Audit Report on Financial Statements
issued by an Independent Auditor

DURO FELGUERA, S.A. AND SUBSIDIARIES

Consolidated Financial Statements and
Consolidated Management Report
for the year ended December 31, 2020

Deloitte, S.L.
Palacio Valdés, 9
33002 Oviedo
España

Tel: +34 985 21 98 49
www.deloitte.es

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.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Duro Felguera, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in total equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2020, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 to the accompanying consolidated financial statements for 2020, in which the directors indicate that the Group has been considering a global restructuring process aimed at re-establishing its financial and equity position, which were severely impacted in 2020 by the pandemic caused by covid-19 and the concomitant shutdown of its business activities, and which led to a consolidated equity deficit and a working capital deficiency at 31 December 2020.

Considering the approval of the application for aid from the Fund for Supporting the Solvency of Strategic Companies dated 3 March 2021, which is still subject to the fulfilment of certain conditions, the directors trust that they will be able to conclude as soon as possible and successfully , in the negotiated terms and conditions, the remaining agreements pertaining to the aforementioned global restructuring process, especially with banks, in order to implement the Group's viability plan as intended and, accordingly, they prepared the consolidated financial statements in accordance with the going concern basis of accounting. However, as indicated in Note 2.1, delays in the achievement of the framework agreements or in their subsequent materialisation, as well as variances in the fulfilment of the objectives set out in the business plan, which could arise from, among other factors, the health crisis, together with the evolution of the processes described in Notes 31, 35 and 40, may significantly affect the Group's ability to meet its present and future obligations, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Recognition of revenue by reference to stage of completion

Description	Procedures applied in the audit
The Group engages mainly in the provision of engineering and/or manufacturing services for the supply of facilities through EPC projects in the industrial, energy, minerals handling, logistics and environmental sectors, together with the provision of maintenance and erection services, and follows the general policy of recognising the revenue from, and profit or loss on, each contract by reference to the estimated stage of completion thereof, calculated on the basis of the costs incurred in the contract as a percentage of the total budgeted costs. Revenue recognised by reference to stage of completion in 2020 amounted to EUR 131.1 million, with an amount of EUR 71.7 million receivable at year-end, of which EUR 22.6 million correspond to amounts to be billed for work performed, with amounts billed in advance for construction work totalling EUR 50.9 million. Determination of the stage of completion necessarily involves a high degree of complexity and judgement by management in relation to, inter alia, the estimated total costs to be incurred in each project, the measurement of the work completed in the period (both the allocation of the cost associated with materials and subcontracted work to the project and engineering, manufacturing and erection hours) and the accounting for contract modifications, all of which fall within the framework of the criteria established in IFRS 15, Revenue from Contracts with Customers. Accordingly, the situation described was considered to be a key matter in our audit.	Our audit procedures included obtaining an understanding of the Group's revenue recognition policies and the processes directly related to the periodic reviews of the contracts carried out by those responsible for each area and supervised by Group management and, specifically, the corresponding follow-up reports that include the costs incurred, the estimate of costs to be incurred, the estimated percentage of completion, the assessment of the margin and the possible penalties and obligations provided for in the contracts. Also, our audit procedures included, among others, an itemised in-depth analysis of a selection of projects, 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 the impact of covid-19, and the evaluation of the reasonableness of the costs yet to be incurred. To perform these procedures, we held meetings with the Group's technical staff and obtained the support of internal specialists in relation to certain issues. Lastly, we reviewed the disclosures provided in the accompanying consolidated financial statements in relation to these matters. Specifically, Notes 12, 22 and 23 contain relevant information on revenue recognition and on amounts yet to be billed or amounts billed in advance.

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

Description	Procedures applied in the audit

As indicated in Notes 35 and 40, as a consequence of its activity, the Group is involved in various arbitration and court proceedings for a significant amount, mainly with customers and suppliers, or it has ongoing negotiations on the termination of contracts, the evolution of which could lead to lawsuits. The aforementioned processes are characterised by the existence of cross claims between the parties. Of these proceedings, at 31 December 2020 there were accounts receivable associated with the resolution of arbitration proceedings amounting to EUR 16 million, net of provisions (see Note 12), escrow accounts amounting to EUR 16 million (see Note 11) and unrecognised contingent assets subject to claims and provisions recognised to cover claims amounting to EUR 70 million (see Note 25). Additionally, the Group has an ownership interest in a jointly controlled entity involved in an arbitration proceeding with a customer (see Note 10). In relation to the aforementioned proceedings, Group management assesses whether impairment losses should be recognised, and whether the claims should be considered to be contingent liabilities or whether they require the recognition of provisions, and the quantification thereof. These circumstances constitute a key matter in our audit, since they require Group management to make significant judgements, in particular as to whether it is probable that there will be a future outflow of resources and whether the amount of the obligation can be estimated reliably. These judgements are formed by Group management based mainly on the opinions of its external legal counsel engaged for this purpose.	Our audit procedures included, among others, obtaining an understanding of the arbitration and court proceedings in which the Group is involved and their evolution during the year, as well as an analysis of the judgements of management made on the basis of the opinion of its external and internal legal counsel. For this purpose we sent confirmation letters and obtained responses from the lawyers and legal advisers with whom the Group works to analyse the current situation of the proceedings and check their risk assessment, based on the "remote", "possible" or "probable" risk classification required by the applicable accounting regulations, and in our analysis we placed particular emphasis on the matters relating to the most significant court proceedings in progress and the other assumptions considered for the calculation of the provisions. Also, we evaluated the information disclosed by the Group in relation to these proceedings in Notes 35 and 40 to the accompanying consolidated financial statements, in accordance with the applicable regulations, and evaluated whether it was consistent with the evidence obtained during the performance of our tests, taking into account the existing uncertainty regarding the outcome of these proceedings. Notes 10, 12, 25, 35 and 40 contain the information on provisions and the disclosures on contingent liabilities related to arbitration and court proceedings and negotiations in progress.

Tax contingencies	
Description	**Procedures applied in the audit**

As indicated in Note 31, the tax treatment of certain income tax matters in Spain was reviewed by the tax authorities, and in previous years assessments amounting to EUR 150 million were issued, which were signed on a contested basis and appealed against by the Group. At 31 December 2020, 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. Also, the Group has provided property-related guarantees on certain assets, having requested suspension of the payment obligation, an issue that is pending resolution by the Central Economic-Administrative Tribunal of the State Tax Agency in Spain.

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

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

Our audit procedures included, among others, the obtainment and analysis of the evaluations made by the Group's internal and external tax advisers, as well as the documentation of any relevant correspondence with the tax authorities regarding tax litigation currently under way.

We also sent confirmation letters and obtained responses from the tax advisers with whom the Group works, having involved our internal tax experts in evaluating and examining the assumptions and judgements made by the directors, who took into account the uncertainty existing in relation to the outcome of the matters in question.

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

Emphasis of Matter

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

Other Matter

The Group's consolidated financial statements for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 22 May 2020 (see Note 2.2).

Other information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2020, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

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

a) Solely checking that the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) Evaluating and reporting on whether the other information included in the consolidated directors' report is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was furnished as provided for in the applicable legislation and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2020 and its content and presentation were in conformity with the applicable regulations.

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

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

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

Report on Other Legal and Regulatory Requirements

European Single Electronic Format

We have examined the digital files in European Single Electronic Format (ESEF) of Duro Felguera, S.A. and subsidiaries for 2020, which comprise the XHTML file including the consolidated financial statements for 2020 and the XBRL files with the tagging performed by the entity, which will form part of the annual financial report.

The directors of Duro Felguera, S.A. are responsible for presenting the annual financial report for 2020 in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation").

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

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

Additional Report to the Parent's Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit committee dated 16 April 2021.

Engagement Period

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

DELOITTE, S.L.
Registered in ROAC under no. S0692

Alicia Izaga
Registered in ROAC under no. 17477

16 April 2021

Appendix to our auditor’s report

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

DURO FELGUERA, S.A. AND SUBSIDIARIES

Consolidated Financial Statements and Consolidated Management Report
for the year ended 31 December 2020

DURO FELGUERA, S.A. AND SUBSIDIARIES

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DURO FELGUERA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (€ thousand)

ASSETS	NOTE	As at 31 December 2020	2019(*)
NON-CURRENT ASSETS		**71002**	**84,836**
Intangible assets:	9	11,718	14,469
a) Goodwill		3,286	3,286
b) Other intangible assets		8,432	11,183
Property, plant and equipment	7	31,573	37,159
Investment properties	8	22,233	27,327
Investments accounted for using the equity method	10	20	20
Non-current financial assets	11	5,458	5,675
Deferred tax assets	24	-	122
Other non-current assets	11-12	-	64
CURRENT ASSETS		**175,471**	**355,015**
Inventories	14	6,710	9,832
Trade and other receivables:	11-12	103,925	184,917
a) Trade receivables		71,736	130,869
b) Other receivables		32,189	54,041
c) Current tax assets		-	7
Current financial assets	11	39,148	36,265
Other current assets	11	792	1,722
Cash and cash equivalents	15	24,896	122,279
TOTAL ASSETS		**246,473**	**439,851**

EQUITY AND LIABILITIES	NOTE	As at 31 December 2020	2019(*)
EQUITY		**(146,797)**	**15,585**
CAPITAL AND RESERVES		**(95,424)**	**81,822**
Capital	16 a)	4,800	4,800
Reserves and retained earnings	18	63,326	67,541
Profit or loss for the period attributable to the parent		(171,643)	1,388
Other equity instruments	16 d)	8,093	8,093
ACCUMULATED OTHER COMPREHENSIVE INCOME	18	**(51,850)**	**(49,786)**
EQUITY ATRIBUTABLE TO THE PARENT		**(147,274)**	**32,036**
NON-CONTROLLING INTERESTS	20	**477**	**(16,451)**
NON-CURRENT LIABILITIES		**13,932**	**95,093**
Government grants	21	3,578	3,846
Non-current provisions	25	6,551	1,340
Non-current financial liabilities:	11-22	3,770	89,907
a) Bank borrowings, and bonds and other marketable securities		-	85,000
b) Other financial liabilities		3,770	4,907
Deferred tax liabilities	24	33	-
CURRENT LIABILITIES		**379,338**	**329,173**
Current provisions	25	97,249	63,347
Current financial liabilities:	11-22	91,553	2,367
a) Bank borrowings, and bonds and other marketable securities		88,831	307
b) Other financial liabilities		2,722	2,060
Trade and other payables:	11-23	190,536	263,449
a) Suppliers		122,127	180,100
b) Other payables		66,883	80,897
c) Current tax liabilities		1,526	2,452
Other current liabilities		-	10
TOTAL EQUITY AND LIABILITIES		**246,473**	**439,851**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(€ thousand)

	NOTE	Year ended 31 December 2020	Year ended 31 December 2019(*)
Revenue	26	137,707	379,838
Changes in inventories of finished goods and work in progress		(348)	200
Self-constructed assets		95	640
Cost of sales	28	(66,302)	(250,569)
Other operating income		228	1,178
Employee benefits expense	27	(62,304)	(89,515)
Other operating expenses	28	(146,465)	(70,527)
Amortisation and depreciation	7-8-9	(7,844)	(6,523)
Release of non-financial capital grants and other		269	390
Impairment of property, plant and equipment		(7,521)	(2)
Gains/(losses) on disposals of property, plant and equipment		273	2,312
Gain/(loss) on loss of control of subsidiaries	2.2.e)	9,142	-
Other income/(expense)	29	(870)	30,411
OPERATING PROFIT/(LOSS)		**(143,940)**	**(2,167)**
Finance income		1,703	7,349
Finance costs		(2,718)	(2,462)
Change in fair value of financial instruments		-	8,069
Exchange differences		(9,126)	(831)
Impairment/(reversal of impairment) of financial instruments		(1)	(1)
NET FINANCE INCOME/(COST)	30	**(10,142)**	**12,124**
Share of profit/(loss) of companies accounted for using the equity method	10	(14,426)	(5,278)
PROFIT/(LOSS) BEFORE TAX		**(168,508)**	**4,679**
Income tax expense	31	(3,215)	263
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(171,723)**	**4,942**
a) Profit/(loss) attributable to the parent		(171,643)	1,388
b) Profit/(loss) attributable to non-controlling interests	20	(80)	3,554
EARNINGS PER SHARE (€)			
Basic	32	(1.79)	0.0006
Diluted	32	(1.68)	0.0006

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (€ thousand)

	NOTE	Year ended 31 December	
		2020	**2019(*)**
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		**(171,723)**	**4,942**
OTHER COMPREHENSIVE INCOME - ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:		**(182)**	**(3,170)**
Revaluation/(reversal of revaluation) of property, plant and equipment and intangible assets		-	(4,718)
Equity instruments at fair through other comprehensive income	11	(243)	1,026
Other comprehensive income that will not be reclassified to profit or loss		-	(877)
Tax effect		61	1,399
OTHER COMPREHENSIVE INCOME - ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:		**9,128**	**3,533**
Translation differences:	18	22,511	11,834
a) Valuation gains/(losses)		24,560	11,834
b) Amounts reclassified to profit or loss		(5,546)	-
c) Other reclassifications		3,497	-
Other comprehensive income that may be reclassified subsequently to profit or loss:	18	(13,383)	(8,044)
a) Valuation gains/(losses)		(19,486)	(8,044)
b) Amounts reclassified to profit or loss		6,103	-
c) Other reclassifications		-	-
Tax effect	24	-	(257)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(162,777)**	**5,305**
a) Attributable to the parent		(162,701)	16
b) Attributable to non-controlling interests		(76)	5,289

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

DURO FELGUERA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY
(€ thousand)

		Equity attributable to the parent							
		Capital and reserves					Valuation adjustments	Non-controlling interests	Total equity
	Note	Capital	Share premium and reserves	Own shares and equity instruments	Profit or loss for the period attributable to the parent	Other equity instruments			
Balance at 1 January 2019		**48,000**	**(58,564)**	**-**	**99,430**	**8,093**	**(51,952)**	**(36,489)**	**8,518**
Total comprehensive income for the year		**-**	**(3,538)**	**-**	**1,388**	**-**	**2,166**	**5,289**	**5,305**
Transactions with equity holders or owners		**(43,200)**	**43,200**	**-**	**-**	**-**	**-**	**(15)**	**(15)**
Capital increases/(reductions)	16	(43,200)	43,200	-	-	-	-	-	-
Distribution of dividends		-	-	-	-	-	-	(15)	(15)
Other changes in equity		**-**	**86,443**	**-**	**(99,430)**	**-**	**-**	**14,764**	**1,777**
Transfers between equity items		-	99,430	-	(99,430)	-	-	-	-
Other changes		-	(12,987)	-	-	-	-	14,764	1,777
Balance at 31 December 2019		**4,800**	**67,541**	**-**	**1,388**	**8,093**	**(49,786)**	**(16,451)**	**15,585**
Balance at 1 January 2020		**4,800**	**67,541**	**-**	**1,388**	**8,093**	**(49,786)**	**(16,451)**	**15,585**
Total comprehensive income for the year		**-**	**-**	**-**	**(171,643)**	**-**	**8,942**	**(76)**	**(162,777)**
Transactions with equity holders or owners		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Capital increases/(reductions)	16	-	-	-	-	**-**	-	-	-
Distribution of dividends		-	-	-	-	**-**	-	-	-
Other changes in equity		**-**	**(4,215)**	**-**	**(1,388)**	**-**	**(11,006)**	**17,004**	**395**
Transfers between equity items		-	1,388	-	(1,388)	**-**	-	-	-
Other changes		-	(5,603)	-	-	**-**	(11,006)	17,004	395
Balance at 31 December 2020		**4,800**	**63,326**	**-**	**(171,643)**	**8,093**	**(51,850)**	**477**	**(146,797)**

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

DURO FELGUERA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(€ thousand)

	NOTE	Year ended 31 December 2020	2019(*)
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	34.a)	**(67,381)**	**403**
Profit/(loss) before tax		(168,508)	4,679
Adjustments for:		128,946	19,211
Amortisation and depreciation		7,844	6,523
Other adjustments to profit/(loss)		121,102	12,688
Working capital changes		(24,624)	(19,346)
Other cash flows from operating activities:		(3,195)	(4,141)
Interest paid		(2,284)	(2,453)
Income tax received/(paid)		(911)	(1,688)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	34.b)	**(28,560)**	**19,143**
Payments for investments		(21,874)	(716)
Proceeds from sale of investments		1,034	16,324
Cash flows from investing activities		(7,720)	3,535
CASH FLOWS USED IN FINANCING ACTIVITIES	34.c)	**(1,302)**	**(1,453)**
Proceeds from and payments for equity instruments:		-	-
Proceeds from and payments for financial liability instruments		(1,302)	(1,453)
Dividends and interest on other equity instruments paid		-	-
Other cash flows from financing activities		-	-
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(140)**	**2,412**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(97,383)**	**20,505**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**122,279**	**101,774**
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	**24,896**	**122,279**

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

1. General information

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

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

The parent company's current registered address is Parque Científico Tecnológico, calle Ada Byron, 90, 33203 Gijón, Asturias, Spain. Its head offices are in Spain at calle Ada Byron, 90, 33203 Gijón, Asturias.

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

With more than 150 years of history in industrial activities, over the last decade it has geared its business towards a variety of activities, the most important of which is the execution, on behalf of customers, of major turnkey industrial projects around the world. DF Group executes end-to-end projects for the construction of all kinds of power generation plants, mineral processing and bulk handling facilities, fuel storage plants and other infrastructure in the oil and gas sector. The Group carries out the entire project from end to end: engineering, supplies, assembly, commissioning, operation and maintenance.

Duro Felguera also provides specialised engineering, assembly and heavy industrial machinery and equipment maintenance services.

In addition, the Group specialises in the manufacture of large pressure vessels for the oil and gas, petrochemical and nuclear sectors at its workshops in the port of Gijón. With more than 50 years of experience in projects for widely diverse international destinations, it has become one of the foremost pressure vessel manufacturers in the world.

Lastly, through subsidiary Epicom, S.A., the Group is a benchmark in Spain for the protection of critical communications to the highest standard of security for the Spanish government.

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

These consolidated financial statements were authorised for issue by the parent company's directors on 31 March 2021 and re-issued on 9 April 2021 to include the events after the reporting period disclosed in Note 40 herein. They will be submitted for approval at the Annual General Meeting. They are expected to be approved without any changes. The financial statements for 2019 were approved by shareholders at the Annual General Meeting held on 29 October 2020.

1.1. Effects of COVID-19 on the Group's operations in the year

The current situation caused by the COVID-19 coronavirus outbreak, which prompted the World Health Organization to declare a pandemic as a result of the health crisis caused by the virus, is having an unprecedented impact on economic and financial markets.

The recovery begun in 2019 enabled the Group to become profit-making again after sustaining operating losses in 2017 and 2018. However, it was impacted heavily by the crisis situation caused by the pandemic. While the Group has made every effort from the outset, heeding the preventive measures issued by the World Health Organisation and other authorities and prioritising worker health and safety, the scale of COVID-19's impact on the economy has made it impossible to extend the recovery seen in the 2019 financial statements.

Because of COVID-19, Duro Felguera Group has taken action to overcome the crisis, adapting to the new normal and planning for its future. Indeed, the Group is taking steps to secure liquidity and the continuity of its business, to boost profitability and to optimise earnings, having drawn up a new strategy.

The main impacts of COVID on the Group in the year, which totalled around €120 million, were as follows:

Impact on operations:

The Group recently revised the 2021-2027 strategic plan to focus on strengthening its traditional businesses and grow in renewable energy and smart systems. The aim is to absorb the impact on the Group's accounts of the drop in order intake and lower activity brought on by the health emergency.

For instance, tendering in the Group's various footprint geographies slacked off owing to the impact on investment decisions of potential customers. This led to a drop in the number of contracts expected just in 2020 of €234 million compared to the budget drawn up by the Group at end-January 2020, pushing back order intake targets by 30 months and reducing the forecast margin for 2020 by €12.5 million as a result of this lower contracting.

Meanwhile, the health emergency and lockdown slowed projects in progress and in some cases resulted in temporary shutdowns of activity. This was due among other reasons to temporary breaks in the supply chain and the implementation of measures issued by the health authorities, which led to scheduling changes in project execution. As a result, the pandemic had serious implications for certain projects under way in several geographical areas, requiring the Group to recognise provisions amounting to approximately €81 million. Highlights include:

Jebel Ali

The United Arab Emirates began restricting entry by staff into the country on 17 March 2020. From then, several equipment suppliers began notifying DF regarding the impact of COVID-19 on them and their operating performance.

The various measures taken by the UAE government also had a direct impact on projects carried out by DF by restricting movement of on-site personnel and the availability of materials to continue executing the civil engineering works under way. Stricter security measures were placed on transportation and labour camps and on access controls to the customer's facilities.

On 22 April 2020, DF requested a suspension of work at the site to prevent further risk to the health and safety of workers in the wake of the pandemic after uncovering positive cases of coronavirus, but it did not receive any response from the customer.

There was a total of 24 positive coronavirus cases between DF staff and subcontractors, and work on the site was halted.

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. As a result, the funds held by DF in Dubai Islamic Bank were appropriated and its accounts were blocked, leading to a reduction of cash of approximately €8 million since there were no counter-guarantees from local banks to call in the remaining amount.

On 24 June 2020, DEWA notified termination of the contract to DF with effect from 1 July 2020. The customer later filed a suit claiming, among other, project termination costs, penalties and loss of profit (Note 35).

Termination of the contract gave rise to a new scenario in relations since DF had previously filed claims with the customer. This highlights the need to reassess the project in a scenario that includes the contract termination and is especially complicated and tense with the counterparty, prompting the Group to consider a further €35 million of project losses.

Bellara

In January 2020, an agreement reached to start the project back up with a higher contract price and longer execution period, and resume the extension works. However, in March 2020, the project was suspended once again without effectively triggering the preliminary agreement as it was due to *force majeure* caused by COVID-19.

The current situation gave rise to certain additional costs; e.g. maintenance of local infrastructure to preserve and monitor the work carried out and the equipment stored there; warehouse costs for materials and equipment pending dispatch to the site; and costs for impairment on equipment already supplied and installed on site.

The pandemic also interrupted negotiations with the customer.

Because of the uncertainty brought on by the pandemic, the Group reassessed the project's budget, estimating a negative impact of €4 million on the project outcome.

As at the date of authorisation for issue of these consolidated financial statements, the project had resumed following an agreement reached in January 2021 after formalisation of a new amendment with the customer.

Arcelor Project

This project entails an agreement entered into with Küttner HuDe GmbH (Hude) for the coke oven project for ArcelorMittal España S.A. in Asturias. Due to the health crisis caused by COVID-19, Hude informed the Group on 22 March 2020 that the end customer (ArcelorMittal) had halted all the work it had been performing in Europe and, accordingly, the work on the project for its plant in Asturias. With the work stopped, Hude suspended payment of the work carried out by the Group, giving rise to a receivable of €2.6 million for past-due invoices and €0.5 million of amounts withheld recoverable.

ArcelorMittal resumed the work, but Hude did not resume its services. Therefore, the Group was forced to terminate the contract with Hude. Given the uncertainty surrounding collection of the outstanding debt because of the complex legal relationship under which it is governed, the Group recognised an impairment loss on the receivable.

Djelfa

On 17 March 2020, the Algerian government closed the country's borders, cancelled all flights from Europe and closed its ports.

On 22 March 2020, the customer reported that staff not on site at that time no longer had access. This halted assembly work in progress, although Duro Felguera kept its staff on site and continued providing essential activities of equipment and material maintenance, surveillance and supervision of civil engineering by the customer.

In letters dated 18 March 2020, 26 March 2020 and 8 April 2020, Duro Felguera asked the customer to temporarily suspend the parties' contractual obligations as set out in the contract. The request was predicated on the serious impact of the COVID-19-related measures taken on the project. The customer rejected the request despite the evidence.

Algeria's overall economy has also been negatively affected not only by the shutdown of general economic activity, but also the fall in global demand and prices in the oil and gas markets. This directly impacts the customer since it is a public company that obtains revenue from energy and gas sales.

On 30 March 2020, the customer sent a notice of default, in which it completely ignored the restrictions imposed by the pandemic in general and the restrictive measures imposed by the Algerian government in particular, urging Duro Felguera to resume its work.

In light of this customer's behaviour, Duro Felguera had no choice but to formally notify SPE that there was a dispute and to invoke arbitration under the contract. This notification was sent on 4 May 2020.

On 3 June 2020, a letter was received from the customer threatening to enforce the guarantees on 30 June 2020 if Duro Felguera failed to accept the deadlines for commissioning certain elements of the plant without any "non-contractual terms and conditions"; i.e. waiving its claims, and immediately resume work, regardless of the situation of *force majeure* caused by the COVID-19 pandemic.

On 8 June 2020, Duro Felguera sought an injunction against enforcement of the bank guarantees.

On 19 June 2020, Oviedo Court of First Instance No 11 granted the request for precautionary measures.

On July 8, 2020, Duro Felguera filed a request for arbitration before the Algerian Chamber of Commerce and Industry, which was identified in the contract for resolving disputes between the parties.

Because of this situation, the Group reassessed the project budget. It considered that suspension of the contract because of COVID-19 would result in a delay of 18-24 months and estimated cost overruns due to overheads, financial costs, costs of extending equipment guarantees, reviewing, inspecting and replacing damaged equipment, storage costs and arbitration costs. Moreover, since the situation caused by the pandemic led to greater uncertainty in communications with the customer and commencement of an arbitration process, which is still in the very early stages, Duro Felguera decided not to consider any additional amount claimed from the customer for the extra costs incurred as a higher sales price.

All this resulted in a loss of €36 million for the Group in 2020.

Iernut

On 10 July 2020, the Mures Chamber of Commerce in Romania formally issued a certificate recognising that the COVID-19 pandemic had affected the project for three months and pushed back delivery to December 2020. The Group negotiated a further extension to complete the project after that deadline. At 31 December 2020, the project was over 90% complete and, according to the advanced recognition of project costs, the Group recognised a payable of €13 million.

As a result, the project budget was reassessed, with the company recognising costs related to the three-month period and costs of providing insurance and increasing guarantees for the equipment. It quantified the COVID-19-related impact at €3 million.

