

Duro Felguera, S.A.

Financial Statements for the year ended
31 December 2021 and 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 FINANCIAL STATEMENTS

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

Report on the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2021, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 3 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

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 Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of the equity and financial position and financial restructuring

Description

As described in Notes 1, 2.1 and 18 to the accompanying financial statements, at the end of 2021 the Company and certain of its investees 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 banking syndicate, which allowed it to strengthen its financial and equity position. In this connection, the Company recognised a financial profit of EUR 37 million, net of transaction costs, associated with the restructuring of bank borrowings (see Note 24). Although the Company has an equity deficit and a working capital deficiency as a result of the losses incurred in 2020, it 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 Company'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 for the Group as a whole and the cash plan envisaged, both of which are monitored on an 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 22 and 28 to the accompanying financial statements. Accordingly, in Note 2.1 to the 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 Company'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 for the entire Group of which the Company is the parent and subsequently approved by the Company's Board of Directors, and then 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 Company'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 statement of profit or loss (see Note 30), and we conducted an independent valuation to check the valuation performed by the Company in relation to convertible debt instruments A and C.

Lastly, we checked that the information included in the accompanying 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	Procedures applied in the audit
<p>The Company engages mainly in the provision of engineering services through EPC projects in the industrial, energy, minerals handling, logistics and environmental sectors, 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 21 million, of which EUR 1 million correspond to amounts to be billed for work performed on projects in progress, net of write-downs, with amounts billed in advance in 2021 for construction work totalling EUR 20 million.</p> <p>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 applicable legislation.</p> <p>Accordingly, the situation described was considered to be a key matter in our audit.</p>	<p>Our audit procedures included obtaining an understanding of the Company'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 Company management, taking into account 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.</p> <p>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 Company's technical staff and obtained the support of internal specialists in relation to certain issues.</p> <p>Lastly, we reviewed the disclosures provided in the accompanying financial statements in relation to these matters. Specifically, Notes 3.16, 11 and 23-b contain relevant information on revenue recognition and on amounts yet to be billed or amounts billed in advance.</p>

Measurement of non-current investments in Group companies and associates

Description	Procedures applied in the audit
<p>The Company has ownership interests in the share capital of Group companies that are not listed on regulated markets, as detailed in Note 10, and has granted loans to them as described in Note 31.</p> <p>Each year the Company reviews the indicators of impairment and, where appropriate, the recoverable amount of these ownership interests and loans. The estimation of the recoverable amount of the ownership interests and loans for which it is considered that there are indications of impairment requires the application of significant judgements and estimates, both when determining the valuation method and when establishing the key assumptions for each method in question. The Company took into account the unrealised gains relating to real estate assets when determining the recoverable amount of its investees, and for this purpose used the reports of an independent expert.</p> <p>The matters indicated above, and the significance of the investments held, the financing granted to the investees and the financial-support commitments acquired led us to determine the situation described to be a key matter in our audit.</p>	<p>Our audit procedures to address this matter included the review of the analysis conducted by the Company to detect indications of impairment. We obtained and analysed the impairment tests performed and other valuation-related evidence gathered by management in relation to the ownership interests that evidenced indications of impairment, verifying the clerical accuracy of the impairment calculations and the appropriateness of the valuation method used in relation to the investments held. Thus, we reviewed the consistency of the financial information used with that contained in the consolidation process, and we obtained the report of the experts engaged to appraise the property assets of each investee, evaluating their competence, capability and objectivity, together with the adequacy of their work for use as audit evidence. With the cooperation of our internal valuation experts, we analysed and concluded on the reasonableness of the valuation procedures and methodology used by the experts engaged, and, for a sample of assets, on a selective basis, independent alternative analyses were performed.</p> <p>Notes 10, 20 and 31 to the accompanying financial statements contain the disclosures and information relating to these matters.</p>

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 28, as a result of its business activities the Company is involved in various arbitration and court proceedings mainly with customers and suppliers, certain of which are for a significant amount. The aforementioned proceedings are characterised by the existence of cross claims between the parties. At 31 December 2021, there were accounts receivable and sundry accounts receivable amounting to EUR 11 million associated with the resolution of arbitration proceedings (see Note 2.6), 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 20). Additionally, the Company has ownership interests in Group companies and jointly controlled entities involved in arbitration proceedings with customers (see Note 28).</p> <p>In relation to the aforementioned ongoing proceedings, Company 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 Company 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 Company management based mainly on the opinions of its 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 Company 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 Company works to analyse the current situation of the proceedings and check the 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 management in relation to these proceedings in Notes 28 and 33 to the accompanying 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 11, 20, 28 and 33 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 22, 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 to the Company and certain of its investees, which were signed on a contested basis and appealed against by the companies concerned. 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 Company 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 Company 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 the directors 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 Company'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 Company works, and we involved our internal tax experts in evaluating and examining the assumptions and judgements made by the directors, who took into account the uncertainty existing in relation to the outcome of the matters in question.

Lastly, we evaluated the adequacy of the disclosures provided in Note 22 to the financial statements in relation to these matters.

Emphasis of Matter

We draw attention to Note 28 to the 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, 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, which will depend on the outcome of the criminal investigation, although the perspectives and vision of the Company are positive based on the internal investigation conducted. Our opinion is not modified in respect of this matter.

Other Information: Directors' Report

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

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

a) Solely checking that the 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 directors' report is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the 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 directors' report was consistent with that contained in the financial statements for 2021 and its content and presentation were in conformity with the applicable regulations.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 financial statements.

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

Report on Other Legal and Regulatory Requirements

European Single Electronic Format

We have examined the digital file in European Single Electronic Format (ESEF) of Duro Felguera, S.A. for 2021, which comprises an XHTML file including the financial statements for 2021, 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 requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation").

Our responsibility is to examine the digital file prepared by the Company'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 financial statements included in the aforementioned file corresponds in full to that of the financial statements that we have audited, and whether those financial statements were formatted, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined corresponds in full to the audited financial statements, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Additional Report to the Audit Committee

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

Engagement Period

The Annual General Meeting held on 29 October 2021 appointed us as auditors for a period of three years from the year beginning 1 January 2021.

DELOITTE, S.L.

Registered in ROAC under no. S0692

Alicia Izaga

Registered in ROAC under no. 17477

28 February 2022

Appendix I 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 financial statements.

Auditor's Responsibilities for the Audit of the 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 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity'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 entity'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 entity's audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

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



Duro Felguera, S.A.

Financial Statements for the year ended 31 December 2021
and Management Report for 2021



DURO FELGUERA, S.A.

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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 AND 2020
(€ thousand)

ASSETS	Note	At 31 December		EQUITY AND LIABILITIES	Note	At 31 December	
		2021	2020 (*)			2021	2020(*)
NON-CURRENT ASSETS				EQUITY			
Intangible assets	6	4,539	6,491	Capital and reserves		(148,245)	(164,035)
Property, plant and equipment	7	12,461	12,796	Capital	15.a)	4,800	4,800
Investment properties	8	10,358	10,363	Share premium	15.b)	-	-
Non-current investments in group companies and associates		35,771	30,186	Reserves	15.e)	2,688	(198)
Equity instruments	10	35,771	30,186	Prior periods' profit and loss	15.f)	(176,730)	(5,558)
Loans		-	-	Profit/(loss) for the year	15.g)	20,997	(171,172)
Non-current investments	9	8,176	5,248	Other equity instruments	15.d)	-	8,093
Equity instruments		8,154	5,227	Valuation adjustments	15.h)	9,215	12,247
Loans to companies	11	-	-	Available-for-sale financial assets		3,373	783
Other financial assets	11	22	21	Other		-	-
Deferred tax assets	21	12,496	21,520	Translation differences		5,842	11,464
TOTAL NON-CURRENT ASSETS		83,801	86,604	Grants, donations and bequests received	17	1,526	1,599
				TOTAL EQUITY	15.i)	(137,504)	(150,189)
				NON-CURRENT LIABILITIES			
CURRENT ASSETS				Non-current provisions		25,703	54,203
Inventories	13	3,509	3,212	Long-term employee benefits	19	540	648
Trade and other receivables	9-11	58,706	60,720	Other provisions	20	25,163	53,555
Trade receivables		25,107	25,948	Non-current payables	9 and 18	154,987	601
Trade receivables from group companies and associates	31	9,554	10,332	Bonds and other marketable debt securities		15,987	-
Other receivables		5,833	5,810	Bank borrowings		13,000	-
Personnel		181	139	Other financial liabilities		126,000	601
Current tax assets		-	-	Deferred tax liabilities	21	12,237	20,713
Other receivables from Public Administrations	21	18,031	18,491	TOTAL NON-CURRENT LIABILITIES		192,927	75,517
Current investments in group companies and associates	9, 11 and 31	105,241	99,143	CURRENT LIABILITIES			
Loans to companies		42,008	34,257	Current provisions	20	118,021	85,673
Other financial assets		63,233	64,886	Current payables	9 and 18	11,315	89,866
Current investments	9 and 11	29,666	33,475	Bank borrowings		10,057	88,831
Equity instruments		5,320	-	Other financial liabilities		1,258	1,035
Loans to companies		1,943	-	Current payables to group companies and associates	9, 18 and 31	33,853	35,085
Other financial assets		22,403	33,475	Trade and other payables	9 and 18	147,541	157,472
Prepayments and accrued income		622	705	Suppliers		82,950	94,370
Cash and cash equivalents	9 and 14	84,608	9,565	Suppliers, group companies and associates	31	17,733	19,028
TOTAL CURRENT ASSETS		282,352	206,820	Other payables		6,214	4,480
TOTAL ASSETS		366,153	293,424	Personnel (salaries payable)		1,593	2,347
				Current tax liabilities		18	1,320
				Other payables to Public Administrations	21	4,343	2,623
				Advances from customers		34,690	33,304
				Accruals and deferred income		-	-
				TOTAL CURRENT LIABILITIES		310,730	368,096
				TOTAL EQUITY AND LIABILITIES		366,153	293,424

(*) Presented solely for comparative purposes (Note 2.3)

The accompanying notes 1 to 34 are an integral part of these financial statements.



DURO FELGUERA, S.A.

INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020
(€ thousand)

	Note	Year ended 31 December	
		2021	2020 (*)
CONTINUING OPERATIONS			
Revenue	23	25,752	77,086
Sales		21,481	71,104
Services rendered		4,271	5,982
Self-constructed assets		-	-
Materials consumed	23	(4,221)	(41,936)
Raw materials and other consumables used		2,635	(27,037)
Subcontracted work		(6,856)	(14,899)
Other operating income		2	28
Non-trading and other operating income			28
Personnel expenses	23	(22,661)	(26,111)
Salaries and wages		(17,483)	(20,047)
Other employee benefits expense		(5,178)	(6,064)
Other operating expenses		(10,298)	(93,256)
External services		(18,481)	(25,114)
Taxes		(438)	(266)
Losses, impairment and changes in trade provisions	11 and 20	8,621	(67,876)
Amortisation and depreciation	6,7 and 8	(2,866)	(2,923)
Release of non-financial capital grants and other	17	97	123
Provision surpluses			-
Impairment and gains/(losses) on disposal of assets	6, 7 and 8	491	(4,985)
Other income/(expense)		437	(658)
OPERATING PROFIT/(LOSS)		(13,267)	(92,632)
Finance income		40,086	3,407
Finance expense		(4,002)	(2,139)
Change in fair value of financial instruments		-	-
Exchange differences		11,218	(21,074)
Impairment and gains/(losses) on disposal of financial instruments	9 and 20	(13,010)	(58,581)
NET FINANCE INCOME/(COST)	24	34,292	(78,387)
PROFIT/(LOSS) BEFORE TAX		21,025	(171,019)
Income tax expense	22	(28)	(153)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		20,997	(171,172)
PROFIT/(LOSS) FOR THE YEAR		20,997	(171,172)

(*) Presented solely for comparative purposes (Note 2.3)

The accompanying notes 1 to 34 are an integral part of these financial statements.



DURO FELGUERA, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

A) STATEMENT OF CHANGES IN EQUITY

(€ thousand)

	Registered capital	Share premium	Reserves	(Own shares and equity holdings)	Prior years' profit and loss	Profit/(loss) for the year	Other equity instruments	Valuation adjustments	Grants, donations and bequests received	TOTAL
BALANCE AT 1 JANUARY 2020	4,800	-	(126)	-	(2,961)	(2,597)	8,093	980	1,691	9,880
Total recognised income and expense	-	-	-	-	-	(171,172)	-	11,267	(92)	(159,997)
Capital increases/(reductions)	-	-	-	-	-	-	-	-	-	-
Cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into convertible bonds	-	-	-	-	-	-	-	-	-	-
Transactions with equity holders or owners	-	-	-	-	-	-	-	-	-	-
Treasury share transactions	-	-	-	-	-	-	-	-	-	-
- Other transactions with equity holders or owners	-	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	(72)	-	(2,597)	2,597	-	-	-	(72)
BALANCE AT 31 DECEMBER 2020	4,800	-	(198)	-	(5,558)	(171,172)	8,093	12,247	1,599	(150,189)
BALANCE AT 1 JANUARY 2021	4,800	-	(198)	-	(5,558)	(171,172)	8,093	12,247	1,599	(150,189)
Total recognised income and expense	-	-	-	-	-	20,391	-	(3,032)	(73)	17,286
Capital increases/(reductions)	-	-	-	-	-	-	-	-	-	-
Cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into convertible bonds (Note 18)	-	-	2,886	-	-	-	(8,093)	-	-	(5,207)
Transactions with equity holders or owners	-	-	-	-	-	-	-	-	-	-
- Treasury share transactions	-	-	-	-	-	-	-	-	-	-
- Other transactions with equity holders or owners	-	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	-	-	(171,172)	171,172	-	-	-	-
BALANCE AT 31 December 2021	4,800	-	2,688	-	(176,730)	20,391	-	9,215	1,526	(138,110)

(*) Presented solely for comparative purposes (Note 2.3)

The accompanying notes 1 to 34 are an integral part of these financial statements.



STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2021
AND 2020

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

	Note	Year ended 31 December	
		2021	2020
Profit/(loss) for the year	15	20,998	(171,172)
Income and expense recognised directly in equity			
Available-for-sale financial assets	9.1	2,589	(243)
Cash flow hedges			
Translation differences		(5,622)	11,510
Tax effect	21	(647)	61
Total income and expense recognised directly in equity		(3,680)	11,328
Amounts transferred to profit or loss			
Grants, donations and bequests received	17	(97)	(123)
Tax effect	21	24	31
Total amounts transferred to profit or loss		(73)	(92)
TOTAL RECOGNISED INCOME AND EXPENSE		17,245	(159,936)

(*) Presented solely for comparative purposes (Note 2.3)

The accompanying notes 1 to 34 are an integral part of these financial statements.



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STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(€ thousand)

	Note	Year ended 31 December	
		2021	2020 (*)
CASH FLOWS FROM OPERATING ACTIVITIES	25		
Profit/(loss) for the year before tax		21,026	(168,508)
Adjustments to reconcile profit before tax to net cash flows:			
Working capital changes		(29,418)	128,496
Other cash flows from operating activities		(27,167)	(24,624)
		(8,003)	(3,195)
		<u>(43,562)</u>	<u>(67,381)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	26		
Payments for investments		(447)	(21,874)
Proceeds from sale of investments		8,681	1,034
Other cash flows from investing activities		-	(7,720)
		<u>8,234</u>	<u>(28,560)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	27		
Proceeds from and payments for equity instruments		-	-
Proceeds from and payments for financial liability instruments		110,370	(1,302)
Dividends and interest on other equity instruments paid		-	-
		<u>110,370</u>	<u>(1,302)</u>
Profit/(loss) on exchange differences in cash and cash equivalents			(140)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>75,042</u>	<u>(97,383)</u>
Cash and cash equivalents at the beginning of the year	14	<u>9,565</u>	<u>122,279</u>
Cash and cash equivalents at the end of the year	14	<u>84,607</u>	<u>24,896</u>

(*) Presented solely for comparative purposes (Note 2.3)

The accompanying notes 1 to 34 are an integral part of these financial statements.



DURO FELGUERA, S.A.

NOTES TO THE 2021 FINANCIAL STATEMENTS
(€ thousand)

1. General information

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

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

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

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

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 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 2.2 and 18).

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 (Note 18). 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 24). The issuance of the new Class C Bonds, modification of the Class A Bonds



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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") (Notes 9 and 18).

On 30 April 2021, José Jaime Argüelles Álvarez was appointed Chief Executive Officer of the Company. By the end of 2021, the Company 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 Company 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 its syndicate of banks. That sale closed on 13 May 2021, having certified the fulfilment of the conditions precedent stipulated in the related share 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. The remaining 60% investment has been classified 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 €4.2 million, recognised under "Impairment and gains/(losses) on disposal of financial instruments" in the 2021 statement of profit or loss (Note 24).

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 2020 definitive. As for performance of that contract, the Consortium had completed 94% as of 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



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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 28).

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

Elsewhere, in 2021, the Company reached an agreement with General Electric to put an end to the arbitration proceedings concerning the CVO project and with Stoneway Capital Corporation y Araucaria Energy S.A. in relation to the Luján and Matheu projects in Argentina (Note 28).

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 23.d, on 7 January 2021, the Company 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 (of which 354 are Duro Felguera, S.A. employees), 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 23.d.



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2. Basis of preparation

2.1 True and fair view

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

These financial statements were authorised for issue by the Company's directors on 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.

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

2.2 Accounting policies

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

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.

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 Duro Felguera 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.



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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:

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



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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 18.

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 18.



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Refinancing of Duro Felguera's financial liability

On 29 November 2021, the Company entered into a refinancing agreement covering its financial liabilities with all of the entities comprising its syndicate of banks. That agreement contemplates the repayment, restructuring and conversion of 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.
- 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 18.

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 Company was in the same situation as at year-end.

From an equity standpoint, the Company 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



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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 Company 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:

(€ 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



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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 28). 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 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. 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, no cash outflows in relation to ongoing tax proceedings are anticipated in 2022 (Note 22). 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 Company'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 18). At any rate, the Group continues to search for a private investor in order to further reinforce its capital structure. The Group is



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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 22 and 28).

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 18); 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 proceedings outlined in Notes 22 and 28, 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.

2.3 Comparative information

In accordance with company law, for comparative purposes the Company includes, in addition to the figures for 2021 for each item of the statement of financial position, the statement of profit or loss, the statement of changes in equity and the statement of cash flows, those of the previous year.

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



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2.4 Aggregation of items

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

2.5 Consolidated financial statements

The Company is the parent of a group of companies in accordance with Royal decree 1159/2010 and, therefore, is required to present consolidated financial statements. For reasons of clarity, the directors have elected to present the consolidated financial statements separately. The consolidated financial statements were authorised for issue by the Company's directors on 28 February 2022 and will be placed on file with the Asturias Companies Register.

2.6 Accounting estimates and judgements

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

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

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

Estimated impairment losses on real estate assets

The Company receives independent valuations of its investment property, and the land and buildings it owns for the production centres and offices in Gijón (classified as property, plant and equipment) at least annually. It recognises impairment losses when the estimated fair value is less than carrying amount, in line with the accounting policy described in Note 3.4. The Company recognised an impairment loss of €4,750 thousand in the statement of profit or loss for 2020 (Notes 7 and 8); that balance was unchanged as at 31 December 2021.

The estimate of fair value was performed by an expert in compliance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC). The sales comparison method was used for the appraisal of most of the assets except for 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%.

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.

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

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

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

3. The fair value of certain financial instruments

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

As explained in Note 3.5.c), for equity investments in Group companies, the impairment loss is measured as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the present value of future cash flows from the investment. When estimating these



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investments, the investee's equity is taken into consideration, corrected for any unrealised gains existing at the measurement date, unless better evidence of the recoverable amount of the investment is available.

In 2021 in relation to the Company's investee, Epicom, S.A., as disclosed in Notes 9 and 11, the remaining 60% interest in that investee, having sold the other 40% (Note 1), has been classified as a non-current financial asset measured 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 fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques.

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 fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments. The method and main assumptions used to measure convertible bonds are disclosed in Note 18.

4. Calculation of provisions

Warranty claims

The Company provides warranties of between one and two years for its projects, mainly in the turnkey project business line. Management estimates the related provision for future warranty claims based on its experience and the degree of complexity of the product, its experience with respect to the customer's quality expectations, and the country risk of the country where the project is carried out. The amount of the provision for warranties at 31 December 2021 stood at €7,024 thousand (Note 20).

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



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Litigation

The Company sets aside, based on the estimates of its legal advisors, sufficient provisions to cover the forecast outflows of cash which may arise from litigation with the various social agents for the amounts claimed, discounted where they are expected to exceed one year. The Company's provisions and contingent liabilities at 31 December 2021 are disclosed in Notes 20 and 28. Due to the complexities involved in these proceedings, there is a high level of uncertainty regarding the probability and outcome of rulings and the quantification of the potential financial consequences.

Actuarial liabilities

The Company has obligations with current and former employees for length-of-service awards, coal vouchers and other commitments, which require the use of actuarial valuations to calculate the amounts. The liabilities for these employee obligations recognised at year-end and the main assumptions used in the measurement, for which the Company engaged an independent expert, are disclosed in Note 19.

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

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

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

Revenue from variable consideration, claims and disputes

The Company did not recognise revenue from contract modifications/claims or disputes that were not approved by the customer or that had not been measured, except the variable consideration from the Aconcagua project to the extent that it is highly probable that a significant reversal in the amount will not occur, with an expert report confirming compliance with the parameters set out in the contract that support its accrual (Note 28), 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 28).

6. The assessment of the probability of having future taxable profits for the recovery of deferred tax assets and the recoverability of income taxes from non-residents and other taxes levied in other countries. Regarding recognised deferred tax assets, as explained in Note 3.12 deferred tax assets are only recognised to the extent that it is probable



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

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

7. Impairment of receivables

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

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

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

3. Accounting policies

3.1. Intangible assets

Computer software

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

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

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

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

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

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3.2. Property, plant and equipment

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

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

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

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

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

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

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

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

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

3.3. Investment properties

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

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

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

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3.4. Impairment of non-financial assets

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

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

3.5. Financial assets

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

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Loans and receivables are included under "Loans to companies" and "Trade and other receivables" in the statement of financial position (Note 11).

Financial assets in this category are initially measured at fair value, including directly attributable transaction costs. They are subsequently measured at amortised cost. Accrued interest is recognised at the effective interest rate, which is the discount rate that equates the carrying amount of the financial instrument to the present value of all the estimated cash flows until its maturity. Nonetheless, trade receivables falling due within one year are measured both initially and subsequently at their nominal amount, provided that the effect of not discounting the cash flows is not material.

At least at the end of the reporting period, the Company recognises any necessary impairment loss when there is objective evidence that all the amounts receivable will not be received.

The amount of the impairment loss is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate calculated upon initial recognition. Impairments, and reversals thereof, are recognised in the statement of profit or loss.

Regarding valuation allowances for trade and other receivables, the Company calculates the corresponding amount, if any, on the basis of an individualised assessment of past-due and outstanding balances, taking into account the age of the debt, the customer relationship and the customer's financial position (Note 11).



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The Company derecognises financial assets when the contractual rights to the cash flows from the financial asset expire or have been transferred, provided that substantially all the risks and rewards of ownership have been transferred, such as in binding agreements for sales of assets, transfers of trade receivables in factoring transactions in which the Company retain no credit or interest rate risk, sales of financial assets with an agreement to repurchase them at fair value and securitisations of financial assets whereby the transferee neither retains any subordinated financing nor extends any type of guarantee or incurs any other type of risk. At 31 December 2021, no assets of this kind were derecognised.

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

The Company includes guarantees enforced in this category as it considers they meet the requirement for recognition as a financial asset since they are a controlled resource based on past events and it expects to obtain future benefits. These benefits are backed by the favourable probability given by external legal advisers in accordance with opinions issued by them. However, they will be set off against amounts payable, as appropriate, in the event of unsuccessful lawsuit.

Moreover, the Company, where applicable, sets aside provisions for the maximum amount of penalties that could be implied by the customer for contracts in force. Therefore, the contractual risk is covered with these provisions.

The Company takes the amount of guarantees enforced in its assessment of the recoverability of receivables as explained previous. Where the Company estimates an adverse outcome of a lawsuit, it recognises the related provision in accordance with applicable accounting standards. The guarantees enforced against the Company are indicated in Notes 28 and 33.

b) Held-to-maturity investments

Held-to-maturity investments include debt securities with fixed maturity and fixed or determinable payments traded in an active market, which the Company's management has the intention and ability to hold to maturity. If the Company has sold more than an insignificant amount of held-to-maturity investments before maturity, the entire category is reclassified as available-for-sale. Held-to-maturity investments are included in current assets, except for maturities exceeding 12 months from the reporting date, in which case they are included in non-current assets.

c) Equity investments in group companies, jointly controlled entities and associates

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

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If there is objective evidence that the carrying amount of these investments may not be recoverable, the Company recognises the corresponding impairment losses, calculated as the difference between the investment's carrying amount and recoverable amount, deemed to be the higher of fair value less costs to sell and the present value of projected cash flows from the investment. When estimating impairment, the investee's equity is taken into consideration, corrected for any unrealised gains existing at the measurement date, as explained in Note 2.6.1, unless better evidence of the recoverable amount of the investment is available. Impairments, and reversals thereof, are recognised in the statement of profit or loss for the reporting period in which they occur. If the investee's equity is negative, a provision for liabilities and charges is recognised to the extent that there are firm commitments to restore equity or provide additional financial support (Notes 10 and 20).

d) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and financial assets designated at fair value through profit or loss. 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 unless they are designated as hedges. Assets in this category are classified as current assets if they are held for trading or expected to be settled within 12 months of the reporting date, otherwise they are classified as non-current.

These assets are measured both initially and subsequently at fair value, with any changes in fair value recognised in profit or loss for the year. Directly attributable transactions costs are recognised in profit or loss for the reporting period.

e) Available-for-sale financial assets

This category includes debt securities and equity instruments not classified in any of the above categories. They are included in non-current assets unless management intends to dispose of them within 12 months of the end of the reporting period.

Available-for-sale financial assets are measured at fair value, with any changes in fair value recognised directly in equity until the asset is disposed or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of profit or loss, provided fair value can be measured reliably. Otherwise, they are recognised at cost less impairment losses.

For available-for-sale financial assets, impairment is recognised when there is objective evidence that the value of the asset is impaired as a result of a reduction or delay in estimated future cash flows from acquired debt instruments, or failure to recover the carrying amount of investments in equity instruments. The impairment for these financial assets is the difference between the cost or amortised cost, less any impairment previously recognised in the statement of profit or loss, and the fair value at the measurement date. Impairment of equity instruments which are carried at cost because the fair value cannot be measured reliably shall be calculated in the same way as for equity investments in group companies, jointly controlled entities and associates.

