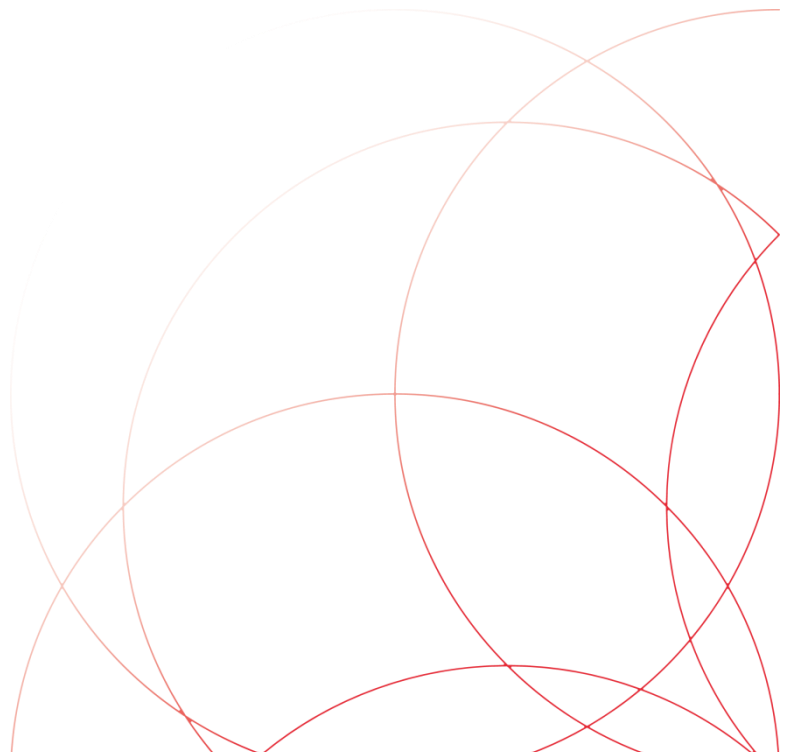




Annual General Meeting

29 October 2020

Speeches by the Chairwoman and the Chief Executive Officer





Mrs. Rosa Isabel Aza Conejo, President of the Board of Directors

Good morning everyone and thank you for joining us.

I would like my first words as chairwoman of this board to be words of gratitude; gratitude to all the employees who are part of Duro Felguera. The last few years have not been easy, and the last few months have put us to the test once again, but we have been able to prove their worth and commitment to the company.

All of them are making a great effort during the pandemic. As you know, COVID-19 has had a great impact on the company and we have been obliged to present a Temporary Lay-Off.

Despite this situation, they have been able to fulfil the responsibility of being part of an essential services company during the hardest weeks of confinement, providing all the necessary services from the "Tallerón" workshop, DFOM and EPICOM. Many thanks to all of them.

We have completed the transfer of the entire company to Gijón. To its headquarters. Now, the head and body of this company are both in the same place, adapting in order to have an efficient structure which will allow it to face up to new challenges.

We are also working on the new Duro Felguera, where we are already developing the new business divisions that will enable us, at the same time, to improve its development and contribute to the new economy that this country needs, an economy focused on renewable energies and smart systems. We were an important factor in the energy and industrial development of Spain and we can continue to be so.

This country cannot afford to lose assets like this company, and even less so now, as it requires more than ever a strong industry to be the engine of recovery from this crisis.

We are placing all our efforts into being a united company, in which everyone is pulling in the same direction, and thus, together, we can once again be an international reference company that brings the best of Asturias to the world.

In 2019 the board of directors was renewed and is committed to making Duro Felguera a reference point for Asturian and Spanish industry once again.

All of us who form part of the company are convinced that the only way to reinvent it is to implement a total change in management and in the transparency that is the indispensable key to recovering the trust of employees, investors, suppliers, partners, customers and the public authorities themselves.

I can only thank the members of the Board for having put their talent at the service of the company. Thank you also for your work, dedication and for the way you tackle problems.

I therefore ask you, the shareholders, to support the renewal of the Board so that it can maintain the course it has set.

I would also like to take this opportunity to thank the members of the Board who have accompanied the company since the capital increase until a few months ago.



