RESULTS REPORT

ANNUAL RESULTS
DECEMBER 2017

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DURO FELGUERA

Results Report
December 2017

1. Main figures and milestones for the period

- In FY 2017, the company carried out an intense search for partners in a context of financial difficulty, which limited its business activity.

- The search for partners in the domestic and international market, with Rothschild as advisor, has led to multiple approaches, visits and due diligences from various different companies and led to a profoundly rigorous review of ongoing projects, including the current status and estimated costs for completion. The review led to adjustments in diverse projects which were started in previous years. These adjustments took place both in December, when they were announced by means of a significant deed, and at the close of the year.

- Reduced business activity, the consequence of the Group's financial situation, is reflected in both the sales, lower than in 2016, and in the negative margins, related to the greater relative proportion of structural costs, in all divisions except for Services, which took advantage of the Luján and Matheu projects.

	2017	2016	Var. %
Backlog	1,161,749	2,200,936	-47.2%
Order intake	576,012	624,820	-7.8%
Sales	624,126	709,124	-12.0%
EBITDA	-173,032	8,564	n.s.
EBITDA Margin	-27.7%	1.2%	n.s.
EBIT	-194,797	1,438	n.s.
Net profit	-254,496	-18,197	n.s.
Net debt	-271,881	-224,745	n.s.

In thousands of Euros

- Order intake amounted to 576 million EUR, 8% less than in 2016. We could highlight the 500 MW Jebel Ali K open cycle power plant in Dubai for 204 million Euros, with financing from the Dubai Islamic Bank, the installation of a gas recovery system in Belarus for OJSC Naftan for 84 million Euros and the coal supply for the Petacalco power plant in Mexico for over 130 million US dollars.

- The backlog, which was reviewed in accordance with the project deadlines, was negatively affected by the elimination of four projects for a total of 918 million EUR, and by sales which were higher than new order intake in the year.

- The net loss was 254.5 million EUR and the EBITDA was -173 million EUR. If the provisions for litigation of 57 million EUR and impairment from the 46 million Euros of sovereign debt are adjusted, the EBITDA reaches -70 million Euros. These losses and provisions leave the consolidated and individual net worth at -164.8 million EUR and -181.1 million EUR respectively. The company should correct this equity situation in the coming months.

- The main differences in the EBITDA in projects were:
    - Recope (Oil & Gas. LPG storage terminal in Costa Rica, contracted in 2012): the delay in delivery of the plant, which was started in 2012, and the related costs implied an impairment of 15 million EUR. The estimated finishing date for the project is 2019.
    - Fluxys (Oil & Gas. Extension of the regasification plant in Belgium, contracted in 2015): higher expatriation costs and the award of certain items implied an impairment of 18 million EUR. The DF team has been reinforced as requested by the client. The project started in 2015 and the estimated completion date is 2019.
    - Vuelta de Obligado (Energy. Power plant in Argentina, contracted in 2012): A provision of 15 million EUR has been set up for additional costs to finish the outstanding tasks. The project started in 2012 and the estimated completion date is 2018.

- There were also differences in the EBITDA due to the amounts related to resolving litigation, where the updating of the expectations for solutions generated an impairment of 57 million Euros. Likewise, there was an impairment of 46 million Euros in the amounts owed and outstanding from Venezuela, due to non-fulfilment – selective and for the first time – in the payment of the country's sovereign debt and despite the positive expectations for payment in the strategic nature of the Termocentro project.

- The net result was also affected by an impairment of 17 million Euros from the goodwill and other intangible assets of DF Núcleo, 4 million Euros from the sales price of fixed assets and 53 million Euros from the partial reduction in assets due to deferred tax. In relation to this last point, the amount by which the deferred tax exceeded liabilities has been cancelled. Once the Company has refinanced, the adjustment will be re-estimated and reactivation will be assessed.

- The Company negotiated in February 2018 the terms and conditions for a proposal for a refinancing agreement with the banks, after three previous standstill agreements (June to September 2017, September 2017 to 15 January 2018 and January to 15 April 2018). This agreement proposal, with sufficient support from the banks, should be materialized in a refinancing agreement which would be fully effective after a successful capital increase of between 100 and 125 million Euros. The effectiveness of the agreement will enable a significant reduction in the financial leverage, balancing the company's own funds, improving liquidity and having sufficient financing for bringing into play a new business plan in the coming years, and in short, relaunching the Company's business activity.