Where there is objective evidence that the asset is impaired, the Company records the accumulated losses recognised in equity for a decrease in fair value in the statement of profit or loss. In this regard (permanent) impairment is considered to exist if the market



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value of the asset has fallen by more than 40% or if there has been a prolonged fall in market value over a period of 18 months without the value having recovered. Impairment losses recognised in the statement of profit or loss for equity instruments are not reversed through the statement of profit or loss.

The fair values of quoted investments are based on current purchase prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes the fair value using valuation techniques. These include the use of recent arm's length transactions between knowledgeable, willing parties, reference to other instruments that are substantially the same, the use of discounted cash flow analysis, and option pricing models, maximising the use of observable market data and relying as little as possible on Company-specific considerations.

f) Effects of consolidation

As explained in Note 9, the Company has majority interests in the share capital of certain companies. The operations of the Company and of the Group companies of which it is parent are managed on a consolidated basis, even though the related effect on equity and profit or loss of the companies is attributed individually. Accordingly, these financial statements do not reflect changes in equity and financial position that would arise from consolidating the equity investments in Group companies and associates or the share of profit or loss of transactions carried out by the Company and by them. These changes are, however, reflected in the consolidated financial statements for 2021 prepared by the Group.

3.6. Inventories

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

3.7. Derivative financial instruments and hedging activities

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

Cash flow hedges:

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

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



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For derivatives not qualifying for hedge accounting, any gains or losses in fair value are recognised immediately in profit or loss. The Company was not party to any derivative instrument contracts at year-end 2019.

3.8. Cash and cash equivalents

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

3.9. Equity

Share capital is represented by ordinary shares.

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

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

3.10. Financial liabilities

Debts and payables

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

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

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

(a) The instrument includes no contractual obligation:

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

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

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

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

(ii) a derivative that will be settled exclusively by the issuer via the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's



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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 that arising from a derivative financial instrument that will or may trigger the receipt or delivery in the future of own equity instruments is not an equity instrument if it does not meet conditions (a) and (b) above.

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 gets recognised in equity.

Initial recognition and measurement

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

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

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

Subsequent measurement

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

a) Financial liabilities at fair value through profit or loss

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

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

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

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



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b) Loans and borrowings

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

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

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

The profit participating loans received by the Company, which are classified within debts and payables, are subsequently measured at amortised cost provided the contractual terms and conditions permit the reliable estimation of the instrument's cash flows. However, in contracts in which the payment of interest is contingent in nature, either because the agreement stipulates a fixed or floating rate of interest conditional upon delivery of a specific milestone at the borrower, such as the generation of a profit, or interest payments that are calculated exclusively by reference to the borrower's business performance, the economic substance of the transaction is similar to that of 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 applicable accounting standards. According to the European Securities and Markets Authority (ESMA), reverse factoring transactions should be analysed in accordance with the economic substance of the agreement between the parties in order to determine whether the trade debt should be classified as a financial liability and whether the cash flows should be classified as cash flows used in financing activities or operating activities on the statement of cash flows. To the extent that the agreements do not produce substantive changes in the trade debt (e.g. changes in the maturity dates, amount or applicable interest rates), the fact that, pursuant to the reverse factoring transaction, the new legal creditor becomes a bank instead of the original commercial creditor does not modify the economic substance of the debt, which is originated by the Group's operating activities. The Group has used that classification policy. The Company had not drawn down its reverse factoring facility at either year-end.

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



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respective carrying amounts, net of the associated transaction costs, is recognised in profit or loss.

3.11. Grants received

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

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

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

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

The Company recognises the amount of the discounting of loans granted mainly by the Ministry of Education and Science, which do not bear any interest (Note 18), under this line item.

3.12. Current and deferred income tax

The Company pays 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 Company 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.

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

Current tax is the amount of income tax payable (recoverable) by the Company in respect of the taxable profit (tax loss) for the year. 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 relates to the recognition and settlement of deferred tax assets and liabilities. These include temporary differences, identified as the amounts expected to be payable or recoverable arising from the differences between the carrying amounts of assets and liabilities and their tax bases, as well as the carry forward of unused tax losses and unused tax credits. These amounts are measured by applying to the relevant



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temporary difference or tax credit the tax rate at which they are expected to be realised or settled.

Deferred tax liabilities are recognised for all taxable temporary differences except 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 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 over a period of up to 10 years, irrespective of the statutory limit for recognition if it is a longer or unlimited time period where allowed by tax laws, as of 10 years from the reporting date in those cases unless there is better evidence to the contrary, of whether 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.

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

As explained, the Company files consolidated tax applying the following standards: temporary differences arising in the calculation of the consolidated tax base arising from the transactions between companies composing the tax group, provided that such results have not been realised vis-à-vis third parties, are recognised by the company that had recognised the result; permanent differences (e.g. due to the elimination of dividends paid among companies in the tax group) or temporary differences arising in the calculation of the consolidated tax base (inventory margin, impairment and other) are recognised as a permanent or temporary difference by the company that had recognised the result, depending on their recognition according to difference recognition criteria; and any tax losses and tax credits and rebates offset or used by the companies composing the tax group are recognised as an account receivable or payable between the reporting company and the companies that offset and/or utilise them. Unused deferred tax assets are recognised by the individual Company to the extent that they are expected to be utilised by the Company itself or by the other companies comprising the tax Group, within the framework of the Group as a whole and according to its business plan, within the 10-year time horizon, irrespective of the statutory limit for recognition if it is a longer time period.

Recognised deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments are made where there are doubts as to their future recoverability. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered within the established accounting and tax time limits. In this



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respect, considering the financial performance of the tax group in recent years, the Company recognised deferred tax assets up to the amount of the deferred tax liabilities recognised by the tax group.

3.13. Provisions for liabilities and charges and other trade provisions

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

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

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

The directors consider that there are no significant contingent liabilities for the Company at 31 December 2021 other than those disclosed in Notes 20 and 28.

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

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

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

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

3.14. Employee benefits

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

The Collective Labour Agreement covering the Company provides for awards for employees that complete 25 and 35 years of service with the Company, in addition to other obligations with employees. To measure these obligations, the Company has applied its best estimates based on an actuarial study performed by an independent third party in which the following



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assumptions have been applied: mortality table PERM/F 2020 a technical interest rate of 0.79% p.a. (2020: 0.32% p.a.).

b) Coal vouchers

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

Annual coal allowances are calculated based on actuarial studies prepared by an independent actuary and include the following assumptions: mortality tables PERM/F 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%).

c) Profit-sharing and bonus plans

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

d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. As at 31 December 2021, the Company recognised a provision of €1,175 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 Company's former CEO, as well as other termination benefits potentially payable in connection with other ongoing cases (Note 20). The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when it recognises costs for a restructuring that implies the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

3.15. Joint ventures

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

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

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

The Company has an interest in a consortium to carry out an overseas project. The contractual arrangement gives it ultimate decision-making power in the case of



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disagreement, so it has control whether it exercises it or not. It incorporates the consortium's transactions in full, considering those of the other party to the consortium as subcontracting in accordance with the nature of their relationship.

a) Accounting of joint ventures

Certain work is completed through the grouping of two or more companies as a temporary joint venture. At the year-end, the Company had interests in several temporary joint ventures (Note 29), the balances of which are included in the Company's accounting records in proportion to its share in them, in accordance with generally accepted accounting principles.

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

b) Integration of branches

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

3.16. Revenue recognition

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

The Company recognises revenue when the amount can be measured reliably, it is probable that the economic benefits will flow to the Company and the specific conditions for each activity as described below are met. The amount of revenue cannot be measured reliably until all contingencies related to the sale are resolved. The Company bases its estimated on past results taking into consideration the type of customer, the type of transaction and the specific terms of each arrangement.

a) Rendering of services

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

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



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

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

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

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

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

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

The Company presents the gross amount due from customers for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. Progress billing not paid yet by customers and retentions are included in "Trade and other receivables - Completed work pending certification" (Note 11).

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

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

b) Interest income

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

c) Dividend income

Dividend income is recognised as income in the statement of profit or loss when the right to receive payment is established. However, if distributed dividends are derived from

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profits generated prior to the acquisition date, they are not recognised as income, reducing the carrying amount of the investment.

3.17. Leases

a) When the Company is lessee – Finance lease

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

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

b) When the Company is lessee – Operating lease

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

c) When the Company is lessor

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

3.18. Foreign currency transactions

a) Functional and presentation currency

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

b) Foreign currency transactions and balances

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

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

Non-monetary assets and liabilities measured at fair value that are denominated in foreign



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currencies are translated using the exchange rates at the date when the fair value was determined. The resulting gains or losses are recognised in equity or in profit or loss by applying the same methods as those used to recognise changes in fair value.

3.19. Related party transactions

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

3.20. Current versus non-current classification

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

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

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

	€ thousand	
	31 December 2021	31 December 2020
Trade receivables and completed work pending certification	23,333	21,631
Total current assets	23,333	21,631
Trade and other payables	5,793	10,005
Provisions for contingencies and guarantees	66,484	79,836
Total current liabilities	72,277	89,841

3.21. Discontinued operations

A discontinued operation is a line of business earmarked for closure or sale whose assets, liabilities and net profit or loss can be distinguished physically, operationally and for financial reporting purposes. Income and expenses of discontinued operations are presented separately in the statement of profit or loss. In addition, when the Company 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.

None of the Company's lines of business or business segments was classified as a discontinued operation in either 2020 or 2019.



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3.22. Statement of cash flows

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

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

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

4. Financial risk management

4.1 Financial risk factors

a) Market risk

(i) Foreign currency risk

The Company operates internationally and is exposed to foreign currency risk on transactions in foreign currencies, mainly the US dollar (USD), and to a lesser extent, local currencies in emerging countries. Foreign currency risk arises on future commercial transactions, recognised assets and recognised liabilities, and net investments in foreign operations.

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

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

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



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At 31 December 2021, if the euro had weakened by 5% against the USD, with all other variables held constant, post-tax profit for the year would have been €1 thousand higher (2020: €452 thousand), whereas if it had strengthened by 5%, post-profit for the year would have been €1 thousand lower (2020: €409 thousand), mainly as a result of foreign exchange gains/losses on translation to USD (\$) of trade and other receivables, cash, suppliers and customer prepayments, as well as the impact on the final outcome of projects of the amounts of future revenues and expenses in dollars, and the effect of the stage of completion at year end.

(ii) Price risk

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

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

Against the current backdrop, with COVID-19 causing delays in project execution and invariably resulting in time overruns, the Company reassessed its estimate of the total costs in the budgets used to calculate the stage of completion (Note 3.16) and the onerous contract provision.

(iii) Cash flow and fair value interest rate risk

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

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

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

Based on the simulations performed, the impact on profit or loss of a 10 basis point shift would be an increase/decrease of €149 thousand (2020: €85 thousand).

b) Credit risk

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



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- Assets arising from derivative financial instruments (Note 12) and sundry balances included in cash and cash equivalents (Note 14).
- Balances related to trade and other receivables (Note 11).

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

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

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

The balance of trade receivables past due but not impaired at 31 December 2021 was €26,978 thousand (2020: €16,399 thousand) (Note 11).

c) Liquidity risk

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

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

	2021	2020
Borrowings and derivatives (Notes 5, 12 and 18)	(166,302)	(90,467)
Less: Cash and cash equivalents (Note 14)	84,608	9,565
Net financial debt	(81,694)	(80,902)
Undrawn credit lines (Note 18)	-	-
Total liquidity surplus/(shortfall)	<u>(81,694)</u>	<u>(80,902)</u>

Cash and cash equivalents at 31 December 2021 (Note 14) 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).

The Company also had €21,583 thousand of deposits and escrow accounts, of which €16 million related to the Iernut project in Romania, recognised under "current financial assets" in the statement of financial position as at 31 December 2021 (Notes 9 and 11), deposited as security for execution of its projects due to the lack of guarantees.

Liquidity risk in 2021 was higher than expected in the 2021 cash plan, largely due the particularly strong impact of the coronavirus crisis on collection and payment flows. The



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net cash position decreased by €792 thousand in 2021, mainly as a result of the rescheduling of projects, most notably Bellara and Djelfa, the completion of the Iernut project, following delays in arranging the public aid and negotiating refinancing agreements with the banks, which was supposed to be completed by 30 June 2021 and was concluded on 29 November 2021, mostly due to delays in collecting receivables from certain customers.

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.

a) Climate change risks

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

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

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

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

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

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

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.

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

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

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

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

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

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

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



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

4.2 Capital risk management

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

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

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

After the debt restructuring, the Group is subject to compliance with two half-yearly ratios tested every 12 months as explained in Note 18). To 31 December 2020, financial debt was subject to compliance with a (gross financial debt/EBITDA) ratio. It classified the debt from the €85 million 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, 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 18).

5. Assets and liabilities classified as held for sale

There were no assets classified as held for sale at 31 December 2021 and 2020.