As I said earlier, our commitment to ethics and transparency in management is fundamental to this Board, and therefore it is not going to allow past behaviour and attitudes to continue.

For this reason, it agreed to file a complaint against the former chairman, Ángel del Valle, and commissioned a “forensic” analysis from a firm of acknowledged prestige to detect behaviour that is not in compliance with the law and the internal code of conduct.

It is not possible to defend a new project for the company without breaking with the past, even though we have been forced to make some very tough decisions.

I would also like to take this opportunity to congratulate the management team on their achievements. They have managed to greatly reduce the contingencies opened up in the past and managed, in 2019, to get Duro Felguera back on track with a positive EBITDA.

However, this hard work has been slowed down by the pandemic. In order to be able to deal with this situation, a feasibility plan has been prepared which will be presented to you by the CEO in a few minutes.

The circumstances we are currently experiencing mean that the support of everyone is needed to carry it out, especially you, the shareholders, the financial institutions and the public authorities.

Our conviction that this company is a driving force for the regional economy is not insignificant. The University of Oviedo has carried out a study to find out the impact of the company in Asturias in detail. The report has confirmed that in 2019 Duro Felguera contributed 255 million Euros to the Gross Added Value of Asturias, accounting for 1.18% of the total.

But Duro also has a significant impact on employment. In 2019 it reached 3,858 direct, indirect and induced jobs, accounting for 1.02% of the region’s total. Of the 1,116 direct jobs, more than 60% are in Asturias.

But our aim is to go further and bring Duro back to the impact it already had in 2015, when it contributed 1.93% of the region’s Gross Added Value, and 1.44% of total employment in Asturias.

This study also concludes that due to its size, impact, technological capacity and human capital, Duro is a driving force in the regional economy. Its effort in R&D&I is comparable to the regional average of companies and exceeds by far the national sectoral average.

Duro Felguera is part of the history of Asturias, which is perhaps why most of our shareholders are in the region. Thousands of them have entrusted their savings to Duro Felguera.

Innovating, reinventing and changing are all behaviours that have been in the DNA of this company since it was set up. And it does all this from Asturias, where it collaborates with the main regional innovation bodies such as IDONIAL, ITMA, the Regional Hydrogen Board and the University of Oviedo.



Asturias is an industrial region. It has been a key hub for the development of energy and industry in Spain. It understands the sector and has known how to combine its presence with a clean, green region.

This region also needs industry to continue being an engine for creating wealth and attracting talent, which is basic to the new economy. Asturias can once again be the driving force that it was. Duro wants to be part of this recovery.

But to do so, the company needs the support of you, the shareholders, the financial institutions and the administration for the feasibility plan that we have presented. Support from all the authorities, as is the case in other European reference countries, which are already supporting their strategic companies. In times as complicated as these, the support of a public investor is essential to guarantee stability for private investors.

This country has no time to lose, and neither does Duro.

We also need the support of the financial institutions. To close a viable deal on the debt and to be able to start receiving bonds. The company has not had bonds from the current banking syndicate for new contracts since 2016, and this situation has made it very difficult for us to take on new projects.

We are convinced that the feasibility plan will bear fruit within a reasonable period of time. We need the support of the authorities and the banks so that the company has the necessary time to relaunch itself. If it has, we are sure it will be able to do so.

Finally, I do not want to end my speech without thanking all the people and entities that have supported us, such as the employers' associations, the chambers of commerce, and the national, regional and local authorities.

We are capable of reinventing ourselves - this company has done so many times throughout its history since its foundation in 1858. During this long period (more than 160 years), the economy has undergone numerous transformations, and Duro Felguera has known how to read the signs when it was time to change course. On this occasion we can do so too, in fact we are already doing so.

The CEO will now explain in more detail the management of 2019 and the feasibility plan for the coming years.

Thank you very much.



Mr. José María Orihuela Uzal, Chief Executive Officer

Thank you very much, Rosa.

Good morning, ladies and gentlemen, shareholders, and thank you very much for joining us on this important day.