- The Company has contracted the services of Fidentiis to assess the possibility of carrying out a successful capital increase in the market, while at the same time holding conversations with private investors who might be interested in taking a stake in the capital. The first prospections seem to be favourable, and the analysis process will continue over the next few weeks.

- As of the closing of the accounts, an internal investigation took place, in accordance with what is set forth in European Parliament and Council Regulation 537/2014, and concluded that there was nothing illicit in the Company's commercial practices which took place in Venezuela; they were within the usual legal and commercial parameters.

- As part of the disinvestment process, the office buildings in Madrid and Las Rozas have been sold, which has generated around 7 million Euros in liquidity. The Company is still analysing the sale of other non-strategic assets.

- The Company is implementing an efficiency improvement plan with a special focus on structural costs to recover feasibility in the least efficient business divisions and improve productivity in comparison to the companies it competes against. As part of this plan both the added value structure of the business and the labour cost of internal processes are being analysed. The purpose of the plan is to increase added value on sales by 5% and reduce salary costs by 20% among employees not related to the direct delivery of projects abroad. A prestigious company has been contracted to provide the legal support, based on similar readjustments in the sector.

- As of 31 December 2017, the consolidated net debt amounted to 271.9 million EUR. This is 47 million EUR more than on the same date in 2016, as a result of the reduction in the gross debt in the first quarter combined with the use of the necessary cash flow to cover working capital needs in ongoing projects.

- The current proceedings concerning the tax inspection are still underway in accordance with the procedural milestones established; the allegations against the Central Judiciary Court will be presented shortly. Company management and its fiscal advisors do not find it probable that the company will have to pay anything for this concept.

- Additionally, an appeal has been lodged at Mercantile Court No. 3 in Gijón against the acceptance for investigation of a request for compulsory receivership of a subsidiary and the parent company, made by ITK, a company in receivership, for a supposed debt of 46 thousand Euros. The appeal, which is based on the financial solidity of the subsidiary and the lack of commercial relations between ITK and the parent company, has been accepted by the Court and the application for receivership has been suspended until findings are made.

2. P&L Account

	2017	2016	Var. %
Total net sales	**624,126**	**709,124**	-12.0%
EBITDA	**-173,032**	**8,564**	**n.s.**
EBIT	**-194,797**	**1,438**	**n.s.**
Financial result	-23,326	-19,540	n.s.
Result by equity		52	n.s.
Profit before tax	**-218,123**	**-18,050**	**n.s.**
Tax on earnings	-53,095	-1,088	n.s.
FY profit	**-271,218**	**-19,138**	**n.s.**
Minority interests	-16,722	-941	n.s.
Net profit of the parent company	**-254,496**	**-18,197**	**n.s.**

In thousands of Euros

Sales

Sales by business division	2017	2016	Var. %
Energy	284,842	345,512	-17.6%
Mining & Handling	85,909	111,665	-23.1%
Oil & Gas	45,163	71,067	-36.5%
Services	144,417	87,566	64.9%
Manufacturing	43,293	68,409	-36.7%
Others	20,502	24,905	-17.7%
Total	**624,126**	**709,124**	**-12.0%**

In thousands of Euros

Sales by geographical area	2017	2016	Var. %
Latam	273,093	329,660	-17.2%
Spain	60,343	94,110	-35.9%
Rest of Europe	118,215	103,930	13.7%
Africa and Middle East	148,060	155,010	-4.5%
Asia Pacific	21,961	20,911	5.0%
Others	2,454	5,503	-55.4%
Total	**624,126**	**709,124**	**-12.0%**

In thousands of Euros

EBITDA

	2017	2016	Var. %	Margin % 2017	Margin % 2016
Energy	-53,047	-38,628	-37.3%	-18.6%	-11.2%
Mining & Handling	-57,888	15,992	-462.0%	-67.4%	14.3%
Oil & Gas	-38,521	8,765	-539.5%	-85.3%	12.3%
Services	7,644	18,630	-59.0%	5.3%	21.3%
Manufacturing	-8,737	5,584	-256.5%	-20.2%	8.2%
Others	-22,483	-1,779	-1163.8%	-109.7%	-7.1%
Total	**-173,032**	**8,564**	**n.s.**	**-27.7%**	**1.2%**

