricity supply contract renewal plan in favour of 100% renewable bilateral energy contracts
<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	Promote sustainable industrialization	Innovation Digitalisation and information security Quality	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
<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Ensure sustainable consumption and production patterns	Waste and the circular economy Responsible supply chain Supplier environmental assessment	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
<p>13 CLIMATE ACTION</p>	Take urgent action to combat climate change and its impacts	Climate change Efficient use of water Efficient use of raw materials	Studying energy efficiency improvements through audits and implementing management systems according to the ISO 50001 standard Registration in the MITECO Carbon Footprint Register Implementation of the Mobility Plan: e-vehicle charging stations and renewal of the DF fleet with electric or hybrid vehicles

5.2 Talent management

Duro Felguera's commitment to employees is set out in the CSR Policy, which establishes guidelines for the relationship:

- » Prohibition on discrimination
- » Respect for the freedom of association and collective bargaining
- » Support and commitment in the implementation of public policies that promote equality of opportunity and merit-based corporate culture
- » Recruiting and promoting professionals based on merit and ability.

Similarly, the Code of Conduct establishes respect for the fundamental rights and freedoms of Duro Felguera employees through the following pillars:

- Work-life balance: policies that support a balance between professional and personal life to enable our people to achieve integral fulfilment.
- Equal opportunities: promote the professional and personal development of all our employees on an equal footing.



- **Non-discrimination:** Duro Felguera employees must treat each other with respect, adopting cordial relations and a pleasant, healthy and safe working environment. The Group does not accept discrimination in the workplace and rejects harassment or any other conduct that may generate an environment that intimidates people or offends against their rights.
- **Training:** all employees must actively take part in the training plans that Duro Felguera makes available, become invested in their own development and commit to keeping the necessary knowledge and skills up to date in order to develop professionally and generate value for customers, the Group's shareholders and society at large.
- **Director and Senior Management remuneration:** employees who hold management or leadership positions, as well as representatives who sit on the governing bodies of Group companies, should act as facilitators of the professional development of other employees and representatives, so as to foster their professional growth within the organisation.

People management at Duro Felguera drives orderly and solid growth by getting the best out of the talent and commitment of our professionals. We work hard to provide the right terms and remuneration and attractive career opportunities in a supportive and straightforward way so that our employees can help us to achieve our business goals.

The Human Resources Department of Duro Felguera is tasked with establishing people management policies and systems in accordance with the business strategy to allow for modern, agile and flexible management in nurturing and developing the talent of our teams.

2021 Furlough Scheme (Expediente de Regulación de Empleo, ERTE)

On 4 January 2021, Duro Felguera notified the General Directorate for Labour of the decision to apply a furlough scheme based on productive grounds in the wake of the COVID-19 pandemic. This contract suspension process was applied to most of the Group's workers, though excluding the subsidiaries Duro Felguera Calderería Pesada and Felguera Tecnologías de la Información.

While the measure potentially affected a total of 778 workers, it could be applied to no more than 425 workers at the same time. In addition, although it ran from 7 January through to 31 May 2021, no worker could be placed on furlough for more than four months.

It was subsequently agreed with the legal representatives of the workers to extend the furlough scheme to 31 October 2021 due to the lingering effects of the pandemic. During this extended period, it was agreed that the measure could be applied simultaneously to no more than 400 workers, although none of them would be affected for more than 5.5 months from 7 January 2021.

As the pandemic is still with us, it was once again agreed with the workers' legal representatives to extend the scheme to 28 February 2022. Again, no more than 400



workers can be placed on furlough at the same time, and no worker can be affected for more than 8.5 months from 7 January 2021.

Workforce distribution at year-end

The data shown below for 2021 do not include EPICOM, S.A. as it was removed from the scope of consolidation of Duro Felguera in 2021 (see Notes 1, 2.3-e and 2.26). However, the 2020 figures do include EPICOM and so it is important to consider this circumstance when making any comparison between the financial year 2021 and 2020. EPICOM's had 34 employees at year-end 2020.

At year-end 2021, Duro Felguera had a team comprising 1,102 employees (1,109 employees in 2020) Group-wide, with average length of service of 9.79 years (9.80 years in 2020).



170
women



932
men

Employees by gender	2021	2020	Change (%) 2021-2020 to Total
Men	932	922	1.08%
Women	170	187	-9.09%
TOTAL	1,102	1,109	-0.63%

Employees by age	2021	2020	Change (%) 2021-2020 to Total
Employees < 30 years-old	52	31	67.74%
Employees 30-50 years-old	651	706	-7.79%
Employees > 50 years-old	399	372	7.26%
Total	1,102	1,109	-0.63%

Employees by category	2021	2020	Change (%) 2021-2020 to Total
Senior Management	6	6	0.00%
Managers	20	16	25.00%
Middle managers	112	119	-5.08%
Qualified staff	432	472	-8.67%
Support positions	72	69	4.35%
Operators	460	427	7.73%
Total	1,102	1,109	-0.63%

Employees by country	2021	2020	Change (%) 2021-2020 to Total
Algeria	69	34	102.94%
Colombia	129	3	4200.00%
United Arab Emirates	1	4	-75.00%
Spain	873	1,034	-15.57%
Mexico	8	8	0.00%
Other	22	26	-15.38%
Total	1,102	1,109	-0.63%

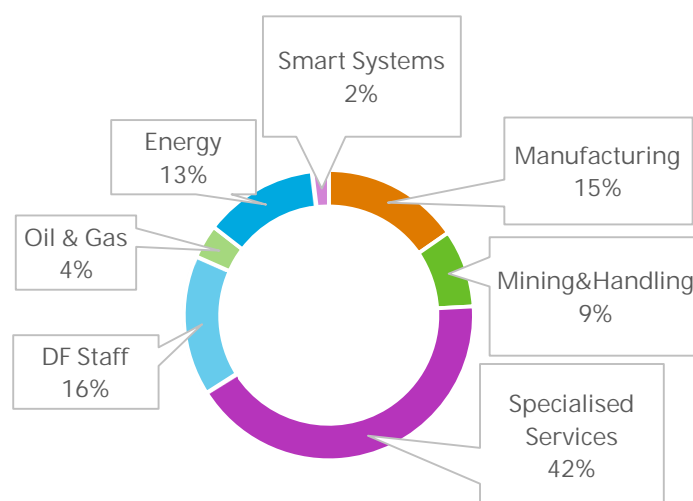


Average headcount by business

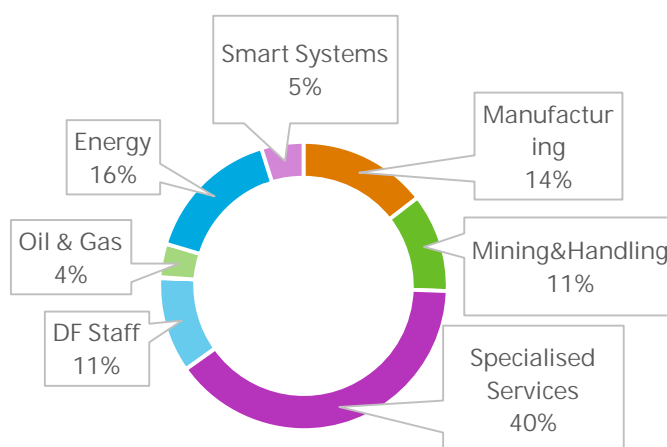
The data shown below for 2021 do not include EPICOM, S.A. as it was removed from the scope of consolidation of Duro Felguera in 2021 (see Notes 1, 2.3-e and 2.26). However, the 2020 figures do include EPICOM and so it is important to consider this circumstance when making any comparison between the financial year 2021 and 2020.

The average headcount⁴ is distributed according to the needs of each business and related activities. The distribution was as follows in 2021 and 2020:

2021



2020



⁴ The effect of the furlough scheme was taken into account when calculating the average headcount in 2021, i.e. the time actually worked during the year was counted for each employee, deducting the period not worked while on furlough.



Annual average by contract type

As regards employment stability, notably 67% of our total staff —based on the average headcount— had permanent employment contracts in 2021, compared to 64% in 2020 (65% based on the average headcount in 2020 while the furlough was in effect).

The distribution of permanent and temporary contracts in 2021 and 2020 is shown below, based on average headcount. As can be seen, there has been a decrease in the average headcount (-9.04%) due to the economic situation caused by the COVID-19 pandemic and due also to the non-inclusion of EPICOM in calculating the headcount following its departure from the Group's scope of consolidation.

2021 (without furlough effect⁵)

Contract type	Employees < 30 years-old		Employees 30-50 years-old		Employees > 50 years-old	
	Women	Men	Women	Men	Women	Men
Permanent contract	2	1	103	316	43	252
Temporary contract	3	23	21	203	0	100
TOTAL	5	24	124	519	43	352

2021 (with furlough effect⁶)

Contract type	Employees < 30 years-old		Employees 30-50 years-old		Employees > 50 years-old	
	Women	Men	Women	Men	Women	Men
Permanent contract	2	1	86	292	36	233
Temporary contract	3	23	20	201	0	99
TOTAL	5	24	106	493	36	332

2020 (without furlough effect)

Contract type	Employees < 30 years-old		Employees 30-50 years-old		Employees > 50 years-old	
	Women	Men	Women	Men	Women	Men
Permanent contract	0	6	118	348	41	242
Temporary contract	7	24	28	254	0	105
TOTAL	7	30	146	602	41	347

2020 (with furlough effect)

Contract type	Employees < 30 years-old		Employees 30-50 years-old		Employees > 50 years-old	
	Women	Men	Women	Men	Women	Men
Permanent contract	0	5	101	322	36	221
Temporary contract	6	24	26	244	0	98
TOTAL	6	29	127	566	36	319

⁵ To calculate the average headcount in 2021 and 2020 without the furlough effect, we counted the time actually worked by the employee in the numerator, whether or not he/she was placed on furlough at any time during the year.

⁶ To calculate the average headcount in 2021 and 2020 with the furlough effect, we counted the time actually worked by each employee during the year in the numerator, ignoring the period not worked while on furlough.