Meanwhile, the pace of activity during the year was affected considerably by the pandemic, undermining the progress expected for all projects under way. The widespread slowdown in the progress of ongoing projects caused directly by the pandemic precluded the allocation of part of personnel costs to projects. This led to cost overruns from lower activity, which could not be absorbed by the projects and, therefore, passed on to customers.

The projects under way affected most by the reduction correspond to traditional businesses, especially service projects which are highly labour intensive. There were also delays in ongoing projects in Energy (the Iernut project) and Mining & Handling (the Naftan project).

Impact on the valuation of assets:

The slowdown in the Spanish real estate market caused by the pandemic also impacted the Group considerably. This effect was even more marked in the office market. Demand for office property fell due to the economic crisis, the shuttering of some businesses and the introduction of teleworking. As a result, the Group was forced to delay sales of non-strategic real estate assets planned for 2020 and re-measure the assets at current market prices. This led to recognition of a €7.5 million impairment loss on these assets in 2020.

The Group did not recognise any impairment of goodwill of Epicom since, given the special features of its business, it was not affected by the pandemic and because the Group estimated that the fair value of the this CGU exceeded its cost (Note 4). In addition, the calculation of expected credit losses included the impact on the valuation of the Group's trade receivables (Note 2.12).

Impact on personnel:

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.

Management considered the team/staff to be crucial for recovering, maintaining operations and delivering excellence to customers and suppliers. So, when the state of alarm was put in place, regular communication was kept to provide visibility and transparency regarding the situation at all times.

As described in Note 27, on 14 April 2020, several Group companies in Spain reached an agreement with workers' committees to avail of temporary layoffs citing reasons of production. The downsizing affected up to 672 employees in Spain, with a cap of 464 employees being furloughed at the same time. These layoffs produced savings of €4.8 million for the months they were in place. The furlough scheme remained in place where necessary and may continue through 20 October. Management Committee members also undertook to lower their salaries by 20%.

The impact of the second COVID-19 wave on the Group's activity prompted several Group implement a new temporary layoff scheme, as described in Note 40.

Impact on liquidity:

The Group was also hit by the temporary halt to negotiations with public authorities during the pandemic. In general, it suffered from a slowdown in certain administrative processes, such as the repatriation of excess funds in the Indian subsidiary to the Reserve Bank of India and the State Bank of India, or in Peru, where Duro Felguera was negotiating the orderly transfer of the ILO hydrocarbon terminal project to its customer, Petroperú.

The uncertainty caused by the global pandemic forced the Group to take steps to protect its interests in ongoing negotiations with a number of customers which were interrupted. A case in point was the granting of injunctions against the enforcement of guarantees provided in the Djelfa and Empalme projects.

Because of these direct COVID-19-related effects, the Group reported a EBITDA loss in 2020 of €137.9 million (see reconciliation between EBITDA calculated by the Group and operating profit/(loss) in Note 5) and a net loss for the year of €171.6 million. Given the COVID impacts and in accordance with eligibility requirements, on 28 August 2020, Duro Felguera applied for €120 million of temporary public financial support from the Solvency Support Fund for Strategic Companies, as disclosed in Note 2.1.

Lastly, the Group's directors and management are monitoring developments of the situation on an ongoing basis to successfully address any potential financial and non-financial impacts that may arise.

2. Summary of significant accounting policies

The main accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

2.1. Application of the going concern principle

The scale of the pandemic's impact on the global economic had major implications for the Group's business and its cash plan (Note 1.1). The decline in order intake caused by delays in investment decisions of potential customers; delays in the execution of projects in the pipeline caused by restrictions on the mobility of people and the supply of materials, resulting in cost overruns; the unavailability of bank guarantees to release cash held as performance bonds or to meet the requirements in tenders for new projects; the delays in collections from certain customers whose business was also affected by the pandemic; and lastly, the downturn in the real estate market in 2020, which prevented planned disposals of non-strategic assets all undermined the Group's cash position throughout the year and hurt its results and equity position.

Because of this and the losses sustained in 2020, at 31 December 2020, the parent company had negative equity of €150,189 thousand. The Group had negative equity of €146,797 thousand. In addition, the Group had negative working capital of €203,867 thousand at 31 December 2020. Nevertheless, the Group is not currently in a circumstance of dissolution according to Royal Decree Law 16/2020, of 28 April, on procedural and organisational measures to deal with COVID-19 in the scope of the Administration of Justice, article 18.1 of which states: *"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 of the current financial year 2020 shall not be taken into consideration. If the result for the 2021 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".*

To cushion the negative impact on the cash plan and equity, the Group took all actions possible to improve its cash position. These included continuous negotiations with creditor banks over an agreement to refinance existing debt and obtain new credit lines; the implementation of measures to reduce overheads, such as the approval of two temporary mass layoffs (ERTE in Spanish); the start of a process to attract private investors; negotiations with a fund for the non-recourse assignment of receivables from claims in arbitration or litigation; or the update of a new Industrial Plan to drive progress towards the renewables sector and digitalisation. However, given the major impact of the pandemic on Duro Felguera, these measures alone are not enough to ensure that it remains viable and that its financial and equity balance will be restored, casting significant doubt on the Group's ability to continue as a going concern. Therefore, in accordance with eligibility requirements, on 28 August 2020, Duro Felguera applied for €100 million of temporary public financial support from the Solvency Support Fund for Strategic Companies (*Fondo de Apoyo a la Solvencia de Empresas Estratégicas*) and an additional €20 million at the end of the year.

After analysing all the documentation submitted, Spain's state-owned industrial holding company (Sociedad Estatal de Participaciones Industriales or "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, verifying that the Fund's support is essential for maintaining the Group's operations until its activity recovers.

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

The amount of temporary public financial aid approved under the Fund is one hundred and twenty million euros (€120,000,000), which will take the form of the following instruments, all of which are provided for in Ministerial Order PCM/679/2020, of 23 July, governing the operation of the Fund:

a) €70 million participating loan
b) €20 million ordinary subsidised loan
c) €30 million capital increase and/or a new participating loan

The financial aid is divided into two phases:

<u>Phase one</u>: Disbursement of €40 million, through a €20 million participating loan and a €20 million ordinary loan, initially by 31 March 2021.

<u>Phase two</u>: Disbursement of a €50 million participating loan and a €30 million disbursement through a capital contribution and/or participating loan, tentatively by 30 June 2021.

In this regard, the Fund will contribute less capital than the private industrial partner that might accompany the Fund in the capital increase. The remainder of the disbursement, up to a total of €30 million, will be via a participating loan. If a private industrial partner has not acquired a capital stake by 30 June 2021, the €30 million contribution will be made entirely by means of a participating loan.

The Duro Felguera Group companies benefiting 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.

Following is a translation of the Cabinet's press release of 9 March 2021 in relation to DF:

(…)
"The total amount of aid for Duro Felguera is €120 million. This will be articulated in the form of a €70 million participating loan, a €20 million ordinary loan and a capital contribution or another participating loan, for a total amount of €30 million. All these instruments are covered by the Ministerial Order of 23 July published the Spanish Cabinet's resolution setting out the operation of the Fund.

The company will have up to seven years to repay the full amount of loans received. The interest rates on the participating loans are those set out in the appendix to the Spanish Cabinet's Resolution of 21 July 2020 and in the European Commission's Temporary Framework.

The resolution authorising the temporary financial support for Duro Felguera includes several conditions, including the debt restructuring called for in the company's viability plan, the grant of the €80 million of new lines of guarantees envisaged in the plan, covered by CESCE, and the addition of two directors appointed by the Solvency Support Fund's Management Board and the appointment, by mutual agreement of the parties, of a new chief executive officer.

By authorising this transaction approved by the Spanish Cabinet, the process governing the operation of this temporary aid mechanism is complete.

This fund was created strictly to support companies considered nationally or regionally strategic. In this respect, Duro Felguera is still one of the largest contributors to the economy of Asturias, representing 1.18% of the region's gross added value. The company's average revenue was €729 million between 2010 and 2019, with revenue in Asturias of €440 million. At year-end 2019, it generated 1.02% of the region's total employment.

Moreover, Duro Felguera invests heavily in research, development and innovation (R&D). In fact, 3.8% of its R&D spend is in Asturias, well above the national average for the region. This has enabled the company to undertake large industrial projects, making it a reference in Asturias' economic fabric for its innovative prowess".
(…)

This temporary public aid is framed under the Group's corporate-wide restructuring process designed to strengthen its financial and equity position. Other key components include refinancing the current €85 million of syndicated debt, taking out a €100 million guarantee to cover performance bonds for the next two years, and monetising the credit claims described previously. As at the date of authorisation for issue of these financial statements, the Group is on the verge of reaching a binding commitment to enter into an agreement with the financial institutions in the bank pool as proposed in the Group's viability plan and envisaged by the Fund.

Regarding the process to attract private investors, it has received non-binding offers and continues to spark interest among other potential investors. In addition, the Asturias regional government has announced its intention of contributing a further €6 million, although no specifics have been disclosed. Duro Felguera is a strategic company for the regional productive fabric.

The Industrial Plan unveiled by SEPI on 18 February 2021 includes its outlook for the Company's future, predicated on:

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

1. Strengthening traditional businesses

Duro Felguera operates in a sector that remains strong globally, although the EPC segment is highly competitive, with inherently greater risks and complexity in project execution.

Therefore, Duro Felguera's strategy for traditional businesses is to maintain the focus, ensuring profitability and minimising risks. This requires strengthening relationships with recurring customers, leveraging alliances to build out capacity and growing in stable countries of Latin America and other foreign markets with low country risk and through local partnerships.

The traditional businesses are: Energy, Mining & Handling, Oil & Gas, Services and Manufacturing.

2. Growing in green and digital intelligence businesses

Duro Felguera's strategy entails expanding in new fast growing segments, specifically:

a. Renewables: with the creation of DF Green Tech. This new subsidiary is designed exclusively to boost renewable energies, centralising commercial management and coordinating the Group's current capabilities in this type of project.
b. Smart Systems: consolidation of IT capabilities (EPICOM, Logistics Systems and FTI) to boost growth and access to new segments.

a. Renewables

The growth of the renewable energy sector opens up an opportunity for Duro Felguera. The renewable energy market is thriving and the outlook for the next few years is promising. Duro Felguera must become a relevant player with recurring business in the renewable energy sector in Spain and Latin America.

<u>DF Green Tech</u>
Duro Felguera set up DF Green Tech to pool its renewable energy assets and capabilities. This kicks off a new cycle in the renewable energy market in which the focus shifts to developing and promoting photovoltaic farm projects, winning the EPC and O&M contracts, and creating value from strong demand for this type of asset in a market that looks set to grow strongly over the next decade.

<u>Off-shore wind power</u>
Seizing the exceptional manufacturing capabilities of DF Calderería Pesada's workshop ("Tallerón") and in light of the off-shore wind market's heady growth in Europe, Duro Felguera is committed to diversifying its product range, ensuring that the Group's manufacturing line remains sustainable and continues to grow. In line with the trend toward rapid decarbonisation of energy taking place across the world, we will manufacture off-shore wind power support structures, adding more space and equipment to our current capabilities and site in the port of Gijón so the workshop can raise its capacity.

b. Smart Systems

Duro Felguera has combined EPICOM, Felguera TI 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 and, partially, logistics systems:

<u>Encrypted communication for military use</u>
Growth in this area will come from expanding EPICOM's customer base to include Spanish government bodies and forces, and EU and NATO countries. To achieve this, it will step up sales and technological development capabilities to offer products tailored to the needs of new customers.

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

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

The Group expects to have a binding term sheet with banks as quickly as possible to, in the first half of the year, execute the agreements reached with the Solvency Support Fund's Management Board and the banks themselves according to the viability plan. Delays in carrying out the corporate restructuring transactions may cause cast doubt over compliance with the business plan for 2021 and, therefore, result in potential deviations (e.g. in order intake and execution). The biggest threat is the impact of the health crisis caused by COVID-19 on business performance, which should ease. This is monitored by the directors on an ongoing basis. The outcome of the proceedings described in Notes 31 and 35 must also be considered. In the opinion of the directors, the overall financial restructuring under the terms set out in the viability plan, which they expect to be determined at any time now, will enable the Group to cover equity and financial equilibrium, and deliver the industrial and financial plan presented to confirm that it is a viable company over the long term by relaunching its business model, underpinned by the company's traditional segments but driving its progress towards renewables and digitalisation. The aim is to remain a strategic company for the regional productive fabric. Therefore, based on this premise, the directors have prepared the consolidated financial statements on a going concern basis.

2.2. Basis of preparation

The consolidated financial statements for the year ended 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS), the interpretations issued by the IFRS Interpretation Committee (IFRIC) and mercantile law applicable to companies reporting under EU-IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of land and buildings on first-time adoption of IFRSs, and financial assets and financial liabilities that have been measured at fair value through other comprehensive income or profit or loss.

These consolidated financial statements, which were prepared based on the accounting records of Duro Felguera, S.A. and subsidiaries, provide a true and fair view of the consolidated equity and financial position of the Group as at 31 December 2020, and of the consolidated results, changes in consolidated equity and consolidated cash flows for the year then ended.

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

For comparative purposes, the Group presents jointly the consolidated statement of financial position at year-end 2020 and 2019, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the years ended 31 December 2020 and 2019.

The Group has restated comparative information for 2019 after considering investee Dunor Energía, S.A.P.I. de C.V. a joint venture rather than a joint operation and, therefore, accounting for its interest using the equity method rather than consolidating its proportionate share of the company's assets and liabilities, profit or loss and cash flows. The restatement did not affect profit or loss for 2019. However, it resulted in a reduction of total assets and liabilities as at 31 December 2019 of €11,723 thousand, but with no impact on comparative equity at 31 December 2019; an increase in cash flows from operating activities of €4,363 thousand; and decreases in cash flows from investing and financing activities of €228 and €3,369 thousand, respectively.

The impact on the statement of profit or loss of the change in the method of accounting for this investee is as follows:

	€ thousand	
	2019 statement of profit or loss	**2019 statement of profit or loss, restated**
Revenue	392,909	379,838
Changes in inventories of finished goods and work in progress	361	200
Self-constructed assets	640	640
Cost of sales	(223,390)	(250,569)
Other operating income	1,178	1,178
Employee benefits expense	(89,515)	(89,515)
Other operating expenses	(108,230)	(70,527)
Amortisation and depreciation	(6,547)	(6,523)
Grants released to profit or loss	390	390
Impairment of assets	(2)	(2)
Gains/(losses) on disposals of assets	2,314	2,312
Other income/(expense)	30,409	30,411
Operating profit/(loss)	**517**	**(2,167)**
Interest income	7,575	7,349
Interest expense	(9,647)	(2,462)
Change in fair value of financial instruments	8,069	8,069
Exchange differences	(759)	(831)
Impairment/(reversal of impairment) of financial instruments	(1)	(1)
Net finance income/(cost)	**5,237**	**12,124**
Profit/(loss) of companies accounted for using the equity method	**(1,075)**	**(5,278)**
Profit/(loss) before tax	**4,679**	**4,679**
Income tax expense	263	263
Profit/(loss) for the year from continuing operations	**4,942**	**4,942**

The Group also restated its comparative financial statements to present offsets of deferred tax assets and deferred tax liabilities recognised in the comparative consolidated statement of financial position to the extend that, in accordance with IAS 12, they arise from balances relating to income tax of the tax group with the same taxation authority and are expected to reverse simultaneously.

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

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

Changes in accounting policies and disclosures

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

Except where indicated otherwise below, the accounting policies used are the same as those applied in the 2019 annual consolidated financial statements.

In 2020, the following mandatory standards and interpretations, already endorsed by the European Union, became effective and, where applicable, were used by the Group in the preparation of these consolidated financial statements, but did not have a significant impact:

New mandatory standards, amendments and interpretations in the period

Approved for use in the European Union		**Mandatory for annual reporting periods beginning on or after:**
Amendments to IAS 1 and IAS 8 *Definition of Material*	Amendments to IAS 1 and IAS 8 to align the definition contained in the conceptual framework	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 – *Interest Rate Benchmark Reform*	Amendments to IFRS 9, IAS 39 and IFRS 7 related to the ongoing interest rate benchmark reform	1 January 2020
Amendments to IFRS 3 *Business Combinations*	Clarification of the definition of a business	1 January 2020
Amendment to IFRS 16 *Leases - Rent Concessions*	Amendments to facilitate lessee accounting of COVID-19-related rent concessions	1 June 2020

The directors have considered the new standards in the preparation of these financial statements, but their adoption did not have any significant effects.

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

(€ thousand)

New mandatory standards, amendments and interpretations applicable for annual periods after the calendar year beginning 1 January 2020

Approved for use in the European Union		**Mandatory for annual reporting periods beginning on or after:**
Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform - Phase 2	Amendments to IFRS 9, IAS 39 and IFRS 7 related to the ongoing interest rate benchmark reform	1 June 2021
Amendments to IFRS 4 – Deferral of the application of IFRS 9	Deferral of the application of IFRS 9	1 June 2021

Not yet approved for use in the European Union		**Mandatory for annual reporting periods beginning on or after:**
Amendments to IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2	Amendments to IFRS 4 and IFRS 16 related to the ongoing interest rate benchmark reform	1 June 2021
Amendments to IFRS 3 – *Reference to the Conceptual Framework*	The amendments update IFRS 3 to align the definitions of assets and liabilities recognised in a business combination to the definitions in the conceptual framework	1 January 2022
Amendments to IAS 16 *Proceeds before Intended Use*	The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	1 January 2022
Amendments to IAS 37 *Onerous Contracts - Cost of Fulfilling a Contract*	The amendment specifies that costs that relate directly to the contract include incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts	1 January 2022
Improvements to IFRSs 2018-2020 Cycle	Minor amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022
Amendment to IAS 1 Classification of Liabilities as Current or Non-current	Clarifies requirements regarding the classification of liabilities as current or non-current	1 January 2023
IFRS 17 *Insurance Contracts* and amendments to IFRS 17	Replaces IFRS 4 and sets out the principles for recognition, measurement, presentation and disclosure of insurance contracts to ensure that an entity provides relevant and reliable information to enable users of financial statements to assess the effect of insurance contracts on financial statements.	1 January 2023

For standards that become effective from 2021 and onwards, the Group has performed a preliminary assessment of the potential impacts of their future application once they become effective. As at the reporting date, it considers that the impacts of application of these standards will not be significant.

All mandatory accounting standards and measurement bases that could have a significant effect on the accompanying consolidated financial statements were applied in their preparation.

2.3. Basis of consolidation

a) Consolidation scope

The Group's consolidation scope comprises: Duro Felguera, S.A. (the parent company) and its subsidiaries and associates. The Group also has joint interests in other entities and temporary joint ventures ("UTEs").

For the purposes of presentation of the consolidated financial statements, a group is considered to exist when the parent has one or more subsidiaries over which it exercises direct or indirect control.

The parent and certain subsidiaries also have interests in UTEs and consortia and recognise the relevant assets, liabilities, revenues and expenses on a proportionate basis.

b) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it has exposure, or rights, to variable returns from its involvement in the investee and the ability to use its power over the investee to affect the amount of these returns.

The parent company re-assesses whether it controls an investee when the facts and circumstances indicate changes in one or more of those control elements.

The parent company consolidates a subsidiary from when it obtains control (and deconsolidates it when it ceases to have such control).

Subsidiaries are fully consolidated and all their assets, liabilities, income, expenses and cash flows are included in the consolidated financial statements after eliminations for intragroup transactions. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

The value of non-controlling interests in consolidated equity and profit or loss is presented in "Non-controlling interests" in equity in the consolidated statement of financial position and "Profit/(loss) attributable to non-controlling interests" in the consolidated statement of profit or loss.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to non-controlling interests. The Company also attributes total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, uniformity adjustments are made in the financial statements of subsidiaries to ensure conformity with the Group's accounting policies.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If a business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains and losses arising from such remeasurement are recognised in profit and loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change in other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

If a parent sells or loses control of a subsidiary, it derecognises the assets and liabilities, and the carrying amount of any non-controlling interests in the former subsidiary at the date when control is loss. It also recognises the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control, any distribution of shares of the subsidiary to owners in their capacity as owner, and any investment retained in the former subsidiary at its fair value at the date when control is lost. It reclassifies to profit or loss for the period the amounts recognised in other comprehensive income in relation to the subsidiary and recognises any resulting difference as a gain or loss in profit or loss attributable to the parent.

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

NOTES TO THE 2020 CONSOLIDATED FINANCIAL STATEMENTS (€ thousand)

Company	% ownership interest	Location	Activity
Fully-consolidated:			
DF Mompresa, S.A.U (3).	100%	Gijón	Assembly and maintenance of turbines
DF Operaciones y Montajes, S.A.U.(3)	100%	Gijón	Study, marketing and provision of all kinds of services and supplies, maintenance, and operation of industrial plants, machinery and equipment for industrial plants. Commissioning of facilities.
Duro Felguera Calderería Pesada, S.A.U.(4)	100%	Gijón	Pressure vessels and heavy boiler-making
Duro Felguera Green Tech, S.A.U. (formerly DF Técnicas de Entibación, S.A.U.) (2) (4)	100%	Gijón	Design, manufacture, supply, assembly, operation, maintenance, promotion, development, management, exploitation and marketing of renewable energy installations, products, technical solutions, works and services for generation as well as transmission, distribution, import, export, recycling, extraction, purchase and sale and wholesale or retail distribution, or the storage of energy from renewable sources, including the ownership and commercial operation of service concession arrangements, agreements and facilities for the production of electricity, hydrogen, biodiesel, hydrocarbons, biofuels, by-products or products used to produce these products, and products resulting from processing, and other raw materials using renewable energy.
Felguera I.H.I., S.A. (3)	100%	Madrid	Fuel and gas storage equipment
Felguera Tecnologías de la Información, S.A. (2) (3)	60%	Llanera	Development of business management software.
Duro Felguera Investment, S.A U. (2) (3)	100%	Gijón	Investment in trading, industrial and service companies, agency and mediation services in diverse types of contract, and securities management and administration.
Duro Felguera Oil&Gas, S.A.U. (3)	100%	Madrid	Creation, design, calculation, basic engineering, detailed engineering, management, planning, computerisation, coordination, monitoring and control of projects in the oil, gas and petrochemical industry.
Epicom, S.A. (3)	100%	Madrid	Research, development, manufacture, marketing, technical assistance, study and consulting in relation to equipment, electronic systems and software
Duro Felguera Logistic Systems, S.A.U. (2) (3)	100%	Gijón	The study, design, marketing, preparation, manufacture and supervision of all types of automated transport systems, automated warehouses and maintenance systems for industry and their components, as well as any related industrial, commercial and financial operations including export and import of all activities and products included therein.
DFOM Biomasa Huelva, S.L. (2) (5)	100%	Gijón	Operation and maintenance of Ence's biomass power generation plant in Huelva.
Equipamientos Construcciones y Montajes, S.A. de C.V. (2) (3) (5)	100%	Mexico	Construction and assembly of industrial projects
Proyectos e Ingeniería Pycor S.A. de C.V. (2) (3) (5)	100%	Mexico	Construction and assembly of industrial projects
Felguera Diavaz Proyectos México S.A. de C.V. (2) (3)	50%	Mexico	All kinds of activities related to power generation through the full or partial use of wind and cogeneration energy sources.
Turbogeneradores del Perú, S.A.C. (2) (3) (6)	100%	Peru	Installation of electromechanical equipment for electricity plants.
Duro Felguera Argentina, S.A. (2) (6) (5)	100%	Argentina	Construction, maintenance and supply of equipment for power stations.
Duro Felguera Chile Limitada (formerly Opemasa Andina, Ltda.) (2) (5) (6)	100%	Chile	Construction, maintenance and supply of equipment for power stations.
Turbogeneradores de Venezuela C.A. (2) (5)	100%	Venezuela	Engineering, supplies and civil works for energy projects.
Duro Felguera Do Brasil Desenvolvimiento de Projectos Ltda. (2) (3)	100%	Brazil	Commercial project development

(€ thousand)

Company	% ownership interest	Location	Activity
Felguera Grúas India Private Limited. (2) (3)	100%	India	Port terminals.
PT Duro Felguera Indonesia (2) (3)	95%	Indonesia	Engineering, supply and construction projects for the mining, energy and industrial sectors.
DF USA, LLC (2) (3)	100%	United States	Commercial project development
DF Canadá Ltd (2) (3)	100%	Canada	Engineering and construction services

1) Audited by a firm other than the parent company's auditors.
2) Not audited.
3) Interest held by the parent company
4) Interest held by Duro Felguera Investment, S.A.
5) Interest held by DF Operaciones y Montajes, S.A.
6) Interest held by DF Mompresa, S.A.
7) Interest held by Felguera I.H.I., S.A.

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

The following companies were not included in the consolidated financial statements as they were dormant or their amounts were immaterial relative to the Group's total statement of financial position and statement of profit or loss:

Company	% ownership interest	Location	Activity
Turbogeneradores de Argentina, S.A. (2) (3) (6)	100%	Argentina	Construction, advice, study, project, management, execution and administration of architectural or civil engineering, electrical, electronic, mechanical, hydro-electric, or plant projects, and the construction, enlargement or refurbishment of power generation plants and/or their operation and/or maintenance.
Mopre Montajes de Precisión de Venezuela, S.A. (6)	100%	Venezuela	Assembly of turbo-generators and auxiliary equipment in power stations.
Duro Felguera Panamá, S.A. (2) (3)	100%	Panama	Engineering, supplies and civil works for energy projects.
Felguera IHI Panamá, S.A. (2) (7)	100%	Panama	Design, development, manufacture, integration, marketing, representation, installation and maintenance of air-conditioning and mechanical electrical and electronic systems, equipment and sub-assemblies, and the implementation of engineering projects, including necessary civil engineering work.
Duro Felguera Saudí LLC (2) (3) (6)	50%	Saudi Arabia	Construction of electricity generation buildings and plants.
Felguera IHI Canada INC (2) (7)	100%	Canada	Engineering and construction services

1) Audited by a firm other than the parent company's auditors.
2) Not audited.
3) Interest held by the parent company
4) Interest held by Duro Felguera Investment, S.A.
5) Interest held by DF Operaciones y Montajes, S.A.
6) Interest held by DF Mompresa, S.A.
7) Interest held by Felguera I.H.I., S.A.

c) Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture, unlike a joint operation described in d) of this note, is a type of arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is recognised initially at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the acquisition date. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Dilution gains and losses arising in investments in associates are recognised in the statement of profit or loss.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount in "Share of profit/(loss) of associates" in the consolidated statement of profit or loss.