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6. Intangible assets

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

	€ thousand		
	Computer software	Other assets in progress	Total
Balance at 1 January 2020	8,465	235	8,700
Cost	19,988	235	20,223
Accumulated amortisation	(11,523)	-	(11,523)
Carrying amount	8,465	235	8,700
Additions	-	-	-
Impairment losses	-	(235)	(235)
Amortisation allowance	(1,974)	-	(1,974)
Balance at 31 December 2020	6,491	-	6,491
Cost	19,988	-	19,988
Accumulated amortisation	(13,497)	-	(13,497)
Carrying amount	6,491	-	6,491
Balance at 1 January 2021	6,491	-	6,491
Cost	19,988	-	19,988
Accumulated amortisation	(13,497)	-	(13,497)
Carrying amount	6,491	-	6,491
Additions	-	-	-
Impairment losses	-	-	-
Amortisation allowance	(1,952)	-	(1,952)
Balance at 31 December 2021	4,539	-	4,539
Cost	19,988	-	19,988
Accumulated amortisation	(15,449)	-	(15,449)
Carrying amount	4,539	-	4,539

a) Fully amortised intangible assets

At 31 December 2021, there were fully amortised intangible assets still in use with a carrying amount of €4,446 thousand (2020: €4,397 thousand).

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7. Property, plant and equipment

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

	€ thousand					
	Land and buildings	Technical installations and machinery	Other installations, equipment and furniture	Other property, plant, and equipment	Construction in progress and advances	Total
Balance at 1 January 2020	13,166	192	1,708	315	3	15,384
Cost	15,910	385	6,363	5,903	3	28,564
Accumulated depreciation	(2,744)	(193)	(4,655)	(5,588)	-	(13,180)
Carrying amount	13,166	192	1,708	315	3	15,384
Additions	-	2	-	68	-	70
Decreases	-	-	-	-	-	-
Impairment losses	(1,742)	-	(112)	-	-	(1,854)
Transfers	-	-	(31)	(99)	-	(130)
Depreciation	(269)	(68)	(316)	(86)	-	(739)
Decreases	-	-	-	-	-	-
Other depreciation movements	-	-	5	60	-	65
Balance at 31 December 2020	11,155	126	1,254	258	3	12,796
Cost	15,910	387	6,332	5,872	3	28,504
Accumulated depreciation	(3,013)	(261)	(4,966)	(5,614)	-	(13,854)
Impairment losses	(1,742)	-	(112)	-	-	(1,854)
Carrying amount	11,155	126	1,254	258	3	12,796
Balance at 1 January 2021	11,155	126	1,254	258	3	12,796
Cost	15,910	387	6,332	5,872	3	28,504
Accumulated depreciation	(3,013)	(261)	(4,966)	(5,614)	-	(13,854)
Impairment losses	(1,742)	-	(112)	-	-	(1,854)
Carrying amount	11,155	126	1,254	258	3	12,796
Additions	-	-	19	89	-	108
Decreases	-	-	-	(5)	-	(5)
Impairment losses	298	-	10	-	-	308
Transfers	-	-	4	4	-	8
Depreciation	(251)	(67)	(315)	(92)	-	(725)
Decreases	-	-	-	4	-	4
Other depreciation movements	-	-	(15)	(18)	-	(33)
Balance at 31 December 2021	11,202	59	957	240	3	12,461
Cost	15,910	387	6,355	5,960	3	28,615
Accumulated depreciation	(3,264)	(328)	(5,296)	(5,720)	-	(14,608)
Impairment losses	(1,444)	-	(102)	-	-	(1,546)
Carrying amount	11,202	59	957	240	3	12,461

a) Additions and transfers

Additions in 2021 included mainly the acquisition of information technology equipment.

b) Impairment losses

The Company engaged an independent expert to value the land and buildings in order to determine whether there were any indications of impairment. Based on the appraisals made in 2020, impairment of €1,854 thousand was recognised in the 2020 statement of profit since the fair value of the assets was below 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 Company's land and buildings.



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c) Subsidised assets

The net carrying amount of subsidised assets at 31 December 2021 was €12,533 thousand (2020: €12,824 thousand).

d) Fully depreciated assets

At 31 December 2021, there were fully depreciated buildings with an original cost of €181 thousand (2020: €181 thousand) still in use. The cost of the rest of the fully depreciated items of property, plant and equipment still in use amounted to €6,578 thousand (2020: €6,492 thousand).

e) Assets held under operating lease

The statement of profit or loss included under "Operating expenses" operating lease expenses amounting to €587 thousand (2020: €1,697 thousand).

f) Insurance

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

g) Assets subject to guarantees

At 31 December 2021, there were items of property, plant and equipment amounting to €218 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: €11,720 thousand, of which €11,687 thousand related to items subject to an attachment order by the taxation authorities, which has been revoked).

8. Investment properties

	€ thousand	
	2021	2020
Land	6,437	6,323
Buildings	3,921	4,040
	<u>10,358</u>	<u>10,363</u>

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

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

	€ thousand		
	Land	Buildings	Total
Balance at 1 January 2020	8,618	4,851	13,469
Cost	9,094	9,709	18,803
Accumulated depreciation	-	(4,858)	(4,858)
Impairment losses	(476)	-	(476)
Carrying amount	8,618	4,851	13,469
Impairment losses	(2,295)	(601)	(2,896)
Depreciation	-	(210)	(210)
Balance at 31 December 2020	6,323	4,040	10,363
Cost	9,094	9,709	18,803
Accumulated depreciation	-	(5,068)	(5,068)
Impairment losses	(2,771)	(601)	(3,372)
Carrying amount	6,323	4,040	10,363
Balance at 1 January 2021	6,323	4,040	10,363
Cost	9,094	9,709	18,803
Accumulated depreciation	-	(5,068)	(5,068)
Impairment losses	(2,771)	(601)	(3,372)
Carrying amount	6,323	4,040	10,363
Impairment losses	114	69	183
Depreciation	-	(188)	(188)
Balance at 31 December 2021	6,437	3,921	10,358
Cost	9,094	9,709	18,803
Accumulated depreciation	-	(5,256)	(5,256)
Impairment losses	(2,657)	(532)	(3,189)
Carrying amount	6,437	3,921	10,358

The main investment properties relate to land located mostly in Langreo, Oviedo, Gijón (Asturias) and Madrid, of which €0.4 million (2020: €0.4 million) correspond to plots zoned as rural estates located in various areas of the Langreo municipality. The rest of the investments relate to buildings in La Felguera amounting to €1.8 million (2020: €1.8 million), Oviedo amounting to €5.9 million (2020: €5.9 million), and Gijón amounting to €2.2 million (2020: €2.2 million).

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



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Based on the appraisals made in 2020 impairment of €2,896 thousand was recognised in the 2020 statement of profit since the fair value of the assets was below carrying amount. In 2021, the appraisal made by an independent expert did not give rise to the recognition of any impairment losses on the Company's land and buildings.

At year-end 2021, the fair value of the investments were appraised by an independent, expert valuer at €16,048 thousand (2020: €16,000 thousand).

a) Assets held under operating lease

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

	€ thousand	
	2021	2020
Cost-capitalised operating leases	9,262	9,262
Accumulated depreciation	(2,106)	(1,968)
Depreciation for the year	(124)	(139)
Carrying amount	<u>7,032</u>	<u>7,155</u>

b) Insurance

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

c) Assets subject to guarantees

At 31 December 2021, there were investment properties amounting to €5,883 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: €3,980 thousand), of which €16 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 22). The Company formally requested lifting of those embargoes, but as at the date of authorisation for issue of the accompanying financial statements the taxation authorities had yet to issue any order cancelling them.

9. Analysis of financial instruments

9.1 Analysis by category

The carrying amount of each category of financial instruments established in the recognition and measurement standard for "financial instruments," except for equity investments in group companies, jointly controlled entities and associates (Note 10), is as follows:



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	€ thousand					
	Non-current financial assets					
	Equity instruments		Credits and other		TOTAL	
	2021	2020	2021	2020	2021	2020
Loans and receivables (Note 11)		-	22	21	22	21
Equity instruments	8,154	5,227	-	-	8,154	5,227
	<u>8,154</u>	<u>5,227</u>	<u>22</u>	<u>21</u>	<u>8,176</u>	<u>5,248</u>

	€ thousand					
	Current financial assets					
	Equity instruments		Loans, derivatives and other financial assets		TOTAL	
	2021	2020	2021	2020	2021	2020
Loans and receivables (Note 11)	-	-	170,262	174,847	170,262	174,847
Equity instruments	5,320	-	-	-	5,320	-
Cash and cash equivalents (Note 14)	-	-	84,608	9,565	84,608	9,565
	<u>5,320</u>	<u>-</u>	<u>254,870</u>	<u>184,412</u>	<u>260,190</u>	<u>184,412</u>

Loans and receivables do not include balances with Public Administrations.

At 31 December 2021, equity instruments included mainly the stakes in Ausenco, Ltd. and Epicom (2020: the stake in Ausenco, Ltd.), companies over which the Company does not have any control. In 2021, changes in the fair value of these financial assets amounted to €2,589 thousand (2020: negative €243 thousand).

	€ thousand					
	Non-current financial liabilities					
	Bank borrowings		Bonds and other financial liabilities		TOTAL	
	2021	2020	2021	2020	2021	2020
Debts and payables (Note 18)	13,000	-	141,987	601	154,987	601
	<u>13,000</u>	<u>-</u>	<u>141,987</u>	<u>601</u>	<u>154,987</u>	<u>601</u>

	€ thousand					
	Current financial liabilities					
	Bank borrowings		Derivatives and other		TOTAL	
	2021	2020	2021	2020	2021	2020
Debts and payables (Notes 5 and 18)	10,057	88,831	178,291	189,649	188,348	278,480
	<u>10,057</u>	<u>88,831</u>	<u>178,291</u>	<u>189,649</u>	<u>188,348</u>	<u>278,480</u>

Debts and payables do not include balances with Public Administrations.

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9.2 Analysis by maturity

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

	€ thousand					
	Financial assets					
	2022	2023	2024	2025	Subsequent years	Total
Loans and receivables (Note 11)	170,262	22	-	-	-	170,284
Equity instruments	5,320	-	-	-	-	5,320
Cash and cash equivalents (Note 14)	84,608	-	-	-	-	84,608
	<u>260,190</u>	<u>22</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>260,212</u>

	€ thousand					
	Financial assets					
	2021	2022	2023	2024	Subsequent years	Total
Loans and receivables (Note 11)	174,847	21	-	-	-	174,868
Cash and cash equivalents (Note 14)	9,565	-	-	-	-	9,565
	<u>184,412</u>	<u>21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>184,433</u>

	€ thousand					
	Financial liabilities					
	2022	2023	2024	2025	Subsequent years	Total
Bank borrowings (Note 18)	10,057	-	6,429	1,071	5,500	23,057
Bonds and other marketable debt securities	-	-	-	-	15,987	15,987
Other financial liabilities	1,258	-	90,000	36,000	-	127,258
Trade and other payables (Note 18)	177,033	-	-	-	-	177,033
	<u>188,348</u>	<u>-</u>	<u>96,429</u>	<u>37,021</u>	<u>20,987</u>	<u>343,335</u>

	€ thousand					
	Financial liabilities					
	2021	2022	2023	2024	Subsequent years	Total
Bank borrowings (Note 18)	88,831	-	-	-	-	88,831
Other financial liabilities (Note 18)	189,649	601	-	-	-	190,250
	<u>278,480</u>	<u>601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,081</u>

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9.3 Credit quality of financial assets

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

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

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

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



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	€ thousand				
	Opening balance	Additions and allowances	Transfers	Decreases	Closing balance
<u>2020</u>					
Investments in group companies					
Investments in group companies	228,659	19,611	(1)	-	248,269
Uncalled capital on investments in group companies	-	(45)	-	-	(45)
Impairment of investments in group companies	(202,341)	(15,714)	1	-	(218,054)
	<u>26,318</u>	<u>3,852</u>	<u>-</u>	<u>-</u>	<u>30,170</u>
Investments in associates					
Investments in associates	55	-	1	-	56
Uncalled capital on investments in associates	(4)	-	-	-	(4)
Impairment of investments in associates	(34)	(1)	(1)	-	(36)
	<u>17</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16</u>
	<u>26,335</u>	<u>3,851</u>	<u>-</u>	<u>-</u>	<u>30,186</u>

Additions to investments in group companies in 2021 related to other contributions to DF Mompresa S.A.U for €9,337 thousand and Duro Felguera Calderería Pesada, S.A.U: for €14,870 thousand(2020: capital contributions to Duro Felguera Do Brasil of €104 thousand and Duro Felguera Logistics Systems, S.A.U. of €60 thousand, and equity holder contributions to offset losses at DF Investment, S.A. of €11,694 thousand, Duro Felguera Operaciones y Montajes, S.A.U. of €5,500 thousand and DF Oil & Gas, S.A. of €2,253 thousand).

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

The most significant impairment of investments in 2020 related to DF Investment, S.A. for €2,059 thousand, Felguera IHI, S.A., for €897 thousand, Duro Felguera Operaciones y Montajes, S.A.U. for €5,500 thousand, Duro Felguera Oil&Gas, S.A. for €491 thousand, Duro Felguera Do Brasil for €104 thousand, Duro Felguera Saudí for €95 thousand and Felguera Grúas India Private Limited for €6,568 thousand. Provisions were recognised for an amount equal to the underlying carrying amount of investees, as explained in Note 20 Provision for liabilities. Determination of the value of investees considered the unrealised

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gains on real estate assets appraised by an independent expert in accordance with the methodology explained in Note 2.6.1.