Annual average by contract type and by job category

2021 (without furlough effect⁵)

Category	Permanent contract	Temporary contract	Total
Senior Management	6	0	6
Managers	18	0	18
Middle managers	106	5	111
Qualified staff	347	86	433
Support positions	46	23	69
Operators	193	237	430
TOTAL	716	351	1,067

2021 (with furlough effect⁶)

Category	Permanent contract	Temporary contract	Total
Senior Management	6	0	6
Managers	18	0	19
Middle managers	100	5	105
Qualified staff	295	82	377
Support positions	38	23	61
Operators	193	236	428
TOTAL	650	346	996

2020 (without furlough effect)

Category	Permanent contract	Temporary contract	Total
Senior Management	8	0	8
Managers	19	0	19
Middle managers	120	11	131
Qualified staff	379	125	504
Support positions	51	20	71
Operators	178	262	440
TOTAL	755	418	1,173

2020 (with furlough effect)

Category	Permanent contract	Temporary contract	Total
Senior Management	8	0	8
Managers	19	0	19
Middle managers	115	11	125
Qualified staff	329	118	448
Support positions	42	19	61
Operators	172	250	422
TOTAL	685	398	1,083



Average number of new contracts

The data shown for 2021 do not include EPICOM, S.A. as it was removed from the scope of consolidation of Duro Felguera in 2021 (see Notes 1, 2.3-e and 2.26). However, the 2020 figures do include EPICOM and so it is important to consider this circumstance when making any comparison between the financial year 2021 and 2020.

Information on the average number of new contracts in 2021 and 2020 is presented below:

2021

Average number of new contracts (2021)	Gender						TOTAL	
	Permanent contract		Temporary contract		Part-time contract			
	Men	Women	Men	Women	Men	Women		
	13	1	149	4	0	0	167	
	Age							
	Contract type	Employees < 30 years-old		Employees 30-50 years-o		Employees > 50 years-old		TOTAL
		Women	Men	Women	Men	Women	Men	
	Permanent	1	0	0	9	0	4	14
	Temporary	1	16	3	85	0	48	153
	Part-time							0
TOTAL	2	16	3	94	0	52	167	
Category								
	Permanent contract	Temporary contract	Part-time contract	Total				
Senior Management	1	0	0	1				
Managers	0	0	0	0				
Middle managers	1	1	0	2				
Qualified staff	1	18	0	20				
Support positions	0	6	0	6				
Operators	11	128	0	139				
TOTAL	14	153	0	167				

2020

Average number of new contracts (2020)	Gender						TOTAL	
	Permanent contract		Temporary contract		Part-time contract			
	Men	Women	Men	Women	Men	Women		
	8	2	142	4	0	0	156	
	Age							
	Contract type	Employees < 30 years-old		Employees 30-50 years-o		Employees > 50 years-old		TOTAL
		Women	Men	Women	Men	Women	Men	
	Permanent	0	1	2	4	0	3	10
	Temporary	2	12	2	89	0	41	146
	Part-time							0
TOTAL	2	13	4	93	0	44	156	
Category								
	Permanent contract	Temporary contract	Part-time contract	Total				
Senior Management	1	0	0	1				
Managers	0	0	0	0				
Middle managers	3	1	0	4				
Qualified staff	4	16	0	20				
Support positions	1	3	0	4				
Operators	1	126	0	127				
TOTAL	10	146	0	156				



Remuneration policy

The Company's remuneration policy is consistent with applicable collective bargaining agreements. However, an annual wage review may be carried out for those employees whose remuneration is agreed on an individual basis.

The fixed remuneration of permanent and temporary employees was counted in order to calculate average remuneration, given that there was no variable remuneration in the last year. This average remuneration figure was based on the Company's average headcount in 2021 and 2020, taking into account the effects of the approved furlough scheme, which affected the workforce in 2021 as described in the section titled "2021 Furlough Scheme (Expediente de Regulación de Empleo, ERTE)" and also excluding such effect.

The data shown below for 2021 do not include EPICOM, S.A. as it was removed from the scope of consolidation of Duro Felguera in 2021 (see Notes 1, 2.3-e and 2.26). However, the 2020 figures do include EPICOM and so it is important to consider this circumstance when drawing any comparison between 2021 and 2020.

Without the furlough effect⁷

	Women	Men
Average remuneration in 2021	€33,510.59	€38,959.42
Average remuneration in 2020	€33,561.55	€38,325.62
Chg. 2021/2020 (%)	-0.15%	1.65%

With furlough effect⁸

	Women	Men
Average remuneration in 2021	€27,909.27	€27,415.94
Average remuneration in 2020	€26,683.90	€27,779.67
Chg. 2021/2020 (%)	4.59%	-1.31%

The pay gap at Duro Felguera is 13.99% without the furlough effect (12.43% in 2020) and 1.80% with the furlough effect (3.94% in 2020). 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 resulting pay difference is a product of two key factors traditionally present within the industry in which Duro Felguera operates. First, there is a higher average length of service of men compared to women due to the Group's historical gender composition. Secondly, qualified female operators within the industry are quite hard to come by, which has the effect of widening the pay gap.

⁷ To calculate the average remuneration for 2021 without the furlough effect, the basis was the headcount at year-end without counting Senior Management personnel and without disregarding the period in which each employee was placed on furlough. In other words, the calculation was based on the annualised salary of each employee. This same criterion was used to calculate the figure for 2020.

⁸ When calculating average remuneration for 2021 with the furlough effect, we counted the remuneration effectively accrued during the year for each employee, deducting the period not worked while the worker was on furlough. The calculation was also based on the average headcount for the year, whether or not the employees remained in the Company's employ at 31.12.2021. This same criterion was used to calculate the figure for 2020.

Without the furlough effect⁷

	Employees < 30 years-old	Employees 30-50 years-old	Employees > 50 years-old
Average remuneration in 2021	€ 16,675.40	€ 33,932.58	€ 45,371.41
Average remuneration in 2020	€ 21,174.74	€ 34,526.62	€ 43,993.12
Chg. 2021/2020 (%)	-21.25%	-1.72%	3.13%

With the furlough effect⁸

	Employees < 30 years-old	Employees 30-50 years-old	Employees > 50 years-old
Average remuneration in 2021	€ 9,914.24	€ 25,452.05	€ 32,208.12
Average remuneration in 2020	€ 10,746.95	€ 26,086.50	€ 32,267.69
Chg. 2021/2020 (%)	-7.75%	-2.43%	-0.18%

The deviation in the average remuneration of the “under 30 years-old” group is due to the hiring of local employees for international projects.

The calculation is based on average staff salaries for the years 2021 and 2020.

Without the furlough effect⁷

	Managers	Middle Managers	Qualified staff	Support positions	Operators
Average remuneration in 2021	€ 108,479.05	€ 60,185.17	€ 36,884.91	€ 22,396.18	€ 28,762.77
Average remuneration in 2020	€ 84,575.68	€ 60,944.49	€ 37,063.16	€ 23,947.05	€ 28,945.49

With the furlough effect⁸

	Managers	Middle Managers	Qualified staff	Support positions	Operators
Average remuneration in 2021	€ 93,297.96	€ 52,519.64	€ 28,774.94	€ 18,150.31	€ 18,693.17
Average remuneration in 2020	€ 83,815.06	€ 50,864.67	€ 27,998.46	€ 17,657.17	€ 19,203.17

(*) The above figures do not include unemployment benefits received by workers as a result of the furlough schemes.

Distribution of dismissals by gender, age and job category

The following tables show the number of dismissals that took place within the Group in 2021 and 2020, broken down by gender, age and job category, including employee churn. It includes dismissals on both disciplinary and objective grounds. Note that in 2021 the average churn at Group companies with registered offices in Spain was 5.53%, compared to 5.83% in the previous year.



The data shown below for 2021 do not include EPICOM, S.A. as it was removed from the scope of consolidation of Duro Felguera in 2021 (see Notes 1, 2.3-e and 2.26). However, the 2020 figures do include EPICOM and so it is important to consider this circumstance when making any comparison between the financial year 2021 and 2020.

2021

	Women	Men	Total
Number of dismissals	1	7	8
Voluntary turnover	4.61%	5.70%	5.53%

2020

	Women	Men	Total
Number of dismissals	1	14	15
Voluntary turnover	4.68%	6.04%	5.83%

	Employees < 30 years-old	Employees 30-50 years-old	Employees > 50 years-old
Voluntary turnover – 2021	12.04%	4.76%	1.87%
Voluntary turnover – 2020	11.55%	7.65%	2.13%

	Employees < 30 years-old	Employees 30-50 years-old	Employees > 50 years-old	TOTAL
Number of dismissals in 2021	0	6	2	8
Number of dismissals in 2020	0	6	9	15
Change (%) 2021-2020 to total	0,00%	0,00 %	-77,78%	-46,67%

Category	2021	2020
Senior Management	0	3
Managers	1	5
Middle managers	1	2
Qualified staff	1	5
Support positions	0	0
Operators	5	0
TOTAL	8	15



Response to COVID-19

Given the lingering threat of the COVID-19 pandemic throughout 2021, the COVID-19 Monitoring Committee remained in place, composed of members of the Management from different departments and workers' legal representatives. The committee continues to analyse the ongoing COVID-19 pandemic and weighs up the measures to be taken.

A series of organisational measures were also kept in place during part of 2021, always with the overriding goal of ensuring the health and safety of employees, including the initiative to alternate between on-site work and teleworking.

Duro Felguera also continued to deliver information and news on COVID-19 to workers through different media, and it also provided a consultation line for handling and resolving incidents related to COVID-19 (@INFOCOVID), and the MECUIDA Plan for workers.

Communication with employees

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.

To keep employees fully up to date with all the latest news and events, the internal communication project known as En Compañía (In Company) was maintained during the year (first implemented in 2020). Regular emails are sent out to all employees to provide relevant information about Duro Felguera, as well as general operational information. This tool has proven its worth in rapidly relaying transparent information on various aspects to all employees, including the ongoing for the COVID-19 pandemic.

Talent management at Duro Felguera

Duro Felguera is firmly committed to nurturing the talent of its employees, who are instrumental to the Group's growth and internationalisation. This takes the form of various integrated talent management systems to engage, attract, train and enable the professional development of all people within our organisation.

Loyalty and talent attraction

Duro Felguera's internal recruitment procedure is an excellent tool with which to foster loyalty and nurture talent across the organisation. It gives the Company and its employees the opportunity to harness the experience and knowledge of our professionals in other areas or positions within the Company at which they may like to continue their professional development. The Human Resources Department regularly publishes a list of vacancies that the Company is looking to fill internally. 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.

As for the external recruitment procedure, Duro Felguera is committed to attracting new professionals through its presence on social networks, mainly LinkedIn, and by posting job openings on its own corporate website under the specific "Work with us" section. This makes us extremely effective in attracting new highly qualified talent with international experience to join our team, mainly in relation to international and technological projects.

Professional training and development

One of the main objectives of the Human Resources Department is to plan the training and career development of our people to aid the achievement of our business goals.

For more than 25 years, Duro Felguera has been committed to training its workers and relying on government aid for employee training. In-house training is carried out through the FORMA-T tool, which allows us to control and monitor three key phases of the training process, namely implementation, certification and assessment of training effectiveness.