In the opinion of the directors, there were no significant contingent liabilities related to the Group's investments in associates and joint ventures at 31 December 2020 and 2019 other than those disclosed in Note 35.

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

Accounted for using the equity method:			
Dunor Energía, S.A.P.I. de C.V. (1) (3)(4)	50%	Mexico	Construction of 313 CC Empalme II combined cycle plant in the state of Sonora (Mexico) under a tender from the Federal Electricity Commission (CFE).

(1) Audited by a firm other than the parent company's auditors. As at the date of authorisation for issue of these financial statements, the audit was still being performed.
(2) Not audited.
(3) Joint venture
(4) Interest held by the parent company

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

The following companies were not included in the consolidated financial statements as they were dormant or their amounts were immaterial relative to the Group's total statement of financial position and statement of profit or loss:

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

d) Joint operations and temporary joint ventures

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

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

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

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

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

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

UTEs in which the Company has interests are run by a management committee with equal representation of each party to the UTE. This committee takes all decisions with a significant impact on the success of the UTE. All decisions require consent of the parties sharing control. Therefore, the parties collectively have the power to direct the activities of the UTE. Each party has rights to the assets and obligations for the liabilities relating to the arrangement. Therefore, UTEs are accounted for using proportionate consolidation.

The proportional amount of the line items of the UTE's statement of financial position and statement of profit or loss are included in the Company's consolidated statement of financial position and statement of profit or loss in accordance with its percentage of ownership interest, and the cash flows in the consolidated statement of cash flows.

As at 31 December 2020 and 2019, there were no significant contingent liabilities related to the Group's interests in UTEs other than those disclosed in Note 35.

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

(€ thousand)

Company	% ownership interest	Location	Activity
Joint operations:			
UTE Termocentro	100%	Gijón	Design, supply, construction and commissioning of Termocentro CCTP.
UTE Telfers	100%	Gijón	Development of a project in Panama.
UTE DFOM-Mompresa	100%	Gijón	Development of a project in Colombia.
UTE FMM – MCAV Monfalcone	51%	Langreo	Supply, prefabrication and assembly of rubberised metallic tubes for the Monfalcone TP desulphurisation project.
UTE DF – TR Barranco II	50%	Gijón	Turnkey supply of the Barranco II combined cycle plant.
UTE CTCC Puentes	50%	Gijón	Turnkey supply of the Puentes combined cycle plant.
UTE CTCC Barcelona	50%	Madrid	Construction of the Barcelona Port combined cycle.
UTE CT Besós V	50%	Madrid	Civil works for combined cycle plant.
UTE Duro Felguera Argentina, S.A. – Fainser, S.A. (*)	90%	Argentina	Engineering, equipment and materials supply, electromechanical assembly, civil engineering work and commissioning of the Vuelta de Obligado power plant.
UTE Abbey Etna	48.58%	Langreo	Design, supply and installation of tubing with advanced rapid change system at the Rothrist plant.
UTE As Pontes	65%	Langreo	Transformation, review and upgrades at Puentes de García Rodríguez TP.
UTE Somorrostro	33.33%	Langreo	Mechanical assembly and paintwork for ADI-100 project at the Petronor- Muskiz refinery (Vizcaya).
UTE Hornos Cartagena	33.33%	Langreo	Mechanical assembly of cocker and vacuum furnaces and other sundry assembly work on the C10 Repsol Cartagena refinery enlargement project.
UTE ATEFERM	33.33%	Langreo	Supply and assembly of thermal insulation at the Sagunto regasification plant.
UTE FERESA-KAEFER-IMASA (UTE PETRONOR)	33.33%	Oviedo	Insulation work on COCKER block for the ADI-100 project at the Petronor refinery (Muskiz-Bilbao).
UTE FB 301/2	38.42%	Madrid	Construction and delivery of two liquefied gas storage tanks to the Enagas plant in El Musel.
Consorcio el Sitio (TGV-Y&V Ingeniería)	70%	Venezuela	Engineering, local supplies and construction of the Termocentro thermal power plant.
UTE Duro Felguera Argentina, S.A. – Masa Argentina, S.A.	51%	Argentina	Execution of "PTV-01 Contract Rehabilitation of steam turbine units Endesa Costanera"
UTE New Chilca	100%	Gijón	Execution of the construction work on the New Chilca combined cycle thermal plant.
UTE DF-ELECNOR EMPALME II	50%	Madrid	Performance of foreign supplies and provision of offshore engineering services for the Empalme II combined cycle plant, as well as enlargement works and complementary and accessory services
UTE DFOM NUCLEO KENIA I	100%	Gijon	Energy access scale up programme project
UTE F.D.B. ZEEBRUGGE	71.98%	Madrid	Execution of work in the EPC engineering project, purchase, supply, construction and commissioning of the enlargement (5th tank) of the LNG terminal in Zeebrugge
DF-Romelectro consortium (**)	70%	Romania	Construction of a combined-cycle power plant

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

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

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

NOTES TO THE 2020 CONSOLIDATED FINANCIAL STATEMENTS (€ thousand)

e) Changes in the scope of consolidation

The main movements in 2020 in the consolidation scope were as follows:

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

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

As explained in the events after the reporting period in the 2019 consolidated financial statements, on 28 February 2020 Duro Felguera Australia Pty Limited was appointed insolvency administrator in the event of the company's insolvency. As a result, the Group ceased to have control and deconsolidated this company, giving rise to income of €9.1 million in the consolidated statement of profit or loss for 2020, which includes the cumulative gains and losses remeasured at 31 December 2019 in “Other valuation adjustments” recycled to profit or loss (Note 18).

Moreover, in relation to the insolvency proceedings of the Australian company, in accordance with the certification issued by the Duro Felguera Australia Pty Limited receivers dated 6 October 2020, unanimous approval was given from the creditors present of a Deed of Company Arrangement ("DOCA"), under Australian legislation. This removes any uncertainty regarding the possible reimbursements of amounts against the parent company disclosed in the 2019 consolidated financial statements and will not have any additional economic impact than mentioned previously.

Changes in the Group's consolidation scope in 2019 were as follows:

	Disposals
GROUP	
	DF Ingeniería Técnica de Proyectos y Sistemas, S.A.
	Duro Felguera Industrial Projects Consulting Co, Ltd
	Tanques de Cartagena, S.A.
ASSOCIATES	
	Duro Felguera Rail, S.A.
UTEs	
	UTE CGSI Asturias Lote 3
	UTE CGSI Asturias Lote 4
	UTE DF Operaciones y Montajes, S.A. y Masa Operaciones Internacionales, S.L.

Also in 2019, the non-controlling shareholder of the Felguera IHI, S.A. subsidiary departed, making it a wholly owned Group subsidiary.

The impacts of these changes in the consolidation scope on equity and consolidated profit or loss were not significant in 2019.

f) Transactions with non-controlling interests

The Group records transactions with non-controlling interests as transactions with the equity holders of the Group. In acquisitions of non-controlling interests, the difference between the consideration paid and the proportionate share of the carrying amount of the entity's net assets is recognised in equity. Gains or losses on disposals of non-controlling interests are also recognised in equity.

When the Group loses control or significant influence, it measures any retained investment at its fair value, with any increase in the carrying amount of the investment recognised in profit or loss. The fair value of the retained interest in the associate, joint venture or financial asset for subsequent recognition is its initial carrying amount. In addition, any amount previously recognised in other comprehensive income in relation to that investment is accounted for on the same basis as would have been required if the Group had directly disposed of all the related assets and liabilities. This could mean that the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced, but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to consolidated profit or loss.

g) Translation of financial statements denominated in foreign currency

The financial statements of investees whose functional currency is different from the presentation currency (i.e. the euro) have been translated using the procedures explained in Note 2.5.c).

On loss of control of or significant influence over a company with a functional currency other than the euro, the exchange differences recognised in a component of equity related to that company are reclassified to profit or loss when the gain or loss on disposal is recognised.

2.4. Current versus non-current classification

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 Group 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 Group'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.

2.5. Foreign currency transactions

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the economic environment in which the company operates ('the functional currency'). The consolidated financial statements are presented in euros (€), which is the parent company’s functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation, where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at closing rates are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss under "Exchange differences”.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in other comprehensive income.

c) Group companies

The results and financial position of all Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position shall be translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of profit or loss and other comprehensive income at average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which came income and expenses are translated at the rate on the dates of the transactions; and

(iii) all resulting exchange differences are recognised in the statement of other comprehensive income.

In addition, exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially in other comprehensive income.

When there is the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in a separate component of equity, are reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

The financial statements of Group companies whose functional currency is the currency of a hyperinflationary economy are adjusted for inflation in accordance with the procedure described in the following paragraph prior to their translation to euros. Once restated, all the items of the financial statements are converted to euros using the closing exchange rate. Amounts shown for prior years for comparative purposes are not modified.

To determine the existence of hyperinflation, the Group assesses the qualitative characteristics of the economic environment of the country, as well as the trends in inflation rates over the previous three years. The financial statements of companies whose functional currency is the currency of a hyperinflationary economy are restated to reflect changes in purchasing power of the local currency, such that all items of the statement of financial position not expressed in current terms (non-monetary items) are restated by applying a general price index at the financial statement closing date, and all income, expenses, profit and losses are restated monthly applying appropriate adjustment factors. The difference between initial and adjusted amounts is taken to profit or loss.

d) Hyperinflationary economies

Classification of Argentina as a hyperinflationary economy

Argentina has been classified as a hyperinflationary economy since 2018. The DF Group applies the inflation adjustments to companies whose functional currency is the Argentine peso for financial reporting for periods ended as of 1 July 2018.

In accordance with IAS 29, the Group:

- Adjusted the historical cost of the non-monetary assets and liabilities and the various items of equity from the date of acquisition or inclusion in the consolidated statement of financial position to the end of the reporting period to reflect the changes in the purchasing power of the currency caused by inflation.
- Included the gain or loss on the net monetary position caused by the impact of inflation in profit or loss.
- Adjusted the various items of the statement of cash flows by the general inflation index from the dates they arose, with a balancing entry in net financial results and an offsetting item in the statement of cash flows, respectively.
- Translated all components of the financial statements of Argentine companies at the closing exchange rate, which at 31 December 2020 was 102.79 Argentine pesos per euro (2019: 67.29 Argentine pesos).

To update the financial statements, the Group has used the indexes defined in Resolution JG No. 539/18, as published by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE), based on the Consumer Price Index (CPI) published by the National Institute of Statistics and Censuses (INDEC) of the Argentine Republic and the Internal Wholesale Price Index (IPIM) published by the FACPCE. The cumulative index at 31 December 2020 and 2019 was 385.9% and 283.44%, respectively, while on an annual basis the index for 2020 was 35% (2019: 54%).

The Group does not have any significant fixed assets in Argentina, so the impact of hyperinflation was not significant. The impact was recognised in exchange differences.

The main impacts on the DF Group's consolidated financial statements for the year ended 31 December 2020 arising from the above were as follows:

	€ thousand
Revenue	12
Operating profit/(loss)	(950)
Profit/(loss) for the year from continuing operations	349
Accumulated exchange differences	(6,576)
Impact on equity	8

2.6. Intangible assets

a) Goodwill

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

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

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

b) Computer software

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

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

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

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

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years, except ERP, which the Group 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.

c) Development costs

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

a) it is technically feasible to complete the software product so that it will be available for use or sale;
b) management intends to complete the intangible asset and use or sell it;
c) the entity has the ability to use or sell the intangible asset;
d) it can be demonstrated how the software product will generate probable future economic benefits;
e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
f) the expenditure attributable to the intangible asset during its development can be reliably measured.

Development costs capitalised for assets with a finite useful life are amortised from the start-up of the product's commercial production on a straight-line basis over the period of expected future benefits, but in no case over more than five years.

Development costs that do not meet these criteria are expensed as incurred.

2.7. Property, plant and equipment

The Group uses the historical cost model, under which items of property, plant and equipment are recognised at cost less depreciation and accumulated impairment losses, except for land which is not depreciated and is presented net of impairment losses. Initial historical cost includes expenses directly attributable to purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

In general, the cost of repairs and maintenance are recognised as incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amounts to the residual value over their estimated useful lives, as follows:

	Years of estimated useful life
Buildings	7 to 57
Technical installations and machinery	4 to 33
Other installations, equipment and furniture	3 to 20
Other property, plant and equipment	3 to 20

For assets that must be returned to the grantor under concession arrangements, the period of the arrangement is used as the useful life of the asset.

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

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in "Gains/(losses) on disposals of property, plant and equipment" in the statement of profit or loss.

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

Borrowing costs are recognised as an expense as incurred, unless they can be capitalised. The costs can be capitalised:

- When the borrowing costs are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use.
- Whenever it is probable that they will result in future economic benefits to the company and the costs can be measured reliably.

2.8. Investment properties

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

Properties are transferred to, or from, investment properties when there is a change in use, evidenced by:

- Commencement of owner-occupation, for a transfer from property to owner-occupied property;

- Commencement of development with a view to sale, for a transfer from investment property to inventories;

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

- Inception of an operating lease to another party, for a transfer from inventories to investment property.

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

2.9. Right-of-use assets and associated lease liabilities

Right-of-use assets and the associated lease liability represent the right to use the underlying assets and the obligation to make payments under the lease, respectively.

Right-of-use assets are measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- costs of restoring the assets.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful life or the lease term.

The lease liability associated with the right-of-use asset includes the present value of the lease payments.

Lease payments are discounted using the lessee's incremental borrowing rate, which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The Group is exposed to potential future increases in lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. The lease liability is then remeasured and the carrying amount of the right-of-use asset is adjusted.

Lease payments are apportioned between the principal and the finance charge. The finance charge is recognised in profit or loss over the lease term to produce a constant periodic rate of return on the remaining balance of the lease liability for each period.

The lease term is determined as the non-cancellable period. If the Group has a unilateral option to extend the lease and is reasonably certain to exercise this option or an option to terminate the lease and is reasonably certain not to exercise this option, the period covered by the option to extend or terminate is included in the lease term.

2.10. Impairment of non-financial assets

At the end of each reporting period, the Group reviews assets subject to depreciation or amortisation for any fact or change in circumstances that indicates that the carrying amount may not be recoverable. If any such indication exists, it performs an "impairment test" to estimate the potential loss of value that reduces the recoverable amount of the asset to below its carrying amount.

Assets that have indefinite useful lives and goodwill are not subject to depreciation or amortisation and are tested annually for impairment.

The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

The recoverable amounts are calculated for each cash-generating unit, although in the case of items of property, plant and equipment, whenever it is feasible those tests are performed item by item, on an individual basis.

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

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

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

The Group uses appraisals of independent experts (Note 4) to determine the fair value of its investment properties.

When an impairment loss must be recognised for a cash-generating unit to which all or part of goodwill has been allocated, the carrying amount of any goodwill allocated to that unit is reduced first. Then, if the impairment loss is greater than the carrying amount of goodwill, to the other assets of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit, to the highest of its fair value less costs of disposal, its value in use and zero.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. Impairment losses relating to goodwill cannot be reversed in future periods. A reversal of an impairment loss is recognised as income.

2.11. Non-current assets and disposal groups classified as held for sale

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the criteria in the previous paragraph are met and the sale plan involves loss of control of a subsidiary, all of the assets and liabilities of that subsidiary classified as held for sale, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

These assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets held for sale are not depreciated or amortised, but are remeasured at the end of the reporting period, with the carrying amount written down so that it does not exceed the fair value less costs to sell where appropriate.

The income and expenses generated by non-current assets and disposal groups held for sale that do not meet the requirements for qualification as discontinued operations are recognised in the corresponding item of the statement of profit or loss according to their nature.

At year-end, although the Group was committed to a plan to sell certain real estate assets, it did not classify them as non-current assets or disposal groups held for sale since the sale of the assets was not considered highly probable, at a price that was reasonable in relation to their current fair value, within a period of 12 months.

As disclosed in Note 40, the Group entered into an agreement in 2021 to sell a 40% stake in Epicom, S.A. However, it did not classify it under non-current assets or disposal groups held for sale since the transaction was subject to certain suspensive conditions at the end of the year that were beyond the Group's control (Note 22).

2.12. Financial assets

2.12.1 Initial recognition and measurement

Financial assets are recognised initially at cost, including transaction costs.

The financial assets held by the Group companies are classified as follows:

a) financial assets at fair value through profit or loss;
b) loans and receivables (financial assets at amortised cost); and
c) financial assets at fair value through other comprehensive income.

Management determines the classification of its investments at initial recognition and reassesses this classification at the end of each reporting period. They are primarily held within a business model whose objective is collect contractual cash flows, so the majority of the Group's financial assets are classified as subsequently measured at amortised cost.

a) Financial assets at fair value through profit or loss

This category includes both financial assets acquired for trading and those designated as financial assets at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the near term or if designated at fair value through profit or loss by management. Derivatives are also classified as held for trading when they do not qualify for hedge accounting.

They are initially and subsequently recognised at fair value, not including transaction costs. Subsequent changes in fair value are recognised in gains/(losses) on financial assets at fair value through profit or loss in the consolidated statement of profit or loss.

b) Loans and receivables (financial assets at amortised cost)

Held-to-maturity financial assets and loans and receivables are measured at "amortised cost".

The Group measures these assets at amortised cost since they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.

IFRS 9 is based on a model of expected credit losses, whereby the loss allowance for the financial instrument is measured at the amount of 12-month expected losses or lifetime expected credit losses if the credit risk has increased significantly.

For this purpose, the Group has a procedure in place whereby receivables are not only impaired when they are no longer recoverable (incurred losses), but rather when it considers the possible expected credit losses based on trends in risks specific to the customer, the sector and the country. This model applies to all financial assets, including those with commercial substance and assets of contracts under IFRS 15, and those without commercial substance.

To calculate the allowance, the Group has designed an approach whereby it applies percentages to financial asset balances that reflect the expected credit losses according to the creditworthiness of the counterparty (i.e. customers for trade and other receivables) with the assistance of an independent expert.

These percentages reflect the probability of a default occurring on payment obligations and the percentage of loss that, on default, would ultimately be irrecoverable. The financial risk department assigns ratings and oversees changes in these percentages, reassessing them annually at each reporting period end based on credit risks.

Where the credit risk has increased significantly since initial recognition, the expected credit loss is calculated based on the likelihood of default occurring over the life of the instrument.

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

Item	Gross carrying amount at 31 December 2020	Expected loss %	Expected loss € thousand	Net amount at 31 December 2020
Past-due and impaired trade receivables	16,192	100%	(16,192)	-
Trade receivables "Stage 3"	102,582	65%-100%	(82,565)	20,017
Other receivables "Stage 1-2"	29,218	0.5%-9%	(144)	29,074
Total trade and other receivables	**147,992**		**(98,901)**	**49,091**
Completed work pending certification *"Stage 3"*	22,376	100%	(22,376)	-
Completed work pending certification and impaired	9,063	100%	(9,063)	-
Other completed work pending certification *"Stage 1-2"*	22,707	0.3%-0.5%	(62)	22,645
Total completed work pending certification	**54,146**		**(31,501)**	**22,645**
Other receivables "Stage 3"	18,121	74%-100%	(14,738)	3,383
Other receivables *"Stage 1-2"*	1,256	-	-	1,256
Total receivables	**19,377**		**(14,738)**	**4,639**
Other financial assets	**39,305**	**0.3%-0.5%**	**(157)**	**39,148**
Cash	**24,996**	**0.3%-0.5%**	**(100)**	**24,896**
	285,816		**(145,397)**	**140,419**

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

c) Financial assets at fair value through other comprehensive income

This category includes non-derivative financial assets that are not included in any of the above categories. For the Group, these are mainly investments in companies not included in the scope of consolidation in 2020 and 2019 according to prevailing standards in which the parent company's direct and indirect ownership is 5% or less.

These assets are initially and subsequently recognised at fair value less transaction costs. Subsequent changes in fair value are recognised in equity, except for translation differences on monetary securities, which are recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of profit or loss under "Finance income" when the Group’s right to receive payment is established.

Acquisitions and disposals of investments are recognised at the trade date, i.e., the date on which the entity commits itself to purchase or sell an asset. Financial assets at fair value through other comprehensive income are derecognised when the rights to the cash flows from the investments have expired or have been transferred and the entity has transferred substantially all risks and rewards of ownership.

Gains and losses in fair value are not subsequently reclassified to profit or loss after the disposal of the investment. Impairment losses (and reversals of impairment losses) on equity instruments measured at fair value through other comprehensive income are not disclosed separately from other changes in fair value.

2.12.2 Derecognition of financial assets

Financial assets are derecognised by the various Group companies when the contractual rights to the cash flows from the financial asset expire or substantially all the risks and rewards of ownership of the financial asset are transferred.

2.13. Inventories

Raw materials and ancillary materials, and materials for consumption and replacement, are stated at the lower of average acquisition cost or net realisable value.

Finished and semi-finished products, and work in progress are stated at the average production cost for the year, which includes the cost of raw materials and other materials used, labour and direct and indirect production expenses,, but excluding borrowing costs. The cost of these inventories is reduced to net realisable value when this is lower than production cost.

The value of obsolete and defective products has been reduced, using estimates, to their potential realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less or that can be cancelled at no cost, and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.15. Share capital

Shares of the parent company are classified as equity. Costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16. Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of profit or loss on a straight-line basis over the expected lives of the related assets.

2.17. Financial liabilities

2.17.1 Initial recognition and measurement

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

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

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

2.17.2 Subsequent measurement

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

a) Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

b) Loans and borrowings

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

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

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

2.17.3 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.18. Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other consolidated comprehensive income or directly in equity. In this case, the tax is also recognised in other consolidated comprehensive income or directly in equity, respectively.

a) Income tax expense

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Duro Felguera, S.A. and the Spanish subsidiaries in which it directly or indirectly holds an interest of over 75% pay income tax under the consolidated tax scheme provided for in article 55 et seq. of Corporate Income Tax Law 27/2014, of 27 November.

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

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

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

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

Deferred tax expense or income reflects the recognition and settlement of deferred tax assets and liabilities. These include temporary differences, identified as the amounts expected to be payable or recoverable arising from the differences between the carrying amounts of assets and liabilities and their tax bases, as well as the carry forward of unused tax losses and unused tax credits. These amounts are measured by applying to the relevant temporary difference or tax credit the tax rate at which they are expected to be realised or settled.

b) Deferred tax assets and liabilities

Deferred tax liabilities are recognised for all taxable temporary differences except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither the accounting profit or loss not 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, irrespective of the statutory limit for recognition if it is a longer or unlimited time period where allowed by tax laws, 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.

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

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

Recognised deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments are made where there are doubts as to their future recoverability. 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. In this respect, considering its financial performance in recent years, the Group recognised deferred tax assets up to the amount of the deferred tax liabilities recognised.

2.19. Employee benefits

a) Coal vouchers

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

Annual coal allowances are calculated based on actuarial studies prepared by an independent actuary and include the following assumptions: mortality tables PERM/F 2020, technical interest rate of 0.32% p.a. (2019: 0.74%) and consumer prices indices reflecting an increase of 1% p.a. (2019: 1%).

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

The Collective Labour Agreement covering certain Group companies provides for awards for employees that complete 25 and 35 years of service with the Company, in addition to other obligations with employees. To measure these obligations, the Group has applied its best estimates based on an actuarial study performed by an independent third party in which the following assumptions have been applied: mortality table PERM/F 2020 and a technical interest rate of 0.32% p.a. (2019: 0.74% p.a.).

c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. At 31 December 2020, the Group recognised a provision in this connection amounting to €1,863 thousand (Note 25). The Group recognises termination benefits at the earlier of the following dates. (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

d) Profit-sharing and bonus plans

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

2.20. Provisions and contingencies

In preparing the consolidated financial statements, the parent company's directors made a distinction between:

a) Provisions: credit balances covering present obligations arising from past events, the settlement of which is likely to cause an outflow of resources of uncertain timing or amount.

b) Contingent liabilities: possible obligations arising from past events, and whose existence will be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group.

The Group's consolidated financial statements include all the material provisions with respect to which it is considered more likely than not that the obligation will have to be settled, basing this estimate on advice from the Group's internal and external tax and legal advisors. Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed in accordance with the requirements of IAS 37.

Provisions (which are measured using the best information available regarding the outcome of the event giving rise to their recognition and re-estimated at each reporting date) are used to meet the specific obligations for which they were recognised originally, and are reversed, fully or partially, when the obligations no longer exist or decrease.

At year-end 2020 and 2019, the consolidated entities were party to a number of legal proceedings, arbitration proceedings, and claims arising in the ordinary course of their business activities. Both the Group's internal and external legal and tax advisors, and its directors, consider that the provisions recognised are sufficient and that the outcome of these proceedings and claims will not have a material impact on the consolidated financial statements in the years in which they are resolved (Note 35).

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

2.21. Revenue recognition

a) Recognition of revenue from construction contracts

To ensure uniform application in the various areas of activity, the Group has a common revenue recognition policy adapted to IFRS 15 *Revenue from Contracts with Customers*. Below are the criteria followed in that policy, which affect mainly the Energy, Mining & Handling, Oil & Gas and Manufacturing businesses.

The first steps for recognising revenue entail identifying the contracts and performance obligations of each. The number of performance obligations in a contract depends on the type of contract and activity.

In general, the performance obligations in the Group's various areas of activity are satisfied over time and not at a point in time, since the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

To recognise revenue over time (way to measure progress of a performance obligation), the Group uses the input method (measure of progress to costs incurred). Under this method, the entity recognises revenue based on costs incurred relative to the total expected costs to complete the works, considering the expected margin for the entire project based on the latest updated budget.

This method entails measuring the proportion of costs incurred on the work completed to date relative to the total expected costs and recognising revenue in proportion to total expected revenue. The percentage of costs incurred relative to total estimated costs is applied to determine the amount of revenue to recognise based on the estimated margin for the entire life of the contract.

Residually, when the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recovered. At 31 December 2020 and 2019, in none of the projects was it considered that the outcome cannot be estimated reliably.