When I joined this company, I knew that it was a benchmark company in Asturias, in Spain and all over the world. I knew about good work and history. But most importantly, I met good technicians and a staff that had already been suffering for several years from the difficult financial situation that the company is still suffering from.

In spite of this situation, all the employees have continued to work to try to revive and reinvent this historic company.

I would therefore like to start by thanking all our employees for being there, for trusting us and for their daily efforts, even more so in a situation as complex as this year's.

The recovery that began in 2019 allowed the Group to return to the path of profits and put an end to the operating losses recorded in 2017 and 2018. However, Duro has been affected very considerably by the crisis caused by the pandemic.

To overcome this, we have built up our feasibility plan, as an option of last resort, through the Strategic Company Solvency Support Fund (hereinafter the "Fund").

From the initial impulse that this instrument could give us, and with the necessary support from the financial entities, we have designed a plan for the relaunching of the company, based on:

- the sustainable growth of its traditional business,
- the decisive incorporation of renewable energies and smart systems into our development, in order to position Duro Felguera in the place it deserves.

This is, without a doubt, the only plan that the company as we know it can carry out, and which I will explain to you in more detail later on.

But first of all, let's start with Duro's results for last year.

2019 was a very intense year. We had to struggle with the complicated situation of the contracts we inherited and the consequent loss of trust from the markets, which limited our growth potential.

In addition, we did not have a bond line to develop our commercial policy, which blocked the order intake for large projects.

The company was ready, but without bonds it was impossible to win large contracts.

Thanks to a professional, rigorous management strategy, oriented towards the protection of contract law and always under principles of negotiation in good faith, our team was able to provide solutions, in record time, to many of the challenges that threatened the viability of our company.

As a result of this work, Duro managed to make 2019 a good year.



We managed to get this company back on track with a positive EBITDA of 4 million Euros and a net profit of 1.4 million.

It is important to highlight the growth in order intake figures, with a 35% increase compared to 2018, even with the limitations of bonds, but focusing on the company's traditional activity.

Revenue was 393 million Euros and the margin remained in line with the plan's forecasts.

In addition, there was a reduction in structural costs of 10 million Euros compared to the previous year.

Without doubt, all the results for 2019 show the good performance of the company and the challenges it has overcome. And they confirm the way forward.

As the Chairwoman pointed out, the company has managed its contracts appropriately and has reduced its risk very significantly, which allows us to be in a better position than we were two years ago, to face our future and to attract new investors.

I would like to express my gratitude for the performance of our entire team, which with its high qualifications and professionalism, has achieved such important milestones over the last two years:

- ✓ Reduction of contingencies in contracts for an amount of 196 million Euros, in projects such as ILO, AUSTRALIA, ACONCAGUA, INDIA and TO-14
- ✓ Improvement of results by 27 million Euros in projects such as IERNUT, BELLARA and FLUXIS, among others.
- ✓ Reduction of the risk of bonds by 175 million Euros, 75 of which belong to the current financial syndicate.

The extraordinary effort and dedication of our team has made it possible for us to be here today, having eliminated past risks that conditioned the feasibility of Duro. Furthermore, we can face the future with the experience of a consolidated team that is used to great challenges.

Thanks to this management, the company closed 2019 with financial statements that allow it, today, to be eligible for the Fund, to have closed innumerable contingencies, which translates into a Duro Felguera with less risk, and if the temporary public aid is approved, to be more attractive to potential investors.

After this close of 2019, and just as we were facing the end of this hard journey, we have come up against the unpredictable effect of the COVID-19 pandemic, which is so hard on the world order in general and on our country and our sector in particular.

The effect on Duro is threefold:

- on the projects in progress
- on new tenders
- on performance and operating costs



As I mentioned earlier, the impact that the pandemic has had on our company is reflected in the results for the first half of 2020.

Revenue amounted to 72 million Euros, with a negative EBITDA of 103 million Euros and a net loss of 114 million Euros.

We had to make provisions of 100.8 million Euros for the Jebel-Ali, Djelfa, Iernut and Bellara projects, as well as other provisions recorded in accounts receivable and certain property assets.

By so doing, the company has recorded all the provisions arising from the pandemic, already audited by Deloitte, and which justify the request to the Fund.