The following table presents information on group companies and associates:

2021

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

2021

<u>Name and legal structure</u> <u>Group companies and</u> <u>jointly controlled entities:</u>	<u>Activity and location</u>	<u>% shareholding</u>	
		<u>Direct, %</u>	<u>Indirect, %</u>
Felguera Tecnologías de la Información, S.A.	Development of business management software (Llanera).	60%	-



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Turbogeneradores del Perú, S.A.C.	Construction and assembly of industrial projects (Peru)	90%	10%
Duro Felguera Argentina, S.A.	Construction, maintenance and supply of equipment for power stations (Argentina).	-	100%
Duro Felguera Chile Limitada (formerly Opemasa Andina, Ltda.)	Construction, maintenance and supply of equipment for power stations (Chile)	-	100%
Mopre Montajes de Precisión de Venezuela, S.A.	Assembly of turbo-generators and auxiliary equipment in power stations (Venezuela).	-	100%
Turbogeneradores de Venezuela, C.A.	Construction and assembly of industrial projects (Venezuela)	-	100%
Equipamientos Construcciones y Montajes, S.A. de C.V.	Construction and assembly of industrial projects (Mexico)	100%	-
Proyectos e Ingeniería Pycor, S.A. de C.V.	Engineering (Mexico)	99.8%	0.2%
Felguera Diavaz Proyectos México, S.A. de C.V.	Wind energy and cogeneration (Mexico)	50%	-
Felguera Grúas India Private Limited	Port terminals (India).	99.65%	0.35%
PT Duro Felguera Indonesia	Engineering, supply and construction projects for the mining, energy and industrial sectors (Indonesia).	95%	-
Duro Felguera Panamá, S.A.	Engineering, supplies and civil works for energy projects (Panama).	100%	-
Duro Felguera Saudí LLC	Construction of electricity generation buildings and plants (Saudi Arabia).	95%	5%
DF Canadá Ltd.	Engineering and construction services	100%	-
Felguera IHI Canadá Inc.	Engineering and construction services	-	100%

2021

<u>Name and legal structure</u> <u>Group companies and</u> <u>jointly controlled entities:</u>	<u>Activity and location</u>	<u>% shareholding</u>	
		<u>Direct, %</u>	<u>Indirect, %</u>
DF USA, LLC	Commercial project development (USA)	100%	-
Duro Felguera Logistic Systems, S.A.U.	Automated transport systems, automater warehouses and maintenance systems and industry.	100%	-

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DFOM Biomasa Huelva, S.L.	Operation and maintenance of Ence's biomass power generation plant in Huelva.		100%
DF do Brasil Desenvolvimento de Projectos Ltda.	Commercial project development	100%	-
Dunor Energía, S.A.P.I de C.V.	Construction of 313 CC Empalme II combined cycle plant in the state of Sonora (Mexico) under a tender from the Federal Electricity Commission (CFE).	50%	-

2021

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

2020

<u>Name and legal structure</u>	<u>Activity and location</u>	<u>% shareholding</u>	
		<u>Direct, %</u>	<u>Indirect, %</u>
<u>Group companies and jointly controlled entities:</u>			
Duro Felguera Investment, S.A.U	Investment services (La Felguera)	100%	-
Duro Felguera Calderería Pesada, S.A.U.	Pressure vessels and heavy boiler-making (Gijón)	-	100%
Duro Felguera Green Tech, S.A.U. (formerly DF Técnicas de Entibación, S.A.U.)	Renewable energies (Gijón)	-	100%
DF Operaciones y Montajes, S.A.U.	Study, marketing and provision of all types of services and supplies. Industrial plant and machinery maintenance and operation, and instrumentation. Commissioning of facilities (Gijón)	100%	-
DF Mompresa, S.A.U.	Assembly and maintenance of turbines (Gijón)	100%	-



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Duro Felguera Oil&Gas, S.A.	Creation, design, calculation, basic engineering, detailed engineering, management, planning, computerisation, coordination, monitoring and control of projects in the oil, gas and petrochemical industry (Madrid).	100%	-
Epicom, S.A.	Research, development, manufacture, marketing, technical assistance, study and consulting in relation to equipment, electronic systems and software (Madrid)	100%	-
Felguera I.H.I., S.A.	Fuel and gas storage equipment (Madrid)	100%	-

2020

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



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

2020

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

2020

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



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



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2021

€ thousand

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



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2021

€ thousand

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



DURO FELGUERA, S.A.

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2020

Company	€ thousand					Carrying amount of the investment
	Equity					
	Capital	Reserves	Other items (1)	Operating profit/(loss)	Profit/(loss) for the year	
<u>Group companies and jointly controlled entities:</u>						
Direct holding (2)						
DF Mompresa, S.A.U. (3)	2,736	3,667	(4,668)	(5,629)	(26,910)	-
Felguera Tecnologías de la Información, S.A (5)	90	1,080	143	29	(35)	176
Duro Felguera Investment, S.A.U.(5)	23,468	5,336	(10,147)	462	(10,859)	16,598
Felguera I.H.I., S.A. (3)	2,900	734	4,323	1,090	(1,748)	6,209
Duro Felguera Operaciones y Montajes, S.A.U. (3)	120	8,758	(3,361)	(5,959)	(8,127)	-
Equipamientos Construcciones y Montajes, S.A. de C.V (5)	166	8,134	(1,488)	(33)	212	-
Duro Felguera Oil & Gas, S.A.U.	3,000	-	11	(430)	(491)	2,520
Turbogeneradores del Perú, S.A.C.(4) (5)	9	513	(164)	(253)	(253)	8
PT Duro Felguera Indonesia (5)	477	-	(1,241)	(48)	(48)	-
Felguera Diavaz Proyectos México, S.A. (4)(5)	3	-	(42)	-	(6)	-
Duro Felguera Do Brasil (5)	194	6,087	(7,370)	(301)	(1,055)	-
Epicom, S.A.	217	1,620	-	369	262	4,636
Duro Felguera Saudí LLC (5)	237	-	(137)	(124)	(124)	-
DF USA, LLC (5)	167	-	(634)	(10)	(10)	-
Dunor Energía, S.A.P.I. de C.V. (5)	3	-	(6,931)	(28,288)	(28,853)	-
DF Canadá Ltd. (5)	-	133	(170)	(148)	(159)	-
DF Logistic Systems, S.A.U. (5)	15	-	-	(1)	(1)	-
Felguera Grúas India Private Limited (5)	50,523	-	(44,556)	(11,682)	(11,363)	-
Proyectos e Ingeniería Pycor, S.A. de CV (5)	481	77	(530)	58	54	9



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2020

Company	€ thousand					Carrying amount of the investment
	Capital	Reserves	Other items (1)	Operating profit/(loss)	Profit/(loss) for the year	
Indirect holding						
Duro Felguera Green Tech, S.A.U. (formerly DF Técnicas de Entibación, S.A.U.) (5)	3,936	1,220	-	(461)	(466)	-
Duro Felguera Calderería Pesada, S.A.U.	9,843	1,053	(2,477)	(8,686)	(9,044)	-
Duro Felguera Argentina, S.A. (5)	13,874	2,465	(52,567)	(14,677)	(18,783)	-
Felguera IHI Canadá Inc (4) (5)	-	20	(9)	-	-	-
Duro Felguera Chile, Ltda (formerly Opemasa Andina, Ltda) (5)	1	-	(11,770)	(802)	(331)	-
DFOM Biomasa Huelva, S.L. (5)	3	-	-	6	-	-
Turbogeneradores de Venezuela C.A. (5)	475	-	(2,400)	(75)	(75)	-
Mopre Montajes de Precisión Venezuela, C.A. (4) (5)	368	(314)	(224)	-	-	-

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

(2) Consolidated data included in the direct holding.

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

(4) Dormant.

(5) Not audited.

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

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

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

The Company has no contingencies in relation to associates.

11. Loans and receivables

	€ thousand	
	2021	2020
Non-current loans and receivables:		
- Loans to employees	-	-
- Other financial assets	22	21
	<u>22</u>	<u>21</u>
Current loans and receivables:		
- Trade receivables	63,703	65,638
- Completed work pending certification	22,129	20,301
- Provision for impairment	(60,725)	(59,991)
- Loans to group companies and associates (Note 31)	105,241	99,143
- Group companies (Note 31)	9,446	10,180
- Completed work pending certification, group (Note 31)	108	152
- Other receivables	5,833	5,810
- Loans to employees	181	139
- Current tax assets ⁽¹⁾	-	-
- Other taxes receivable ⁽¹⁾	18,031	18,491
- Loans to companies	1,943	-
- Other financial assets	22,403	33,475
	<u>188,293</u>	<u>193,338</u>
	<u>188,315</u>	<u>193,359</u>

(1) Taxes receivable and payable are not included in the analysis of financial instruments (Note 9).

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

“Completed work pending certification” includes the difference between production recognised by the Company in each project, and the invoices issued to customers. This amount relates to work covered by the terms of the various contracts in which the billing milestones for the work performed have yet to be reached. The Company considers that there are not doubts that this work will be invoiced. Of the amount at 31 December 2021, €14.7 million related to the Termocentro project, for which a provision for the same amount was recognised, €6.3 million to the Aconcagua project (Note 28), and €1 million relating to work carried out in 2021.

“Other receivables from Public Administrations” relates mainly to VAT to be offset in joint ventures (UTES and SUCs). “Current tax assets includes” withholdings made in the year in relation to prepaid income tax.

The Company also has €5,304 thousand of deposits and escrow accounts.

The carrying amounts of loans and receivables are denominated in:

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	€ thousand	
	2021	2020
Euro	116,211	80,285
US dollar	57,035	87,811
Algerian dinar	9,341	8,135
Mexican peso	275	274
Romanian leu	-	16,395
Indian rupee	54	54
Peruvian nuevo sol	397	397
Pound sterling	3,773	-
Chilean peso	1,188	-
United Arab Emirates dirham	18	-
Egyptian pound	4	-
Qatari riyal	4	-
South African rand	14	-
Canadian dollar	1	8
	<u>188,315</u>	<u>193,359</u>

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

	€ thousand	
	2021	2020
Opening balance	(59,991)	(53,205)
Provision for impairment of receivables	(884)	(6,786)
Reversals	150	-
Transfers	-	-
Closing balance	<u>(60,725)</u>	<u>(59,991)</u>

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

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

At 31 December 2021, in addition to receivables provisioned, receivables amounting to €26,978 thousand had fallen due (2020: €16,399 thousand). Balances less than six months past due are not impaired, as these accounts correspond to customers for whom there is no recent history of default. Balance more than six months past due, which relate to projects in progress, are also not considered to be impaired as some are covered by prepayments not settled and recognised under "Trade and other payables" (Note 18) for €2.6 million (2020: €4.7 million).

The most important past-due balances relate to:

- Bellara project (Algeria)

The balance includes a past-due amount of €3,545 thousand. This project resumed early this year after a new amendment was agreed with the customer setting out a collection protocol.

- Termocentro project (Venezuela)

This includes the past-due balance, net of provisions and including completed construction work pending certification, for 2020 of €8,779 thousand (2020: €8,431

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thousand). No amounts related to this project were received between February 2017 and the date of authorisation for issue of these financial statements. In its assessment of the recoverability of the balance receivable, the Company equated the debt to Venezuela sovereign debt, since the customer is a public institution. To estimate expected credit losses, it considered the available information before default of the Venezuelan government's CDS curve. Meanwhile, in light of the severe worsening of Venezuela's economic, political and social situation over the past few years and more so since the sovereign rating was downgraded from CCC to C, the recovery rate remains low, at around 15%.

As a result, the Company has kept an allowance for 85% of the entire outstanding balances, including the amount of completed work pending certification and the provision for the withholding to be applied to the customer. The accumulated amount of the provision at 31 December 2021 was €48,291 thousand (2020: €47,778 thousand).

Under the terms of the agreement signed with the customer, at 31 December interest amounting to €60,928 thousand had accrued to the Company (2020: €52,705 thousand) which had not been recognised and was considered as contingent assets, of which €49,146 thousand corresponded to the Company.

The ageing analysis of these receivables is as follows:

	€ thousand	
	2021	2020
Up to 3 months	4,416	324
Between 3 and 6 months	197	291
Between 6 months and 1 year	5,855	2,348
More than 1 year	16,510	13,436
	<u>26,978</u>	<u>16,399</u>

12. Derivative financial instruments and hedging activities

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

13. Inventories

The entire balance of inventories at 31 December 2021 and 2020 relates to advance payments to suppliers for execution of projects in progress.

14. Cash and cash equivalents

	€ thousand	
	2021	2020
Cash	84,536	9,494
Other cash equivalents	72	71
	<u>84,608</u>	<u>9,565</u>

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

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agreements (2020: €1,921 thousand, pledged as security for project guarantees or cash deposits made in lieu of project guarantees).

In 2021, "Cash equivalents" included mainly a deposit of UTE Besos of €71 thousand.

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

	<u>2021</u>	<u>2020</u>
Euro	83,849	7,585
US dollar	516	692
Algerian dinar	8	1,206
AED dirham	158	28
Romanian leu	11	43
Other	66	11
	<u>84,608</u>	<u>9,565</u>

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

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>	<u>Ownership (%) direct and indirect</u>	
	<u>2021</u>	<u>2020</u>
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.

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

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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.

As explained in Note 18, the Class A Convertible Bonds were modified as a result of the refinancing agreement reached with banks on 29 November 2021 and the commitments with FASEE and reclassified to financial liabilities at their fair value at that date.