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

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

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

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

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

In this respect, at 31 December 2020, the Group did not recognise receivables from disputed contract modifications or variable consideration except the Aconcagua performance bonus described in Note 12. The rest of the claims or disputes described in Note 35 were considered contingent assets.

c) Completed work pending certification/work certified in advance

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

d) Bidding costs

Bidding costs are only capitalised when they relate directly to a contract, it is probable that the costs will be recovered and the contract has been awarded or the company has been selected as preferred bidder. Costs incurred irrespective of whether the contract is won or not are recognised as an expense unless they are explicitly recoverable from the customer in any case (whether or not the contract is won). Biddings costs are amortised on a systematic basis with the transfer to the customer of the goods or services to which the asset relates. At 31 December 2020 and 2019, the Group did not have any capitalised bidding costs.

e) Provisions for budgeted losses

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

f) Recognition of revenue from the services business

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

g) Recognition of revenue from the sale of goods

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

h) Recognition of interest income

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

2.22. Leases

a) Group as lessee

The Group acts as lessee under lease contracts for office space, vehicles and other equipment. The Group applies a single recognition and measurement approach for all leases in which it is lessee, which entails recognition of a right-of-use asset and a corresponding lease liability, as described in Note 2.9.

However, the Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that is considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

b) Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.23. Distribution of dividends

The distribution of dividends to the parent company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the parent company's shareholders.

2.24. Earnings per share

- Basic earnings per share:

Basic earnings per share are calculated by dividing:

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

- Diluted earnings per share:

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

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

2.25. Environment

Expenses arising from business actions taken to protect and improve the environment are recognised as an expense in the year incurred. When these expenses lead to additions of property, plant and equipment for the purpose of minimising environmental impact and improving the environment, they are capitalised as an increase in the value of the assets.

2.26. Discontinued operations

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

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

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

The departure of DF Australia was not considered a discontinued operation, since it did not involve abandonment of a separate line of business or geographical area of operations.

2.27. Statement of cash flows

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

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

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

- Cash flows from investing activities: those arising on the acquisition or disposal of long-term assets.

- Cash flows from financing activities: those arising from changes in borrowings, dividend payments, and changes in non-controlling interests.

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

3. Financial risk management

3.1. Financial risk factors

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

a) Market risk

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk on transactions in foreign currencies, mainly the US dollar (USD) -so in principle, depreciation in emerging countries would not have a direct impact on the project revenue- and to a lesser extent, local currencies in emerging countries, the most important of which at present are the Argentine peso (ARP), Algerian dinar (DZD) and Indian rupee (INR). Foreign currency risk arises when future commercial transactions or firm commitments, recognised assets and liabilities and net investments in foreign operations are denominated in a currency that is not the parent company's functional currency, i.e. the euro, which is also its presentation currency.

Foreign-currency denominated financial assets and liabilities and foreign currency transactions are disclosed in Note 26.b). Translation differences are disclosed in Note 18.

To manage the foreign currency risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use various methods.

- Most contracts are arranged in "multi-currency", separating the selling price in the various currencies from the expected costs and maintaining the expected margins in euros.

- Financing of working capital relating to each project is denominated in the currency of payment.

Accordingly, a portion of costs is arranged in the contract's reference currency or in a currency with a high correlation to the reference currency, providing a natural hedge and reducing exposure to currency risk. However, the operating units are responsible for taking decisions on arranging hedges as circumstances warrant, with assistance by the Group's Treasury Department.

At 31 December 2020, 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 €105 thousand lower (2019: €3,473 thousand higher), whereas if it had strengthened by 5%, post-profit for the year would have been €95 thousand higher (2019: €3,142 thousand lower), mainly as a result of foreign exchange gains/losses on translation to USD of trade and other receivables, cash, suppliers and advances from customers, as well as the impact on the final outcome of projects of the amounts of future revenues and expenses in 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 (mainly USD) payable in local currency at the rate ruling on the collection date. These conditions are passed on to subcontractors.

Against the current backdrop, with COVID-19 causing delays in project execution and invariably resulting in time overruns, the Group reassessed its estimate of the total costs in the budgets used to calculate the stage of completion (Note 2.21) and the onerous contract provision. The estimated cost of COVID-19-related time overruns considered in the budget is €27.6 million.

(iii) Cash flow and fair value interest rate risk

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

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

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

Based on the simulations performed, the impact on profit or loss of a ± 10 basis point shift would be an increase/decrease of €86 thousand (2019: €73 thousand).

b) Credit risk

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

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

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

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

In addition to the analysis performed before entering into a contract, the overall position of "Trade and other receivables" is monitored on an ongoing basis, while the most 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 2020 was €33,936 thousand (2019: €61,441 thousand).

The Group recognised an impairment loss on its financial assets of €145,397 thousand, which included the estimate of expected credit loss under IFRS 9 (Notes 2.12. and 12).

c) Liquidity risk

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

Set out below is the Group's net cash position at 31 December 2020:

	€ thousand	
	2020	**2019**
Borrowings and derivatives (Notes 13 and 22)	(95,323)	(92,274)
Less: Cash and cash equivalents (Note 15)	24,896	122,279
Net cash/(debt) position	(70,427)	30,005
Undrawn credit lines (Note 22)	-	-
Total liquidity surplus/(shortfall)	**(70,427)**	**30,005**

In 2020, the Group classified €85,000 thousand related to the syndicated loan as current since it was subject to early repayment and no waiver had been obtained from the financial institutions. As explained in Note 2.1, it is close to reaching a financial restructuring agreement with these institutions.

The Group also had €36,704 thousand of deposits under "Current financial assets" in the statement of financial position as at 31 December 2020 (Note 11) as security for execution of its projects due to the lack of guarantees.

Cash and cash equivalents at 31 December 2020 (Note 15) included €1,921 thousand subject to certain restrictions, basically as it provides guarantees for third-party lawsuits pending court rulings or counterparty agreements (2019: €40,035 thousand, pledged as security for project guarantees or cash deposits made in lieu of project guarantees).

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

(€ thousand)

At 31 December 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Loans and finance lease liabilities (Note 22)	91,553	1,360	1,803	607
Convertible bonds (Note 22)	-	-	-	-
Trade and other payables (Note 23)	190,536	-	-	-

Liquidity risk rose higher in 2020 than envisaged in the 2020 cash plan mostly due the particularly strong impact of the coronavirus crisis on collection and payment flows. The net cash position in 2020 decreased by €100,432 thousand, mainly as a result of delays in collections from certain customers; the rescheduling of projects, mainly Bellara, Iernut and Djelfa; the termination of the contract and enforcement of guarantees of the Jebel Ali project; the slowdown in collections of receivables from public authorities in various countries as a result of delays in administrative procedures; and the downturn in the real estate market in Spain caused by COVID, which resulted in delays in the disposals of assets earmarked in the cash plan.

Overall, the Group needs liquidity to cover both the shortfalls caused by trends in operations and repayments of borrowings. However, following approval of the temporary public financial aid under the Solvency Fund for supporting strategic companies described in Note 2.1, the directors are confident that it will fulfil the assumptions used in the viability and cash plan present.

In addition, at the date of authorisation for issue of these financial statements, the Group is on the verge of reaching a binding commitment with the bank syndicate to sign an agreement to refinance its current syndicated debt and grant new lines of guarantees for at least €80 million covered by CESCE.

On 20 October, the Group signed a term sheet with a fund specialising in litigation funding for the assignment of credit claims from lawsuits or arbitration proceedings related to new legacy projects, for an initial payment of €40 million (monetisation of credit claims).

3.2. Capital risk management

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

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

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

The Group is subject to compliance with the debt ratio (gross financial debt/EBITDA) at certain dates, as explained in Note 22. It classified €85,000 thousand of financial debt related the syndicated loan as current since no waiver had been obtained by 31 December 2020. As explained in Note 2.1, it is close to reaching a financial restructuring agreement.

4. Accounting estimates and judgements and fair value measurement

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

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

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

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

   Estimated impairment of goodwill of Epicom

   The Group tests goodwill for impairment annually in accordance with the accounting policy described in Note 2.10. The recoverable amounts of cash-generating units were determined based on value-in-use calculations.

   As described in Note 40, on 5 March 2021, Duro Felguera, S.A. granted Spain's state-owned industrial holding company (Sociedad Estatal de Participaciones Industriales or "SEPI"), subject to several conditions that had yet to be complied with at the date of authorisation for issue of these consolidated financial statements (Note 22), a public deed for the sale of shares representing 40% of Epicom, S.A. The recoverable amount of this investment was higher than the carrying amount of the cash-generating to which the goodwill was allocated, so no impairment loss was recognised for the goodwill associated with Epicom, S.A. in 2020 and no impairment test was required.

Estimated impairment losses on real estate assets

The Group receives independent valuations of its investment property, and the land and buildings it owns for the production centres and offices in Gijón (classified as property, plant and equipment) at least annually. It recognises impairment losses when the estimated fair value is less than carrying amount, in line with the accounting policy described in Note 2.10. The Group recognised an impairment loss of €7,521 thousand in the statement of profit or loss for 2020 (Notes 7 and 8). The fair value estimate of those assets was categorised within Level 2 of the fair value hierarchy.

The estimate of fair value, as described in Note 2.10, was performed by an expert in compliance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC). The sales comparison method was used for the appraisal of most of the assets except for two, where the dynamic residual method was chosen because of the lack of reliable comparables.

To determine the fair value of the identified assets, quoted prices on the most significant active markets were used as a basis in each case. Where the active markets are not relevant or it is considered that there is no active market for the identified, the following was used:

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

To calculate the fair value of assets where the dynamic residual method is applied, the valuation was based on the residual value principle. Under this principle, the value attributable to each factor of production of a property is the difference between the total value of that asset and the values attributable to the rest of the factors.

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

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

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

The fair values of those assets at 31 December and the impairment losses recognised on those assets whose carrying amount was below cost are disclosed in Notes 7 and 8.

Estimate of value in use of the assets of Duro Felguera Calderería Pesada

The Group estimated that the value in use of Duro Felguera Calderería Pesada's assets exceeds their cost according to the impairment test performed based on indications of impairment in accordance with the accounting policy described in Note 2.10. The recoverable amount of this cash-generating unit was determined based on value-in-use calculations.

The impairment test for non-current assets was based on cash flow projections of the business, which factor in estimated operating profit or loss based on current business plans covering a period a five years. The main assumptions used were as follows:

1) Sales: CAGR of 23% over the next five years. Group activity levels in line pre-financial crisis levels.

2) Gross margin: Average of 11% over the next five years based on projections. Profitability achieved before the Group's financial crisis.

3) EBITDA margin: estimated average of 7% over the next five years.

4) Discount rate: The rate that reflects management's estimate of the risk specific to the business. Management calculated a discount of 9.5%.

5) The terminal value considers capex for replacement of assets.

6) The terminal growth rate was estimated at 0.1%.

This subsidiary's assets are located on a concession for the use of public space granted by the Gijón Port Authority, which runs until 2023. However, as at the date of authorisation for issue of the accompanying financial statements, the Gijón Port Authority's Board of Directors had yet to ratify extension of the arrangement until 2033 (Note 7.h). The impairment test considered a cost of €1,000 thousand for transferring the operating assets at the end of the concession if it not finally extended.

The carrying amount, the recoverable amount, and the discounted terminal value as a percentage of total recoverable amount in 2020 and 2019 are as follows:

	€ thousand
	2020
Amount to be recovered	15,860
Recoverable amount	17,802
Discounted terminal value/recoverable amount, %	66%

For recoverable amount to match carrying amount, one of the following two changes in parameters would be required:

- A increase in the discount rate used to 12%.
- An 11% decrease in cash flows.

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

   Group management determines the estimated useful lives and related depreciation and amortisation expenses for its property, plant and equipment, and intangible assets. The useful lives of the assets are estimated in relation to the period in which the assets will generate economic benefits. The useful lives considered by the Group are disclosed in Notes 2.6, 2.7 and 2.8.

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

3. The fair value of certain financial instruments

   The table below provides an analysis of financial instruments measured at fair value, classified by measurement method. The various levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market inputs (i.e. unobservable inputs) (Level 3).

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

	€ thousand			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Available-for-sale financial assets:				
Equity securities	1	-	5,232	5,233
Total assets	**1**	**-**	**5,232**	**5,233**

	€ thousand			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities				
Convertible bonds	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2019:

	€ thousand			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Available-for-sale financial assets:				
Equity securities	1	-	5,476	5,477
Total assets	**1**	**-**	**5,476**	**5,477**

	€ thousand			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities				
Convertible bonds	-	-	-	-
Total liabilities	-	-	-	-

The fair value of financial instruments traded in active markets (such as securities available for sale) is based on quoted market prices at the reporting date. The quoted market price used for financial assets is the current bid price. These instruments are included in Level 1.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques (Levels 3).

The Group has a stake in Ausenco, Ltd, over which it has no control (Note 11). 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 2019 to December 2020. 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 starting from the valuation made with financial information as at 31 December 2019. This exercise yielded a range of possible impairment in fair value of 0.7% to 8.3%. Accordingly, the Group recognised an impairment loss of €242 thousand using the adjusted valuation method with the range average, as described in Note 11.

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 Group for similar financial instruments. The method and main assumptions used to measure convertible bonds are disclosed in Note 22.

4. Calculation of provisions

Warranty claims

The Group provides warranties of between one and two years for its projects, mainly in the turnkey project business line. Management estimates the related provision for future warranty claims based on its experience and the degree of complexity of the product, its experience with respect to the customer's quality expectations, and the country risk of the country where the project is carried out. The amount of the provision for warranties at 31 December 2020 stood at €10,508 thousand (Note 25).

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

Litigation

The Group sets aside, based on the estimates of its legal advisors, sufficient provisions to cover the forecast outflows of cash which may arise from litigation with the various social agents for the amounts claimed, discounted where they are expected to exceed one year. The Group's provisions and contingent liabilities at 31 December 2020 are disclosed in Notes 25 and 35. Due to the complexities involved in these proceedings, there is a high level of uncertainty regarding the probability and outcome of rulings and the quantification of the potential financial consequences.

Actuarial liabilities

The Group has obligations with current and former employees for length-of-service awards, coal vouchers and other commitments, which require the use of actuarial valuations to calculate the amounts. The liabilities for these employee obligations recognised at year-end and the main assumptions used in the measurement, for which the Group engaged an independent expert, are disclosed in Note 25.

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

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

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

   Revenue from variable consideration, claims and disputes

   The Group did not recognise revenue from contract modifications/claims or disputes that were 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. There is an expert report confirming compliance with the parameters set out in the contract that support its accrual (Note 12).

In addition, the Group recognised customer claims for the Djelfa project in 2019 totalling €21.8 million in relation to the contractual costs incurred in extending the deadline and formally recognised by the customer. Of this amount, the portion related to the recognised stage of completion of the project, of €14.7 million, was recognised as revenue. In 2020, in light of increased uncertainty over communications with the customer caused by the pandemic (see Note 1.1), the decision was taken not to consider any additional amount claimed from the customer for the extra costs incurred as a higher sales price and to recognise the related provision (Note 25).

6. The assessment of the probability of having future taxable profits for the recovery of deferred tax assets and the recoverability of income taxes from non-residents and other taxes levied in other countries.

   Regarding recognised deferred tax assets, as explained in Note 2.18 deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In this respect, considering the Group's financial performance in recent years, it recognised assets up to the amount of the deferred tax liabilities recognised.

   For the recoverability of non-resident income and other taxes levied in other countries, the Group recognises the corresponding impairments when they are not directly recoverable or when there are no projects in the pipeline in the country where they have been levied to allow them to be recovered. In 2020, the Group recognised impairment on these receivables for €6,154 thousand.

7. Impairment of receivables

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

   In accordance with the policy described in Note 2.12 and in compliance with IFRS 9, the Group estimates the amount of the impairment loss based on expected credit losses.

These estimates were made on the basis of the best information available, at the date of preparation of these consolidated financial statements, about the events analysed. However, events may take place in the future that make it necessary to revise these estimates (upwards or downwards). In accordance with IAS 8, this would be done prospectively, with the impact of the change in estimates recognised in the consolidated statement of profit or loss.

5. Segment information

The Board of Directors is the chief operating decision-maker. Management has defined the operating segments based on the financial information reviewed by the Board of Directors and used to make strategic decisions.

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

The information reviewed by the Board of Directors does not include information on segment assets and liabilities or capital expenditure, as this is not considered relevant for decision-making at segment level. Rather, assets and liabilities are assessed from an overall perspective, except property, plant and equipment of the Manufacturing segment, which amounted to €12,843 thousand.

The bulk of the Group's activity at presented is concentrated in the Energy and Services segments. The product consists of the integration of basic engineering, detailed engineering, civil engineering, equipment supply, assembly, commissioning and financing of complex installations.

The main fields of activity are the construction of power plants, mineral park facilities, design and supply of equipment for ports. Despite the diversity of specialities, the type of returns and risks are consistent in these projects.

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

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

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

Segment information provided to the Board of Directors for reported segments at 31 December 2020 is as follows:

	€ thousand							
	Energy	**Mining & Handling**	**Oil & Gas**	**Specialised Services**	**Manufacturi ng**	**Other**	**Inter-group transactions**	**GROUP**
Revenue from external customers (Note 26)	59,597	9,373	6,300	41,021	15,452	5,964	-	137,707
Inter-segment revenue	875	1,971	1,767	3,203	199	8,682	(16,697)	-
Total revenue	60,472	11,344	8,067	44,224	15,651	14,646	(16,697)	137,707
Losses, impairment and changes in trade provisions	(71,581)	(12,231)	1,401	(16,908)	(3,230)	(4,654)	-	(107,203)
Interest income (Note 30)	23	591	22	1,070	-	4,720	(4,723)	1,703
Interest expense (Note 30)	(2)	(3)	(23)	(405)	(74)	(6,934)	4,723	(2,718)
Change in fair value of financial instruments	-	-	-	-	-	-	-	-
Exchange differences (Note 30)	(4,217)	(3)	57	690	(285)	(5,368)	-	(9,126)
EBITDA	(77,281)	(12,474)	590	(20,077)	(7,001)	(21,731)	-	(137,974)
Profit/(loss) before tax	(91,701)	(11,954)	436	(20,499)	(10,880)	(33,910)	-	(168,508)

Segment information at 31 December 2019 is as follows:

	€ thousand							
	Energy	Mining & Handling	Oil & Gas	Specialised Services	Manufacturing	Other	Inter-group transactions	GROUP
Revenue from external customers (Note 26)	164,034	107,191	48,496	39,888	13,757	6,472	-	379,838
Inter-segment revenue	1,563	602	3,734	19,491	793	23,417	(49,600)	-
Total revenue	165,597	107,793	52,230	59,379	14,550	29,889	(49,600)	379,838
Losses, impairment and changes in trade provisions	3,325	(32,093)	16,399	464	46	(1,247)	-	(13,106)
Interest income (Note 30)	56	4,144	31	1,271	-	1,847	-	7,349
Interest expense (Note 30)	(1)	(1,108)	(385)	(370)	(82)	(516)	-	(2,462)
Change in fair value of financial instruments	-	-	-	-	-	8,069	-	8,069
Exchange differences (Note 30)	1,334	(1,905)	110	179	92	(641)	-	(831)
EBITDA	(23,218)	12,887	15,971	(1,724)	(4,721)	2,020	-	1,215
Profit/(loss) before tax	(27,449)	15,842	17,396	(272)	(6,703)	5,865	-	4,679

The amounts included under "Other" relate to income and/or expenses related to companies not allocated to any business area, which are mainly corporate activities and engineering and systems integration (Note 26), and exchange differences and corporate activities not allocated to any business area.

"Inter-group transactions" details inter-segment eliminations and adjustments. Transfers or transactions between segments are carried out under the normal business terms and conditions that should also be available to unrelated third parties.

The reconciliation of Group EBITDA with consolidated statement of profit or loss is as follows

	€ thousand	
	2020	**2019(*)**
Operating profit/(loss)	(143,940)	(2,167)
Depreciation and amortisation (Notes 7, 8 and 9)	7,844	6,523
Impairment and gains/(losses) on disposal of fixed assets	7,248	(2,310)
Exchange differences (Note 30)	(9,126)	(831)
EBITDA	**(137,974)**	**1,215**

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

The negative EBITDA of 2020 marked a reversal in the positive trend seen in 2019, due mostly to the crisis caused by COVID-19. The most significant impacts by amount relate to the provisions explained in Note 1.1.

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

	€ thousand			
Geographical area	**2020**	**%**	**2019**	**%**
- Spain	45,970	33.38%	42,777	11.26%
- Latin America	1,854	1.35%	71,445	18.81%
- Europe	41,628	30.23%	150,304	39.57%
- Africa and the Middle East	38,487	27.95%	109,145	28.74%
- Asia Pacific	3,594	2.61%	3,240	0.85%
- Other	6,174	4.48%	2,927	0.77%
Total	**137,707**	**100%**	**379,838**	**100%**

At 31 December 2020, segment sales with a single customer representing over 10% of the Group's revenue amounted to €18 million in Europe and €29.8 million in Africa and the Middle East for the Energy segment (2019: €65.4 million for the Energy segment in Africa and the Middle East and €58.9 million in Europe, and €46.4 million and €45.8 million for the Mining & Handling segment in Europe and Latin America, respectively).

At 31 December 2020, revenue from significant external customers in Romania and Dubai amounted to €18 million and €29.8 million, respectively (2019: €42.1 million, €46.4 million, €65.4 million, €46 million, €59 million and €42.8 million in Algeria, Belarus, Dubai, Mexico, Romania and Spain, respectively).

6. Assets and liabilities classified as held for sale

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

In the first half of 2019, the Group classified, under assets held for sale, the 20% stake in Duro Felguera Rail, S.A. and other real estate assets. The sale was carried out on 20 December and the previously recognised impairment loss of €1,581 thousand was recognised as a loss on disposal.

7. Property, plant and equipment

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

	€ thousand					
	Land and buildings	Technical installations and machinery	Other installations, equipment and furniture	Construction in progress and advances	Other property, plant, and equipment	Total
Balance at 1 January 2019	**23,205**	**12,341**	**3,526**	**-**	**1,140**	**40,212**
Cost	31,522	36,941	11,726	-	10,058	90,247
Accumulated depreciation	(8,317)	(24,355)	(8,169)	-	(8,897)	(49,738)
Impairment losses	-	(245)	(31)	-	(21)	(297)
Carrying amount	**23,205**	**12,341**	**3,526**	**-**	**1,140**	**40,212**
Additions	162	99	42	-	347	650
Disposals	31	(1,524)	(30)	-	(76)	(1,599)
Other movements	(1,215)	(9)	222	3	20	(979)
Depreciation allowance	(794)	(1,773)	(461)	-	(344)	(3,372)
Elimination of depreciation	25	1,671	-	-	80	1,776
Other depreciation movements	473	10	(11)	-	(53)	419
Reversal of impairment losses	-	-	31	-	21	52
Balance at 31 December 2019	**21,887**	**10,815**	**3,319**	**3**	**1,135**	**37,159**
Cost	30,500	35,507	11,960	3	10,349	88,319
Accumulated depreciation	(8,613)	(24,447)	(8,641)	-	(9,214)	(50,915)
Impairment losses	-	(245)	-	-	-	(245)
Carrying amount	**21,887**	**10,815**	**3,319**	**3**	**1,135**	**37,159**
Balance at 1 January 2020	**21,887**	**10,815**	**3,319**	**3**	**1,135**	**37,159**
Cost	30,500	35,507	11,960	3	10,349	88,319
Accumulated depreciation	(8,613)	(24,447)	(8,641)	-	(9,214)	(50,915)
Impairment losses	-	(245)	-	-	-	(245)
Carrying amount	**21,887**	**10,815**	**3,319**	**3**	**1,135**	**37,159**
Additions	960	7	59	552	89	1,667
Disposals	(7)	(98)	(70)	-	(71)	(246)
Other movements	(16)	(20)	491	-	(150)	305
Depreciation allowance	(2,627)	(1,572)	(427)	-	(231)	(4,857)
Elimination of depreciation	1	101	73	-	64	239
Other depreciation movements	3	15	7	-	124	149
Impairment losses	(2,729)	-	(113)	-	(1)	(2,843)
Balance at 31 December 2020	**17,472**	**9,248**	**3,339**	**555**	**959**	**31,573**
Cost	31,437	35,396	12,440	555	10,217	90,045
Accumulated depreciation	(11,236)	(25,903)	(8,988)	-	(9,257)	(55,384)
Impairment losses	(2,729)	(245)	(113)	-	(1)	(3,088)
Carrying amount	**17,472**	**9,248**	**3,339**	**555**	**959**	**31,573**

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

In 2019, the most significant changes related to the derecognition of machinery for sale and the reclassification to investment property of certain properties not occupied by the Group.

a) Property, plant and equipment under construction

There were no significant additions in 2020 and 2019.

b) Self-constructed assets

In 2020 and 2019, the Group did not capitalise any labour costs or sundry supplies for self-constructed property, plant and equipment.

c) Property, plant and equipment subject to guarantees

At 31 December 2020, there were items of property, plant and equipment amounting to €15,602 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 (2019: €15,602 thousand), of which €11,687 thousand relate to items subject to an attachment order by the taxation authorities, which must be revoked in a ruling by the National High Court of 13 February 2020 (Note 31). The Group formally requested lifting of those embargoes, but as at the date of authorisation for issue of the accompanying consolidated financial statements the taxation authorities had yet to issue any order cancelling them.

d) Insurance

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

e) Operating leases

The consolidated statement of profit or loss also included operating lease expenses under "Operating expenses" relating mainly to leased machinery and assembly equipment for €2,642 thousand (2019: €5,699 thousand).

f) Subsidised assets

The net carrying amount of subsidised assets at 31 December 2020 was €16,608 thousand (2019: €20,984 thousand).

g) Fully depreciated assets

At 31 December 2020, there were fully depreciated assets still in use amounting to €26,809 thousand (2019: €25,372 thousand).

h) Service concession arrangement (El Tallerón)

The Group holds a concession for the use of public space granted by the Gijón Port Authority, with annual rent of €114 thousand. The concession ends in 2023.