In thousands of Euros

3. Evolution by Business Division

Energy

	2017	2016	Var. %
Sales	284,842	345,512	-17.6%
EBITDA	-53,047	-38,628	n.s.
EBITDA Margin	-18.6%	-11.2%	
Backlog	596,020	1,359,632	-56.2%

In thousands of Euros

In FY 2017, sales in the energy division were at 284 million EUR, a fall of 17.6% in comparison to sales in 2016. The reduction is due to their being fewer projects in the backlog and advances in production therein.

The EBITDA for the period was -53 million EUR, a result of the impact of the extraordinary results at Termocentro and Central de Vuelta de Obligado.

Mining & Handling

	2017	2016	Var. %
Sales	85,909	111,665	-23.1%
EBITDA	-57,888	15,992	n.s.
EBITDA Margin	-67.4%	14.3%	
Backlog	292,873	325,252	-10.0%

In thousands of Euros

Sales in Mining & Handling were down by 23% to 85.9 million EUR.

The EBITDA was affected mainly by the impairment from adjusting expectations for the Roy Hill litigation after the hearings held in January and February in Singapore.

Oil & Gas

	2017	2016	Var. %
Sales	45.163	71.067	-36,5%
EBITDA	-38.521	8.765	n.s.
EBITDA Margin	-85,3%	12,3%	
Backlog	172.799	285.422	-39,5%

In thousands of Euros

Sales in Oil & Gas were down by 36.5% to 45 million EUR as a consequence of the reduction in activity in the division and the adjustment of advances in the project to the company’s cash flow situation.

The division’s EBITDA in FY 2017 was -38.5 million EUR, affected by the differences in Recope and Fluxys and the loss of the hydrocarbon storage project for Vopak in Panama due to the lack of bonds.

Services

	2017	2016	Var. %
Sales	144,417	87,566	64.9%
EBITDA	7,644	18,630	-59.0%
EBITDA Margin	5.3%	21.3%	
Backlog	41,138	152,856	-73.1%

In thousands of Euros

Sales in the Services division were at 144 million EUR, an increase of 65% in comparison to 2016. The increase is due to advances in production at the Matheu and Luján EPC projects in 2017.

At the same time, the margin was down to 5.3% as a consequence of the changes in the production mix in the EPC projects.

Manufacturing

	2017	2016	Var. %
Sales	43,293	68,409	-36.7%
EBITDA	-8,737	5,584	n.s.
EBITDA Margin	-20.2%	8.2%	
Backlog	24.809	55,258	-55.1%

In thousands of Euros

Sales in Manufacturing in 2017 amounted to 43.3 million EUR, a reduction of 37% in comparison to the previous year. This is mainly due to less activity at DF Calderería Pesada.

The EBITDA for the period was -8.7 million EUR. The reduction in the EBITDA was due to lower sales, which leads to a lower absorption of fixed costs, and the costs deriving from the closure of DF Tedesa; 3.5 million.

Others

Others	2017	2016	Var. %
Sales	20,502	24,905	-17.7%
EBITDA	-22,483	-1,779	n.s.
EBITDA Margin	-109.7%	-7.1%	
Backlog	34,110	22,516	51.5%

In thousands of Euros. Includes Smart Systems and General Expenses.

Sales in the Others segment were down by 17.7%, to 20.5 million EUR.

The reduction in the EBITDA for the period is due to both the negative differences in the exchange rate and non-recurring expenses.