Duro Felguera runs annual training plans that are agreed upon with management and look to the needs of the workforce at each Group company. In 2021, a total of 5,642 training hours were delivered to 187 employees, giving an average training time of 4.93 hours/employee (3.88 hours/employee in 2020).

In 2021, more than 23,000 hours of talks in occupational health and safety were given at different locations and worksites, mainly for shop floor personnel.

2021

Post hierarchy	No. of employees trained		Training hours	
	MEN	WOMEN	MEN	WOMEN
Managers	-	3	-	24
Middle Managers	23	2	795	60
Qualified staff	68	12	2,419	608
Support positions	3	3	37	23
Operators	72	1	1,664	12
TOTAL 2021	166	21	4,915	727

2020

Post hierarchy	No. of employees trained		Training hours	
	MEN	WOMEN	MEN	WOMEN
Managers	2	-	108	-
Middle Managers	9	2	438	63
Qualified staff	43	10	756	229
Operators	174	-	2,706	-
TOTAL 2020	228	12	4,008	292

In 2021, the Group continued to deliver adapted face-to-face training due to the continuation of the COVID-19 pandemic.



As can be seen, in 2021 Duro Felguera managed to slightly increase the number of training hours delivered, despite this requiring considerable effort given that the furlough scheme remained in effect. In 2021, 907 more training hours were delivered compared to the previous year.

In 2021, 11.60% of women received training. The number of women who received training was almost twice as many as in the previous year. The same analysis applies to the hours of training undertaken. We consider it a positive development that, in 2021, trained women were represented across all job levels, including management and operational staff. We certainly view this as a positive aspect when it comes to the representation and training of women at all levels of the organisation.

DF Length of Service Awards

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

This reinforces the pride of belonging to Duro Felguera and the development of a culture of recognition for all those who form part of the organisation.

In-house internship programme for daughters of women employees

In 2021, Duro Felguera continued its in-house internship programme whereby the daughters of female employees can get to work at the Company. The programme is aimed at both university and vocational training students in their final year of studies who need to complete an internship or final degree project in order to finish the degree they are pursuing.

This programme has had a huge impact since its inception in 2020, as since then there have been extremely limited work placement options due to the ongoing COVID-19 pandemic. The Company's aim with this initiative is to allow access to this valuable training to at least the daughters of its women employees, so that they can complete their formal training.

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 (79.44%)⁹ (93.2% in 2020), with the exception of those employees who qualify as Senior Management and local workers hired in foreign countries, who are subject to local legislation.

The majority of the Group's employees are covered by the collective bargaining agreement for the metal industry of the Principality of Asturias. However, there are other subsidiaries with different collective agreements in effect: for example, Duro Felguera Calderería Pesada has its own company agreement which is currently under

⁹ As almost all employees are covered by collective bargaining agreements (79.44%), a breakdown of the percentage of those not covered by collective bargaining agreements by country is not considered a material disclosure for the Group.



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. Almost all of Duro Felguera's employees are subject to collective bargaining agreements, with the exception of those employees who qualify as Senior Management and local workers hired in foreign countries, most of whom are subject to local legislation.

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. As mentioned above, some employees work different hours (although very close to the above figure), because they are attached to subsidiaries subject to a different collective agreement.

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 09:00, 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 09:00 and exit between 14:00 and 15:00.

Duro Felguera keeps close track of absenteeism. Total absenteeism in 2021 came to 135,045¹⁰ hours, compared to 129,352 hours in 2020. The increase in absence hours is largely due to the effect of COVID-19. Absenteeism comprises all absences from work on working days, no matter the cause, excluding holiday leave and public holidays, and rest days granted to ensure that total annual working hours are not breached. To calculate these hours, the figure has been multiplied by eight.

Finally, as regards the minimum period of notice for operational changes, Duro Felguera complies with the terms under the applicable legislation.

Diversity and equal opportunities

Duro Felguera views diversity as an opportunity to identify, develop and promote talent. Diversity is thus a key element in the CSR Policy and the Code of Conduct. Women account for 15.84% of Duro Felguera. This is due to the context of the sector, which leans towards a higher male presence. Duro Felguera promotes gender diversity by hiring more women, and the system of recruitment and promotion is based on meritocracy.

This is a key lever in the promotion of diversity since, with all workers under the same regulation, it is not possible to differentiate by gender.

In line with the foregoing, Duro Felguera has an Equality Plan which is currently being renewed.

Turning to the workforce representation of employees with disabilities, there were nine such individuals at Duro Felguera S.A. at the end of 2021, compared to seven the previous year. Meanwhile, DF Calderería Pesada, with a year-end workforce of

¹⁰ Absenteeism hours are tracked and measured at all companies located in Spain. The calculation excludes hours of absenteeism hours resulting from the COVID-19 lockdowns.



144 employees, had one person with disabilities at year-end, compared to zero the previous year.

The office building at the Gijón Science and Technology Park is compliant with applicable law governing the universal accessibility of facilities. It now features, among other improvements, lifts for staff with reduced mobility, special bathroom facilities and parking bays reserved for disabled individuals.

Non-discrimination

Duro Felguera has a protocol for action against sexual and/or moral harassment, which was updated in May 2017. This protocol includes the principles of non-discrimination on grounds of gender enshrined in Article 32 of the Collective Bargaining Agreement for the Metal Industries of the Principality of Asturias. This protocol was drafted in partnership with employee representatives.

There are two ways for an employee to report such cases:

- An “ethics” or whistleblower channel through which they can report known or suspected incidents.
- Communications to the Human Resources Department, either through the Human Resources Department of each entity or directly through Management. There is also the possibility of reporting to an employee representative who will notify the Human Resources Department.

5.3 Health and safety¹¹

Health and safety actions were, as in 2020, heavily affected by the COVID-19 pandemic. The Group has continued to closely monitor the health crisis, in terms of both public health and the successive regulatory updates issued by the competent authorities to keep the pandemic under control.

The COVID-19 Monitoring Committee, comprising representatives from all corporate departments and with the involvement of employees through their legal representatives, has been tasked with coordinating and advising on this contingency situation.

The committee reviewed and updated the general actions and measures put in place under the COVID-19 Contingency Plan, along with specific action plans for construction sites, centres and projects, guidelines to ensure the proper monitoring of infections and contacts, and guidance on international travel and assignments.

Duro Felguera has also continued to meet with entities specialised in occupational medicine, carrying out, when necessary, screening and additional testing in order to track, at all times, the extent of the pandemic within the workforce. The Info Covid team screened and followed up on more than 280 cases related to COVID-19 in 2021, including confirmed cases, close contacts, and activation of the Plan Me Cuida for minors and dependants of the affected workers.

¹¹ All reported information is consistent with Directive 89/391/EEC on the introduction of measures to encourage improvements in the safety and health of worker at work. ESAW: EUROPEAN STATISTICS ON ACCIDENTS AT WORK This criterion does not include: accidents going to or from work, relapses, or accidents involving leave of absence that lasts less than three days.



As in 2020, Duro Felguera maintained the V-Safe Certification in 2021, issued by TÜV Austria and acknowledging the success of Duro Felguera's in deploying effective COVID-19 measures.

In 2021, DF continued to observe the principles set out in its current Occupational Health and Safety Policy, which is a reference both internally and for our collaborators. This policy can be found on both the corporate website and the Intranet.

Turning to specific health and safety issues and despite the complex environment, Duro Felguera managed to earn ISO 45001:2018 certification for several of its business lines¹² and continued to run internal audits on the projects envisioned in its plan for the year (Iernut and Jebel Ali, among others).

In 2021 and 2020, there were no work-related accidents with fatalities in any location or country.

Figures on the accident rate in 2021 and 2020 are as follows:

	Own employees	
	2021	2020
Accidents involving absence from work ¹³	24	31
Frequency ¹⁴	11.65	14.70
Severity ¹⁵	0.9041	0.78
Occupational diseases ¹⁶	3	3

Duro Felguera has found that the accident frequency rate among subcontracted personnel is 3.31¹⁷ (2020: 1.25).

Compared to 2020, the number of accidents involving medical leave decreased by one, and the number of hours worked also decreased, mainly due to the furlough scheme put in place in response to the COVID-19 pandemic. On balance, the frequency rate (ratio of accidents to hours worked) is falling. The severity rate (ratio of days lost due to accidents to total hours worked) was up during the period, meaning the duration of medical leave due to accidents was longer than in 2020.

All information relating to health and safety has been made available to the workers' representatives through the competent Health and Safety Committees. There are currently three Health and Safety Committees set up at companies belonging to Duro Felguera: Duro Felguera Operaciones y Montajes (3 ordinary meetings), Duro

¹² DURO FELGUERA S.A., DURO FELGUERA CALDERERÍA PESADA S.A., DF MOMPRESA S.A.U., DF OPERACIONES Y MONTAJES, S.A. AND FELGUERA IHI S.A.

¹³ 24 accidents involving national employees (31 accidents involving national employees in 2020). All the victims were men in both 2021 and 2020.

National personnel in 2021: 22 accidents in Spain, 2 accidents in Algeria.

National personnel in 2020: 30 accidents in Spain, 1 accident in Belgium.

¹⁴ Frequency ratio: Number of accidents with leave occurring during working hours per million hours worked. The 2021 figure takes into account the reduction in hours resulting from the furlough scheme (ERTE). Frequency ratio (2021): 24 accidents / 2,059,358 hours worked x 1,000,000

¹⁵ Severity ratio: Number of days lost per thousand hours worked. The 2021 figure takes into account the reduction in hours resulting from the furlough scheme (ERTE). Severity ratio (2021): 1,862 days lost / 2,059,358 hours worked x 1,000

¹⁶ All occupational diseases involving medical leave in 2021 and 2020 occurred in men and in Spain.

¹⁷ Frequency ratio among subcontractor personnel (2021): 5 accidents / 1,507,605 hours worked x 1,000,000



Felguera Calderería Pesada, S.A. (4 ordinary meetings) and Duro Felguera, S.A. (3 ordinary meetings).

On the subject of industrial hygiene, 73 actions were carried out during the period at the different units and centres of Duro Felguera, on a representative population of 122 employees and supported by 275 analyses. In addition, a total of 57 non-employee environmental samples were taken to complement the direct measurements and provide the necessary inputs for an overall evaluation of the working environments.

In relation to Health Surveillance, a total of 995 health screenings were carried out under the preventive protocols in place. These screenings were complemented, when required, by a further 754 specific analytical tests and 22 diagnostic tests.