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e) Reserves

	€ thousand	
	2021	2020
Legal and statutory reserves		
- Legal reserve	-	-
Other reserves:		
- Voluntary reserves	2,688	(198)
	<u>2,688</u>	<u>(198)</u>
	<u>2,688</u>	<u>(198)</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.

f) Prior periods' profit and loss

	€ thousand	
	2021	2020
Retained earnings		-
Prior periods' losses	(176,730)	(5,558)
	<u>(176,730)</u>	<u>(5,558)</u>

g) Profit/(loss) for the year

g.1) Proposed distribution of profit

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

	€ thousand	
	2021	2020
<u>Basis of distribution</u>		
Profit/(loss)	20,997	(171,172)
	<u>20,997</u>	<u>(171,172)</u>

	€ thousand	
	2021	2020
<u>Distribution</u>		
Legal reserve	-	-
Prior periods' losses	20,997	(171,172)
	<u>20,997</u>	<u>(171,172)</u>

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g.2) Interim dividend

The Company did not distribute any dividends in the years ended 31 December 2021 and 2020.

g.3) Limitations on the distribution of dividends

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

h) Valuation adjustments

Valuation adjustments at year-end 2021 related primarily to:

	€ thousand	
	2021	2020
Available-for-sale financial assets	3,373	783
Translation differences:		
- 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
	<u>5,842</u>	<u>11,464</u>
	<u>9,215</u>	<u>12,247</u>

i) Equity

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:

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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.

16. Share-based payments

No share delivery plan was agreed in 2021 or 2020.

17. Grants received

The amount recognised under capital grants relates to the restatement of loans granted for building construction, net of the related tax effect (Note 21). In 2021, €97 thousand were reclassified to profit or loss (2020: €123 thousand).

18. Debts and payables

	€ thousand	
	2021	2020
Non-current debts and payables:		
Bonds and other marketable debt securities	15,987	-
- Bank borrowings	13,000	-
- Other loans	126,000	601
	<u>154,987</u>	<u>601</u>
Current debts and payables:		
- Bank borrowings	10,057	88,831
- Suppliers	82,950	94,370
- Suppliers, group companies and associates (Note 31)	17,733	19,028
- Other payables	6,214	4,480
- Current payables to group companies and associates (Note 31)	33,853	35,085
- Other financial liabilities	1,258	1,035
- Salaries payable	1,593	2,347
- Current tax liability (1)	18	1,320
- Other payables to Public Administrations ⁽¹⁾	4,343	2,623
- Advances from customers	34,690	33,304
	<u>192,709</u>	<u>282,423</u>
	<u>347,696</u>	<u>283,024</u>

⁽¹⁾ Tax payables and receivables are not included in the analysis of financial instruments (Note 9).

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The exposure of the Company's debts and payables to changes in interest rate, mainly payables to group companies and bank borrowings, for €43,910 thousand (2020: €123,916 thousand), is reviewed annually and quarterly, respectively.

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

	€ thousand			
	Carrying amount		Fair value	
	2021	2020	2021	2020
Bonds and other marketable debt securities	15,987	-	15,987	-
- Bank loans	13,000	-	13,000	-
- Other loans	126,000	601	126,000	601
	<u>154,987</u>	<u>601</u>	<u>154,987</u>	<u>601</u>

The carrying amount of current borrowings approximates fair value as the effect of discounting is not material. Fair values are based on cash flows discounted at an interest rate based on the borrowing rate of 4% (2020: 4%).

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

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

	€ thousand	
	2021	2020
Euro	303,307	232,702
US dollars	4,466	9,143
Pound sterling	170	318
Algerian dinar	31,917	30,456
Peruvian nuevo sol	20	21
Mexican peso	256	66
Indian rupee	45	24
Romanian new leu	4,033	6,611
Australian dollar	37	36
United Arab Emirates dirham	3,378	3,600
Other	67	47
	<u>347,696</u>	<u>283,024</u>

At 31 December 2021 and 2020, the Company had no credit facilities.

a) Convertible bonds

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

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Class A Convertible Bonds:

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

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

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

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

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

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

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

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

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

When it entered into the refinancing agreement in 2018, the Group concluded that the Class A 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.

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- 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.

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:

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- 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.

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.

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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 (Cp) is calculated at each conversion window as:

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

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

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

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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.

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:

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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:

- 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):

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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):

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:

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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.

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

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for issue of the consolidated financial statements, there was no cause triggering early maturity of this financing.

c) Other loans

“Other non-current loans” mainly includes the updated debts with official bodies mainly loans received from the Ministry of Education and Science and other bodies, for a nominal amount of €8,790 thousand (2020: €8,790 thousand). The effect of discounting is recognised in “Capital grants”.

The present value of these loans at 31 December 2021 was €0 thousand (2020: €601 thousand)

d) Other current financial liabilities

This item mainly includes mainly the current portion of payables to official bodies described above.

The present value of these loans at 31 December 2021 was €625 thousand (2020: €914 thousand).

e) Information on average payment period to suppliers. Third Additional Provision “Disclosure requirement” of Law 15/2010, of 5 July.

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

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

	Days	
	2021	2020
– Average supplier payment period	654.66	443.13
– Ratio of transactions paid	415.89	190.78
– Ratio of transactions outstanding	872.25	726.15
	€ thousand	
	2021	2020
– Total payments made	26,051	36,377
– Total payments outstanding	28,587	32,435

Excluding the Djelfa product, which resumed in 2021 (see Note 1), the average supplier payment period would be 278 days.

In keeping with the ICAC Resolution, in calculating the average supplier payment terms in these financial statements, the Company considered commercial transactions corresponding to goods or services delivered and accrued since effectiveness of Law 31/2014, of 3 December 2014.

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“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 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 Company had past-due balances with suppliers amounting to €60,552 thousand for services, works or supplies related mainly to projects. Of this amount, 60.3% 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, 43.2% were the subject of litigation and/or arbitration, mostly over delays in payments. However, the Company is actively negotiating agreements with several suppliers to set new payment schedules or obtain forgiveness of outstanding past-due amounts.

19. Long-term employee benefits

A breakdown of the amounts recognised in the statement of financial position in respect of long-term employee benefits and the corresponding charges to the statement of profit or loss for the different types of defined contribution commitments that the Company has arranged with its employees is as follows:

	€ thousand	
	2021	2020
On-balance sheet obligations for:		
-Coal vouchers	88	100
-Length-of-service awards and other employee commitments	452	548
	<u>540</u>	<u>648</u>

The amounts recognised in the statement of financial position are determined as follows:

	€ thousand	
	2021	2020
Present value of the obligations assumed	540	648
Liability in the statement of financial position	<u>540</u>	<u>648</u>

a) Coal vouchers

The movement in the coal voucher obligation with serving employees is as follows:

	€ thousand	
	2021	2020
Opening balance	100	104
Benefits paid	-	-
Charges	-	-
Reversals	(12)	(4)
Closing balance	<u>88</u>	<u>100</u>

Annual provisions for coal vouchers are calculated based on actuarial studies described in Note 3.14.

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Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the statement of recognised income and expense in the period in which they arise.

The provision at year-end relates mainly to accruals of future obligations acquired with serving and retired personnel for the monthly supply of a specific quantity of coal.

b) Other obligations with employees

The movement in other obligations with employees over the year was as follows:

	€ thousand	
	2021	2020
Opening balance	548	582
Current service cost	47	157
Decreases	(143)	(191)
Closing balance	<u>452</u>	<u>548</u>

20. Provisions for liabilities and charges and other trade provisions

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

2021	€ thousand			
	Provisions for liabilities	Provision for warranties	Other provisions	Total
Opening balance	53,555	8,926	76,747	139,228
Arising during the year	19,663	174	6,281	26,118
Reversals	(5,486)	(2,061)	(12,542)	(20,089)
Amounts used			(137)	(137)
Transfers	<u>(42,569)</u>	<u>(15)</u>	<u>40,648</u>	<u>(1,936)</u>
Closing balance	<u>25,163</u>	<u>7,024</u>	<u>110,997</u>	<u>143,184</u>

Analysis of total provisions:

	€ thousand	
	2021	2020
Non-current	25,163	53,555
Current	<u>118,021</u>	<u>85,673</u>
	<u>143,184</u>	<u>139,228</u>

“Provision for liabilities” includes mainly provisions recognised to cover negative equity of certain subsidiaries (Note 10).

“Provision for warranties” includes mainly those amounts for which it has been considered reasonable to set aside a provision, basically as a result of various contractual clauses relating to warranties and liabilities which, if appropriate, would have to be assumed upon

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completion of the work, and taking into account the historical development of the amounts that have had to be assumed for this type of contingencies.

"Other provisions" includes mainly a provision of €39,861 thousand, calculated as the best estimate of the outcome of ongoing proceedings with the customer described in Note 28, and a provision for €18,401 thousand for cancellation of orders in progress with suppliers in the same project, and provisions for other liabilities and project losses of €8,991 thousand, mainly related to Djelfa and Iernut (see Note 28) and others for occupational risks for €1,175 thousand.

21. Taxes receivable and payable and deferred taxes

a) Taxes receivable and payable

The main taxes receivable and payable are as follows:

	€ thousand	
	2021	2020
Taxes receivable		
Value added tax (*)	18,030	18,491
Personal income tax withholdings	-	-
Prepaid taxes, income tax of other countries and non-resident withholdings	-	-
Receivable for refund of prior year's income tax	-	-
Other	1	-
	<u>18,031</u>	<u>18,491</u>
Taxes payable		
Value added tax	(3,246)	(1,260)
Social Security payables	(326)	(420)
Other	-	-
Personal income tax withholdings	(771)	(943)
Other taxes	-	-
	<u>(4,343)</u>	<u>(2,623)</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 22 under an agreement dated 11 October 2018.

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b) Deferred taxes

The breakdown of deferred taxes is as follows:

	€ thousand	
	2021	2020
Deferred tax assets:		
- Temporary differences	12,496	21,520
	<u>12,496</u>	<u>21,520</u>
Deferred tax liabilities:		
- Temporary differences	(12,237)	(20,713)
	<u>(12,237)</u>	<u>(20,713)</u>
Deferred taxes	<u>259</u>	<u>807</u>

	€ thousand	
	2021	2020
Deferred tax assets:		
- Non-current	12,496	21,520
- Current	-	-
	<u>12,496</u>	<u>21,520</u>
Deferred tax liabilities:		
- Non-current	(12,237)	(20,713)
- Current	-	-
	<u>(12,237)</u>	<u>(20,713)</u>
Deferred taxes	<u>259</u>	<u>807</u>

The gross movement in deferred taxes is as follows:

	€ thousand	
	2021	2020
Opening balance	807	825
Credited to profit or loss (Note 22)	(576)	(48)
Tax charged directly to equity	28	30
Closing balance	<u>259</u>	<u>807</u>

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

		€ thousand				
Deferred tax assets		Provisions for pensions and employee obligations	Provisions for warranties and liabilities	Taxable income (tax losses) and deductions	Adaptation to Royal Decree 1514/2007 and other	Total
Balance at 31 December 2019		-	2,288	23,964	1,807	28,059
(Charged)/credited to profit or loss		-	(56)	(6,491)	8	(6,539)
Charged directly to equity		-	-	-	-	-
Balance at 31 December 2020		-	2,232	17,473	1,815	21,520
(Charged)/credited to profit or loss		-	(476)	(8,468)	(84)	(9,028)
Charged directly to equity		-	-	-	4	4
Balance at 31 December 2021		-	1,756	9,005	1,735	12,496

		€ thousand				
Deferred tax liabilities		Gains on transactions with non-current assets	Class B Convertible Bonds	Other	Subsidiaries, interest-free loans	Total
Balance at 31 December 2019	31	129	23,964	2,384	757	27,234
Charged/(credited) to profit or loss	to	-	(6,499)	9	-	(6,490)
Charged directly to equity		-	-	-	(31)	(31)
Balance at 31 December 2020	31	129	17,465	2,393	726	20,713
Charged/(credited) to profit or loss	to	-	(8,460)	8	-	(8,452)
Charged directly to equity		-	-	-	(24)	(24)
Balance at 31 December 2021	31	129	9,005	2,401	702	12,237

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.

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 deferrals 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

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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 €36,018 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.

c) Unrecognised deferred tax assets

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

Unrecognised deferred tax assets of the Company at 31 December 2021 are as follows:

	2021		2020	
	Base	Tax charge	Base	Tax charge
Tax losses	35,795	8,949	40,576	10,144
Deductions	-	-	-	-
R&D and technological innovation	-	1,949	-	1,957
Donations	-	189	-	189
Reversal of temporary measures	-	32	-	23
Double international taxation	-	436	-	436
Losses of foreign operations	109,939	27,485	106,766	26,691
Losses of subsidiaries	322,001	80,500	293,793	73,448
Other	70,034	17,508	84,745	21,186
	<u>537,769</u>	<u>137,048</u>	<u>525,880</u>	<u>134,074</u>

As explained previously, there is no time limit 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.