4. Order intake and Backlog

	2017	2016	Var. %
Backlog	1,161,749	2,200,936	-47.2%
Order intake	576,012	624,820	-7.8%

In thousands of Euros

Backlog by business division	2017	% total
Energy	596,020	51.3%
Mining & Handling	292,873	25.2%
Oil & Gas	172,799	14.9%
Services	41,138	3.5%
Manufacturing	24,809	2.1%
Others	34,110	2.9%
Total	**1,161,749**	**100.0%**

In thousands of Euros

Backlog by geographical area	Dec-17	% total
Latam	243,374	20.9%
Spain	44,384	3.8%
Rest of Europe	346,846	29.9%
Africa and Middle East	467,629	40.3%
Asia Pacific	30,139	2.6%
Others	29,377	2.5%
Total	**1,161,749**	**100.0%**

In thousands of Euros

Pipeline	Presented	In preparation*	Total
Energy	7,438	1,685	9,123
Mining & Handling	329	1,141	1,470
Oil & Gas	152	540	692
Services	442	142	584
Manufacturing and Other	171	265	436
Total	**8,532**	**3,773**	**12,305**

In millions of Euros
* Includes bids in preparation and bids to be prepared over the next 12 months.

5. Consolidated Balance Sheet

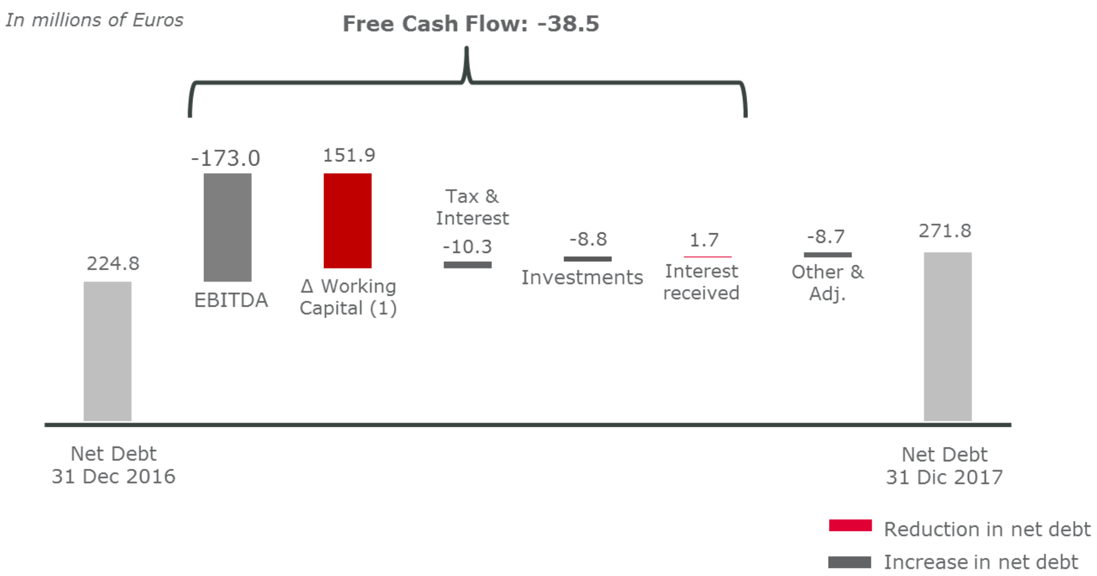
	31-Dic-2017	31-Dic-2016
Intangible assets	19,174	38,371
Material assets	76,697	114,178
Investment in assets	27,400	32,741
Investment by equity method	20	4,403
Long-term financial investment	6,003	7,703
Assets from deferred tax	11,032	68,471
Non-current assets	**140,326**	**265,867**
Non-current assets maintained for sale	27,395	-
Stock	22,196	28,921
Commercial debtors, other accounts receivable	473,724	608,867
Other current assets	4,480	7,317
Cash and other equivalent assets	90,579	152,397
Current Assets	**618,374**	**797,502**
TOTAL ASSETS	**758,700**	**1,063,369**
Net worth of parent company	-151,039	117,500
Minority interests	-13,807	3,671
Net Worth	**-164,846**	**121,171**
Long-term provisions	3,393	7,558
Long-term debt	74,256	272,922
Other non-current liabilities	20,382	19,135
Non-current liabilities	**98,031**	**299,615**
Liabilities related to non-current assets maintained for sale	20,861	-
Short-term provisions	108,120	121,367
Short-term debt	268,395	105,030
Commercial creditors & other accounts payable	418,168	401,009
Other current liabilities	9,971	15,177
Current Liabilities	**825,515**	**642,583**
TOTAL NET WORTH AND LIABILITIES	**758,700**	**1,063,369**