In the specific case of COVID-19, 354 case studies were carried out during the period, including all stages of the disease: suspected cases, positive cases, close occupational and social contacts; with occupational contacts then referred to the SPA for monitoring. Throughout 2021, 42 meetings of the COVID-19 Monitoring Committee — a multidisciplinary pandemic monitoring group created in Duro Felguera at the beginning of the pandemic — were held.

5.4 The environment

Duro Felguera's activity is closely related to 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 company, Duro Felguera carries out different 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. Due to the suspension and/or cancellation of key projects in progress in 2021 amid COVID-19, the environmental risks and the impact of the Group's activity on such risks were not considered significant.

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.

Environmental Policy

In 2021, the Environmental and Quality Management Systems were further integrated into the business. This process began in December 2019 —with the signing of the corporate Quality and Environment Policy for the entire Group— and ended in March 2020, upon obtaining ISO 14001 and 9001 certifications at corporate level, the scope of which extends to all of the Group's businesses and subsidiaries. Both the Policy and the ISO certifications can be found on Duro Felguera's Intranet.

The policy aims to establish a common framework for environmental matters and quality, enabling the Company to coordinate the various plans and measures in place while respecting the autonomy and unique circumstances and needs of each business unit.

Environmental management

The environmental department at Duro Felguera is a 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 2021. See Note 39.c) to the accompanying consolidated financial statements for 2021.



Reporting to the Corporate Quality and Environment Division, the department's job is to provide 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.

No site visits took place in 2021 due to the pandemic.

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, Duro Felguera 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 2021 a framework agreement was signed with energy supplier Iberdrola to arrange a contract that includes 100% renewable Energy with Guarantee of Origin (EGO), 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).

Certain activities were resumed in 2021 at the former facilities of Felguera Construcciones Mecánicas (FCM) in Barros (Langreo), leading to the consumption of natural resources, specifically water and electricity. This information is included in the tables provided.



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.

Due to the pandemic, no face-to-face information sessions were held in 2021 at the central offices of the Gijón Technology Park. To make up for the face-to-face talks, the Handbook has been disseminated via the corporate Intranet.

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 2021, a total of 34,962 m³ of water was consumed, broken down as follows: 2,886 m³ of water was consumed at the Company's fixed centres (Science and Technology Park in Gijón and Tooling Centre in Llanera); 24,854 m³ at the workshop of DF Calderería Pesada and 7,222 m³ at the FCM centre in Barros.

	2021			2020		Change (%)	
	Offices	DF Calderería Pesada	FCM Barros	Offices	DF Calderería Pesada	Offices	DF Calderería Pesada
m3							
Water	2,886	24,854	7,222	2,322	5,780	24%	330%

The increase in water consumption is not only down to the new activity carried out at FCM Barros, but also because until 2020 water was billed at the facilities of DFCP on the basis of estimated consumption (no actual meter readings were taken). After requesting a real meter reading from the Municipal Water Company of Gijón, the real consumption of this facility was updated accordingly.

As Duro Felguera carries out many of its projects on its customers' own premises or facilities, it is typically the customer that monitors consumption, with Duro Felguera therefore unable to exercise any direct control.

Consumption of raw materials

In 2021, DF Calderería Pesada (Duro Felguera's manufacturing unit) acquired 414 tonnes of metal laminates (2020: 1,846 tonnes). The reduction in consumption is mainly due to the change of trend in the purchase of raw materials (purchased directly by the customer) and because of the type of work that Duro Felguera carried out in 2020, where the customers' specifications tended to be different (equipment thickness, sizes, etc.).

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.

Due to logistical reasons beyond DFCP's control, a portion of the metal waste generated in 2021, 104.7 tonnes to be exact, was sent for recycling. The remaining amount associated with this period will be recycled 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 2021 and 2020, broken down by business unit.

Kilograms	Hazardous waste – 2021	Hazardous waste – 2020	Change (%)
DF Services	1,845	198	832%
Calderería Pesada	5,144	3,565	44%
Total	6,989	3,763	86%

Kilograms	Non-hazardous waste – 2021	Non-hazardous waste – 2020	Change (%)
DF Services	42,360	5,640	651%
Calderería Pesada	131,640	181,820	-28%
Total	174,000	187,460	-7%

A sharp increase can be observed at the Tooling Centre of DF Services, as facility cleaning and refurbishment work was carried out in 2021 following a reduction in the project workload amid the pandemic. This generated a large amount of one-off waste, which is not expected to recur.

At DF Calderería Pesada, business was not affected by the pandemic and the positive change in the volume of hazardous waste generated was down to the type of projects



carried out during the year and their production phases (waste generation increases during the final phases of the project, when tests are carried out).

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.

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).



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 – 2021		
	Offices	DF Calderería Pesada	Unit
Natural gas	831,253	2,562,594	kWh
Gas oil	1,107	61,013	L
Gasoline	-	590	L

In 2021, direct emissions from fuel consumption amounted to 772 tonnes of CO₂ equivalent:

	Fuel consumption – 2020		
	Offices	DF Calderería Pesada	Unit
Natural gas	774,954	1,509,435	kWh
Gas oil	716	57,180	L
Gasoline	-	649	L



In 2020, direct emissions from fuel consumption amounted to 579 tonnes of CO₂ equivalent:

The following table shows the percentage change of CO₂ consumption from direct emissions over the reference years.

	CO ₂ equivalent (kg)				Change (%)	
	2021		2020		Offices	DF Calderería Pesada
	Offices	DF Calderería Pesada	Offices	DF Calderería Pesada		
Natural gas	151,288	466,392	141,042	274,717	7.26%	69.77%
Gas oil	2,909	150,478	1,785	160,004	62.95%	-5.95%
Gasoline	-	1,398	-	1,400	-	-0.14%

Little variation in office emissions is observed. However, there was an increase in natural gas and diesel emissions at DF Calderería Pesada due to the type of work carried out in 2021, which was closely related to heat treatments, welding and finishing work specified by customers.

Indirect emissions

Duro Felguera activities that contribute to the generation of indirect emissions (Scope 2) are those related to electricity consumption.

	Energy consumption – 2021 (kWh)		
	Offices	DF Calderería Pesada	Barros
Electricity	1,388,067	1,750,672	649,646

	Energy consumption – 2020 (kWh)		
	Offices	DF Calderería Pesada	Barros
Electricity	1,386,300	1,862,728	-

In 2021, indirect emissions from electricity consumption amounted to 568 tonnes of CO₂ equivalent (2020: 650 tonnes of CO₂ equivalent).

The following table shows the percentage change of CO₂ consumption from indirect emissions over the years.

	CO ₂ equivalent (kg)					Change (%)		
	2021			2020		Offices	DF Calderería Pesada	Barros
	Offices	DF Calderería Pesada	Barros	Offices	DF Calderería Pesada			
Electricity	208,210	262,601	97,447	277,260	372,545	-24.90%	-29.51%	N/A



*Source of emission factors used to calculate CO2 equivalent for 2020 and 2021: Ministry for the Ecological Transition (Government of Spain), version 17 – April 2021.

For 2021, Duro Felguera reports the emissions derived from fuel consumption and electricity consumption at its head offices, DF Calderería Pesada and FCM at Barros. This is because the emissions associated with other activities (projects) are not considered material as they are carried out on the customer's own premises and there is no direct control over consumption and billing.

Emissions resulting from Duro Felguera's activities in 2021: 1,341 tonnes of CO2 eq. (1,229 tonnes of CO2 eq. in 2020).

Environmental awareness

No face-to-face awareness-raising talks were held in 2021 due to the ongoing COVID-19 pandemic. However, the following initiatives were carried out during the period, given the importance of disseminating and publicising the Group's environmental strategy:

- » Dissemination of the Good Environmental Practices Handbook through regular postings on the corporate Intranet.
- » Creation of an environmental suggestions box to receive ideas from workers.
- » Environmental awareness campaigns; informative/explanatory posters on good practices for reducing consumption (electricity, water, paper).

In 2021, DFCP carried out environmental awareness campaigns by releasing newsletters to coincide with World Environment Day and European Waste Week, both for its own staff and for regular external subcontractors/partners.

All employees also heard about good daily practices at DFCP and were handed Guide to Good Circular Economy Practices of Gijón within the framework of a project being promoted by the Asturian Federation of Entrepreneurs (FADE) "Gijón Circular Economy".

Environmental emergencies

Duro Felguera draws up specific Environmental Emergency Plans for all of its activities (offices, projects and manufacturing), clearly explaining the steps for spotting and responding to possible environmental accidents and emergencies.

The effectiveness of the emergency plans is regularly checked by carrying out environmental emergency drills.

If a drill is out of the question, DF carries out training activities, which may involve talks or training courses to raise awareness of the response protocol set out in the Environmental Emergency Plan.

No drills were carried out in 2021 due to the impact of COVID-19 on all production activities and the only training actions that took place were delivered at the central offices.



5.5 Quality

Quality excellence remains an essential requirement at Duro Felguera in order to create value for the Group's stakeholders, including customers, partners, suppliers and contractors. It has therefore approved and released a Corporate Quality and Environmental Policy, which enshrines the strategic values to be followed:

- Commitment to knowing, meeting and enforcing all applicable requirements and delivering on customer expectations.
- Combining a healthy return on the projects with customer satisfaction.
- Entrenching the culture of continuous improvement and management excellence in a bid to become more competitive and create value for stakeholders.
- Engaging employees and maintaining channels of communication with all stakeholders.

This Policy takes the practical form of a Quality Management System for all Duro Felguera products.

Duro Felguera has also had a Quality Management System (according to ISO 9001) and Environmental Management System (according to ISO 14001) in place since March 2020, both integrated into a single system. This integration allows the Group to unlock synergies in system maintenance and resource optimisation.

Quality Management System

Duro Felguera has implemented a Quality Management System (QMS) that adheres to ISO 9001:2015 across all products, businesses and subsidiaries. The system is geared towards the customer, continuous improvement and risk-based thinking as the main levers in achieving professional excellence. This Quality Management System (QMS) has been certified by Lloyd's Register under ISO 9001:2015 since the 1990s.

Duro Felguera relies on its QMS to ensure compliance with all contractual and legal requirements applicable to its products. In essence, Duro Felguera's QMS seeks to identify and control Company processes, identify and control associated risks, and provide the resources needed to ensure they run effectively.

The processes are described through procedures and work instructions where responsibilities, monitoring methods and control indicators are all identified. Continuous monitoring of processes and early flagging of risk factors leads to continuous improvement.