Finally, order intake stood at 52 million Euros and we closed the first half of the year with a backlog of 360 million Euros.

The projects underway are those most affected by the pandemic. We have been forced to make significant provisions at the accounting close of the first half of 2020.

At Djelfa:

- As I informed you at last year's Annual General Meeting, from November 2018 to May 2019, a protocol of agreement was negotiated to alleviate the economic and financial imbalance of the contract, which was to be ratified in a subsequent addendum.
- Due to the political situation in Algeria last year, and due to changes in the Presidency of Sonelgaz and in the Ministry of Energy, the client has informed us that it will not comply with the protocol signed, which forces us to seek a new solution.
- As a result of the pandemic, in mid-March 2020, the Algerian government ordered the closure of borders along with containment measures.
- Immediately afterwards, the client reported that it was impossible for any personnel not present at the time to gain access to the site. This led to the stoppage of work.
- Faced with this situation, Duro Felguera requested a temporary suspension, which was not accepted.
- At the beginning of June, the client sent a letter threatening to call on the bonds regardless of the situation of force majeure deriving from the pandemic.
- For all these reasons, we had to request precautionary protection of the bank bonds, which was granted, and subsequently, we submitted a request to initiate arbitration.
- This led to an increase in provisions of 36 million Euros in the results for the first half of the year.
- As of today, the Company is negotiating a new protocol with the client to reactivate the project.

At Jebel Ali,

- At the end of March, the first notifications of possible positive cases on site were received and the client was notified.
- In April the company requested suspension of the project to protect the health of the workers, but no response was obtained from DEWA.
- Gradually, a total of 24 positive cases came to light among Duro Felguera personnel and subcontractors.



- The management of Duro Felguera maintained ongoing contact to seek solutions to the problem of COVID. But DEWA insisted that the work be continued, ignoring the risks this posed to the health of our employees.
- As a result of the actual suspension of the project, DEWA sent a notification of non-compliance which led to their calling on the bonds.
- This made it impossible to continue with the project, as it meant the appropriation of the funds that Duro Felguera had in the Dubai Islamic Bank.
- Finally, DEWA notified the termination of the contract.
- For all these reasons, we had to increase the provisions by 35 million Euros.
- In spite of the above, we are currently negotiating with DEWA through the Legal Affairs Department (LAD), a mediation body which reports to the Government of Dubai.

This said, we have not wasted any time in these months.

Because we have already presented a Feasibility Plan to recover from this great impact.

The Company's Feasibility Plan consists of four different phases:

1. Approval of the temporary public support requested from the Fund.
2. Refinancing of the syndicated debt and new lines of financing.
3. New investors.
4. Updating the 2020-2025 Industrial Plan.

The application to the Fund made on 28 August consists of:

- ✓ A capital increase of 30 million Euros and
- ✓ An equity loan of 70 million Euros.

The Fund has a period of 6 months to respond to our request, i.e. until the end of February 2021. However, the Company hopes to receive a formal, and of course positive, response as soon as possible.

As the shareholders have seen, the amount of aid requested from the Fund coincides with the provisions made in the first half of the year for the effect of the pandemic.

The mechanism for repayment of the aid envisaged by the company would be:

- ✓ A capital increase in 2023 for an approximate amount of 80 million Euros which would be used to repay the participating loan.
- ✓ The sale of the shares held by the Fund to the market, or, selectively, to potential investors. In this way, the Company's operating cash flow would not be used to repay the aid.

In short:

- We meet all the requirements for access to temporary public aid as set out in Royal Decree-Law 25/2020, dated 3 July.



- We are a feasible and strategic company, as concluded in the University of Oviedo Report that we made public on 15 September.
- Our history and technical competence is internationally acknowledged.
- We have a prudent and realistic industrial plan.

We are also working on financial restructuring with the banking syndicate, which is now under negotiation, to refinance our debt according to the following proposal:

- An "up front payment" of 10% of the nominal amount of the existing debt.
- The conversion of 20% of the nominal amount into a participation loan, to be repaid in 2023.
- The conversion of the remaining 70% into convertible bonds, with a maximum term in 2025 and a conversion factor of 5% of the existing capital at the time of conversion.
- New revolving bond lines for a minimum amount of 100 million Euros with coverage by CESCE.
- And also the possibility of new liquidity lines with the guarantee of ICO.