In thousands of Euros

Net Treasury Position

31-Dec-2017	Current	Non-current	TOTAL
Gross financial debt (*)	288,204	74,256	362,460
Cash and equivalent			90,579
Net financial debt			271,881

In thousands of Euros
(*)includes financial derivative instruments



(1) Changes in working capital: stock, commercial debtors and creditors

Significant Events in the Period

- On 13 January the Company informed of the amendment of the Internal Conduct Code.
- On 18 January the Company informed of the award of a contract in a new market.
- On 15 February the Company informed of the award of two contracts in Argentina.
- On 24 February the Company delivered information about the results of the second half of 2016.
- On 6 March the Company informed of the appointment of Mr. José Carlos Cuevas de Miguel as CFO, replacing Mr. Pedro Peón Tamargo.
- On 23 March the Company informed of certain actions within the framework of the debt refinancing process.
- On 6 April the Company delivered the Annual Corporate Governance report for FY 2016.
- On 6 April the Company delivered the Annual Board Member Compensation report for FY 2016.
- On 10 April the Company informed of the resignation of the board member Mr. Valero Artola.
- On 27 April the Company informed of appointment of Mr. Ricardo Córdoba as independent board member and changes in the composition of the Audit Committee.
- On 11 May the Company informed of a new contract won in Dubai.
- On 11 May the Company delivered information concerning the results for the first quarter of 2017.
- On 19 May the Company issued the call for the Annual General Meeting 2017, to be held on 22 June 2017.
- On 19 May the Company informed of the appointment of the Coordinating Board Member.
- On 8 June the Company informed of the situation of the negotiations for the refinancing.
- On 21 June the Company informed of a new contract won in Belarus.
- On 22 June the Company published the Chairman of the Board of Directors' speech at the Annual General Meeting held on 22 June 2017.
- On 22 June the Company informed of the agreements adopted by the Annual General meeting on 22 June 2017.
- On 26 June the Company informed of the new composition of the Board of Directors and its committees.
- On 4 July the company reported the signing of a standstill agreement with its main banks.

- On 20 July the Company reported the award of a contract in Mexico.
- On 26 July the Company notified of its actions in the framework of market prospection.
- On 29 September the Company reported the extension to the standstill agreement which the Board of Directors accepted, and is currently undergoing internal processing by the banks.
- On 29 September the Company sent information concerning the results for the first half of 2017.
- On 29 September the Company reported the signing of the extension to the standstill agreement with its banks.
- On 6 October the Company reported the signing of the extension to the standstill agreement with its banks.
- On 17 October the Company reported the resignation of Mr. Ricardo Córdoba from the Board of Directors.
- On 26 October the Company reported the signing of the extension to the standstill agreement with its banks.
- On 14 November the Company sent information concerning the results for the third quarter of 2017.
- On 14 November the Company notified changes in its order intake.
- On 14 November the Company notified changes in the Appointments and Compensation Committee.
- On 24 November the Company notified changes in the position of chairman of the Board of Directors.
- On 29 November the Company reported the appointment of Mr. José Manuel García Hermoso as an Independent Board Member.
- On 14 December the Company notified the acceptance for investigation of a lawsuit presented by the Special Anti-Corruption Ministry.
- On 21 December the Company sent the assessment of its legal counsel concerning the lawsuit presented against the Company by the Special Anti-Corruption Ministry.
- On 29 December the Company reported changes in the expected results for FY 2017 after reviewing ongoing projects, together with action taken within the framework of the restructuring of its financial debt.
- On 29 December the Company reported changes in the composition of the Audit Committee.
- On 4 January the Company reported that there were no changes in the circumstances of disinvestment and the restructuring of its financial debt.
- On 16 January the Company reported the signing of the extension to the standstill agreement with its banks.

- On 1 February the Company reported the replacement of the physical representative of the Board Member company Inversiones Somió, S.L.
- On 2 February the Company gave an explanation of news published in the press.
- On 21 February the Company gave an explanation of news published in the press.
- On 27 February the Company provided information concerning the refinancing process with its banks.
- On 7 March the Company provided further information concerning the refinancing process with its banks.

6. Limited Responsibility

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