Critical processes for the business activities of DF:

- » Commercial Process
- » Engineering Process
- » Quality Management and Control Process
- » Environmental Management Process
- » Health and Safety Process
- » Tooling and Control of Measuring Equipment Process
- » Project Management and Performance Process
- » After-sales Process
- » Control and Project Risk Management Process
- » Resource Management Process
- » System Processes



Thanks to Duro Felguera's focus on quality over the years, it has become synonymous with quality in the market and the entire the organisation is geared towards this goal, led by the Management of DF and including every single worker.

Customer satisfaction

According to the principles of the Quality Policy, Duro Felguera views customer satisfaction as being fully compatible with the economic performance of its projects.

Customer satisfaction hinges on strict compliance with the specified requirements and on identifying and meeting their expectations. To succeed, Duro Felguera sets up communication channels and keeps them open during all phases of project execution to gauge the degree of customer satisfaction and take any corrective action that may be required.

Communications with the customer are centralised at the Commercial department during the bidding phase and are then handled by the Project Manager during the performance phase. Doing so provides a single point of contact, thus making it easier to gauge their degree of satisfaction.

Aside from the Commercial Department, both Project Management and the management team of Duro Felguera make themselves available to customers and other stakeholders at all times to resolve any concerns regarding compliance with contractual commitments.

To track and control the degree of customer satisfaction, DF has an indicator system in place that aggregates possible customer grievances, the results of satisfaction surveys and the particular views of the Project Managers.

Any complaints received from the customer are logged in the Quality Management System and dealt with diligently by DF. The log of customer complaints is analysed by Management at regular review meetings to determine the appropriate actions for ensuring the continuous improvement of the system. No customer complaints were received in 2021. Meanwhile, there are Quality Control systems in place during the manufacturing process and the different phases of an EPC project, thus allowing us to detect non-conformities, which are invariably resolved before the product is delivered to the customer. These non-conformities are used as one of the inputs to achieve continuous improvement.

Duro Felguera continues to run a system for gauging customer satisfaction through Microsoft Office forms, which customers can rapidly complete on an anonymous basis.

Product or service health and safety

No industrial product or service supplied by DF shall pose a risk to the health or safety of any customers, workers or the general public who may come into direct or indirect contact with the product or service under normal or reasonably foreseeable conditions of use throughout its useful life.

To achieve this goal, DF shall comply strictly with all applicable design, construction and testing legislation, as well as with all good practices that protect the end user of the product or service.

Risks inherent in the use of the product or service and therefore considered admissible, albeit within an acceptable level of protection of the health and safety of



persons, shall be reported and signposted on the product or installation in question through the use of barriers or other means of restraint so as to minimise the risks.

5.6 Human rights

Duro Felguera remains firmly committed to the defence, fulfilment and protection of human rights and public freedoms, as explicitly enshrined in several corporate policies and internal management rules. More precisely through the Code of Conduct and the Corporate Social Responsibility Policy, both of which must be observed by all direct employees.

The Code of Conduct embodies its commitment to respecting fundamental rights and public freedoms, focusing particularly on equal opportunities, non-discrimination, work-life balance and the right to receive training. These commitments correspond to Articles 1, 7, 20, 24 and 26 of the Universal Declaration of Human Rights.

To guarantee transparency and make it easier for the Company's stakeholders to report irregular conduct or bad practices that violate the Code of Conduct and/or the Crime Prevention Model, Duro Felguera set up an Ethics Line and Whistleblower Channel in 2018, as explained at greater length in section 3.1 – Code of Conduct. There were no complaints or incidents in 2021 related to possible violations of human rights.

The Corporate Social Responsibility Policy expands upon the commitments assumed by Duro Felguera in its Code of Conduct, ensuring that all DF activities reflect the Company's firm commitment to defending and protecting human rights and civil liberties, notably:

- It shall reject any form or manifestation of physical, psychological or moral harassment or abuse of authority, as well as any other conduct that might generate an environment that is either intimidating or offensive to human rights.
- It shall guarantee professional respect and mutual collaboration among the Group's employees and external collaborators, dispensing cordial and respectful treatment for all and ensuring an amenable, healthy and safe working environment.
- It shall prioritise the integral development of people and facilitate a healthy work-life balance.
- It shall recognise the rights of ethnic minorities in the countries in which it operates, and shall reject child labour and, in general, any other form of exploitation.
- It shall guarantee the utmost respect for diversity, equal opportunities and non-discrimination on grounds of gender, age, disability or any other circumstance, while also fostering diversity and social inclusion at all times and providing an adequate, decent and professional working environment.
- It shall do business with suppliers that respect all human rights and comply with all labour rights recognised in the domestic and international legislation prevailing in the territories in which they operate.



The national laws of Spain, as a member of the International Labour Organisation (ILO), include the Spanish Constitution to the Workers' Statute and embody the eight fundamental conventions of the ILO, which are grouped into four categories: freedom of association, trade union freedom and effective recognition of the right to collective bargaining; Elimination of forced or compulsory labour; Abolition of child labour; Elimination of discrimination in respect of employment and occupation, which Duro Felguera, as a Spanish business group, must respect and comply with.

Duro Felguera carries on its business activities in highly diverse countries and industries. It therefore undertakes to respect —wherever it works and in strict compliance with local legal and regulatory requirements— the internationally recognised human rights enshrined in the Declaration of Fundamental Principles and Rights at Work and in other fundamental conventions of the ILO.

This commitment is expressed in our Code of Conduct, which sets out the ethical principles that guide and steer the conduct and decision-making of Duro Felguera and which are based, among other principles, on compliance with current legislation across all activities and respect for fundamental rights and public freedoms.

This protection extends along the entire value chain. As a measure to prevent any risk that might involve human rights violations, suppliers and subcontractors are required to sign a clause in their contracts insisting that they respect, in all territories in which they are established and/or carry out their activities, the principles enshrined in the Universal Declaration of Human Rights and the various Conventions and Recommendations of the ILO. This includes, in particular, the principles relating to fundamental labour rights established by the ILO and the ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.

Suppliers and subcontractors are also asked to confirm that they have received DF's Code of Conduct and that they undertake to abide by it, and that they agree to honour their human rights obligations as set out in the contract clause. In the event of breach, DF may adopt the necessary measures, and may seek compensation and/or damages and even the unilateral termination of the contract.

In 2021, there were no reports of human rights abuses by suppliers, nor was there any perceived risk of any of DF's suppliers or subcontractors engaging in forced or compulsory labour, and nor was there any other incident of human rights abuses occurring in any of the countries in which the Group operated during that period.

5.7 Supply chain

Duro Felguera continues to treat the sound management and control of its supply chain as key priorities in optimising and maximising its business. To achieve this, the Procurement Department closely tracks all operations and ensures the utmost transparency.

Duro Felguera differentiates between two types of supplier, depending on the purpose for which their services are arranged:



- » Corporate: responding to corporate needs. These suppliers provide the following services and supplies, among others: security services, cleaning, maintenance, stationery supplies, IT equipment, or consultancy services.
- » Project-specific: catering to the needs of each project undertaken. Here, Duro Felguera may arrange engineering services, the supply of electromechanical equipment, the supply of bulk materials, civil engineering services, subcontractors to carry out electromechanical assembly work, on-site support services, among others.

The procedures and rules in place are there to ensure that all suppliers are treated and appraised under equal conditions, taking due account of project-specific criteria for all procurement processes.

In the realm of corporate social responsibility, Duro Felguera's CSR Policy and Code of Conduct (under section II.3.6 "Our customers and suppliers") sets out the basic guidelines steering relations between Duro Felguera and its suppliers:

- Adopting responsible supply chain management practices by championing sustainability initiatives.
- Getting suppliers to act responsibly, by ensuring that all suppliers comply with Duro Felguera's principles and values in relation to business ethics, labour practices, health and safety, the environment, and the quality and safety of the products and services marketed and sold.
- Doing business with suppliers that respect human rights and comply with all labour rights recognised in the domestic and international legislation prevailing in the territories in which they operate.
- Championing objectivity, truthfulness and transparency as the principles governing relations between Duro Felguera and its suppliers.
- Enhancing the environmental reputation of Duro Felguera and its group in the eyes of their suppliers.
- Applying and honouring the provisions of Duro Felguera's Code of Conduct, as well as the safety regulations and practices with suppliers that the Group has put in place.

Local procurement

Duro Felguera advocates procurement from local suppliers, viewing this as a key criterion when arranging services from third parties. For DF, a local supplier means any supplier with whom a contract is signed and whose head office is located in the same country in which DF is involved in some project.

Notably, most purchases were made from local suppliers in 2021 across most of the countries¹⁸ in which the Group has significant operations.

For larger projects, staff from the procurement department may also be stationed in the country concerned and local procurement personnel recruited if necessary.

¹⁸ Significant operation: operations in which procurement exceeds €100,000.



Countries with operations where significant purchases were made	Percentage of local procurement – 2021	Percentage of local procurement – 2020	Change
Algeria	66.16%	72.09%	-5.93%
United Arab Emirates	0.00%	56.08%	-56.08%
Belgium	0.00%	80.84%	-80.84%
Colombia	90.89%	0.00%	90.89%
Mexico	93.16%	70.84%	22.32%
France	0.00%	48.14%	-48.14%
Argentina	3.16%	0.00%	3.16%
Eastern Europe	94.32%	26.30%	68.02%
Chile	78.10%	29.98%	48.11%
United Kingdom	54.86%	2.14%	52.72%
Spain	91.90%	94.67%	-2.77%

Risk management in the supply chain

Supply chain risks relate to procurement and subcontracting, i.e. outsourced products and services due to the unavailability of suitable companies or professionals, inadequate selection, lack of financial or technical capacity of the subcontractor to meet the obligations it has undertaken, which may in turn lead to delays, cost overruns in the works or quality issues.

These risks are minimised by conducting regular supplier assessments to closely monitor the progress of work and track performance. Supervision, inspection and auditing are carried out during the construction phase.

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 DF's own Corporate Social Responsibility Policy and Code of Conduct.

To ensure transparency and respect for the Code of Conduct, Duro Felguera has undertaken to eradicate all forms of gifts or gratuities from suppliers by 2021.

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).

Based on this assessment, DF determines whether the supplier merits a contractual relationship. If the parties do enter into a contract, the supplier may undergo further



assessment and monitoring if deemed necessary. This type of oversight is carried out throughout the manufacturing process according to the criticality of the product, with regular inspections conducted of the main manufacturing milestones and site activation visits, where the quality of the product supplied and compliance with delivery deadlines are verified. At the end of the process, the corresponding shipping authorisation is sent as and when the product complies with all requirements set out in the contract signed between the parties.

The results of the different inspections and site activation visits are taken into account for the reappraisal and follow-up of DF suppliers.

DF has yet to identify any supplier that might pose a significant risk to the principles and commitments it upholds.