The carrying amount of property, plant and equipment in use on the land whose right of use is linked to the concession arrangement in the port of Gijón at year-end 2020 was approximately €11,932 thousand (2019: €15,522 thousand), of which €2,014 thousand corresponds to buildings. Under the terms of the arrangement, the related land, works and facilities will be returned to the government in 2023. The concession holder may withdraw elements not covered by the arrangement and that are not permanently attached to the property and would not cause any damage or deterioration.

However, on 17 September 2020, the Gijón Port Authority announced that the requirements for granting an extension to the concession of the land on which the Group's facilities are located (El Tallerón) had been met (El Tallerón). It established a new end date of 20 September 2033 and an annual fee of €114 thousand, which is reviewed in accordance with Spain's law governing the financial regime of Spanish ports (Ley de Régimen Financiero de los Puertos Españoles). Ratification by the Port Authority's Board of Directors had yet to be given as at the date of authorisation for issue of these financial statements.

i) Right-of-use assets

Property, plant and equipment includes net assets, according to their nature, with a net carrying amount at 31 December 2020 of €835 thousand (2019: €56 thousand) following the recognition of operating leases according to IFRS 16. This item also includes the underlying assets related to finance leases. The accounting criteria for finance leases is the same as under the previous IAS 17.

j) Impairment losses

As described in Notes 2.10 and 4, management 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, impairment of €2,843 thousand (Note 1.1) was recognised in the accompanying statement of profit or loss for 2020, since the fair value of the assets was lower than their carrying amount. In 2019, the appraisal made by in independent expert did not give rise to the recognition of any impairment losses on the Group's land and buildings.

8. Investment properties

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

	€ thousand		
	Land	**Buildings**	**Total**
Balance at 1 January 2019	**25,115**	**8,475**	**33,590**
Cost	25,908	26,553	52,461
Accumulated depreciation	-	(15,934)	(15,934)
Impairment losses	(793)	(2,144)	(2,937)
Carrying amount	**25,115**	**8,475**	**33,590**
Depreciation allowance	-	(424)	(424)
Transfers to non-current assets held for sale (Note 6)	(4,575)	(3,702)	(8,277)
Transfers - cost	(221)	1,436	1,215
Transfers - depreciation	-	1,223	1,223
Balance at 31 December 2019	**20,319**	**7,008**	**27,327**
Cost	21,112	24,287	45,399
Accumulated depreciation	-	(15,135)	(15,135)
Impairment losses	(793)	(2,144)	(2,937)
Carrying amount	**20,319**	**7,008**	**27,327**
Disposals	-	(5,849)	(5,849)
Depreciation allowance	-	(375)	(375)
Elimination of depreciation	-	4,411	4,411
Impairment losses	(3,862)	(818)	(4,680)
Derecognition of impairment	-	1,399	1,399
Balance at 31 December 2020	**16,457**	**5,776**	**22,233**
Cost	21,112	18,438	39,550
Accumulated depreciation	-	(11,099)	(11,099)
Impairment losses	(4,655)	(1,563)	(6,218)
Carrying amount	**16,457**	**5,776**	**22,233**

Investment properties include mainly land in the municipalities of Langreo and Oviedo (Asturias), of which €0.8 million (2019: €1 million) correspond to plots zoned as rural estates located in various areas of the Langreo municipality, €8.2 million (2019: €9.9 million) to industrial plots and developable land, and €10 million (2019: €10 million) to buildings in Gijón, Oviedo and La Felguera.

As described in Notes 2.10 and 4, management engaged an independent expert to value the land and buildings comprising investment properties in order to determine whether there were any indications of impairment.

Based on the appraisals, impairment of €4,680 thousand (Notes 1.1 and 4) was recognised in the accompanying statement of profit or loss for 2020, since the fair value of the assets was lower than their carrying amount. In 2019, the appraisal made by an independent expert did not give rise to the recognition of any impairment losses on the Group's land and buildings.

At year-end 2020, the fair value of the Group's investment properties, as appraised by the independent expert valuer, amounted to €30,041 thousand (2019: €42,640 thousand).

In 2020, operating expenses related to these investments amounting to €98 thousand were recognised in the consolidated statement of profit or loss (2019: €148 thousand).

a) Investment properties subject to guarantees

At 31 December 2020, there were investment properties amounting to €12,953 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 (2019: €15,234 thousand), of which €446 thousand relate to items subject to an attachment order by the taxation authorities, which must be revoked in a ruling by the National High Court of 13 February 2020 (Note 31). The Group formally requested lifting of those embargoes, but as at the date of authorisation for issue of the accompanying consolidated financial statements the taxation authorities had yet to issue an mandate cancelling them.

9. Intangible assets

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

	€ thousand					
	Goodwill	Development	Computer software	Construction in progress and advances	Other assets	Total
Balance at 1 January 2019	**3,286**	**2,574**	**10,572**	**235**	**60**	**16,727**
Cost	3,286	7,631	21,544	235	250	32,946
Accumulated amortisation	-	(5,057)	(10,972)	-	(190)	(16,219)
Carrying amount	**3,286**	**2,574**	**10,572**	**235**	**60**	**16,727**
Additions	-	605	61	-	-	666
Disposals	-	(150)	(194)	-	(250)	(594)
Amortisation allowance	-	(570)	(2,152)	-	(5)	(2,727)
Elimination of amortisation	-	2	194	-	195	391
Other amortisation movements	-	-	6	-	-	6
Balance at 31 December 2019	**3,286**	**2,461**	**8,487**	**235**	**-**	**14,469**
Cost	3,286	8,086	21,411	235	-	33,018
Accumulated amortisation	-	(5,625)	(12,924)	-	-	(18,549)
Carrying amount	**3,286**	**2,461**	**8,487**	**235**	**-**	**14,469**
Balance at 1 January 2020	**3,286**	**2,461**	**8,487**	**235**	**-**	**14,469**
Cost	3,286	8,086	21,411	235	-	33,018
Accumulated amortisation	-	(5,625)	(12,924)	-	-	(18,549)
Carrying amount	**3,286**	**2,461**	**8,487**	**235**	**-**	**14,469**
Additions	-	96	-	-	-	96
Disposals	-	-	-	(235)	-	(235)
Amortisation allowance	-	(630)	(1,982)	-	-	(2,612)
Balance at 31 December 2020	**3,286**	**1,927**	**6,505**	**-**	**-**	**11,718**
Cost	3,286	8,182	21,411	-	-	32,879
Accumulated amortisation	-	(6,255)	(14,906)	-	-	(21,161)
Carrying amount	**3,286**	**1,927**	**6,505**	**-**	**-**	**11,718**

a) Fully amortised assets

At 31 December 2020, there were fully amortised assets still in use amounting to €10,646 thousand (2019: €10,522 thousand).

b) Self-constructed intangible assets

In 2020, the Group capitalised labour and sundry materials costs for self-constructed intangible assets amounting to €96 thousand (2019: €640 thousand) under "Self-constructed assets".

c) Goodwill

At 31 December 2020, intangible assets included goodwill of €3,286 thousand (2019: €3,286 thousand) arising from the acquisition of Epicom, S.A.

The Group tests goodwill for impairment annually in accordance with the accounting policy described in Note 2.10.

As described in Note 40, on 5 March 2021, Duro Felguera, S.A. granted Spain's state-owned industrial holding company (Sociedad Estatal de Participaciones Industriales or "SEPI"), subject to several conditions that had yet to be complied with at the date of authorisation for issue of these consolidated financial statements (Note 22), a public deed for the sale of shares representing 40% of Epicom, S.A. The recoverable amount of this investment was higher than the carrying amount of the cash-generating to which the goodwill was allocated, so no impairment loss was recognised for the goodwill associated with Epicom, S.A. in 2020 and no impairment test was required.

d) Development expenditure

Capitalised development expenditure at 31 December 2020 relate to the following projects:

	€ thousand			
	Cost	**Accumulated amortisation**	**Impairment**	**Carrying amount**
Study into the manufacture of large-size equipment(*)	601	-	-	601
Certification EP852	204	(41)	-	163
Mock-up of Hydroprocessing Reactor	240	(96)	-	144
Encryption equipment – EP641	821	(698)	-	123
Improvement to welding processes – time optimisation	138	(28)	-	110
EP960+(*)	102	-	-	102
GN 2.0 certification	110	(11)	-	99
Crypto Token CT2	280	(187)	-	93
Encryption equipment – EP430TX	608	(517)	-	91
Other projects	5,078	(4,677)	-	401
	8,182	**(6,255)**	**-**	**1,927**

(*) In progress.

10. Investments accounted for using the equity method

	€ thousand	
	2020	**2019**
Opening balance	20	4,595
Disposals	-	(3,500)
Share of profit/(loss)	(14,426)	(5,278)
Transfers	14,426	4,203
Closing balance	**20**	**20**

Disposals in 2019 related to the sale of 20% of Duro Felguera Rail, S.A. (Note 6).

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

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

Name	Country of incorporation	Assets (€ thousand)	Liabilities (€ thousand)	Revenue (€ thousand)	Profit /(loss) (€ thousand)	% ownership interest
2020						
• Zoreda Internacional S.A.	Spain	N/A	N/A	N/A	N/A	40%
• Sociedad de Servicios Energéticos Iberoamericanos S.A.	Colombia	(*)	(*)	(*)	(*)	25%
• Dunor Energía, S.A.P.I. de C.V.	Mexico	5,038	40,818	2,673	(28,853)	50%
2019						
• Zoreda Internacional S.A.	Spain	N/A	N/A	N/A	N/A	40%
• Sociedad de Servicios Energéticos Iberoamericanos S.A.	Colombia	(*)	(*)	(*)	(*)	25%
• Dunor Energía, S.A.P.I. de C.V.	Mexico	31,596	41,368	26,144	(8,407)	50%

(*) Dormant. Has no debt or collateral.
(N/A) Not available.

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

Dunor Energía, S.A.P.I. de C.V.

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

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

Regarding the Empalme II project carried out by that company, pursuant to the agreement signed with the government customer, the Federal Electricity Commission (Comisión Federal de Electricidad or "CFE"), the approach was determined for calculating the financial and indirect cost over-runs caused by extending the period of 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 variable consideration was deemed to be highly probable. Therefore, the Group recognised an amount of €12 million corresponding to its share.

In August 2019, the customer charged Dunor penalties for failure to deliver certain spare parts and for non-compliance with certain performance tests. This resulted in a €7 million reduction in the total contract amount. However, the Group did not recognise any impairment allowance on the outstanding amount of the contract since it had a third-party expert report supporting contractual compliance in relation to the spare parts and the correct performance of the plant.

In February 2020, the customer signed a certificate recognising the revenue, in which it recognised a total finance cost of €8.8 million of the €24 million claimed by the Group. Settlement took place 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 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 26 August 2020 Dunor, lodge an application for arbitration against CFE with the London Court of International Arbitration ("LCIA"), claiming 100% of the principal of USD 27.05 million. CFE responded saying it was going to file a counter-claim, although it had yet to do so as at the date of authorisation for issue of these financial statements. Then, on February 2021, Dunor filed a lawsuit seeking payment of USD 26.2 million.

At 31 December 2020, based on how the claim had unfolded and that it was now in the arbitration stage, the Group re-estimated probability of success of the claims recognised according to IFRS 15. This resulted in the inclusion of €14,426 thousand of losses in the 2020 consolidated statement of profit or loss under "Share of profit/(loss) of companies accounted for using the equity method". With respect to CFE's counter-claim, the external legal advisors consider that at this stage it is not possible to determine an amount and, until it is filed, make an objective assessment of the legal merits of CFE's arguments, initially considering them to be remote or possible.

11. Financial instruments

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

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

	€ thousand		
31 December 2019	**Amortised cost**	**Fair value through OCI**	**TOTAL**
On-balance sheet assets			
- Equity instruments	-	5,477	5,477
- Non-current financial assets	198	-	198
- Other non-current assets	64	-	64
- Trade and other receivables (Note 12)	144,058	-	144,058
- Deposits	31,291	-	31,291
- Other current assets	6,696	-	6,696
Total	**182,307**	**5,477**	**187,784**

Equity instruments include mainly the stake in Ausenco, Ltd. for €5,164 thousand (2019: €5,406 thousand) over which the Group does not have control. As explained in Note 4, an expert was engaged to determine the fair value of the investment as at 31 December 2020. A decrease in fair value of €243 thousand was recognised (2019: €1,026 thousand). It is presumed that the carrying amount of receivables and payables, less the provision for impairment, is similar to fair value (Note 12).

The Group had €36,704 thousand of deposits and escrow accounts, of which €16 million related to the Iernut project in Romania, deposited as security for execution of its projects due to the lack of guarantees.

	€ thousand		
31 December 2020	**Fair value through profit or loss**	**Debts and payables (amortised cost)**	**TOTAL**
On-balance sheet liabilities			
- Bank borrowings (Note 22)	-	88,831	88,831
- Finance lease liabilities	-	894	894
- Other financial liabilities	-	188,390	188,390
Total	**-**	**278,115**	**278,115**

	€ thousand		
31 December 2019	**Fair value through profit or loss**	**Debts and payables (amortised cost)**	**TOTAL**
On-balance sheet liabilities			
- Bank borrowings (Note 22)	-	85,307	85,307
- Finance lease liabilities	-	64	64
- Other financial liabilities	-	262,747	262,747
Total	**-**	**348,118**	**348,118**

12. Trade and other receivables

	€ thousand	
	2020	**2019**
Trade receivables	147,992	165,236
Less: Allowance for expected credit losses (Note 2.12.)	(98,901)	(89,307)
Completed work pending certification (*)	22,645	54,940
Trade and other receivables (*)	4,639	13,060
Personnel	314	193
Current tax assets	-	7
Other taxes receivable (Note 24)	27,236	40,852
Total	**103,925**	**184,981**
Less: Non-current portion: Other receivables	-	(64)
Current portion	**103,925**	**184,917**

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

Impairment losses and reversals of the provision for impaired receivables have been included in "Other operating expenses" in consolidated statement of profit loss.

a) Trade receivables and completed work pending certification

At 31 December 2020, in addition to receivables provisioned, receivables amounting to €33,936 thousand had fallen due (2019: €61,441 thousand).

The ageing analysis of these receivables is as follows:

	€ thousand	
	2020	**2019**
Up to 3 months	2,272	11,298
Between 3 and 6 months	549	87
Between 6 months and 1 year	2,617	2,591
More than 1 year	28,498	47,465
	33,936	**61,441**

For completed work pending certification, the Group did not recognise revenue from contract modifications/claims or disputes that were approved by the customer or that had not been measured, except the variable consideration from the Aconcagua project to the extent that it is highly probable that a significant reversal in the amount will not occur as described later in this Note.

The movement in completed work pending certification was as follows:

	€ thousand	
	2020	**2019**
Opening balance	54,940	72,848
Completed work pending certification and invoiced the previous year	(14,704)	(17,388)
Changes due to exchange rates and other	(2,801)	(1,532)
Impairment of completed work pending certification	(22,885)	-
Change of project progress (Revenue – Billings)	8,095	1,012
Closing balance	**22,645**	**54,940**

As explained in Note 2.2, the Group restated comparative information for 2019 after considering investee Dunor Energía, S.A.P.I. de C.V. a joint venture rather than a joint operation and, therefore accounting for its interest using the equity method. This resulted in a reduction in completed work pending certification for 2019 of €12,644 thousand.

At 31 December 2020, the amount of completed work pending certification over 12 months past due was €43,321 thousand, of which provisions had been recognised for €30,991 thousand (Note 2.12.).

Breakdown by project of completed work pending certification over 12 months past due at 12 December 2020:

	€ thousand		
	Completed work pending certification	**Impairment**	**Net amount**
> 1 year			
Termocentro	16,352	(16,352)	-
CVO	6,973	(6,973)	-
Tuticorin	2,252	(2,252)	-
Lujan & Matheu	3,628	(3,628)	-
Aconcagua	6,806	-	6,806
Pressure vessel manufacturing	2,500	(1,035)	1,465
Other	4,810	(751)	4,059
Total > 1 year	**43,321**	**(30,991)**	**12,330**
Other completed work pending certification	**10,825**	**(510)**	**10,315**
	54,146	**(31,501)**	**22,645**

Past due receivables and completed work pending certification over 12 months past due relate mainly to amounts receivable on contracts affected by claims or disputes between the Group and its customers. These amounts are classified as current to the extent that they are considered to form part of the Group's normal operating cycle, irrespective of their maturity. The most significant past-due balances relate to:

- Termocentro (Venezuela)

At 31 December 2020, the Group had a past-due balance including completed construction work pending certification net of provisions, in connection with the Termocentro project in progress, of €14,726 thousand (2019: €23,254 thousand). No amounts related to this project were received between February 2017 and the date of authorisation for issue of these consolidated financial statements.

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

As a result, the Group has kept an allowance for 85% of the entire outstanding balances, including the amount of completed work pending certification and the provision for the withholding to be applied to the customer. This led to the recognition of €8,528 thousand of additional impairment losses in 2020.

Under the terms of the agreement signed with the customer, at 31 December interest amounting to €52,705 thousand had accrued to the Group (2019: €54,115 thousand) which had not been recognised and was considered as contingent assets.

- Matheu and Lujan (Argentina)

At 31 December 2020, the balance net of provisions stood at €5,291 thousand (2019: €20,857 thousand) relating to outstanding invoices issued and completed work pending certification (Note 35).

Based on the assessment of expected credit losses and an independent expert report, since the customers, Araucaria Energy and Stoneway Capital Corporation, defaulted on 2 July 2020 and remained in default at year-end, the Group considered a 100% probability of default and assigned a recovery rate of 27.75% in accordance with this rating.

Therefore, the Group had a loss allowance on its statement of financial position for 72.25% of the total balances including the amount of completed work pending certification, resulting in the recognition of impairment in 2020 of €15,556 thousand.

- Tuticorin (India)

Regarding the Tuticorin project, the customer filed for insolvency proceedings in 2020. Therefore, although it had received a ruling in its favour, the Group, based on legal opinions illustrating the difficulties collecting the amounts owed because of the company's insolvency and how the proceedings unfolded in the latter latter part of 2020, recognised an impairment loss for the full amount of unpaid invoices, completed work pending certification, and the guarantees called. The total impairment loss recognised in the year was €9,827 thousand, which included €5,485 thousand classified under other receivables.

- Aconcagua

The Group recognised €6 million for this project based on the agreement entered into with the customer, ENAP Refinerías S.A., which stipulates that the owner will pay the contractor a performance bonus if energy output exceeds the guaranteed amounts (performance guarantees) described therein.

DF conducted performance tests on 22 August 2019, recording a higher reference amount than the guaranteed amount, thus becoming entitled to receive that bonus.

When the owner refused to pay the bonus, DF availed of the arbitration procedure set out in the agreement and submitted a request with the International Court of Arbitration of the International Chamber of Commerce (ICC) on 14 May 2020, claiming the right to collect all the amounts due under the agreement. The customer filed a reply to the request and a counter-claim for wilful misconduct and bad faith by DF (which the Company considers unlikely) of €124 million and, if no fraud is found, at the 15% cap in the contract, i.e. €16.37 million. On 1 March 2021, the Group filed a lawsuit for an amount equal to €25 million.

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

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

The amount receivable for this project at year-end and shown on the Group's statement of financial position at 31 December 2020 was €10.7 million, of which €6 million related to the performance bonus and the remainder to other milestones in the contract.

b) Trade and other receivables

“Trade and other receivables” consists mainly of the following items:

	€ thousand	
	2020	**2019**
SC&T Corporation – Roy Hill Project – Settlement Agreement	-	6,205
Guarantees called on the Tuticorin project (*)	-	5,485
Liquidation of Carrington (*)	3,383	-
Other receivables	1,256	1,370
	4,639	**13,060**

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

c) Allowance for expected credit losses

Reconciliation of provisions for impairment of receivables:

	€ thousand			
	Trade receivables	**Completed work pending certification**	**Other receivables**	**Total**
Balance at 1 January 2020	**89,307**	**12,431**	**-**	**101,738**
Allowance for impairment of receivables	14,693	14,087	15,032	43,812
Unused amounts reversed	(2)	(198)	-	(200)
Amounts used	(872)	-	-	(872)
Transfers	(3,884)	8,996		5,112
Exchange differences	(341)	(3,815)	(294)	(4,450)
Balance at 31 December 2020	**98,901**	**31,501**	**14,738**	**145,140**

d) Foreign currency balances

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

	€ thousand	
	2020	**2019**
Euro	63,172	37,110
US dollar	19,134	84,269
Australian dollar	-	9,557
Argentine peso	142	12,163
Indian rupee	2,636	13,053
Algerian dinar	8,135	11,268
Mexican peso	2,208	1,900
Chilean peso	6,232	6,386
Peruvian nuevo sol	1,498	6,157
United Arab Emirates dirham	7	1,202
Romanian new leu	-	782
Brazilian real	53	171
Canadian dollar	62	89
Kuwaiti dinar	453	-
Other currencies	193	810
	103,925	**184,917**

13. Derivative financial instruments and hedging activities

The Group arranges exchange insurance for projects involving different collection and payment currencies, but did not have any exchange insurance in effect at 31 December 2020 and 2019.

14. Inventories

	€ thousand	
	2020	**2019**
Production materials and supplies	2,419	3,529
Work in progress	1,353	1,380
Finished goods	-	-
Advances to suppliers	3,925	5,642
	7,697	10,551
Less: Impairment losses	(987)	(719)
	6,710	**9,832**

Production materials and supplies are mostly consumed within the year.

"Work in progress" basically includes goods being produced or processed at the Group's production facilities.

Impairment losses affect slow-moving or obsolete materials, bringing their cost into line with fair realisable value.

15. Cash and cash equivalents

	€ thousand	
	2020	**2019**
Cash and banks	22,593	80,438
Short-term bank deposits and promissory notes	2,303	41,841
Cash and cash equivalents (excluding bank overdrafts)	**24,896**	**122,279**

At 31 December 2020, an amount of €1,921 thousand was subject to certain restrictions, basically as it provides guarantees for third-party lawsuits pending court rulings or counterparty agreements (2019: €40,035 thousand, pledged as security for project guarantees or cash deposits made in lieu of project guarantees).

Short-term deposits at credit institutions relate to investments of cash surpluses maturing within three months. At 31 December 2020, interest-bearing deposits included mainly a deposit in Indian rupees (INR) equivalent to €2,147 thousand earning interest at an AER of 5.75% (2019: €12,167 thousand).

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

	€ thousand	
	2020	**2019**
Euro	20,051	68,302
US dollar	998	4,303
Romanian leu	43	22,452
Canadian dollar	37	82
Brazilian real	11	27
Pound sterling	83	80
Argentine peso	12	153
Algerian dinar	1,206	1,194
Australian dollar	-	8,951
United Arab Emirates dirham	28	3,414
Mexican peso	9	391
Colombian peso	11	9
Indian rupee	2,150	12,196
Peruvian nuevo sol	251	666
Chilean peso	4	29
Chinese yuan	-	17
Other currencies	2	13
	24,896	**122,279**

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

16. Capital and share premium

a) Capital

Share capital at 31 December 2020 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 2019 was represented by 4,800 million fully subscribed and paid shares in book-entry form with a par value of €0.01 each.

On 31 May 2019, a resolution was passed at the Annual General Meeting to reduce capital by €43,200 thousand to offset losses by reducing the par value of all the Company's shares by €0.009. As a result, share capital amounted to €4,800 thousand, represented by 4,800 million shares of €0.001 par value each. The capital reduction was placed on file with the Asturias Companies Register on 27 June 2019.

Approval was also given at the Annual General Meeting to group together and cancel ("reverse split") all the shares comprising the Company's share capital to exchange them for newly issued shares in the proportion of one (1) new share for every fifty (50) old shares, increasing the par value of the shares from the one thousandth of a euro (€0.001) established after the share capital reduction, to five euro cents (€0.05), without modifying the share capital figure, thereby reducing the number of shares in circulation. The agreement was filed with the Asturias Companies Register on 1 July 2019, leaving share capital at €4,800 thousand, represented by 96 million shares of €0.05 par value each. The reverse split became effective on 10 July 2019.

(€ thousand)

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:

Shareholder	**Ownership (%) direct and indirect**	
	2020	**2019**
Global Portfolio Investments, S.L.	-	7.57%
UBS Switzerland AG	3.94%	3.88%
Morgan Stanley and Co International PLC	3.66%	-
TSK Electrónica y Electricidad, S.A.	3.12%	3.12%

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 2019, the share premium was reduced to zero.

c) Treasury shares

At 31 December 2020 and 2019, the Company did not hold any treasury shares.

d) Convertible bonds

On 27 July 2018 (effective date), 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 (Note 22). Based on the legal evaluation carried out by the Group, after the effective date and throughout the term of the refinancing agreement, the credits converted by the financial institutions are no longer a claim against the Group. The financial institutions' only recourse, even in the event of voluntary bankruptcy, is the request for conversion into shares.

This item includes the total nominal amount of the 9,073,637,389 Class A Convertibles 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 is five years from the effective date.

Class A Convertible Bonds give 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 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 A Convertible Bonds

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

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:

$$Cp = \frac{\textit{Nominal amount of Class A Convertible Bonds}}{\textit{Number of ordinary shares arising from conversion of the Class A Convertible Bonds}}$$

The Group has concluded that the Class A Convertible Bonds are 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 refinancing agreement, mainly that the Company cannot 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 concluded that the Class A Convertible Bonds were worth €8,093 thousand, which was recognised in other equity instruments.

17. Share-based payments

No share delivery plan was agreed in 2020 or 2019.