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22. Income tax and tax situation

a) Reconciliation

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

2021	€ thousand		
	Statement of profit or loss		
Income and expense for the year	Increases	Decreases	Total
Net profit	-	-	20,998
Income tax	-	-	28
Unrecognised permanent and temporary differences	40,863	(37,177)	3,686
Temporary differences:			
- arising in the year	8,864	(36,879)	(28,015)
- arising in prior years	69,859	(9,724)	60,135
Taxable income/(tax loss)			56,832
Offset of tax loss carryforwards			(56,832)
			-

Income tax expense comprises:

	€ thousand	
	2021	2020
Current tax	24	92
Foreign tax	(772)	(1,031)
Adjustment of prior year current tax	1,295	834
Adjusted of prior deferred tax (Note 21)	-	-
Tax credit (Note 21)	(7,447)	(6,499)
Deferred tax (Note 21)	6,872	6,451
Other	-	-
	(28)	(153)

Unrecognised permanent and temporary differences are mainly generated as a result of the exclusion by the Company of income from branches and permanent establishments abroad and dividends received from Spanish and foreign investees, in accordance with the provisions of articles 21 and 22 of Corporate Income Tax Law 27/2014, and the provision for securities portfolio, provisions for liabilities, onerous contracts, impairment of property, plant and equipment and investment properties, considered non-deductible expenses.

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

Duro Felguera, S.A. and the subsidiaries in which it directly or indirectly holds an interest of over 75% pay income tax under the consolidated tax scheme. This system requires the Tax Group reporting the taxable income be treated as single taxpayer for all purposes. However, each consolidating company must calculate its own tax liability as if it were filing

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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 Company has operations. In Spain, it is open to inspection of taxes for the following years:

- Income tax of the consolidated group: 2010 to 2014 and 2017 and thereafter for the tax group.
- Value added tax: 2011 and 2012 and 2018 and thereafter
- Income tax (earned income, professional fees and investment income) for Duro Felguera, S.A.: 2011, 2012 and 2014, and 2018 and thereafter.
- 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.

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- 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 procedures since in the management's opinion, and based on reports issued by independent third parties in prior years and up to the reporting date, the arguments are sufficiently strong to expect a ruling in 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 relatively recent 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.

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- 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 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.

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23. Revenue and expenses

a) Foreign currency transactions

The amounts of foreign currency transactions are as follows:

	€ thousand	
	2021	2020
Purchases	864	30,704
Sales	11,516	18,696

b) Revenue

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

Market	%	
	2021	2020
Domestic market	25.13	10.21
International market	74.87	89.79
	<u>100.00</u>	<u>100.00</u>

The breakdown of revenue by product line is as follows:

Line	%	
	2021	2020
Energy project management	0.42	78.59
Mining & Handling project management	82.16	13.30
Oil & Gas project management	0.25	2.52
Sundry services	17.17	5.59
	<u>100.00</u>	<u>100.00</u>

In 2021, sales totalling €11 million, €8 million and €0.8 million, respectively, were made to three customers that, individually, represented over 10% of the Company's revenue (2020: €30 million, €23 million and €11 million, respectively).

c) Operating grants released to income

No operating grants were recognised in 2021 and 2020.

d) Personnel expenses

	€ thousand	
	2021	2020
Salaries and wages	17,477	18,713
Termination benefits	6	1,334
Employee benefits expense:		
- Social Security payable by the Company	5,030	5,697
- Other benefits	148	367
	<u>22,661</u>	<u>26,111</u>

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On 7 January 2021, the Group applied the furlough scheme based on productive needs provided for in Royal Decree Law 30/2020 and Royal Decree Law 8/2020 of 17 March, on urgent and extraordinary measures to cope with the economic and social impact of COVID-19, commenced. The scheme affects Duro Felguera, S.A. (DFSA), DF Operaciones y Montajes, S.A.U. (DFOM), DF Mompresa, S.A.U. (MOMPRESA), Felguera IHI, S.A.U. (FIHI) and Duro Felguera Oil & Gas, S.A.U. Application of the scheme was extended a first time on 31 May 2021 and again on 14 October 2021, on both occasions by agreement with union representatives. The furlough has a duration of 14 months (until 28 February 2022) and affects a total of 778 workers (of which 354 are Duro Felguera, S.A. employees), with an upper limit of 400 workers per month.

The furlough scheme produced savings in 2021 of €1,900 thousand for the Company.

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

	Number of employees			
	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	16	16	16	16
Middle managers	62	56	82	76
Qualified staff	231	185	296	254
Other	29	22	50	43
	344	285	452	397

The distribution of Company personnel 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	13	5	18	9	5	14
Middle managers	45	13	58	55	15	70
Qualified staff	150	70	220	187	87	274
Other	5	24	29	24	25	49
	218	113	331	280	133	413

e) External services

External services include mainly independent professional services and engineering services.

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24. Net finance income/(expense)

	€ thousand	
	2021	2020
Finance income:		
Dividends		
- Group companies and associates	-	-
Marketable securities and other financial instruments		
- Finance income net of restructuring (Notes 1 and 18)	37,037	-
- Group companies and associates (Note 31)	3,031	3,384
- Other	18	23
	<u>40,086</u>	<u>3,407</u>
Finance expense:		
Group companies and associates (Note 31)	(1)	(302)
On payables to third parties	(4,001)	(1,837)
	<u>(4,002)</u>	<u>(2,139)</u>
Change in fair value of financial instruments:		
Trading portfolio and other	-	-
Exchange differences	<u>11,218</u>	<u>(21,074)</u>
Impairment and gains/(losses) on disposal of financial instruments		
Impairment and losses	(17,241)	(58,581)
Gains/(losses) on disposal and other (Note 1)	4,231	-
	<u>(13,010)</u>	<u>(58,581)</u>
Net finance income/(cost)	<u>34,292</u>	<u>(78,387)</u>

a) Finance income and costs

	€ thousand	
	2021	2020
Finance income:		
- Dividends from investments in group companies and associates	-	-
- Interest from debt securities	18	23
- Finance income net of restructuring	37,037	-
- Other finance income from group companies	3,031	3,384
	<u>40,086</u>	<u>3,407</u>
Finance expense:		
- Interest on current accounts and loans to group companies	(1)	(302)
- Loan interest	(4,001)	(1,729)
- Interest due to restatement	-	(108)
	<u>(4,002)</u>	<u>(2,139)</u>

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

	€ thousand	
	2021	2020
Impairment losses:		
- Investments in group companies and associates	(17,241)	(58,581)
	<u>(28,208)</u>	<u>(58,581)</u>
Losses on impairment, disposals and other:		
Impairment and reversal of impairment of other financial assets	4,231	-
	<u> </u>	<u> </u>
	<u>(23,977)</u>	<u>(58,581)</u>

Impairments were recognised mainly on Duro Felguera Operaciones y Montajes, S.A.U., Felguera IHI, S.A., DF Mompresa, S.A.U., Dunor Energía S.A.P.I. de C.V., Duro Felguera Do Brasil, Felguera Grúas India Private Limited, Duro Felguera Oil & Gas, S.A., Turbo Generadores del Perú, and DF Canadá (Notes 10 and 20)

c) Exchange differences

Net exchange differences for the year were affected mainly by the US dollar's depreciation against the euro, which, due to the coronavirus crisis rose to 2-year highs.

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25. Cash flows from operating activities

	€ thousand	
	2021	2020 (*)
Profit/(loss) for the year before tax	21,026	(168,508)
Adjustments for:		
- Amortisation and depreciation (Notes 7, 8 and 9)	2,865	7,844
- Valuation allowances for impairment losses	12,519	103,642
- Changes in provisions	(8,621)	-
- Grants recognised in profit or loss	(97)	(269)
- Exchange differences (Note 30)	-	715
- Gain/(loss) on loss of control of subsidiaries	-	(9,142)
- Gains/(losses) from derecognition and disposal of financial instruments (Note 10)	-	14,426
- Finance income (Note 30)	(3,049)	(1,703)
- Finance costs (note 30)	4,002	2,718
- Finance income net of restructuring	(37,037)	1
- Other income and expenses	-	10,988
	<u>(29,418)</u>	<u>128,946</u>
Working capital changes :		
- Inventories	(297)	1,405
- Trade and other receivables	7,826	37,012
- Other financial assets	-	-
- Other current assets	(3,686)	(2,442)
- Trade and other payables	(14,881)	(32,282)
- Other financial liabilities	-	-
- Other current liabilities	(3,123)	(28,174)
- Other non-current assets and liabilities	(13,006)	(143)
	<u>(27,167)</u>	<u>(24,624)</u>
Other cash flows from operating activities:		
-Interest paid	(6,857)	(2,284)
-Interest received	(498)	-
-Other amounts paid (received)	(648)	(911)
	<u>(8,003)</u>	<u>(3,195)</u>
Cash flows from operating activities	<u>(43,562)</u>	<u>(67,381)</u>

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26. Cash flows from investing activities

	€ thousand	
	2021	2020
Payments for investments:		
- Group companies and associates		-
- Property, plant and equipment and investment property	(108)	(734)
- Other financial assets ^(*)	(339)	(21,140)
	<u>(447)</u>	<u>(21,874)</u>
Proceeds from sale of investments:		
- Group companies, associates and business units	4,873	-
- Property, plant and equipment and investment property	-	546
- Other financial assets	3,808	488
	<u>8,681</u>	<u>1,034</u>
Other cash flows from investing activities:		
- Interest received	-	1,703
- Loss of control of Duro Felguera Australia Pty Ltd.	-	(9,423)
	<u>-</u>	<u>(7,720)</u>
Cash flows from investing activities	<u>8,234</u>	<u>(28,560)</u>

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

27. Cash flows from financing activities

	€ thousand	
	2021	2020
Proceeds from (and payments for) equity instruments:		
- Issue:		
- Equity instruments	-	-
	<u>-</u>	<u>-</u>
Proceeds from and payments for financial liability instruments:		
- Issue:	126,000	-
- Redemption and repayment of bank borrowings	(13,089)	
- Redemption and repayment with associates	(1,232)	
- Redemption and repayment of other borrowings	(1,309)	(1,302)
	<u>110,370</u>	<u>(1,302)</u>
Dividends and interest on other equity instruments paid:		
- Other payments to shareholders of the company	-	-
	<u>-</u>	<u>-</u>
Cash flows from financing activities	<u>110,370</u>	<u>(1,302)</u>

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28. Guarantees, commitments and other contingencies

a) Contingent liabilities

Company management considers that the risks of litigation, arbitration and claims are reasonably covered by the provisions recognised in these financial statements at 31 December 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 financial statements, the Company 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 Company'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 Company's auditors.

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 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.

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The Company has not recognised any provision, since it considers that the conditions for recognition provided in accounting standards are not met.

Contingencies and project claims

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

An in-depth assessment was performed on project claims, after which provisions were recognised at the amounts considered probable (Note 20). In the opinion of the Company's directors and legal advisors, the potential impact on the Company of the remaining claims would not be material. Therefore, no material liabilities are expected to arise other than those already provisioned that could have a material adverse effect.

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

1) Jebel Ali Power Station Project

In 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 Company 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 Duro Felguera 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).

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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 Company 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.

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.

2) Djelfa project

The Company 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 Company, 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 Duro Felguera 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 DF's suppliers on the project could be paid; the setting up 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 Company 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

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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.

3) Aconcagua Project

The Company 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 Duro Felguera had terminated the contract unlawfully and seeking damages for that alleged breach. On 30 August 2021, the Company submitted a new memorial contesting the client'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 Company and one of its investees recognised a receivable of €10.7 million in the 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. The directors and internal and external legal advisors consider it highly probable that it will not reverse since their case is based on an independent expert report and that there will be no reversal, as this is supported by an independent expert report and, therefore, duly accredited.

4) Vuelta de Obligado project

ICC arbitration instituted by General Electric ("GE") against DF 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 DF. Now GE is attempting to hold DF 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 Company 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 DF's interests, brought an arbitration suit against the customer with the Buenos Aires Stock Exchange. GE subsequently withdrew as party of the

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subsequent settlement agreement with the customer, thereby undermining DF's legitimate right to the contract's rebalancing and to compensation for cost overruns arising from a delay that was not attributable to DF. GE's failure to comply with its most basic obligations undermined DF's claims, causing serious damage to DF, 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, DF submitted its defence and counter-suit memorial. Evidence included several legally qualified expert reports on delay and reasonable amount. In the opinion of the Company's directors and its internal and external legal advisors, these reports lend credibility to, support and strengthen DF'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 DF.

As a result of these claims, the Company 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.

5) 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

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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. €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, DF 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.

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 (Note 20) and suppliers (Note 18) for which the Company believes existing provisions to be sufficient.

Contingencies involving investees.

In addition, investees were party in the following proceedings:

- 1) 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

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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, net of the impairment losses recognised.

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.

In April 2021, the Stoneway holding company 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, which holds the power generation rights attached to the Matheu & Luján projects, remains in operation and is not involved in 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 Duro Felguera 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.

2) Recope

To date, two appeals for judicial review are under way against Recope. The first seeks Recope's financial liability and/or the financial imbalance caused 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 investees for this customer. It also sought to overturn the administrative acts by which the customer disputed the claims filed 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 proceedings. The directors and internal and external legal advisors consider it likely that a ruling partially in favour of DF will be obtained, but these proceedings generally take 4-5 years on average. The investees did not recognise any amount for their credit claim related to these proceedings in their statements of financial position. The Group's total claim as plaintiff is \$45.5 million.

In relation to the proceedings filed by DF 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 investees to incur cost overruns due to over-stay on site and additional works, among other issues, all of

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which produced a significant economic-financial imbalance in the contract that should be compensated.

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 is progressing before the courts as regards the merits of the claim, the directors are confident that the parent company and its investees are not exposed to any risk.

3) Empalme II project

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, DF 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, DF 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 DF 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:

- 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

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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. This led to the recognition of losses amounting to €14.42 million corresponding to Duro Felguera, S.A.'s stake, for which it recognised a provision for liabilities based on its carrying amount (Note 20).