No new suppliers were evaluated in 2021, since no new contracts were required for new supplies or critical services due to the level of progress made in the projects. Moreover, there were no apparent risks associated with any supplier whose services had already been arranged.

Health and safety along the value chain

Duro Felguera pays close attention to monitoring the health and safety performance of its suppliers and subcontractors to ensure that its own health and safety standards are observed, as well as those prescribed by applicable law and regulations.

This monitoring takes the form of specific HSE inspections aimed at guaranteeing a safe working environment for our teams and collaborators. DF also conducts on-site monitoring of contractors to directly oversee their health and safety performance while the project is ongoing, and advises its subcontractors on such matters when considered necessary.

5.8 Innovation

Duro Felguera is firmly committed to innovation and new clean energies, especially Green Hydrogen. Although 2021 was a difficult year for the Group at a financial level, making it more difficult to undertake new projects, the Group worked hard to seek out alliances through which to undertake innovative projects in the field of renewable energies.

Notable activities in 2021:

- » **Development of new production processes for the manufacture and supply of oversized equipment (SYAGEE)**

This ambitious project has been taking shape over the last few years and was successfully completed in 2021. Aimed at overcoming the manufacturing constraints at Duro Felguera Calderería Pesada, this project has allowed for the development of new procedures for the manufacture of large equipment demanded by the market.

- » **Green hydrogen and other renewable energies and fuels**

DF has been busily searching for partners and projects for different methods of obtaining green hydrogen and renewable energies. These efforts have attracted 13 expressions of interest submitted to the Ministry and to the European Projects Office of Asturias.



5.9 Community relations

When it comes to social and sustainable responsibility, Duro Felguera has pledged to collaborate and lend its full support in developing the local, national and international communities, as one of its stakeholders, and in the territories in which it operates.

Duro Felguera seeks to generate positive impacts on the community through its business activities, while at the same time putting measures in place to prevent, manage and mitigate any possible negative impact arising from its activities. It pays close attention to four key areas:

- Strict compliance with prevailing legislation, the Group's own internal rules and regulations and the good corporate governance practices embraced by Duro Felguera, delivering on customer expectations and looking to cooperate at all times with the competent authorities.
- Strict compliance with applicable environmental requirements to prevent potentially negative impacts on the natural environment, including control actions such as continuous environmental monitoring.
- Helping local communities grow, mainly by procuring products and services from local suppliers, provided that doing so does not adversely impact the performance of the project.
- Recruiting local labour wherever possible and complying at all times with international rules and standards, as well as those that apply locally in the country where the operation or project is carried out. Duro Felguera considers the health and safety of its employees to be an integral part of its social welfare work, dedicating significant resources and effort into preventing occupational accidents and promoting health and safety across all of its business activities.

The CSR Policy enshrines Duro Felguera's commitment to the economic and social development of local communities through actions that have a positive impact on society and by carrying out social welfare work, fostering research, development and innovation (R&D+i) and cooperating with local communities.

Programmes and agreements at national level

Mentoring programme

In 2021, the Human Resources department continued to collaborate on the Enfoca Talento initiative promoted by Avilés City Council, whose main objective is to train and provide job guidance to women who, for one reason or another, have been excluded from the labour market. The programme accompanies them in their search for employment and integration into the labour market. Duro Felguera's lends its support by providing its own employees to act as mentors and counsellors for the women taking part in the programme, with their involvement depending on levels of demand. DF reviews the subject's CV, gets them ready for job interviews and offers information on further training that might help them find a job. Another method of collaboration is to offer interested participants the opportunity to carry out "job tastings" at their choice of department within the company, to help gauge the kind



of work they are fit for, what technological tools are used and what skills are sought among candidates, among other benefits.

During the year, DF and various other companies were recognised by Avilés City Council as a “Company Committed to Female Talent” for its collaboration within the framework of the 5th Edition of the Enfoca Talento programme.

Agreements with educational centres

Duro Felguera has agreements in effect with educational centres whereby students who have recently graduated or are in their final year of studies can pursue an internship in the company.

When it comes to university studies, we have two types of partnership. Recently graduated students can do a one-year scholarship, with a monthly monetary endowment and registration with the Social Security, while final-year students can complete their internship at Duro Felguera as it is a compulsory subject that they need to earn their degree.

In the case of the vocational training centres, final-year students can take their on-the-job training course at Duro Felguera, which is delivered during the last school term.

The centres with which Duro Felguera has agreements in place include the likes of the University of Oviedo, the University-Business Foundation of Madrid, the University of Valladolid, the University of Castilla-La Mancha and various vocational training centres in Asturias. Further agreements were reached in 2021 with: I.E.S. “Fernández Vallín” and Rey Juan Carlos University.

Actions with the local community

To aid in the development of the communities in which it operates, Duro Felguera remains in close contact with local stakeholders when performing its projects, while collaborating closely on various measures initiatives, donating material and entering into agreements to hire local labour. Because of Duro Felguera’s business model, it is typically the end customer who builds relationships with the local community and is largely responsible for organising and handling the different social development and environmental protection actions associated with this type of project, including environmental impact assessments.

Throughout 2021, the level of progress made towards many of the Company’s projects has meant that the number of initiatives has been lower than in previous years. However, the commitment of the Group and its employees to social goals remains clear to see, with highlights here including:

Toneladas de Compromiso (Tons of Commitment) food collection campaign

The campaign took place throughout the month of February at the central offices of Duro Felguera and was organised on a national scale by ILUNION, ONCE and its Foundation. The challenge was to collect 111,111 kilos of food in a bid to alleviate the effects of the pandemic on many families now facing hardship, in partnership with Spanish food banks across all provinces of Spain.



Initiatives and partnerships

In 2021, Duro Felguera continued to maintain responsible and strategic alliances with numerous associations, organisations and foundations at regional, national and international level in a bid to improve dialogue with its main stakeholders.

In 2021, contributions made to associations totalled €36,600.91, as follows:

- » CEAPI – Business Council Alliance for Ibero-America
- » Association of Renewable Energy Companies
- » AMINER – Association of Research Companies
- » FADE – Asturian Federation of Business Owners
- » Association of Spanish Issuers
- » Spanish Energy Club – Club Español de la Energía
- » Polo del Acero
- » Association for the Promotion of Cogeneration
- » Metal Foundation for Training, Qualification and Employment
- » ASEMPOSIL – Association of Business Owners of Polígono de Silvota
- » Fundación Laboral de la Construcción – Construction Labour Foundation

6. EU Taxonomy (Regulation 2020/852)

Introduction

In its Communication of 8 March 2018, the European Commission published its “Action Plan: Financing sustainable growth”, marking the start of an ambitious and comprehensive strategy to make finance a key driver in moving towards an economy that ensures compliance with the objectives of the Paris Agreement and the 2030 Agenda for Sustainable Development of the European Union (EU).

The package of measures envisages ten concrete actions one of the main objectives of which is to reorient capital flows towards sustainable investments. The Taxonomy Regulation (Regulation (EU) 2020/852) was published in response to the first of these actions, setting out an objective classification system for determining which economic activities are sustainable and, consequently, which are not.

As stated in Article 8 of the Sustainable Finance Taxonomy Regulation, for reports published on or after 1 January 2022 on information relating to 2021, non-financial undertakings that are public interest entities and have a number of employees above 500 must disclose the proportion of Taxonomy-eligible¹⁹ and Taxonomy-non-eligible economic activities in their total turnover, their investments in fixed assets (CapEx) and their operating expenses (OpEx), hereinafter KPIs (Article 10.2 of the Delegated Act supplementing Article 8 of the Taxonomy Regulation).

So far, the European Union has published Delegated Acts for two of the environmental objectives:

- Climate change mitigation
- Climate change adaptation

It is on these two goals that eligibility should be reported for this first year.

¹⁹ Currently, an activity is eligible if it is included among the activities listed in the Annexes to the Delegated Acts on Climate Change Mitigation and Adaptation (Annexes I and II respectively).



Scope

All the companies that make up the DF Group's scope of consolidation have been considered when analysing and determining eligible activities under the Taxonomy criteria of the European Commission. These same companies have been considered when reporting on the regulatory requirements set out in Spanish Law 11/2018 of 28 December, on non-financial information and diversity.

Results

Below we detail the eligible and non-eligible status of our economic activities in 2021, including an explanation of our results and the calculation criteria employed:

	Climate Change Mitigation			Climate Change Adaptation		
	Turnover (%)	CapEx (%)	OpEx (%)	Turnover (%)	CapEx (%)	OpEx (%)
A. Taxonomy-eligible economic activities						
Oil & Gas	0%	0%	2%	0%	0%	2%
Specialised Services	5%	0%	1%	5%	0%	1%
Total Taxonomy-eligible economic activities	5%	0%	3%	5%	0%	3%
B. Taxonomy-non-eligible economic activities						
Total Taxonomy-non-eligible economic activities	95%	100%	97%	95%	100%	97%
Total (A + B)	100%	100%	100%	100%	100%	100%

Description of eligible and non-eligible activities

DF has analysed all external²⁰ and internal projects included in each of the business lines, based on the definition of operating segments provided in Note 5 to the accompanying consolidated financial statements for the year ended 31 December 2021.

With regard to the Oil&Gas line, an internal hydrogen storage technology development project has been identified as an eligible economic activity for the climate change mitigation and adaptation objectives under the activity named in the Taxonomy as 4.12 — Storage of hydrogen.

In terms of specialised services, a detailed analysis of existing customer contracts revealed certain projects as being eligible for both climate change mitigation and adaptation objectives. The activities of these contracts²¹ can be found in the Annexes to the respective Delegated Acts under the following headings:

- 4.8 Electricity generation from bioenergy
- 5.3 Construction, extension and operation of waste water collection and treatment
- 7.6 Installation, maintenance and repair of renewable energy technologies
- 4.3 Electricity generation from wind power

²⁰ External projects are those that are part of a contract with a customer and therefore generate turnover and costs for DF, while internal projects generated only costs for the Group during the current year, mainly related to R&D, although they may generate turnover for the Group in the future.

²¹ For two of the customer contracts in the specialised services segment, we needed to extract, from the total turnover and costs incurred in 2021, those amounts directly attributable to eligible activities, as neither contract could be classified as eligible in their entirety.



Description of indicators

Turnover: the proportion of turnover referred to in Article 8(2), point (a), of Regulation (EU) 2020/852 shall be calculated as the part of the net turnover derived from products or services, including intangibles, associated with Taxonomy-aligned economic activities (numerator), divided by the net turnover (denominator) as defined in Article 2, point (5), of Directive 2013/34/EU.