18. Reserves and valuation adjustments

a) Reserves

Breakdown of reserves at 31 December 2020 and 2019:

	€ thousand	
	2020	2019
Legal reserve of the parent	-	-
Other parent company reserves	(5,756)	(3,087)
Consolidation reserves in the parent	216,197	219,595
Consolidation reserves in subsidiaries	(142,178)	(148,554)
Reserves in jointly controlled entities and associates	(4,937)	(413)
	63,326	**67,541**

Legal reserve

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

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

Consolidation reserves

These reserves comprise mainly consolidation adjustments made by the parent company for the elimination of impairment losses on fully consolidated investees and the elimination of provisions for liabilities on those investments, for €206 million. The remainder relates to adjustments for differences between IFRS and local GAAP, for €9.9 million, mostly the revaluation resulting from the initial application of IFRS 16.

b) Valuation adjustments

Valuation adjustments at year-end 2020 and 2019 related primarily to:

	€ thousand	
	2020	2019
Exchange differences on intergroup loans	(63,549)	(50,166)
Translation differences	11,112	(388)
Financial assets at fair value through OCI (Note 11)	587	768
	(51,850)	**(49,786)**

The breakdown by company at year-end 2020 and 2019 of exchange differences on intergroup loans, which according to IAS form part of the net investment, is as follows:

	€ thousand	
Company	2020	2019
Duro Felguera Argentina, S.A.	(60,384)	(44,299)
Duro Felguera Australia Pty Ltd.	-	(6,103)
Felguera Gruas India Private Limited	(1,356)	(895)
Other	(1,809)	1,131
	(63,549)	**(50,166)**

A breakdown of cumulative translation differences by company at year-end 2020 and 2019 is as follows:

	€ thousand	
Company	**2020**	**2019**
Duro Felguera, S.A.		
- Dubai branch	4,181	(177)
- India branch	544	499
- Algeria branch	5,603	(361)
- Peru branch	1,089	220
- Romania branch	(301)	(191)
- Egypt branch	(367)	(394)
- Mexico branch	715	359
Felguera IHI, S.A.		
- Costa Rica branch	(526)	(1,955)
- Peru branch	267	(77)
- Bolivia branch	59	75
- Colombia branch	(629)	284
Equipamientos Construcciones y Montajes, S.A. de C.V.	(1,127)	(102)
Turbogeneradores del Perú, S.A.C.	(164)	(120)
Duro Felguera Argentina, S.A.	9,292	6,027
PT Duro Felguera Indonesia	193	139
Felguera Diavaz Proyecto México S.A. de C.V.	2	(2)
Duro Felguera Do Brasil Desenvolvimiento de Projectos Ltda.	(3,508)	(4,090)
Duro Felguera Australia Pty Ltd. (Note 2.3(e))	-	5,546
Duro Felguera Saudí LLC	11	11
DF USA, LLC	40	(4)
Dunor Energía S.A.P.I. de C.V.	1,429	7
DF Canada Ltd	34	28
Felguera Gruas India Private Limited	(7,136)	(6,994)
Felguera IHI Canadá INC	(9)	(10)
Proyectos e Ingeniería Pycor, S.A. de C.V.	(114)	(110)
Duro Felguera Chile	1,705	1,175
Mopre Montajes de Precisión de Venezuela, S.A.	(171)	(171)
	11,112	**(388)**

19. Distribution of profit/(loss) and dividends

The proposed distribution of the 2020 loss of the parent company to be submitted for approval at the Annual General Meeting is as follows:

	€ thousand
Basis of distribution	
Profit (loss) attributable to the parent	(171,172)
Distribution	
Prior periods' losses	(171,172)

No interim dividends were paid in 2020 or 2019.

The financing agreement that became effective on 27 July 2018 allows the distribution of cash dividends (except for interim dividends), provided all the following conditions are met:

- the Company obtains a profit for the period;
- losses do not exist from previous years that reduce the Company's equity to below share capital;
- the distribution does not reduce the amount of equity to below share capital;
- the amount of cash after the distribution must be greater than zero;
- the gearing ratio is below 3.00x; and
- the Bound Parties are up to date in compliance with their obligations derived from the Financing Documents, and there has been no default event (nor will occur as a result of the distribution).

In addition, before dividends are distributed to shareholders, the Company must first repay and/or replace early the Syndicated Financing (Note 22) in an amount equal to the dividend to be distributed.

20. Non-controlling interests

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

	€ thousand	
	2020	**2019**
Opening balance	**(16,451)**	**(36,489)**
Profit/(loss) for the year	(80)	3,554
Dividend distribution	-	(15)
Other movements	17,008	16,499
Closing balance	**477**	**(16,451)**

The distribution by company is as follows:

	€ thousand	
Company	**2020**	**2019**
Duro Felguera Argentina, S.A.	-	(17,012)
Felguera Tecnologías de la Información, S.A.	512	525
Felguera-Diavaz Proyectos México, S.A. de C.V.	(23)	(22)
Operación y Mantenimiento Solar Power, S.L.	-	8
DF Saudí	(12)	50
	477	**(16,451)**

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

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

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

21. Government grants

Reconciliation of government grants:

	€ thousand					
	Opening balance	Additions	Transfer to profit/(loss)	Disposals	Other movements	Closing balance
2019						
Government grants	4,260	-	(390)	-	(24)	3,846
2020						
Government grants	3,846	-	(202)	-	(66)	3,578

In 2020, this item included €1,431 thousand (2019: €1,512 thousand) resulting from the update at year-end of loans with subsidised interest rates pending transfer to profit or loss which will be carried out in coming years based on the depreciation of the assets financed by these loans.

The breakdown of capital grants is as follows:

Granting entity	€ thousand	Purpose
Ministry of Education	1,239	Building in Gijón Technology Park
Ministry of Industry and Energy	180	CPI La Felguera building
I.F.R.	110	Warehouse in the Silvota industrial park
Ministry of Industry	188	New reactor manufacturing process
Principality of Asturias	134	Investment in bending machine
Ministry of Industry	154	Capital investment
Ministry of Industry	90	New welding processes
Other grants	1,483	
	3,578	

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

22. Financial liabilities

	€ thousand	
	2020	**2019**
Non-current		
Convertible bonds	-	-
Bank borrowings	-	85,000
Finance lease liabilities	612	25
Other financial liabilities	3,158	4,882
	3,770	**89,907**
Current		
Bank borrowings	88,831	307
Finance lease liabilities	282	39
Other financial liabilities	2,440	2,021
	91,553	**2,367**
Total financial liabilities	**95,323**	**92,274**

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

	€ thousand	
	2020	**2019**
Euro	92,234	92,274
US dollars	3,089	-
	95,323	**92,274**

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

	€ thousand	
	2020	**2019**
Between 1 and 2 years	1,360	16,893
Later than 2 years and no later than 5 years	1,803	72,038
More than 5 years	607	976
	3,770	**89,907**

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

	€ thousand				
	2019	**Cash flows**	**Other movements**	**Reclassifications**	**2020**
Non-current bank borrowings	85,000	-	-	(85,000)	-
Current bank borrowings	307	(307)	3,831	85,000	88,831
Total liabilities arising from financing activities	**85,307**	(307)	3,831	-	**88,831**

a) Convertible bonds

The total nominal amount of the 14,227,267,955 Class B Convertibles Bonds is €142,272,679.55, 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 five years from the effective date.

Class B Convertible Bonds give 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, is equal to 30% of the amount by which the Issuer’s average stock market capitalisation exceeds the Minimum Capitalisation Amount (= €215 million). However, Class B Convertible Bonds may 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, must exceed a minimum threshold (€236 million).

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 B Convertible Bonds

$$\left[min\left(\frac{M * 30\% * (VWAP_{6M} * N - X)}{VWAP_{6M}}; N * \frac{29\%}{1 - 29\%}\right)\right]$$

- **M** is a multiple that includes a factor for potential adjustments to the Conversion Price of the Class B Convertible Bonds as provided for in sections (b) and (d) of Term and Condition 4.2 (at the date of execution of the public deed and until an adjustment, M=1).

- **$VWAP_{6M}$** is the volume-weighted average price of ordinary shares in the six months immediately prior to the start of each conversion window, which will be adjusted by the Correction Factor if, during the period of six months immediately prior to the start of each conversion window, any of the circumstances described in sections *(a)* to *(d)* of Term and Condition 4.2 arises, with the adjustment made until the last trading date of the Ordinary Shares carrying rights at each related event.

- **N** is the number of Ordinary Shares of the Issuer, which will be adjusted by the Correction Factor if, during the six months immediately prior to the start of each conversion window, any of the circumstances described in sections *(a)* to *(d)* of Term and Condition 4.2 arises.

- **X** is the Minimum Stock Market Capitalisation, adjusted by the Correction Factor if, during the six months immediately prior to the start of each conversion window, any of the circumstances described in sections (a) to (d) of Term and Condition 4.2 arises.

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

$$Cp = \frac{\textit{Nominal amount of Class B Convertible Bonds}}{\textit{Number of ordinary shares arising from conversion of the Class B Convertible Bonds}}$$

The Group has concluded that the Class B Convertible Bonds are debt instruments (financial liability) 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, but in this case the amount of own instruments is variable, contingent on:

- First, exceeding the minimum market capitalisation threshold of €236 million; and

- Second, if this threshold is 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, depends 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 is variable implies the existence of a separable embedded derivative, the Group has 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 thousand (2019: €0 thousand). For the measurement, a model based on use of a binomial tree model was developed. This model is commonly accepted in the market for measuring products with these characteristics. The inputs used in the measurement were as follows:

- *Measurement date*: 31 December 2020.

- *Start date*: 1 August 2018 (the day the Duro Felguera shares issued in the 2018 capital increase began trading).

- *Duro Felguera share price at 31 December 2020*: €0.619/share

- *Initial market capitalisation for comparison with the predetermined market capitalisation threshold*: The amount was estimated in line with the terms and conditions of the Convertible Bonds in the refinancing agreement. Page 24 of this document defines the Company's market capitalisation as *"the product of multiplying (x) the simple average total number of the issuer's ordinary shares for each day of the relevant six-month period by (y) the volume weighted average price of an ordinary share for each day of the period for calculating the condition for conversion of the Class B Convertible Bonds".*

- *Initial $VWAP_{6M}$*: Taking the average of the Volume Weighted Average Price during the period of six months immediately prior to the Measurement Date.

- *Duro Felguera share price volatility*: 100.04%, obtained by calculating the average historical volatility with a 2-year time window (equal to the remaining life of the Convertible Bonds).

- *Volatility of the $VWAP_{6M}$:* 15.8%, obtained using historical data of the $VWAP_{6M}$ in the 2-year time window (equal to the remaining life of the Convertible Bonds).

- *Yield curve*: A zero-coupon curve based on the EONIA rate was considered as the risk-free curve.

(€ thousand)

b) Bank borrowings

This item includes mainly the syndicated loan arising from the agreement signed on 21 June 2018 between the parent company and its main banks. This is 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 includes repayment of €15,000 thousand in 2021, €20,000 thousand in 2022 and €50,000 thousand in 2023.

The following table provides a breakdown of the loan by financial institution:

Institution	Resulting liability affected post-restructuring
Banco Bilbao Vizcaya Argentaria, S.A.	2,806
Banco Cooperativos Español, S.A.	3,195
Banco Popular Español, S.A. (currently Banco Santander, S.A.)	18,050
Banco Sabadell, S.A.	7,348
Banco Santander, S.A.	20,573
Bankia, S.A.	12,764
Caixabank, S.A.	12,273
Liberbank, S.A.	7,991
	85,000

The syndicated financing agreement includes 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 the Termocentro and Vuelta de Obligado projects, a pledge on proceeds from potential disposals of certain assets (Note 6) and a pledge on shares of certain investees (Epicom, S.A.U., Felguera I.H.I., S.A. and Duro Felguera Rail, S.A.U.). The borrowers of the syndicated loan received a waiver from the financial institutions to use the proceeds from the Roy Hill project lawsuit and from the potential disposals of certain assets, including shares of Duro Felguera Rail, S.A., which were sold in December 2019.

The syndicated loan is subject to compliance with the debt ratio (gross financial debt/ EBITDA) from the year ended 31 December 2019.

Date	Multiple
30 June 2020	3.20x
31 December 2021	1.54x
30 June 2022	1.14x

The borrowers in the syndicated loan were given a waiver from the financial institutions on compliance with the debt ratio at 31 December 2019.

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 on breach of the gross financial debt/EBITDA ratio at 30 June 2020 had been given, and had yet to be given as at the date of authorisation for issue of these financial statements.

(€ thousand)

The multiproduct syndicated financing agreement entered into in June 2018 paved the way for new financing in the form of guarantees to ensure achievement of the order intake targets in the strategic plan and included insurance coverage of 50% of the nominal amount of each guarantee as an essential requirement. The banks did not ultimately accept the terms of CESCE's offer, so the Group was unable to avail of the guarantee lines envisaged in 2018.

At the date of authorisation for of these financial statement, the Group is on the verge of reaching a binding commitment with the bank syndicate to sign an agreement to refinance its current syndicated debt and grant new lines of guarantees for at least €80 million covered by CESCE.

This item also includes the Group's payment obligation after enforcement of the guarantee on 50% of Dunor Energía S.A.P.I. de C.V.'s debt by the financial institutions in the amount of €3,089 thousand as the Group lacks the funds to meet this obligation (Note 10).

c) Draw-downs on credit accounts and discounting facilities

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

	2020	2019
Euro	-	-
US dollars	-	3.48%

At 31 December 2020, the Group had no credit facilities.

d) Finance lease liabilities

This item includes the present value of the remaining lease payments, excluding leases of low-value assets and short-term leases, in line with IFRS 16. It considered the presented value of the payments on the lease of offices in Madrid and the concession awarded by the Gijón Port Authority (Note 7.h).

e) Other financial liabilities

"Other financial liabilities" includes mainly the updated debts with official bodies resulting from the loans received from "CDTI", "MINER", "Ministry of Industry, Tourism and Commerce", "PROFIT", "FIT" and "FICYT", which do not bear any explicit interest.

The effect of discounting the interest-free loans is recognised in "Government grants" (Note 21), which will be released to profit or loss as the subsidised assets are depreciated.

23. Trade and other payables

	€ thousand	
	2020	**2019**
Suppliers	122,127	180,100
Amounts due to related parties (Note 37)	17	17
Other payables	4,986	3,861
Personnel (salaries payable)	4,783	4,668
Current tax liabilities	1,526	2,452
Other taxes payable (Note 24)	6,218	5,163
Advances received for contract work	50,879	67,188
	190,536	263,449
Non-current portion	-	-
	190,536	**263,449**

Regarding "Advances received for contract work", in 2020 contract revenue was realised on 78% of the previous year-end balance (2019: 51%), with the remainder related to changes in the stage of project completion, in foreign exchange rates, and others.

The amounts of trade and other payables are denominated in the following currencies:

	€ thousand	
	2020	**2019**
Euro	113,980	145,260
Algerian dinar	30,456	31,684
US dollar	22,124	24,051
Mexican peso	4,675	11,987
Indian rupee	2,715	6,136
Argentine peso	3,382	6,043
Romanian new leu	6,611	2,446
Peruvian nuevo sol	501	1,717
Australian dollar	-	30,903
United Arab Emirates dirham	3,600	1,315
Kuwaiti dinar	1,336	-
Chilean peso	525	927
Brazilian real	50	74
Canadian dollar	78	111
Pound sterling	358	39
Other	145	756
	190,536	**263,449**

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	
	2020	**2019**
Average supplier payment period	332.94	239.01
Ratio of transactions paid	131.05	177.19
Ratio of transactions outstanding	640.69	439.19

	€ thousand	
	2020	**2019**
Total payments made	67,229	180,203
Total payments outstanding	44,103	55,653

Excluding the Djelfa product, which has been halted (see Note 1.1), the average supplier payment period would be 209.60 days.

In keeping with the ICAC Resolution, in calculating the average supplier payment term in these consolidated financial statements, the Group considered the commercial transactions corresponding to goods or services delivered and accrued since effectiveness of Law 31/2014, of 3 December 2014, exclusively for fully or proportionately consolidated companies located in Spain.

Exclusively for the purposes of this Resolution, suppliers are trade creditors in respect of amounts due in exchange for the goods and services supplied presented under "Trade payables" in current liabilities in the accompanying statement of financial position, referring only to Spanish companies in the consolidated group.

“Average period of payment to suppliers” is the period that elapses from the delivery of the goods or the provision of the services by the supplier to the effective payment of the transaction.

The parent company’s directors do not expect to incur additional liabilities as a result of outstanding balances payable to suppliers that exceed the statutory limit.

At 31 December 2020, the Group had past-due balances with suppliers amounting to €72,880 thousand for services, works or supplies related mainly to projects. Of this amount, 57% corresponded to the Djelfa project, which, as explained in Note 1.1, has been halted since 22 March 2020.

Of the total amount of past-due balances at year-end, 46.7% were the subject of litigation and/or arbitration.

The Group is actively negotiating agreements to set new payment schedules or obtain forgiveness of outstanding past-due amounts.

24. Taxes receivable and payable and deferred taxes

a) Taxes receivable and payable

The main taxes receivable and payable are as follows:

	€ thousand	
	2020	**2019**
Taxes receivable		
Value added tax (*)	25,563	31,552
Personal income tax withholdings	1	-
Prepaid taxes, income tax of other countries and non-resident withholdings	745	4,830
Receivable for refund of prior year's income tax	-	3,351
Other	927	1,119
	27,236	**40,852**
Other taxes payable		
Value added tax	(2,934)	(1,539)
Social Security payables	(1,310)	(1,443)
Other	(324)	(950)
Personal income tax withholdings	(1,268)	(847)
Other taxes	(382)	(384)
	(6,218)	**(5,163)**

(*) Includes €6.9 million of value added tax refundable, which was set off against the outstanding amount owed arising from the tax assessments described in Note 31 under an agreement dated 11 October 2018.

b) Deferred taxes

The timing of the reversal of recognised deferred tax assets and liabilities is as follows:

	€ thousand	
	2020	**2019**
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	16,539	20,815
Deferred tax assets to be recovered within 12 months	6,542	9,491
	23,081	**30,306**
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	(16,604)	(20,873)
Deferred tax liabilities to be recovered within 12 months	(6,510)	(9,311)
	(23,114)	**(30,184)**
Net amount	**(33)**	**122**

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

	€ thousand	
	2020	**2019**
Opening balance	**122**	**(463)**
(Charge)/credit to profit or loss	456	(1,820)
Adjustment / Decreases	-	536
(Charge)/credit to reserves	(611)	1,869
Closing balance	**(33)**	**122**

Reconciliation of deferred tax assets and liabilities in the year:

	€ thousand			
Deferred tax assets	**Provision for employee benefit obligations**	**Tax losses and deductions**	**Other**	**Total**
At 1 January 2019	**-**	**33,275**	**8,368**	**41,643**
(Charge)/Credit to profit or loss	-	(9,312)	(1,154)	(10,466)
Decreases	-	-	-	-
Charge/(Credit) to equity	-	-	(871)	(871)
At 31 December 2019	**-**	**23,963**	**6,343**	**30,306**
(Charge)/Credit to profit or loss	-	(6,490)	(116)	(6,606)
Decreases	-	-	-	-
Charge/(Credit) to equity	-	-	(619)	(619)
At 31 December 2020	**-**	**17,473**	**5,608**	**23,081**

	€ thousand				
Deferred tax liabilities	**Gains on transactions with non-current assets**	**Asset revaluation**	**Class B Convertible Bonds**	**Other**	**Total**
At 1 January 2019	**167**	**3,423**	**33,276**	**5,240**	**42,106**
Charge/(Credit) to profit or loss	-	-	(9,312)	666	(8,646)
Decreases	-	-	-	(536)	(536)
Charge/(Credit) to equity	(130)	(1,082)	-	(1,528)	(2,740)
At 31 December 2019	**37**	**2,341**	**23,964**	**3,842**	**30,184**
Charge/(Credit) to profit or loss	-	(478)	(6,499)	(84)	(7,061)
Decreases	-	-	-	-	-
Charge/(Credit) to equity	-	66	-	(75)	(9)
At 31 December 2020	**37**	**1,929**	**17,465**	**3,683**	**23,114**

"Other" includes deferred tax assets amounting to €5,608 thousand (2019: €6,343 thousand) related mainly to warranties, holidays, risks and charges, and project losses.

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. On 1 January 2015, following the entry into force of Corporate Income Tax Law 27, 2014, of 27 November, tax losses may be utilised with no timing limit up to the limit on the amount set out in Royal Decree Law 3/2016, of 2 December, adopting certain tax measures to consolidate public finances and other urgent social measures became effective. Under this legislation, the limit on the offset of tax losses is 25% for companies with net revenue of €60 million or more.

Moreover, the limit on the offset of tax loss carryforwards of 25% of the aforementioned tax base is not applicable to the amount of income arising from tax relief or deferments granted in an agreement with the taxpayers' 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 and effective 27 July 2018. This agreement was ratified judicially by Mercantile Court 3 of Oviedo on 26 June 2018 in accordance with Additional Provision 4 of Insolvency Act 22/2003, of 9 July.

According to article 11.3 of Corporate Income Tax Law 27/2014, of 27 November, this accounting income will be included for tax purposes in proportion to the financial expenses recognised in the tax period relative to the total financial expenses pending recognition arising from the debt. In addition, this taxable income may be offset with prior years' tax losses without limit.

As a result, since the Spanish tax group had unused tax losses at 31 December 2018 arising in prior years amounting to €176,101 thousand, a deferred tax asset was recognised for the same amount (€33,276 thousand) as the liability recognised for deferred income from the Class B bonds, as explained below, in line with paragraphs 22 and 44 of IAS 12, since the tax income could be offset in full with those tax losses.

In 2020, following the recognition of the related borrowing costs, the adjustment made for the proceeds from Class B Convertible Bonds, of €25,994 thousand (2019: €37,246 thousand), was partially reversed, giving rise to a movement of €6,499 thousand (2019: €9,312 thousand) in both the related deferred tax liability and the deferred tax asset for the offset of unused tax losses.

c) Unrecognised deferred tax assets

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

(€ thousand)

Unrecognised deferred tax assets at 31 December 2020 and 2019 of the Spanish tax group are as follows:

	2020		**2019**	
	Base	**Tax charge**	**Base**	**Tax charge**
Tax losses	160,089	40,022	102,165	25,541
Deductions				
R&D and technological innovation	-	4,705	-	4,501
Donations	-	193	-	193
Reversal of temporary measures	-	75	-	61
Double international taxation	-	435	-	435
Losses of foreign operations	106,766	26,691	54,706	13,676
Losses of subsidiaries	414,524	103,631	322,992	80,748
Other	96,052	24,014	72,994	18,250
	777,431	**199,766**	**552,857**	**143,405**

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

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

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

	2020		**2019**	
	Base	**Tax charge**	**Base**	**Tax charge**
Peru	212	63	-	-
Brazil	3,576	1,216	4,770	1,622
Argentina	30,412	9,124	48,613	14,584
India	-	-	-	-
Chile	19,782	5,340	19,927	5,380
	53,982	**15,743**	**73,310**	**21,586**

The tax bases in Argentina and Peru may be applied up to 6 and 8 years, respectively, from the year in which they arise. Tax bases from Peru, Brazil and Chile may be applied without any timing limit.

25. Provisions for other liabilities and charges

The breakdown of this item in the consolidated statement of financial position as at 31 December 2020 and 2019 is as follows:

	€ thousand	
	2020	**2019**
Provisions for pensions and similar obligations	**1,355**	**1,328**
Other pension funds	1,355	1,328
Provisions for contingent liabilities and commitments	**102,445**	**63,359**
Provisions for contingent liabilities	102,445	63,359
	103,800	**64,687**

Reconciliation of changes in "Provisions":

	€ thousand			
	Pensions and similar obligations	**Provisions for completion of works and other trade provisions**	**Other provisions**	**Total**
Balance at 1 January 2020	**1,328**	**55,968**	**7,391**	**64,687**
Provisions charged to profit or loss:				
Provisions	475	65,759	4,147	70,381
Reversals credited to profit or loss:				
Reversals	(6)	(5,335)	(229)	(5,570)
Payments or amounts used:				
Payments of pensions	(417)	-	-	(417)
Other payments	-	(13,578)	(279)	(13,857)
Other movements	(25)	(11,212)	(187)	(11,424)
Balance at 31 December 2020	**1,355**	**91,602**	**10,843**	**103,800**

Movements in 2020 related primarily to provisions for completion of works and other trade provisions, as follows:

Provisions for completion of works and other trade provisions

- Provisions recognised related mainly to the reassessment of the Jebel Ali project following termination of the contract and for project losses on the Djelfa project.
- Reversals related mainly to the provision for losses incurred as the related projects are executed and for other project risks.
- Other payments included the amount swept from the Group's bank accounts for enforcement of guarantees for the project.
- Other movements included mainly the amounts of provisions cancelled following the removal from the consolidation scope of subsidiary DF Australia Pty Ltd.

Other provisions

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

a) Pensions and similar obligations

	€ thousand	
	2020	**2019**
Non-current obligations		
Coal vouchers	100	104
Other obligations with employees	1,255	1,224
	1,355	**1,328**

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

To measure these obligations, the Group applied its best estimates based on an actuarial study performed by an independent third party in which the following assumptions have been applied: mortality table PERM/F 2020 and an annual interest rate of 0.32% p.a. (2019: 0.74% p.a.) and increases in consumer prices of 1% p.a. (2019: 1%).

Coal vouchers (Note 2.19.a)

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

	€ thousand		
	Serving personnel	Retired personnel	Total
At 1 January 2019	**-**	**104**	**104**
Arising during the year	-	-	-
Payments	-	-	-
Reversals	-	-	-
At 31 December 2019	**-**	**104**	**104**
Arising during the year	-	-	-
Payments	-	-	-
Reversals	-	(4)	(4)
At 31 December 2020	**-**	**100**	**100**

Other obligations with employees (Note 2.19.b)

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

	€ thousand
At 1 January 2019	**1,413**
Provisions charged to profit or loss	257
Amounts used	(399)
Surplus	(54)
Transfers	7
At 31 December 2019	**1,224**
Provisions charged to profit or loss	475
Amounts used	(417)
Surplus	(2)
Transfers	(25)
At 31 December 2020	**1,255**

b) Provision for completion of works and other trade provisions

The breakdown of provisions for completion of works and other trade provisions is basically as follows:

	€ thousand	
	2020	**2019**
Provisions for warranties	10,508	10,810
Provisions for onerous contracts	814	23,714
Provision for project completion	59,256	13
Provisions for other liabilities and penalties	21,024	21,431
	91,602	**55,968**

The provision for project completion includes mainly a provision for €39 million, calculated as the best estimate of the outcome of ongoing proceedings with the customer of the Jebel Ali Power Station project (Nota 35) and a provision for €20 million for cancellation of orders in progress with suppliers in that project.