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.

b) Guarantees

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

	€ thousand	
	2021	2020
Dunor Energía S.A.P.I. de C.V.	-	2,520
Duro Felguera Calderería Pesada, S.A.U.	50,425	50,940
DF Mompresa, S.A.U.	117	84
Opemasa Andina Ltda	1,995	2,069
Núcleo	184	186
Duro Felguera Oil & Gas S.A.U.	103	103
Felguera IHI, S.A.	322	322
Duro Felguera Raíl, S.A.U.	162	340
DF Operaciones y Montajes, S.A.U.	344	291
Duro Felguera UK	23	21
Epicom	331	482
UTE Termocentro	-	-
	<u>54,006</u>	<u>57,358</u>

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

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

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

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

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

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

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

	€ thousand	
	2021	2020
Guarantees of sales and execution contracts	209,570	200,188
Other	320	842
	<u>209,891</u>	<u>201,030</u>

As explained in Notes 7, 8 and 28, the Group has provided certain assets as collateral, and granted pledges and cash restrictions to third parties (Note 11).

The Company has also received bonds and other guarantees from third parties for execution of its projects amounting to €32,719 thousand.

c) Commitments

At year-end 2021 and 2020, there were no significant commitments to investment in property, plant and equipment and intangible assets.

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29. Temporary joint ventures and branches

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

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

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

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

	€ thousand	
	2021	2020
Assets:		
Non-current assets	-	-
Current assets	63,132	60,463
	<u>63,132</u>	<u>60,463</u>
Liabilities:		
Non-current liabilities	-	-
Current liabilities	(123,912)	(123,957)
	<u>(123,912)</u>	<u>(123,957)</u>
Net assets	<u>(60,780)</u>	<u>(63,494)</u>
Revenue	3,090	4,607
Expenses	(387)	(11,620)
Profit/(loss) after tax	<u>2,703</u>	<u>(7,013)</u>

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The Company also has an interest in the DF-Romoelectro consortium to carry out a project overseas. It incorporates 100% of the operations based on its control of the consortium. The other party is subcontractor in the relationship with the customer.

30. Director and senior management remuneration

a) 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:

Remuneration item:	€ thousand	
	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 3.14.

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

It should be noted that the Company, following the signing on 31 March 2021 of the Management Agreements with the Spanish Solvency Support Fund for Strategic Companies (FASEE), is subject to Article 6.1. f) of Order PCM/679/2020, of 23 July, publishing the Resolution of the Council of Ministers of 21 July 2020, on the terms of reference of the Solvency Support Fund for Strategic Companies (Official State Gazette of 24 July 2020). The article states that 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.

b) Senior management

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

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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) Loans to related parties

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

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

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

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



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31. Other related party transactions

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

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

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



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NOTES TO THE 2021 FINANCIAL STATEMENTS
(€ thousand)

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



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(€ thousand)

2020	Transactions				Debit/(credit) balances				
	Revenue and other operating income	Supplies and other operating expenses	Finance income	Finance costs	Loans to Group companies	Trade receivables and other financial assets	Payables to group companies	Suppliers, group companies	Dividends received
GROUP COMPANIES									
a) <u>Direct interest:</u>									
Felguera I.H.I., S.A.	512	(1,835)	-	-	-	686	(1,383)	(1,805)	-
Duro Felguera Operaciones y Montajes, S.A.U.	2,561	(420)	-	-	-	2,538	(13,000)	(218)	-
Duro Felguera Investment, S.A.U.	-	-	-	-	-	-	(548)	-	-
DF Mompresa, S.A.U.	862	(463)	-	-	-	2,219	(1,972)	(309)	-
Duro Felguera Oil&Gas, S.A.U.	268	-	10	-	-	27	(7,761)	-	-
Equipamientos, Construcciones y Montaje, S.A. de CV	1,363	-	-	-	-	7,080	(2,454)	-	-
Proyectos e Ingeniería Pycor, S.A. de C.V.	216	(418)	-	-	-	347	-	(42)	-
Epicom, S.A.U.	99	-	-	-	-	4,086	(2,229)	-	-
Duro Felguera Argentina	-	-	2,691	-	10,088	26,880	-	(16,654)	-
Duro Felguera do Brasil	-	-	194	-	1,600	418	-	-	-
Duro Felguera Indonesia	-	-	-	-	-	883	-	-	-
Felguera Grúas India Private Limited	-	-	-	-	-	5,465	-	-	-
Turbogeneradores de Perú	-	-	15	-	347	24	-	-	-
Felguera Tecnologías de la Información, S.A.	46	-	-	-	-	56	(367)	-	-
DF Canada Ltd	-	-	-	(3)	-	303	(92)	-	-
Other group companies	-	-	-	-	616	71	(137)	-	-
	<u>5,927</u>	<u>(3,136)</u>	<u>2,910</u>	<u>(3)</u>	<u>12,651</u>	<u>51,083</u>	<u>(29,943)</u>	<u>(19,028)</u>	<u>-</u>



DURO FELGUERA, S.A.

NOTES TO THE 2021 FINANCIAL STATEMENTS
(€ thousand)

	€ thousand								
	Transactions				Debit/(credit) balances				
	Revenue and other operating income	Supplies and other operating expenses	Finance income	Finance costs	Loans to Group companies	Trade receivables and other financial assets	Other payables to group companies	Suppliers, group companies	Dividends received
b) <u>Indirect interest:</u>									
Duro Felguera Green Tech, S.A.U.	-	-	-	-	-	-	(5,047)	-	-
Duro Felguera Calderería Pesada, S.A.U.	839	(9)	-	-	-	13,399	-	-	-
Duro Felguera Chile Ltda	-	-	474	-	14,105	3,618	-	-	-
Turbogeneradores de Venezuela C.A.	-	-	-	-	1,653	380	-	-	-
	<u>839</u>	<u>(9)</u>	<u>474</u>	<u>-</u>	<u>15,758</u>	<u>17,397</u>	<u>(5,047)</u>	<u>-</u>	<u>-</u>
ASSOCIATES:									
Zoreda Internacional S.A.	-	-	-	-	-	-	(17)	-	-
Dunor Energía	392	-	-	(299)	5,848	6,738	(78)	-	-
	<u>392</u>	<u>-</u>	<u>-</u>	<u>(299)</u>	<u>5,848</u>	<u>6,738</u>	<u>(95)</u>	<u>-</u>	<u>-</u>
TOTAL	<u>7,158</u>	<u>(3,145)</u>	<u>3,384</u>	<u>(302)</u>	<u>34,257</u>	<u>75,218</u>	<u>(35,085)</u>	<u>(19,028)</u>	<u>-</u>

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

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

At 31 December 2021 and 2020, no dividends or other benefits were paid to significant shareholders (Note 15).

32. Environmental disclosures

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

33. 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



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(€ thousand)

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:

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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34. Audit fees

In 2021 and 2020, the amounts payable to the Company's auditor, Deloitte, S.L., or to any company belonging to the same network in accordance with applicable law and regulations governing the auditing of accounts, were as follows:

- 2021 (€ thousand)

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

- 2020 (€ thousand)

Description	Fees payable to the principal auditor or companies belonging to its network
Audit services	150
Non-audit services	13
Services required by applicable law and regulations	8
Other assurance services	4
Tax services	-
Other services	1
Total professional services	163

35. Additional note for English translation

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

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



DURO FELGUERA, S.A.

2021 Management Report



DURO FELGUERA, S.A.

CORPORATE INFORMATION

GENERAL PERFORMANCE

To illustrate the Company's recent performance, the following table shows the Company's main financial indicators at 31 December 2021 and 2020:

	€ thousand	
	2021	2020
Revenue	25,752	77,086
EBITDA ⁽³⁾	326	(103,033)
Profit/(loss) before tax	21,026	(171,019)
Order intake ⁽²⁾	2,275	18,037
Order backlog ⁽¹⁾	174,027	208,559

(1) 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:

(2) Order intake is the total amount of contracts won in the year, calculated by adding the amounts of each contract signed during the year.

(3) EBITDA is earnings before interest, tax, depreciation and amortisation, and exchange differences.

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 Company recorded a positive extraordinary financial result of €37 million net of related costs, enabling it to report profit after tax (PAT) of €21 million in 2021.

As for the performance of projects already in the pipeline, the Company 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 extremely 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 DF 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. DF'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



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guarantee facility needed to undertake the new projects became available. Revenue therefore amounted to €26 million in 2021, down 67% from 2020.

EBITDA was €0.3 million, compared to a negative €103 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 DF were reached in 2021, thus marking a successful end to lengthy and costly arbitration processes. Notably, DF 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 carried out by investees 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 €171 million, of which 100% 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 452 employees at 31 December 2020 to 344 employees at 31 December 2021.

From an equity standpoint, the parent company 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 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



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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 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.

DF'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.

1. Strengthening traditional businesses

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



DURO FELGUERA, S.A.

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 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.

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.



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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 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 to boost production capacity.

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, digitalisation and partially 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 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.



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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 Company operates internationally and is exposed to foreign currency risk on transactions in foreign currencies, mainly the US dollar (USD), and to a lesser extent, local currencies in emerging countries. Foreign currency risk arises on future commercial transactions, recognised assets and recognised liabilities, and net investments in foreign operations.

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

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

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

At 31 December 2021, if the euro had weakened by 5% against the USD, with all other variables held constant, post-tax profit for the year would have been €1 thousand higher (2020: €452 thousand higher), whereas if it had strengthened by 5%, post-profit for the year would have been €1 thousand lower (2020: €409 thousand lower), mainly as a result of foreign exchange gains/losses on translation to USD of trade and other receivables, cash, suppliers and customer prepayments, as well as the impact on the final outcome of projects of the amounts of future revenues and expenses in dollars, and the effect of the stage of completion at year end.

(ii) Price risk

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

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

Against the current backdrop, with COVID-19 causing delays in project execution and invariably resulting in time overruns, the Company reassessed its estimate of the total costs in the budgets used to calculate the stage of completion (Note 3.16) and the onerous contract provision.

(iii) Cash flow and fair value interest rate risk

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

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

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

Based on the simulations performed, the impact on profit or loss of a 10 basis point shift would be an increase/decrease of €149 thousand (2020: €85 thousand).

b) Credit risk

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

- Assets arising from derivative financial instruments (Note 12) and sundry balances included in cash and cash equivalents (Note 14).
- Balances related to trade and other receivables (Note 11).

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

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

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

The balance in trade receivables past due but not impaired at 31 December 2021 was €10,368 thousand (2020: €16,399 thousand) (Note 11).

c) Liquidity risk

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

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

	2021	2020
Borrowings and derivatives (Notes 5, 12 and 18)	(166,302)	(90,467)
Less: Cash and cash equivalents (Note 14)	84,608	9,565
Net financial debt	<u>(81,694)</u>	<u>(80,902)</u>
Undrawn credit lines (Note 18)	-	-
Total liquidity surplus/(shortfall)	<u>(81,694)</u>	<u>(80,902)</u>

The Company's financial debt at 31 December 2021 included aid from FASEE and debt renegotiated with financial institutions in the form of participating loans, ordinary loans and convertible bonds (Notes 1 and 2.2). At 31 December 2020, this was mainly debt with a bank syndicate that was refinanced and restructured in 2021.

The Company also had €21,583 thousand of deposits and escrow accounts, of which €16 million related to the Iernut project in Romania, recognised under "current financial assets" in the statement of financial position as at 31 December 2021 (Notes 9 and 11), deposited as security for execution of its projects due to the lack of guarantees.

Cash and cash equivalents at 31 December 2021 (Note 14) 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 2021 was higher than expected in the 2021 cash plan, largely due the particularly strong impact of the coronavirus crisis on collection and payment flows. The net cash position decreased by €792 thousand in 2021, mainly as a result of the rescheduling of projects, most notably Bellara and Djelfa, the completion of the Iernut project, following delays in arranging the public aid and negotiating refinancing agreements with the banks, which was supposed to be completed by 30 June 2021 and was concluded on 29 November 2021, mostly due to delays in collecting receivables from certain customers.

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 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



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availability and quality, or extreme temperature changes affecting the organisation's infrastructure, inventories, production line or employees.

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

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

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

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

TREASURY SHARE TRANSACTIONS

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



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RESEARCH AND DEVELOPMENT ACTIVITIES

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

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.

AVERAGE PAYMENT PERIOD TO SUPPLIERS

Note 18 to the financial statements provides information on the average payment period to suppliers.

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.



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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)

- 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

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



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OTHER RELEVANT INFORMATION

Stock market data

The main stock-market data for 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 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
--	------

- 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 by duly recorded in the minutes.

Complies [X] Complies partially [] Explain []

32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies [X] Complies partially [] Explain []

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out the duties assigned by law and the articles of incorporation, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.

Complies [X] Complies partially [] Explain []

34. That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.

Complies [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:
- That they be composed exclusively of non-executive directors, with a majority of independent directors.
 - That their chairpersons be independent directors.
 - 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.
 - That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
 - 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:
- 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.
 - 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.
 - 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.
 - Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.
 - 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



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



DURO FELGUERA, S.A.

FINANCIAL YEAR – 2021

AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS
MANAGEMENT REPORT
PROPOSED DISTRIBUTION OF PROFIT

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

Rosa María Jesús Álvarez González
Director



DURO FELGUERA, S.A.

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.

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
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

Rosa María Jesús Álvarez González
Director