In the specific case of DF Group, the denominator corresponds to the amount recorded under "Revenue" in the 2021 consolidated financial statements. The numerator corresponds to the net turnover in the consolidated financial statements obtained from those activities we have considered as being Taxonomy-eligible in the specialised services business line.

CapEx: the proportion of CapEx referred to in Article 8(2), point (b), of Regulation (EU) 2020/852 shall be calculated as the numerator divided by the denominator. The denominator shall cover additions to tangible and intangible assets during the financial year considered before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. The denominator shall also cover additions to tangible and intangible assets resulting from business combinations.

In the specific case of DF, the denominator corresponds to all additions to cost in 2021 of property, plant and equipment, intangible assets and investment property (for a breakdown of these headings see Notes 7, 8 and 9 to the accompanying consolidated financial statements). The numerator corresponds to the amount of additions in cost in tangible fixed assets, intangible fixed assets and investment property for those activities we considered to be Taxonomy-eligible. Note that in this exercise the numerator is zero for both mitigation and adaptation to climate change.

OpEx: the proportion of OpEx referred to in Article 8(2), point (b), of Regulation (EU) 2020/852 shall be calculated as the numerator divided by the denominator. The denominator shall cover direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

For the DF Group in 2021, the denominator corresponds to the consolidated expense accounts associated with direct R&D expenses for personnel and other items, short-term leases and maintenance and repairs. No other direct expenses related to the day-to-day maintenance of property, plant and equipment have been identified. Therefore, the expenses considered in the denominator form part of the headings "Employee benefits expense" and "Other operating expenses" in the accompanying 2021 consolidated financial statements.

The numerator corresponds to the amount of these expense accounts that are associated with the activities that we have considered as Taxonomy-eligible, both in the Oil&Gas and specialised services segments.



Commitment to growth in renewable energy

As described in section 1.4 — Strategy, DF is firmly committed to growth in the renewable energy sector. It has already taken action along these lines, such as by creating DF Green Tech and amassing further resources for its commercial and operational development, thus demonstrating its commitment to developing and cementing its status as a benchmark in the sector over the coming years.

DF's experience and capabilities in highly complex technologies (equal or comparable to those required under the decarbonisation plans) afford the Group a privileged position to undertake turnkey projects, as it harnesses its own expertise as an EPC contractor and also as a services company, combining project performance and manufacturing capabilities at its own workshop.

In this context, DF plans to undertake projects related to photovoltaic and wind power plants in the short term, among others, along with other longer term ventures as envisioned in the current Strategic Plan, thus leading to a significant increase in the diversity, typology and volume of projects that fall within this line of business.

As a result, we expect to see an increasing number of Taxonomy-eligible activities for the climate change mitigation and adaptation objectives over the coming years.

7. Events after the reporting period

The following significant events have occurred between 31 December 2021 and the date of authorisation for issue of the consolidated financial statements:

- **New 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. Among other functions, the committee is there to ensure proper compliance with Environmental, Social and Governance (ESG) criteria at Duro Felguera by promoting specific commitments in these areas.
- **New organisational structure**
On 11 January 2022 Duro Felguera announced a new organisational structure to accomplish the Viability Plan approved by the Spanish Solvency Support Fund for Strategic Enterprises ("FASEE"). This new structure centres on five business lines (Conventional Energy, Industrial Plants, Services, Renewable Energies and Smart Systems), thus enhancing the Company's expertise and project orientation in both traditional and innovative businesses, such as renewable energies, energy storage, hydrogen and smart systems. The new organisation will enable Duro Felguera to become more customer-focused and make its projects more profitable on the path to achieving the objectives it has set itself.
- **Removal and appointment of the Secretary of the Board of Directors**
At the meeting of the Board of Directors held on 9 February 2022, and upon the recommendation of the Nomination and Remuneration Committee, it was



agreed to accept the resignation for personal reasons tendered by the non-director Secretary, Bernardo Gutiérrez de la Roza Pérez, and to appoint Jesús Sánchez Lambás as the new non-director Secretary, who will also perform the same duties on the various committees attached to the Board of Directors.

8. About this Report

This document is 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), on the disclosure of non-financial and diversity information.

This report covers the activities carried out at all Group companies in relation to environmental, personnel, corporate, human rights, anti-corruption and anti-bribery issues, including information on their strategic, development and market positioning. The information presented refers to the 2020 financial year, running from 01 January 2021 through to 31 December 2019. Information for 2020 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 102-1 Name of the organization GRI 102-2.a Activities, brands, products, and services	1.1 Mission, vision and values 1.2 Business model 1.4 Strategy	-
		GRI 102-3 Location of headquarters	-	Duro Felguera S.A. Parque Científico Tecnológico, C/ Ada Byron, 90, 33203 Gijón, Asturias (Spain)
		GRI 102-4 Location of operations	1.3 Duro Felguera in the world	-
		GRI 102-18.a Governance structure GRI 102-22.a.iii Composition of the highest governance body and its committees	2.2 Corporate governance	-
		GRI 102-7.a.iii Scale of the organization	4.1 Main financial indicators	-
General disclosures	Reporting framework	GRI 102-40 List of stakeholder groups GRI 102-47 List of material topics	5.1 Our management approach	-



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 103-2 The management approach and its components	<p>2.2 Corporate governance 3. Ethics and regulatory compliance 4.2 Risk management: Risk management model and governance of risk management 5.1 Our management approach: CSR Policy 5.2 Talent management 5.3 Health and safety 5.4 Environment: Environmental Policy 5.5 Quality 5.7 Supply chain 5.9 Community relations</p>	-
	Main risks related to these issues and connected to the Group's activities	GRI 102-11 Precautionary principle or approach	<p>3. Ethics and regulatory compliance 4.2 Risk management 5.4 Environment 5.7 Supply chain: Risk management in the supply chain</p> <p>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))</p>	With regard to environmental risks, and as mentioned in section 5.4, Duro Felguera was forced to pare back its activities considerably due to the pandemic that lasted throughout 2021. As such, the environmental risks and impacts during the year are not considered material.



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	GRI 102-11 Precautionary principle or approach	5.4 Environment	-
	Environmental assessment or certification procedures	GRI 103-2.a Management approach and its components GRI 103-2.c Management approach and its components	5.4 Environment: Environmental Policy	-
	Resources dedicated to the prevention of environmental risks	GRI 103-2.a Management approach and its components GRI 103-2.c Management approach and its components	5.4 Environment: Environmental management	-
	Application of the precautionary principle	GRI 102-11 Precautionary principle or approach	5.4 Environment	DF's environmental management system focuses on risk identification and assessment. This is a requirement under ISO 14001/2015.
	Amount of provisions and safeguards for environmental risks	GRI 307-1 Non-compliance with environmental laws and regulations	5.4 Environment: Environmental management Note 25 – Provisions for other liabilities and provision expenses in the consolidated financial statements for 2021	-
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 2021.



Circular economy and waste prevention and management	Waste prevention, recycling and reuse measures and other forms of waste recovery and disposal	GRI 103-2.a The management approach and its components (looking towards GRI 306 – Waste)	5.4 Environment: Waste and the circular economy	Duro Felguera implemented no specific measures in this regard in 2021 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	GRI 103-2.a The management approach and its components	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.
	Direct and indirect energy consumption	-	5.4 Environment: Climate change	-



	Measures in place to improve energy efficiency; Use of renewable energies	-	5.4 Environment: Efficient management of resources	An energy efficiency audit of the manufacturing workshop (Duro Felguera Calderería Pesada) was conducted in 2016. In 2021, some of the proposals set out in the 2020 energy efficiency audit report were implemented.
Climate change	Material aspects relating to the greenhouse gas emissions generated as a result of the Company's activities	-	5.4 Environment: Climate change	DF's operations do not generate greenhouse gas emissions beyond those accounted for in calculating tonnes of CO2 contributed. Scope 3 is off-limits
	Measures in place to adapt to the consequences of climate change	-	-	A first draft of an Ecological Transition Plan was drawn up in 2021. The plan envisions the implementation of an Energy Efficiency Management System according to ISO 50001, among other measures.
	Voluntary medium- and long-term targets in place to reduce greenhouse gas emissions and the resources implemented to that end	-	5.4 Environment: climate change	In 2021, Duro Felguera worked on various fronts to combat climate change.
Protection of biodiversity	Measures in place to preserve or restore biodiversity	-	-	As Duro Felguera does not carry out activities that could affect biodiversity, this aspect is not considered material for the Group.
	Impacts caused by activities or operations in protected areas	-	-	Duro Felguera does not engage in activities in protected areas.



Corporate matters and employees		Reference framework	Section	Remarks
Employment	Total number and breakdown of employees by gender, age, country and professional classification	GRI 102-7 Scale of the organization GRI 102-8.a Information on employees and other workers GRI 405-1.a Diversity of governance bodies and employees GRI 405-1.b Diversity of governance bodies and employees	5.2 Talent management: Distribution of the workforce at year-end; Distribution of the workforce by category and age Annual Corporate Governance Report, Section C – Company administrative structure	-
	Total number and distribution of types of employment contract	-	5.2 Talent management: 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 Talent management: Annual average by type of contract; Annual average by type of contract by professional category; and Average number of new contracts.	-
			Annual Corporate Governance Report, Section C – Company administrative structure	
	Number of dismissals by gender, age and professional category	-	5.2 Talent management: Distribution of dismissals by gender, age and job category	-
	Average remuneration by gender, age and job category	-	5.2 Talent management: Remuneration policy	-
	Pay gap	-	5.2 Talent management: Remuneration policy	-

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	Remuneration per equivalent jobs or average remuneration at the company	-	5.2 Talent management: 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	-	2.2 Corporate governance: Remuneration	-
	Implementation of work disconnection policies	-	5.2 Talent management: Introduction and Work-life balance and time management measures	-
	Employees with disabilities	-	5.2 Talent management: Diversity and equal opportunities	-
Organisation of work	Organisation of working hours	GRI 103-2.a The management approach and its components	5.2 Talent management: Introduction, Actions in response to COVID-19, and Work-life balance and time management measures	-
	Number of hours of absenteeism	-	5.2 Talent management: 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 Talent management: Introduction and Work-life balance and time management measures	-
Health and safety	Health and safety conditions in the workplace	GRI 103-2 The management approach and its components (looking towards GRI 403 – Health and safety)	5.2 Talent management: Actions in response to COVID-19 and Communication with employees 5.3 Health and safety	-