The provision for other liabilities and penalties includes a provision for €13.9 million for the additional amount claimed from the customer of the Djelfa project for cover overruns incurred due to increased uncertainty over communications with the customer caused by the pandemic and the consideration that there is reasonable doubt an additional addendum to items previously accepted by the customer will be achieved (Notes 1.1 and 4).

Other provisions

The breakdown of "Other provisions" and the expected schedule for the outflow of the related economic benefits are as follows:

	Other provisions	
	€ thousand	**Estimated schedule**
Litigation with suppliers	5,550	Next 6 months
Liabilities and charges due to labour disputes	2,360	Between 12 and 24 months
Liabilities and charges due to legal proceedings	2,933	Between 6 months and 3 years
	10,843	

Transfers to and reversals of provisions for other liabilities and charges are included in "Other operating expenses" in the statement of profit or loss (Note 28).

	€ thousand	
	2020	**2019**
Analysis of total provisions:		
– Non-current	5,196	12
– Current	97,249	63,347
	102,445	**63,359**

26. Revenue

a) Revenue

The breakdown of revenue by activity is as follows:

	€ thousand	
	2020	2019
Energy	59,597	164,034
Mining & Handling	9,373	107,191
Oil & Gas	6,300	48,496
Specialised Services	41,021	39,888
Manufacturing	15,452	13,757
Other	5,964	6,472
Revenue	**137,707**	**379,838**

"Other" includes the revenue generated by companies not assigned to a specific business activity, mainly security and defence and industrial control, for €4,564 thousand, of which €2,569 related to the sale of supplies (2019: €4,418 thousand, relating to engineering and systems integration activities in the civil communications, aeronautical and maritime sectors, together with the other activities just described).

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

	€ thousand	
	2020	2019
Euro	109,341	266,984
Algerian dinar	3,944	17,288
United Arab Emirates dirham	16,728	19,893
US dollar	5,009	65,396
Argentine peso	72	3,113
Peruvian nuevo sol	12	5,029
Indian rupee	773	-
Kuwaiti dinar	1,777	1,318
Other currencies	51	817
	137,707	**379,838**

b) Foreign currency balances and transactions

The amounts of foreign currency transactions are as follows:

	€ thousand	
	2020	2019
Sales	28,366	112,854
Purchases	(29,580)	(92,489)
Services received	(12,396)	(24,349)

27. Employee benefits expense

The breakdown of this item in the accompanying consolidated statement of profit or loss for 2020 and 2019 is as follows:

	€ thousand	
	2020	**2019**
Salaries and wages	(45,113)	(68,746)
Termination benefits	(1,651)	(1,675)
Social security costs	(14,929)	(19,240)
Other employee benefits expenses	(611)	146
	(62,304)	**(89,515)**

On 14 April 2020, Duro Felguera, S.A. reached a unanimous agreement with the workers' representatives to submit a temporary workforce reduction plan based on productive needs under the terms of 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 plan will affect 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.

The duration of the furlough scheme was six months and affected a total of 672 workers, subject to an upper limit of 464 workers per month. It also included an undertaking to lower the salary of Management Committee members and the rest of the management team by 20% over the duration of the plan.

These layoffs produced savings of €4,821 thousand for the months they were in place.

The impact of the second COVID-19 wave on the Group's activity prompted several Group companies to implement a new temporary layoff scheme, as described in Note 40.

28. Supplies and other operating expenses

a) Cost of sales

The breakdown of this item in the accompanying consolidated statement of profit or loss for 2020 and 2019 is as follows:

	€ thousand	
	2020	**2019**
Consumption of goods for resale and raw materials	(42,878)	(146,356)
Subcontracted work	(22,855)	(104,021)
Write-down of merchandise, raw materials and other supplies	(569)	(192)
	(66,302)	**(250,569)**

b) Other operating expenses

The breakdown of this item in the accompanying consolidated statement of profit or loss for 2020 and 2019 is as follows:

	€ thousand	
	2020	**2019**
Leases	(3,738)	(7,977)
Repairs and maintenance	(1,539)	(1,696)
Independent professional services	(11,938)	(19,944)
Transportation	(1,841)	(5,028)
Insurance premiums	(1,804)	(2,053)
Banking and similar services	(2,788)	(6,096)
Advertising	(80)	(187)
Utilities	(1,276)	(2,181)
Other services	(7,942)	(10,306)
External services	(32,946)	(55,468)
Taxes	(6,316)	(1,953)
Losses, impairment and changes in trade provisions (Notes 12 and 25)	(107,203)	(13,106)
	(146,465)	**(70,527)**

29. Other income/(expense)

	€ thousand	
	2020	**2019**
Other income/(expense)	(870)	30,411
	(870)	**30,411**

Other income/(expense) in 2019 included mainly the positive outcome of the disputes in connection with the Roy Hill project, including the settlement agreement.

30. Net finance income/(cost)

	€ thousand	
	2020	**2019**
Finance income from:		
– Financial interest	374	4,106
– Gain of purchasing power due to hyperinflation	1,329	3,243
	1,703	7,349
Finance expense and similar costs	(2,718)	(2,462)
Change in fair value of financial instruments	-	8,069
Net foreign exchange difference	(9,126)	(831)
Impairment/(reversal of impairment) of financial instruments	(1)	(1)
Total net finance income/(cost)	**(10,142)**	**12,124**

The gain of purchasing power due to hyperinflation reflects the impact of inflation on the monetary items held by the Group in Argentina after the country's classification as a hyperinflationary economy (Note 2.5 d)).

"Change in the fair value of financial instruments" in 2019 included the finance income resulting from changes in the valuation of class "B" convertible bonds (Note 22).

31. Income tax

a) Reconciliation

	€ thousand	
	2020	**2019**
Current tax	-	(640)
Foreign taxes (including irrecoverable withholdings)	(4,508)	1,930
Adjustments to current tax in respect of prior years	837	794
Adjustments to deferred tax in respect of prior years (Note 24)	(41)	(314)
Current year deferred tax (Note 24)	497	(1,507)
Effect of change in tax rate (Note 24)	-	-
Other	-	-
	(3,215)	**263**

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

	€ thousand	
	2020	**2019**
Consolidated profit before tax	(168,507)	4,679
Tax at 25%	42,127	(1,170)
Inter-group/branch adjustments and eliminations	(2,951)	(6,490)
Other non-deductible expenses	(19,193)	(2,023)
Adjustment in respect of prior years	-	-
Foreign taxes (including irrecoverable withholdings)	(4,508)	1,930
Use of tax loss carryforwards	115	8,513
Unrecognised tax losses	(16,035)	-
Derecognition of tax assets of prior years	(2,950)	(314)
Other	180	(183)
Tax charge/(refund)	**(3,215)**	**263**

The reconciliation between consolidated accounting profit and taxable income is as follows:

	€ thousand	
	2020	**2019**
Consolidated profit/(loss)	(171,643)	1,388
(+) Share of non-controlling interests	(79)	3,554
(-) Income tax	(3,215)	263
Consolidated accounting profit/(loss) for the year before tax	(168,507)	4,679
Unrecognised permanent and temporary differences	124,626	(132)
Temporary differences	(27,482)	33,280
Preliminary tax base	(71,363)	37,827
Utilisation of unused tax losses of the tax group	-	(42,034)
Utilisation of unused tax losses outside the tax group	(460)	(2,048)
Taxable income/(tax loss):	**(71,823)**	**(6,255)**
Attributable to the tax group	(31,963)	7,589
Positive, non-tax group	3,531	4,995
Negative, non-tax group	(43,391)	(18,839)
	(71,823)	**(6,255)**

The effective tax rate was -1.91% (2019: -5.62%).

Permanent differences relate mainly to non-tax deductible expenses and unrecognised temporary differences to provisions for liabilities, onerous contracts, impairment of non-current assets and investment properties, and results of subsidiaries/branches.

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

Duro Felguera, S.A. and the Spanish subsidiaries in which it directly or indirectly holds an interest of over 75% pay income tax under the consolidated tax scheme. Under this scheme, the taxable amount is calculated on the basis of the consolidated results of Duro Felguera, S.A. and these subsidiaries.

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

However, each consolidating company must calculate its own tax liability as if it were filing separately and account for corporate income tax payable or refundable (tax credit) on the basis of whether it contributes a profit or a loss.

b) Years open to inspection

The years open to inspection for the main taxes vary in accordance with the tax laws in each country where the Group has operations. In Spain, it is open to inspection of taxes for the following years:

- Income tax of the consolidated group: 2010 to 2014 and 2016 and thereafter for the tax group, and 2017 thereafter for the tax group and the rest of the Spanish subsidiaries.
- Value added tax: 2011 and 2012 for Duro Felguera, S.A. and 2017 and thereafter for Duro Felguera, S.A. and the rest of the Spanish subsidiaries.
- Income tax (earned income, professional fees and investment income) for Duro Felguera, S.A.: 2011, 2012 and 2014, and 2017 and thereafter for Duro Felguera, S.A. and the rest of the Spanish subsidiaries.
- Other taxes: last four years.

On 21 January 2015, the Spanish taxation authorities (Agencia Estatal de la Administración Tributaria) 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 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, as well as of income tax withholding (earned income and investment income) and non-resident income tax for 2011 and 2012.

As a result of these tax audits, 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 agreement 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 (specifically, UTE Termocentro), as provided for in article 50 of Legislative Royal Decree 4/2004, of 5 March, approving the Consolidated Income Tax Act in effect in the periods covering the tax inspections. An appeal against the settlement agreement was lodged with the Central Economic Administrative Court (TEAC) on 9 August 2017, which is pending resolution.

- 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. The TEAC ruled partially in favour of Duro Felguera in a resolution notified on 3 March 2021.

- 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. An administrative appeal against the settlement agreement was lodged with the TEAC on 9 August 2017, which is pending resolution.

- Agreement to resolve sanctioning proceedings against UTE TERMOCENTRO, as notified on 1 February 2018, ordering it to pay €23.04 million. The sanction imposed is based on the authorities' disagreement over the taxable income charged by UTE Termocentro to its members. On 19 February 2018, an administrative appeal was filed with the TEAC against this proposed sanction, which is pending resolution.

- Settlement agreement dated 6 June 2017, requiring UTE TERMOCENTRO to pay €624 thousand in personal income tax, plus €151 thousand in late-payment interest. On 24 August 2017, an administrative appeal was filed with the TEAC against this agreement, which is pending resolution.

- Settlement agreement for VAT dated 6 June 2017, requiring no payment by UTE TERMOCENTRO. On 5 July 2017, an administrative appeal was filed with the TEAC against this agreement, which is pending resolution.

- Settlement agreement for corporate income tax dated 6 June 2017, requiring no payment by UTE TERMOCENTRO. On 5 July 2017, the entity lodged an administrative appeal with the TEAC against this agreement, which is pending resolution.

- Agreement for resolution of sanctioning proceedings for personal income tax against UTE TERMOCENTRO, requiring payment of €432 thousand. An administrative appeal was filed with the TEAC against this agreement on 29 January 2018, which is pending resolution.

A potential adverse ruling from the TEAC in these proceedings could be the subject of an administrative appeal before the National Court.

The Company did not recognise any liability related to these procedures since in management's opinion, and based on reports issued by independent third parties in prior years and up to the reporting date, the arguments are sufficiently strong to expect that it is unlikely that those amounts will have to be paid.

These arguments can be summarised as follows:

- Doctrine of estoppel: the AEAT already inspected 2009, in which UTE TERMOCENTRO took a significant charge for its members that was considered exempt. No amount was adjusted in this connection.

- Substantive arguments accrediting UTE TERMOCENTRO's foreign operations.

- Delays in the proceedings: the proceedings were extended by a year and we have been attributed unjustified delays that are questionable. This could result in one, two or even three financial years becoming statute-barred, depending on the delay.

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

To date, the Company has not made any payments related to these proceedings. The taxation authorities agreed a suspension with the contribution of real estate collateral for the amounts owed from the settlement agreements of VAT, personal income-tax withholding and income tax - related party transactions.

Regarding the debt liability from the proposal for settlement of income tax of €101 million, plus €22 million in late-payment interest, on 4 September 2017 the Company requested suspension of enforcement of the settlement agreement while still within the voluntary payment period, contributing real estate collateral worth €29 million and requesting partial waiver of the collateral requirement for the remainder of the debt (€94 million). The TEAC refused to entertain this request for suspension in a resolution dated 30 November 2017. The National Court issued a ruling on 13 February 2020, finding in favour of the Company, declaring that the TEAC's decision was unlawful and referring the proceedings back to the TEAC for a further decision on the merits of the request for suspension submitted by the Company in September 2017. To date no notification had been received of the TEAC's ruling on the request for suspension.

A decision by the TEAC rejecting the request for suspension could be appealed before the National Court and sent for judicial review by the Supreme Court. A request could be made for precautionary suspension on enforceability of the debt until a ruling is issued on the merits of the suspension.

In addition, on 26 July 2018 the Company had presented a new request for suspension before the TEAC on the grounds of a change of circumstances, including a partial waiver of the collateral requirement. In these particular set of proceedings, and prior to a ruling on the matter, the Company has posted mortgage collateral on certain real estate assets worth €19.6 million (appraisal value) in favour of the taxation authorities.

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 (earned income, professional fees and investment income) and non-resident income tax for said Company 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 for making payment, on 12 February 2020 it filed a tax appeal against the settlement agreement before the TEAC and on 14 December 2020 it presented its statement of case.

- 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. On 12 February 2020 the Company filed a tax appeal against the settlement agreement before the TEAC and on 14 December presented its statement of case.

- 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). On 1 July 2020 the Company filed a tax appeal against the settlement agreement before the TEAC. In addition, on 20 July 2020, 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 for making payment, on 1 July 2020 it filed a tax appeal against the settlement agreement before the TEAC.

- Document accepting the proposed tax settlement that Duro Felguera, S.A. had been asked to pay, such settlement amounting to €130 thousand in value added tax (€112 thousand relating to the actual tax and €18 thousand to late-payment interest). The Company has now settled the debt within the voluntary period for payment.

- Document accepting the value added tax that UTE TERMOCENTRO had been asked to pay and the corporate income tax that Duro Felguera, S.A. and DF Mompresa, S.A. had been asked to pay, with no tax payable in either case.

- 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. On 11 August 2020, an administrative appeal was filed with the TEAC against this proposed sanction.

- Agreement for resolution of sanctioning proceedings for personal income tax against UTE TERMOCENTRO, requiring payment of €152 thousand. The Company filed an administrative appeal with the TEAC against this agreement on 11 August 2020.

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 sound to expect that those amounts will not have to be settled. Therefore, no liability was recognised in this connection.

Duro Felguera Do Brasil is also open to inspection of income tax for 2012, which it has appealed and poses a potential tax liability of 41,633,077.41 Brazilian reais. A proposed settlement of 2015 income tax was received for the same reason for 1,905,293.75 Brazilian reais, which will also be appealed. In the opinion of the Company's management and its external tax advisors, it is unlikely that the amount will have to be paid.

32. Earnings per share

a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the parent by the weighted average number of ordinary shares in issue during the year (Note 16).

	2020	2019
Profit/(loss) attributable to the parent (€ thousand)	(171,643)	1,388
Weighted average number of ordinary shares in issue (thousand)	96,000	2,441,556
Basic earnings/(loss) per share (€)	**(1.79)**	**0.0006**

b) Diluted

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

	2020	2019
Profit/(loss) attributable to the parent (€ thousand)	(171,643)	1,388
Weighted average number of ordinary shares in issue (thousand)	102,128	2,444,628
Basic earnings/(loss) per share (€)	**(1.68)**	**0.0006**

33. Dividends per share

No dividend was paid in 2020 or 2019.

34. Statement of cash flows

The consolidated statement of cash flows was prepared in accordance with IAS 7. It was not impacted by fluctuations in the exchange rates of the currencies in which the Group operates vis-à-vis the euro. The relevant classifications were made to correctly show the changes due to consolidations and deconsolidations. Key highlights for each of the main sections of the consolidated statement of cash flows are as follows:

a) Cash flows from operating activities

	€ thousand	
	2020	**2019**
Profit/(loss) for the year before tax	**(168,508)**	**4,679**
Profit/(loss) adjustments		
Depreciation and amortisation (Notes 7, 8 and 9)	7,844	6,523
Impairment	103,642	(7,699)
Changes in provisions	-	(733)
Grants released to profit or loss	(269)	(390)
(Gains)/losses on derecognition and disposal of assets	(274)	(2,312)
Gains/(losses) from derecognition and disposal of financial instruments (Note 10)	14,426	5,278
Finance income (Note 30)	(1,703)	(7,349)
Finance costs (note 30)	2,718	2,462
Exchange differences (Note 30)	715	831
Changes in fair value of financial instruments (Note 30)	1	(8,069)
Gain/(loss) on loss of control of subsidiaries	(9,142)	-
Other income and expenses	10,988	30,669
	128,946	**19,211**
Working capital changes		
Inventories	1,405	851
Trade and other receivables	37,012	138,506
Other current assets	(2,442)	(6,251)
Trade and other payables	(32,282)	(131,639)
Other current liabilities	(28,174)	(15,326)
Other non-current assets and liabilities	(143)	(5,487)
	(24,624)	**(19,346)**
Other cash flows from operating activities		
Interest paid	(2,284)	(2,453)
Income tax (paid) / received	(911)	(1,688)
	(3,195)	**(4,141)**
Cash flows from operating activities	**(67,381)**	**403**

b) Cash flows from investing activities

	€ thousand	
	2020	**2019**
Payments for investments		
Property, plant and equipment, intangible assets and investment properties	(734)	(716)
Other financial assets (*)	(21,140)	-
	(21,874)	**(716)**
Proceeds from sale of investments		
Group companies, associates and business units	-	3,500
Property, plant and equipment, intangible assets and investment properties	546	12,824
Other financial assets	488	-
	1,034	**16,324**
Other cash flows from investing activities		
Interest received	1,703	3,535
Loss of control of Duro Felguera Australia Pty Ltd. (Note 2.3.e))	(9,423)	-
	(7,720)	**3,535**
Cash flows from/(used in) investing activities	**(28,560)**	**19,143**

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

c) Cash flows from financing activities

	€ thousand	
	2020	**2019**
Proceeds from and payments for financial liability instruments		
Issue	-	-
Redemption and repayment	(1,302)	(1,453)
	(1,302)	**(1,453)**
Cash flows from financing activities	**(1,302)**	**(1,453)**

35. Contingencies

The Group has contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business, from which it does not expect any material liabilities to arise.

At 31 December 2020 and 2019, the Group had extended the following bank guarantees:

	€ thousand	
	2020	**2019**
Guarantees provided in sales contracts in progress	222,679	321,358
Other	1,448	2,358
	224,127	**323,716**

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

The Group has also received bonds and other guarantees from third parties for execution of its projects amounting to €48,280 thousand.

Group management considers that the risks of litigation, arbitration and claims are reasonably covered by the provisions recognised in these consolidated financial statements at 31 December 2020, and does not expect any further significant liabilities than those recognised to arise. The main lawsuits, arbitration and claims are as follows:

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

Regarding the ruling by the 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 USD 80.6 million, and also those matters discussed in the notes to the 2019 financial statements, as at the date of the accompanying financial statements no other actions or additional proceedings had occurred other than those discussed below.

On 4 September 2020, Central Examining Court no. 2 issued a ruling establishing a deadline for the proceedings of 28 July 2021, thereby repealing the order of 22 June 2020, which had a final date of 28 September 2020.

The ruling is predicated on Law 2/2020, of 27 July, amending article 324 of Spain's Criminal Procedure Act (*Ley de Enjuiciamiento Criminal*), which states that investigations must be carried out within a maximum period of 12 months, compared to six months before that article was amended.

This transitional provision of Law 2/2020 became effective as of 29 July. Accordingly, this would apply to the proceedings under way. The Court has set a date of 28 July 2020 as start date for calculating this 12-month period. Therefore, the final deadline is 28 July 2021.

As explained in the 2019 consolidated financial statements, the Group considered that the documentation and other actions included in the reports provide sufficient justification or contractual evidence of the payments made, as they are based on contractual obligations assumed by individuals duly authorised for their grant in ordinary contracts —the rendering of (advisory and technical assistance) services— and inherent in the activity comprising the Group's objects (given their nature as indivisible or at least complementary to obtaining and executing a major international contract). Moreover, this contractual evidence has enabled its documentary proof, accounting recognition, inclusion in the Group's official and only accounts, its financial statements, and its annual accounts, which are assured by the Group's auditors.

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 have authorised, been aware of and/or given consent to payments or granted improper advantages or benefits to authorities or public servants in Venezuela to corrupt them or induce them to infringe upon 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, the Group considers that the measure and policies outlined in its non-financial reporting are still appropriate.

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

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

National Markets and Competition Commission (CNMC)

In Case S/DC/612/17 initiated by the CNMC against various companies operating in the industrial assembly and maintenance services market, including DF Operaciones y Montajes, S.A., a ruling was delivered on 1 October 2019 declaring the existence of an infringement and imposing penalties upon 19 companies, including DF Operaciones y Montajes, S.A., such penalty amounting to €1,323 thousand, and prohibiting those companies from dealing with public sector companies for an as-yet unspecified scope and duration.

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

On 4 March 2020, notification was given of the ruling granting the suspension of payment of penalties contingent on providing sufficient guarantees within a period of two months. This period was suspended by Royal Decree 463/2020, of 14 March, declaring the state of alarm to manage the health crisis caused by COVD-19, and resumed on 5 June 2020 in accordance with Royal Decree-Law 16/2020, of 28 June, on procedural and organisational measures to deal with COVID-19 in the scope of the Administration of Justice.

The new period for providing guarantees expired on 23 August 2020. On 31 July 2020, a request was made to extend the deadline for providing the guarantee, and on Friday 12 February 2021, a letter was submitted to the National High Court with a copy of the mortgage arranged in guarantee of payment of the penalty, stating that an application had been submitted to place the deed on file at the corresponding property register.

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

Contingencies and project claims

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

An in-depth assessment was performed on project claims, after which provisions were recognised at the amounts considered probable (Note 25). In the opinion of the parent company’s directors and legal advisors, the potential impact on the Group of the remaining claims would not be material. Therefore, no material liabilities are expected to arise other than those already provisioned that could have a material adverse effect. The main lawsuits by amount which the Group considers probable or possible that a ruling with issued for or against it as plaintiff or defendant are as follows:

1) Vuelta de Obligado

ICC arbitration instigated by General Electric ("GE") against the Group claiming payment of penalties for late payment assumed by GE with the customer in line with the settlement agreement entered into between GE and the customer which was disputed by the Group and now GE is attempting to attribute to the group, for USD 65 million. On 22 January 2021, the Group filed its defence and counter-claim with the arbitration court, seeking payment of cost overruns, contract extension costs, and financial and legal costs amounting to USD 128 million.

The Group's main legal argument rests on the illegality of the settlement agreement. It states that by entering into the settlement agreement, GE acted contrary to its previous actions, when it gave legitimacy to the Group's entitlement to restore the contract's financial equilibrium. In 2016, GE itself, in defence of the Group's interests, brought an arbitration suit again the customer with the Buenos Aires Stock Exchange. GE subsequently withdrew as party of the subsequent settlement agreement with the customer, thereby undermining the Group's legitimate right to the contract's rebalancing of and compensation for cost overruns arising from a delay that was not attributable to the Group. GE's failure to comply with its most basic obligations undermined the Group's claims, causing serious damage to the Group, which is the subject of the counter-claim submitted to the ICC International Court of Arbitration.

The Group submitted its statement of defence and counter suit. Evidence included two expert reports on delay and reasonable amount. In the opinion of the Group's directors and its internal and external legal advisors, these reports lend credibility to, support and strengthen the Group's arguments and claims. They believe there are solid legal grounds defending the Group's position and that it is unlikely that GE's claims will result in any payment by the Group. Nevertheless, given the complexity of this type of proceedings and since the arbitration is in the initial stages, there is inherent uncertainty surrounding the final outcome.

As a result of these claims, the Group recognised an impairment loss on this asset in 2018 at its carrying amount of €16,557 thousand as an unrecognised receivable from the customer in the project.

2) Matheu & Lujan

In 2019, the Group submitted an application for arbitration against its customers, Stoneway Capital Corporation y Araucaria Energy, S.A. with the ICC International Court of Arbitration in New York claiming USD 31 million (currently USD 37 million according to the statement of claim filed in December 2020) of unpaid amounts by the customer on the Matheu and Lujan projects.

To date, the customer has contested the suit, claiming penalties for delays. It has yet to submit its statement of defence and counter suit, but is expected do so in April 2021. In the opinion of the Group's directors and its internal and external legal advisors, on the surface the counter- claim appears weak. They see no single element that could affect the assessment of the probability of collecting the amounts invoiced by the Group and consider that the other party's claims in the counter suit are possible. In any event there is uncertainty regarding the outcome of the arbitration since it is still in the early stages.

The Group recognised a receivable in relation to this claim of €5,291 thousand at 31 December 2010 after recognising an impairment loss in application of IFRS 9 (see Note 12).

3) Recope

To date, the Group has two appeals for judicial review under way against Recope. The first seeks Recope's financial liability and/or the financial imbalance caused to the Group by changes in the scope, substantial modifications, delays and distortion of the two contracts (one for the construction of four spheres and the other for three tanks) being carried out by the Group for this customer. It also sought to overturn the administrative acts by which the customer disputed the claims filed by the Group in administrative proceedings at the time. The second relates to the court's rejection of two extensions to the previous action and their joinder. The Group's directors and its internal and external legal advisors consider it likely that a ruling partially in favour of the Group will be obtained, but these proceedings generally take 4-5 years on average. The Group did not recognise any amount for its credit claim related to these proceedings in its statement of financial position. The Group's total claim as plaintiff is USD 45.5 million.

For its part, the customer initiated an administrative proceeding to terminate the contracts. In the opinion of the Group's directors and internal and external legal advisors, this process could result in a final administrative ruling of contract termination. The potential financial impact related to this risk cannot be determined yet because the proceeding is still in the early stages.

4) Jebel Ali Power Station Project

In April 2020, the Group requested international arbitration against customer Dubai Electricity & Water Authority (DEWA) seeking to restore the financial equilibrium of the contract. At this cut-off date the amount was valued at USD 61 million, although it was 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 Islamci Bank and the counter-guarantee secured by the parent company. To do so, Dubai Islamic Bank appropriated the funds held by the Group in its project accounts amounting to €8.7 million and blocked these accounts entirely.