Likewise, we are also studying other non-recourse financing initiatives to support the extension of the "Tallerón" workshop and project finance for renewable energy projects.

The company needs the support of the banks to be able to reinvent itself. We have made a great effort to meet the requirements of the financial institutions. We are sure that this support can bear fruit in the short term, as long as the authorization of the temporary public aid is confirmed.

Having achieved the two previous milestones, we are convinced that we will have the support of new investors who:

- will bring in new businesses to complement Duro's traditional activities and
- will make us grow in renewable energies and smart systems.

If the public aid requested is granted, and the banks give us their support, we are convinced that you, the shareholders, will improve your profitability and we will be able to attract new investors who will enable us to push forward with our industrial plan.

Finally, we have updated our Industrial Plan, focusing on:

- consolidating the traditional businesses of Duro Felguera, which have been historically stable and profitable,
- growing in "green" and digital intelligence businesses.

Duro is a company that can and must now contribute all its experience in the aforementioned sectors, with greater demand and good opportunities for financing or subsidies from the European Union.

We have created Duro Felguera Green Tech, a new subsidiary which will boost renewable energies.



We have also concentrated our capabilities in the technological field (EPICOM, Logistic Systems and Felguera IT) to promote growth and access to new digital intelligence businesses.

The energy transition is going to generate great business opportunities in renewable energies throughout the world, and in Spain in particular, as 1.5 billion Euros' investment is expected to be made worldwide in the energy transition up to 2030.

We are working on the extension of the "Tallerón" workshop for the manufacture of off-shore wind power structures.

However, the EPC segment in renewables has few entry barriers and reduced margins, which is why we are going to focus on the development and promotion business.

The consolidation of EPICOM, Felguera IT and Logistic Systems in an area of Smart Systems will allow us to have a better integral offer of products and services.

We should be very proud of the unique capabilities we have in this area!

EPICOM is the leader in encryption systems in Spain.

Our Strategic Plan is based on sustainability, as could not be otherwise.

Duro Felguera is committed to a clean and lasting business that encourages decarbonization and places us at the forefront of the energy transition by means of renewable energies.

Our commitment goes beyond our business. Sustainability should be part of our company's DNA, changing the way we work to reduce emissions and preserve natural resources, in order to be a benchmark for our clients and suppliers in this field.

I will now present the main figures in the update of our Industrial Plan for the next 5 years.

In 2025 we expect the turnover of the new business of Renewables and Smart Systems to account for between 25% and 30% of the total.

In core skills we expect to maintain 25% of turnover, compared to 29% today.

Finally, the proportion of EPCs will be reduced, but they will continue to account for almost half of our business, thus also reducing the company's risk.

The new plan envisages a gradual recovery in the pace of order intake, subject to the availability of bond lines, to reach 700 million Euros in 2025.

How are we going to achieve this? By recovering our traditional business. By growing in renewables and smart systems. And by limiting the risk in EPC projects.

Revenue will grow from 161 million Euros in 2020 to 622 million Euros in 2025.

We expect an increase in the EBITDA to 48 million Euros in 2025, progressively improving the margin to almost 8%.



In short, the new Industrial Plan 2020-2025 is realistic, prudent and more committed to “green” and “digital intelligence” businesses.

As you can see, we are at a turning point in the history of Duro. We need the trust and support of the public authorities, the financial institutions, you, the shareholders, and other future investors.

None of us here could have thought in January that we would experience a similar situation.

We all have to do what we can in order to recover from this situation as quickly as possible.

Ladies and gentlemen, you have our commitment to continue fighting for Duro. With work and effort this company can once again become an international benchmark. And it will do so from Asturias, where we want to continue to be a driving force for industry, green energy and digitization.

We have a team. We have an industrial plan. We have already done a lot of work to reinvent Duro.

You have all my commitment to face the challenges that lie ahead and I only ask you for your trust so we can achieve this.

Thank you all very much for your attention.