	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	GRI 103-2.a The management approach and its components	5.2 Talent management: Introduction and Communication with employees	-
	Percentage of employees covered by collective bargaining agreements, by country	102-41 Collective bargaining agreements	5.2 Talent management: Work-life balance and time management measures	-
	Description of collective bargaining agreements, particularly in the field of occupational health and safety	-	5.2 Talent management: Work-life balance and time management measures	-
Training	Policies in place in relation to training	-	5.2 Talent management: Talent management at Duro Felguera: Professional training and development	DF does not have a formally approved training policy that is delivered to the Group's employees. However, as indicated in section 5.2 – Talent management, DF is committed to planning the training and professional development of its employees, as shown by the number of training hours effectively delivered in 2020
	Total number of training hours by job category	GRI 103-2.a The management approach and its components (looking towards GRI 404 – Training and education)	5.2 Talent management: Talent management at Duro Felguera: Professional training and development	-
Accessibility	Universal accessibility for people with disabilities	-	5.2 Talent management: Diversity and equal opportunities	-



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 Talent management: Introduction and Diversity and equal opportunities 5.6 Human rights 5.9 Community relations Annual Corporate Governance Report, Section C – Company administrative structure	-
	Equality plans	-	5.2 Talent management: Diversity and equal opportunities	-
	Measures adopted to promote employment	GRI 103-2.a The management approach and its components (looking towards GRI 401 – Employment)	5.2 Talent management: Talent management at Duro Felguera: Attracting and engaging talent 5.2 Talent management: In-house internship programme for daughters of women employees 5.9 Community relations: Programmes and agreements at national level: Agreements with educational centres	-
	Protocols against sexual and gender-based harassment	-	5.2 Talent management: Introduction and Non-discrimination 5.6 Human rights	-
	Integration and universal accessibility for persons with disabilities	-	5.2 Talent management: Diversity and equal opportunities	-
	Anti-discrimination policy and, where applicable, diversity management policy	-	5.2 Talent management: Introduction and Non-discrimination 5.6 Human rights	-



Human rights	Reference framework	Section	Remarks
Application of human rights due diligence processes	GRI 103-2.a The management approach and its components (looking towards GRI 412 – Human rights assessment)	3. Ethics and regulatory compliance 5.6 Human rights 5.7 Supply chain: Risk management in the supply chain	-
Measures to prevent the risk of human rights abuses and, where appropriate, measures to mitigate, manage and redress any abuses committed	GRI 102-11 Precautionary principle or approach	3. Ethics and regulatory compliance 5.6 Human rights 5.7 Supply chain: Risk management in the supply chain	-
Reports of human rights abuses	102-17 Mechanisms for advice and concerns about ethics	5.6 Human rights	-
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 Talent management: 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	102-17 Mechanisms for advice and concerns about ethics GRI 103-2 Management approach (looking towards GRI 205 – Anti-corruption)	3. Ethics and compliance Note 35. Contingencies in the 2021 consolidated financial statements	-
	Measures to combat money laundering	102-17 Mechanisms for advice and concerns about ethics GRI 103-2 Management approach (looking towards GRI 205 – Anti-corruption)	3. Ethics and compliance	-
	Contributions to foundations and non-profit entities	-	-	No contributions were made to foundations or non-profit organisations in 2021 or 2020, given the difficult situation facing the Group.
Information on the company		Reference framework	Section	Remarks
Company commitments to sustainable development	Impact of the Company's activities on employment and local development	-	4.1 Main financial indicators 5.7 Supply chain: local procurement 5.9 Community relations	-
	Impact of the Company's activities on local populations and territories	-	5.7 Supply chain: local procurement 5.9 Community relations	-
	Relations maintained with local community agents and forms of dialogue with those agents	-	3.3 Tax transparency 5.1 Our management approach: Dialogue with the value chain and stakeholder engagement 5.9 Community relations	-
	Association or sponsorship actions	GRI 102-13 Membership of associations	5.9 Community relations: Initiatives and partnerships	-

NON-FINANCIAL STATEMENT – 2021



Subcontracting 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 103-2.a The management approach and its components (looking towards GRI 308 – Supplier environmental assessment and GRI 414 – Supplier social assessment)	5.6 Human rights 5.7 Supply chain	-
	Supervision and audit systems and the results of those systems	-	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	GRI 103-2.a The management approach and its components	5.5 Quality: Customer satisfaction	-
	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 35 to the 2021 consolidated financial statements.
Tax information	Profit obtained, country by country	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	3.3 Tax transparency	-
	Government subsidies and aid received	GRI 201-4.a.3 Financial assistance received from government	3.3 Tax transparency	-



10. Table based on the Taxonomy Regulation

Area	Reference framework	Section
Taxonomy	Own methodology based on compliance with EU Regulation 2020/852	6. EU Taxonomy (Regulation 2020/852)

Duro Felguera, S.A. and Subsidiaries

Independent Limited Assurance Report on
the Consolidated Non-Financial Information
Statement for the year ended 31 December
2021

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

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

INDEPENDENT LIMITED ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT OF DURO FELGUERA, S.A. AND SUBSIDIARIES FOR 2021

To the Shareholders of DURO FELGUERA, S.A.,

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the Consolidated Non-Financial Information Statement (“NFIS”) for the year ended 31 December 2021 of DURO FELGUERA, S.A. and subsidiaries (“Duro Felguera” or “the Group”), which forms part of the accompanying Directors’ Report of the Group.

The content of the Directors’ Report includes information, additional to that required by current Spanish corporate legislation relating to non-financial reporting, that was not the subject matter of our verification. In this regard, our work was limited solely to verification of the information identified in the “Reference table for requirements of Law 11/2018 on non-financial reporting and contents of the Global Reporting Initiative (GRI indicators)” included in the accompanying Directors’ Report.

Responsibilities of the Directors

The preparation and content of the NFIS included in the Group’s Directors’ Report are the responsibility of the Directors of DURO FELGUERA, S.A. The NFIS was prepared in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected Global Reporting Initiative Sustainability Reporting Standards (GRI standards), as well as other criteria described as indicated for each matter in the “Reference table for requirements of Law 11/2018 on non-financial reporting and contents of the Global Reporting Initiative (GRI indicators)” of the Directors’ Report.

These responsibilities also include the design, implementation and maintenance of such internal control as is determined to be necessary to enable the NFIS to be free from material misstatement, whether due to fraud or error.

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

Our Independence and Quality Control

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

Our firm applies International Standard on Quality Control 1 (ISQC 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement team consisted of professionals who are experts in reviews of non-financial information and, specifically, in information about 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 conducted our verification in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information, currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines published by the Spanish Institute of Certified Public Accountants on attestation engagements regarding non-financial information statements.

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 the various units of DURO FELGUERA that participated in the preparation of the NFIS, reviewing the processes used to compile and validate the information presented in the NFIS, and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Group personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external review.
- Analysis of the scope, relevance and completeness of the contents included in the 2021 NFIS based on the materiality analysis performed by the Group and described in the “Materiality Analysis” section of the NFIS, also taking into account the contents required under current Spanish corporate legislation.
- Analysis of the processes used to compile and validate the data presented in the 2021 NFIS.
- Review of the information relating to risks and the policies and management approaches applied in relation to the material matters presented in the 2021 NFIS.
- Verification, by means of sample-based tests, of the information relating to the contents included in the 2021 NFIS and the appropriate compilation thereof based on the data furnished by DURO FELGUERA’s information sources.
- Obtainment of a representation letter from the directors and management.

Conclusion

Based on the procedures performed in our verification and the evidence obtained, nothing has come to our attention that causes us to believe that the Group’s NFIS for the year ended 31 December 2021 was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI standards, as well as other criteria described as indicated for each matter in the “Reference table for requirements of Law 11/2018 on non-financial reporting and contents of the Global Reporting Initiative (GRI indicators)” of the Directors’ Report.

Emphasis of Matter

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 establishes the obligation to disclose information on how and to what extent an undertaking's activities are associated with economic activities that qualify as environmentally sustainable in relation to the climate change mitigation and climate change adaptation objectives for the first time for 2021, provided that the non-financial information statement is published on or after 1 January 2022. As a result, the accompanying NFIS does not include comparative information in relation to this matter. In addition, information was included in relation to which the directors of Duro Felguera, S.A. have opted to apply the criteria which, in their opinion, best enables them to comply with the new obligation and which are defined in Note 6 to the accompanying NFIS. Our conclusion is not modified in respect of this matter.

Use and Distribution

This report has been prepared in response to the requirement established in corporate legislation in force in Spain and, therefore, it might not be appropriate for other purposes or jurisdictions.

DELOITTE, S.L.

Alicia Izaga

28 February 2022

DURO FELGUERA, S.A. AND SUBSIDIARIES



FINANCIAL YEAR – 2021

AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS
MANAGEMENT REPORT

Gijón, 28 February 2022

Rosa Isabel Aza Conejo
Chairwoman

José Jaime Argüelles Álvarez
Chief Executive Officer

José Julián Massa Gutiérrez del Álamo
Director

Valeriano Gómez Sánchez
Director

Jordi Sevilla Segura
Director

César Hernández Blanco
Director

María Jesús Álvarez González
Director



APPROVAL OF THE BOARD OF DIRECTORS

Chairwoman	Rosa Isabel Aza Conejo
Chief Executive Officer	José Jaime Argüelles Álvarez
Director	José Julián Massa Gutiérrez del Álamo
Director	Valeriano Gómez Sánchez
Director	Jordi Sevilla Segura
Director	César Hernández Blanco
Director	María Jesús Álvarez González
Non-director Secretary	Jesús Sánchez Lambás

Statement issued by Jesús Sánchez Lambás, Secretary to the Board of Directors, certifying that the directors have signed this document comprising the consolidated financial statements and consolidated management report of Duro Felguera, S.A. and subsidiaries for the year ended 31 December 2021, as authorised for issue by the Board of Directors of the Company at its meeting held today.

Gijón, 28 February 2022

Jesús Sánchez Lambás
Secretary, non-director



DURO FELGUERA, S.A. AND SUBSIDIARIES

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 2021, authorised for issue by the Board of Directors at its meeting held on 28 February 2022 and authorised for issue in accordance with applicable accounting standards, present fairly the equity, financial position and results of DURO FELGUERA, S.A. and of the consolidated subsidiaries, taken as a whole, and that the management reports accompanying the separate and consolidated financial statements present fairly the business performance and position of DURO FELGUERA, S.A. and consolidated subsidiaries, taken as a whole, and a description of the main risks and uncertainties they face.

Gijón, 28 February 2022

Rosa Isabel Aza Conejo
Chairman

José Jaime Argüelles Álvarez
Chief Executive Officer

José Julián Massa Gutiérrez del Álamo
Director

Valeriano Gómez Sánchez
Director

Jordi Sevilla Segura
Director

César Hernández Blanco

María Jesús Álvarez González
Director