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.

On 24 June 2020, DEWA notified termination of the contract with effect from 1 July. 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 replied, disputing the jurisdiction of the Dubai Court. Non-jurisdiction of this court was ruled at first instance, supporting the Group's position, so it must now be settled in international arbitration. In December 2020, DEWA lodged an appeal against this first instance ruling, which is pending resolution.

Both proceedings are still in the early stages and the potential final outcome at the reporting date is uncertain. Nevertheless, the Group's directors, together with its internal 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 circumstances of the project and the negotiations that must take place between the parties. Accordingly, the Group recognised a provision in this connection.

5) Djelfa

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

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

Court of First Instance No. 11 of Oviedo issued a ruling in the Group's favour on 19 June 2020 to its request for precautionary protection against enforcement of the bank guarantees. The ruling orders the counter-guarantors to hold off on payment until the arbitration has been resolved. However, the counter-guarantors submitted a statement of opposition to these precautionary measures, but no decision in this regard has become known yet.

The Group continues to go to great lengths to reach an agreement with SPE to restore the equilibrium of the contract and complete the contracts. To date, no agreement has been reached with the customer as negotiations were interrupted by the pandemic. The Group has re-estimated the project budget considering that the contract suspension due to COVID-19 will result in a delay of 18-24 months and give rise to cost overruns, which were considered by the Group as described in Note 1.1.

6) Aconcagua

The Group is involved in an ICC arbitration 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 lawsuit for an amount equal to €25 million.

The Group recognised a receivable of €10 million in the consolidated statement of financial position, of which €6 million related to the contractual entitlement to a Performance Bonus for complying with the performance tests relating to energy production above the guaranteed amounts (Performance Guarantees) described in the contract. As explained in Note 12, the Group's directors and internal and external legal advisors consider it highly probable that it will not reverse since their case is based on an independent expert report and that there will be no reversal, as this is supported by an independent expert report and, therefore, duly accredited.

7) Other

Lastly, regarding the criminal complaint filed against former Chairman and Chief Executive Officer Ángel Antonio del Valle with the Gijón courts, pursuant to the agreement reached by the Board of Directors following the internal investigation carried out and reports by a prestigious law firm finding evidence of conduct that could incur criminal liability, the lawsuit was accepted for processing on 11 June 2020. Mr Del Valle's defence has appealed and Felguera's legal representatives have opposed. A decision on the appeal as pending.

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

36. Commitments

There were no commitments to purchase fixed assets at 31 December 2020 or 2019.

37. Related-party transactions

The following transactions were carried out with related parties:

a) Purchases of goods and services

	€ thousand	
	2020	**2019**
Purchases of goods and services		
- Associates	-	-
- Related parties	-	-
	-	**-**

b) Compensation and other benefits paid to the Board of Directors of the parent and Senior Management

Board of Directors

The breakdown of the remuneration accrued by members of the parent company's Board of Directors for their membership of the Board of Directors, by item, in 2020 and 2019 is as follows:

	€ thousand	
Remuneration item:	**2020**	**2019**
Remuneration for membership of the board and/or board committees	350	488
Salaries	391	435
Other	9	2
	750	**925**

Directors did not receive any other benefits.

2020 featured the appointments as independent directors of Valeriano Gómez Sánchez and Jordi Sevilla Segura. Meanwhile, Ricardo de Guindos Latorre, Acacio F. Rodríguez García and Ignacio Soria Vidal resigned.

Senior management

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

The breakdown of the remuneration accrued by members of senior management, excluding members of the Board of Directors, in 2020 and 2019 is as follows:

	2020	2019
Total remuneration paid to senior executives (€ thousand)	1,377	1,379
No. of senior executives at 31 December	8	8
Average remuneration (€ thousand)	172	172

c) Dividends and other benefits

	€ thousand	
	2020	2019
Dividends and other benefits distributed:		
- Significant shareholders (Note 16)	-	-
	-	**-**

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

	€ thousand	
	2020	2019
Receivables from related parties (Note 12):		
- Associates	-	-
- Related parties	-	-
	-	**-**
Payables to related parties (Note 23):		
- Associates	17	17
- Related parties	-	-
	17	**17**

e) Loans to related parties

	€ thousand	
	2020	2019
Opening balance	-	35
Additions	-	-
Loan repayments received	-	-
Other movements	-	(35)
Closing balance	**-**	-

The loans in 2019 were granted exclusively to management personnel and bore interest at the 1-year Euribor rate, although this ceased to be a condition in 2019.

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

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

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

38. Joint operations

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

	€ thousand	
	2020	**2019**
Assets:		
Non-current assets	-	-
Current assets	67,230	69,925
	67,230	69,925
Liabilities:		
Non-current liabilities	-	-
Current liabilities	(137,589)	(132,489)
	(137,589)	(132,489)
Net assets	**(70,359)**	**(62,564)**
Revenue	5,111	1,274
Expenses	(12,906)	(7,888)
Profit/(loss) after tax	**(7,795)**	**(6,614)**

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

(€ thousand)

39. Other information

a) Average number of Group employees by category

	2020 (excluding the impact of the temporary layoffs)	2020 (including the impact of the temporary layoffs)	2019
Directors	1	1	1
Senior managers	7	7	7
Managers	19	19	23
Middle managers	131	125	181
Qualified staff	504	448	742
Support positions	71	61	96
Operators	440	422	496
	1,173	**1,083**	**1,546**

b) Number of men/ women by category

The distribution of Group employees at year-end is as follows:

	2020			2019		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Directors	1	-	1	1	-	1
Senior managers	4	1	5	6	2	8
Managers	11	5	16	14	5	19
Middle managers	100	19	119	127	25	152
Qualified staff	354	118	472	450	127	577
Support positions	28	41	69	30	46	76
Operators	424	3	427	487	1	488
	922	**187**	**1,109**	**1,115**	**206**	**1,321**

At 31 December 2020, there were six (7) employees with a disability of greater than 33% (31 December 2019: 6 employees), all of them men.

c) Environmental disclosures

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

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

Audit fees accrued by Deloitte for the audit of the financial statements and other audit-related services at all Group companies amounted to €492 thousand (2019: €657 thousand by EY). Deloitte, SL provided other assurance services in 2020 amounting to €12 thousand.

Meanwhile, non-audit services provided in 2020 by other Deloitte network firms amounted to €33 thousand (2019: €198 thousand by other EY network firms).

40. Events after the reporting period

The following significant events have occurred between 31 December 2020 and the date of authorisation for issue of these consolidated financial statements:

- On 7 January 2021, the new temporary mass layoff scheme based on productive needs under the terms of 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 plan 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.

  The furlough scheme will last until 31 May 2021 and could simultaneously affect a maximum 425 workers per day, with a maximum period per worker of 4 months. In any event, the furlough scheme affected 44, 69 and 89 employees in January, February and March 2021, respectively, which is far fewer than expected. As an additional measure in the scheme, the Group intends to reduce the salaries of Management Committee members and employees with a salary of over €100 thousand by 20% while the scheme is in place.

  This measure was adopted after consultation with workers' representatives. No agreement was reached as employees rejected the Company's proposal, so the latest conditions offered to the Negotiating Committee have been applied.

- On 5 March 2021, the Company granted Spain's state-owned industrial holding company (Sociedad Estatal de Participaciones Industriales or "SEPI"), subject to several conditions that had yet to complied with at the date of authorisation for issue of these consolidated financial statements, a public deed for the sale of shares representing forty per cent (40%) of the share capital of Epicom, S.A. The transaction proceeds will provide the Group with additional liquidity to proceed with the restructuring and refinancing it is undertaking.

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

  The amount of temporary public financial aid approved under the Fund is one hundred and twenty million euros (€120,000,000), which will take the form of the following instruments, all of which are provided for in Ministerial Order PCM/679/2020, of 23 July, governing the operation of the Fund:

  a) €70 million participating loan
  b) €20 million ordinary subsidised loan
  c) €30 million capital increase and/or a new participating loan

  The financial aid is divided into two phases:

  Phase one: Disbursement of €40 million, through a €20 million participating loan and a €20 million ordinary loan, initially by 31 March 2021.

  Phase two: Disbursement of a €50 million participating loan and a €30 million disbursement through a capital contribution and/or participating loan, tentatively by 30 June 2021.

  In this regard, the Fund will contribute less capital than the private industrial partner that might accompany the Fund in the capital increase. The remainder of the disbursement, up to a total of €30 million, will be via a participating loan. If a private industrial partner has not acquired a capital stake by 30 June 2021, the €30 million contribution will be made entirely by means of a participating loan.

  The Duro Felguera Group companies benefiting 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.

- On 2 April 2021, 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. The Consortium had completed 90% of the project as at 31 December 2020.

The Consortium claims that the potential termination of this contract and enforcement of the amounts withheld would go against the contractual terms and conditions. On this basis, on 6 April it filed a lawsuit with the Sibiu Civil Court in Romania against termination of the contract and seeking precautionary measures against enforcement of the withholdings. Since the appeal process has yet to commence, no information or documentation are available with respect to the counterparty's motives or arguments. Therefore, it is too early to make an assessment regarding this proceeding. However, on 8 April, ROMGAZ and the Consortium agreed to suspend their respective legal actions for 15 days in the hopes of reaching an amicable agreement to continue with the project.

41. Additional note for English translation

The consolidated financial statements for the year ended 31 December 202 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS), the interpretations issued by the IFRS Interpretation Committee (IFRIC) and mercantile law applicable to companies reporting under EU-IFRS. Consequently, certain accounting practices applied by the Company may not conform with generally accepted principles in other countries.

DURO FELGUERA, S.A. AND SUBSIDIARIES

2020 Management Report

GENERAL PERFORMANCE

	€ thousand	
	2020	**2019**
Revenue	137,707	379,838
EBITDA (1)	(137,974)	1,215
Profit/(loss) before tax	(168,508)	4,679
Net financial debt(2)	(70,427)	30,005
Order intake (3)	78,635	105,480
Order backlog (4)	268,063	468,912

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

The Group's earnings for 2020 were hit by the impact of the COVID-19 crisis on operations from mid-March, as described in Note 1.1, undermining its ability to sustain the profits delivered in 2019.

While the Group made every effort from the outset, heeding the preventive measures issued by the World Health Organisation and other authorities and prioritising worker health and safety, the scale of the pandemic's impact on the economy had major implications for its business. Uncertainty among potential customers about whether to undertake to investments led to lower-than-expected order intake. Moreover, restrictions on the mobility of employees and the supply of materials to execute projects in progress hurt the segments where the largest projects are carried out; i.e. Energy, Mining & Handling and Oil & Gas. However, Specialised Services managed to keep activity broadly in line with 2019 levels in spite of the restrictions.

Revenue amounted to €137.7 million in 2020, down 64% from 2019.

EBITDA was a negative €138 million, compared to a positive €1.2 million in 2019, again illustrating the impact of COVID-19.

Net attributable loss for the year was €171.6 million.

As a strategic company for the regional productive fabric and in a bid to cushion the impact of the emergency health situation on its statement of financial position, on 28 August 2020 the Group applied for temporary public assistance through the Solvency Support Fund for Strategic Companies ("Fund"). First it requested €100 million, then recently asked for an additional €20 million.

At its meeting 9 March 2021, the Spanish Cabinet, in line with article 2.6 of Royal Decree-Law 25/2020, of 3 July, on urgent measures to support economic recovery and employment, authorised the Governing Board of the Solvency Support Fund for Strategic Companies (Consejo Rector del Fondo de Apoyo a la Solvencia de Empresas Estratégicas or FASEE) to approve the request for temporary public aid for a total amount of €120 million through the instruments described in Note 40 above.

The temporary public support is part of the Group's corporate-wide restructuring process, which includes refinancing the current €85 million of syndicated debt and taking out a revolving guarantee line to cover the necessary performance bonds for the next two years.

At the date of authorisation for issue of these financial statement, the Group is on the verge of reaching a binding commitment with the bank syndicate to sign an agreement to refinance its current syndicated debt and grant new lines of guarantees for at least €80 million covered by CESCE.

At the same time, a process had been undertaken to attract private investors. The Group has received non-binding offers and continues to spark interest among other potential investors.

Order intake in 2020 totalled €78.6 million, down 25% from the year earlier.

The order backlog at the end of the year stood at €268 million, of which 90% related to international projects. This amount does not include orders from the Jebel Ali project after termination of the contract.

The Group had €70.4 million of net financial debt at 31 December 2020, with €95.3 million of gross debt and €24.9 million of cash.

Average headcount for the Group went from 1,546 employees at 31 December 2019 to 1,173 employees at 31 December 2020.

BUSINESS OUTLOOK

The Group's operations in the new paradigm arising from the health emergency require steps to optimise the business and boost profitability.

The 2020-2025 Strategic Plan was unveiled at the Annual General Meeting held on 29 October 2020. The Group's vision going forward is focused on:

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

1. Strengthening traditional businesses

Duro Felguera operates in a sector that remains strong globally, although the EPC segment is highly competitive, with inherently greater risks and complexity in project execution.

Therefore, Duro Felguera's strategy for traditional businesses is to maintain the focus, ensuring profitability and minimising risks. This requires strengthening relationships with recurring customers, leveraging alliances to build out capacity and growing in stable countries of Latin America and other foreign markets with low country risk and through local partnerships.

The traditional businesses are: Energy, Mining & Handling, Oil & Gas, Services and Manufacturing.

2. Growing in green and digital intelligence businesses

Duro Felguera's strategy entails expanding in new fast growing segments, specifically:

a. Renewables: with the creation of DF Green Tech. This new subsidiary is designed exclusively to boost renewable energies, centralising commercial management and coordinating the Group's current capabilities in this type of project.
b. Smart Systems: consolidation of IT capabilities (EPICOM, Logistics Systems and FTI) to boost growth and access to new segments.

a. Renewables

The growth of the renewable energy sector opens up an opportunity for Duro Felguera. The renewable energy market is thriving and the outlook for the next few years is promising. Duro Felguera must become a relevant player with recurring business in the renewable energy sector in Spain and Latin America.

<u>DF Green Tech</u>

Duro Felguera set up DF Green Tech to pool its renewable energy assets and capabilities. This kicks off a new cycle in the renewable energy market in which the focus shifts to developing and promoting photovoltaic farm projects, winning the EPC and O&M contracts, and creating value from strong demand for this type of asset in a market that looks set to grow strongly over the next decade.

<u>Off-shore wind power</u>

Seizing the exceptional manufacturing capabilities of DF Calderería Pesada's workshop ("Tallerón") and in light of the off-shore wind market's heady growth in Europe, Duro Felguera is committed to diversifying its product range, ensuring that the Group's manufacturing line remains sustainable and continues to grow. In line with the trend toward rapid decarbonisation of energy taking place across the world, we will manufacture off-shore wind power support structures, adding more space and equipment to our current capabilities and site in the port of Gijón so the workshop can raise its capacity.

b. Smart Systems

Duro Felguera has combined EPICOM, Felguera TI 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 and, partially, logistics systems:

Encrypted communication for military use

Growth in this area will come from expanding EPICOM's customer base to include Spanish government bodies and forces, and EU and NATO countries. To achieve this, it will step up sales and technological development capabilities to offer products tailored to the needs of new customers.

Encrypted communication for civilian use

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

Logistics systems

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

Duro Felguera is a strategic group for the regional productive fabric. The industrial and financial plan presented to SEPI shows that it is viable long term and relaunches its business model, underpinned by the traditional segments and driving its progress towards the renewables sector and digitalisation.

MAIN RISKS AND UNCERTAINTIES

a) Market risk

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk on transactions in foreign currencies, mainly the US dollar (USD) -so in principle, depreciation in emerging countries would not have a direct impact on the project revenue- and to a lesser extent, local currencies in emerging countries, the most important of which at present are the Argentine peso (ARP), Algerian dinar (DZD) and Indian rupee (INR). Foreign currency risk arises when future commercial transactions or firm commitments, recognised assets and liabilities and net investments in foreign operations are denominated in a currency that is not the parent company's functional currency, i.e. the euro, which is also its presentation currency.

Foreign-currency denominated financial assets and liabilities and foreign currency transactions are disclosed in Note 26.b). Translation differences are disclosed in Note 18.

To manage the foreign currency risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use various methods.

- Most contracts are arranged in "multi-currency", separating the selling price in the various currencies from the expected costs and maintaining the expected margins in euros.

- Financing of working capital relating to each project is denominated in the currency of payment.

Accordingly, a portion of costs is arranged in the contract's reference currency or in a currency with a high correlation to the reference currency, providing a natural hedge and reducing exposure to currency risk. However, the operating units are responsible for taking decisions on arranging hedges as circumstances warrant, with assistance by the Group's Treasury Department.

At 31 December 2020, 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 €105 thousand lower (2019: €3,473 thousand higher), whereas if it had strengthened by 5%, post-profit for the year would have been €95 thousand higher (2019: €3,142 thousand lower), mainly as a result of foreign exchange gains/losses on translation to USD of trade and other receivables, cash, suppliers and advances from customers, as well as the impact on the final outcome of projects of the amounts of future revenues and expenses in 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 (mainly USD) payable in local currency at the rate ruling on the collection date. These conditions are passed on to subcontractors.

Against the current backdrop, with COVID-19 causing delays in project execution and invariably resulting in time overruns, the Group reassessed its estimate of the total costs in the budgets used to calculate the stage of completion (Note 2.21) and the onerous contract provision. The estimated cost of COVID-19-related time overruns considered in the budget is €27.6 million.

(iii) Cash flow and fair value interest rate risk

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

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

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

Based on the simulations performed, the impact on profit or loss of a ± 10 basis point shift would be an increase/decrease of €86 thousand (2019: €73 thousand).

b) Credit risk

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

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

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

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

In addition to the analysis performed before entering into a contract, the overall position of "Trade and other receivables" is monitored on an ongoing basis, while the most 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 2020 was €33,936 thousand (2019: €61,441 thousand).

The Group recognised an impairment loss on its financial assets of €145,397 thousand, which included the estimate of expected credit loss under IFRS 9 (Notes 2.12. and 12).

c) Liquidity risk

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

Set out below is the Group's financial position at 31 December 2020:

	€ thousand	
	2020	**2019**
Borrowings and derivatives (Notes 13 and 22)	(95,323)	(92,274)
Less: Cash and cash equivalents (Note 15)	24,896	122,279
Net cash/(debt) position	(70,427)	30,005
Undrawn credit lines (Note 22)	-	-
Total liquidity surplus/(shortfall)	**(70,427)**	**30,005**

In 2020, the Group classified €85,000 thousand related to the syndicated loan as current since it was subject to early repayment and no waiver had been obtained from the financial institutions. As explained in Note 2.1, it is close to reaching a financial restructuring agreement with these institutions.

The Group also had €36,704 thousand of deposits under "Current financial assets" in the statement of financial position as at 31 December 2020 (Note 11) as security for execution of its projects due to the lack of guarantees.

Cash and cash equivalents at 31 December 2020 (Note 15) included €1,921 thousand subject to certain restrictions, basically as it provides guarantees for third-party lawsuits pending court rulings or counterparty agreements (2019: €40,035 thousand, pledged as security for project guarantees or cash deposits made in lieu of project guarantees).

Liquidity risk rose higher in 2020 than envisaged in the 2020 cash plan mostly due the particularly strong impact of the coronavirus crisis on collection and payment flows. The net cash position in 2020 decreased by €100,432 thousand, mainly as a result of delays in collections from certain customers; the rescheduling of projects, mainly Bellara, Iernut and

Djelfa; the termination of the contract and enforcement of guarantees of the Jebel Ali project; the slowdown in collections of receivables from public authorities in various countries as a result of delays in administrative procedures; and the downturn in the real estate market in Spain caused by COVID, which resulted in delays in the disposals of assets earmarked in the cash plan.

Overall, the Group needs liquidity to cover both the shortfalls caused by trends in operations and repayments of borrowings. However, following approval of the temporary public financial aid under the Solvency Fund for supporting strategic companies described in Note 2.1, the directors are confident that it will fulfil the assumptions used in the viability and cash plan present.

In addition, at the date of authorisation for issue of these financial statements, the Group is on the verge of reaching a binding commitment with the bank syndicate to sign an agreement to refinance its current syndicated debt and grant new lines of guarantees for at least €80 million covered by CESCE.

On 20 October, the Group signed a term sheet with a fund specialising in litigation funding for the assignment of credit claims from lawsuits or arbitration proceedings related to new legacy projects, for an initial payment of €40 million (monetisation of credit claims).

DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2020 and 2019, the Group held no derivative financial instruments.

TREASURY SHARE TRANSACTIONS

At 31 December 2020 and 2019, the parent company did not hold any treasury shares.

RESEARCH AND DEVELOPMENT ACTIVITIES

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

In 2020, despite budget constraints, the Group pressed on with R&D projects that were already under way at the start of the year, investing a total of €96 thousand over the period (2019: €602 thousand).

AVERAGE PAYMENT PERIOD TO SUPPLIERS

Note 23 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 2020 and the date of authorisation for issue of these consolidated financial statements:

- On 7 January 2021, the new temporary mass layoff scheme based on productive needs under the terms of 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 plan 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.

  The furlough scheme will last until 31 May 2021 and could simultaneously affect a maximum 425 workers per day, with a maximum period per worker of 4 months. In any event, the furlough scheme affected 44, 69 and 89 employees in January, February and March 2021, respectively, which is far fewer than expected. As an additional measure in the scheme, the Group intends to reduce the salaries of Management Committee members and employees with a salary of over €100 thousand by 20% while the scheme is in place.

  This measure was adopted after consultation with workers' representatives. No agreement was reached as employees rejected the Company's proposal, so the latest conditions offered to the Negotiating Committee have been applied.

- On 5 March 2021, the Company granted Spain's state-owned industrial holding company (Sociedad Estatal de Participaciones Industriales or "SEPI"), subject to several conditions that had yet to complied with at the date of authorisation for issue of these consolidated financial statements, a public deed for the sale of shares representing forty per cent (40%) of the share capital of Epicom, S.A. The transaction proceeds will provide the Group with additional liquidity to proceed with the restructuring and refinancing it is undertaking.

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

  The amount of temporary public financial aid approved under the Fund is one hundred and twenty million euros (€120,000,000), which will take the form of the following instruments, all of which are provided for in Ministerial Order PCM/679/2020, of 23 July, governing the operation of the Fund:

  a) €70 million participating loan
  b) €20 million ordinary subsidised loan
  c) €30 million capital increase and/or a new participating loan

The financial aid is divided into two phases:

Phase one: Disbursement of €40 million, through a €20 million participating loan and a €20 million ordinary loan, initially by 31 March 2021.

Phase two: Disbursement of a €50 million participating loan and a €30 million disbursement through a capital contribution and/or participating loan, tentatively by 30 June 2021.

In this regard, the Fund will contribute less capital than the private industrial partner that might accompany the Fund in the capital increase. The remainder of the disbursement, up to a total of €30 million, will be via a participating loan. If a private industrial partner has not acquired a capital stake by 30 June 2021, the €30 million contribution will be made entirely by means of a participating loan.

The Duro Felguera Group companies benefiting 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.

- On 2 April 2021, 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. The Consortium had completed 90% of the project as at 31 December 2020.

  The Consortium claims that the potential termination of this contract and enforcement of the amounts withheld would go against the contractual terms and conditions. On this basis, on 6 April it filed a lawsuit with the Sibiu Civil Court in Romania against termination of the contract and seeking precautionary measures against enforcement of the withholdings. Since the appeal process has yet to commence, no information or documentation are available with respect to the counterparty's motives or arguments. Therefore, it is too early to make an assessment regarding this proceeding. However, on 8 April, ROMGAZ and the Consortium agreed to suspend their respective legal actions for 15 days in the hopes of reaching an amicable agreement to continue with the project.

ANNUAL CORPORATE GOVERNANCE REPORT

The Annual Corporate Governance Report for 2020 is attached as an appendix and forms an integral part hereof, as provided in article 526 of the Corporate Enterprises Act.

NON-FINANCIAL STATEMENT

Also attached is the text of the non-financial statement prepared by the Board of Directors of Duro Felguera, S.A. and which forms part of the 2020 consolidated management report.

OTHER RELEVANT INFORMATION

Stock market data

The main stock-market data for the Group in 2020 and 2019 are as follows:

	2020	2019
Closing price	0.619	0.357
High (€)	0.840	0.925
Low (€)	0.130	0.191
Trading volume (‘000 shares)	856,092	327,422
Cash (€ thousand)	430,474	141,829
Number of shares (x 1.000)	96,000	96,000
Market cap at year-end (€ thousand)	59,424	34,272

Source: Madrid Stock Exchange

Dividend policy

The financing agreement that became effective on 27 July 2018 allows the distribution of cash dividends (except for interim dividends), provided all the following conditions are met:

- the Company obtains a profit for the period;
- losses do not exist from previous years that reduce the Company’s equity to below share capital;
- the distribution does not reduce the amount of equity to below share capital;
- the amount of cash after the distribution must be greater than zero;
- the gearing ratio is below 3.00x; and
- the Bound Parties are up to date in compliance with their obligations derived from the Financing Documents, and there has been no default event (nor will occur as a result of the distribution).

In addition, before dividends are distributed to shareholders, the Company must first repay and/or replace early the Syndicated Financing (Note 22) in an amount equal to the dividend to be distributed.

NON-FINANCIAL STATEMENT – 2020

Letter from the CEO

Dear reader,

Let me begin by expressing my enormous gratitude for showing an interest in this report on the Non-Financial Statement, which describes the Company's performance in 2020.

Any talk about 2020 will inexorably lead to COVID-19 and the impact it has had on our professional and personal lives. We have had to adapt, both as a company and as workers, to the changes that have come and gone over the course of the year and that continue to play a major role in our lives. COVID-19 has had a significant impact on our company, causing a drastic drop in tendering activity and estimated procurement for 2020, delays in ongoing projects due largely to the mobility restrictions we continue to face, and the suspension of negotiations with customers for the resumption of existing projects and contracts.

This extraordinary state of affairs prompted us to present the Company's new Viability Plan at the last Annual General Meeting. The plan is predicated on approval of the temporary public financial support requested from the Solvency Support Fund for Strategic Companies. With this initial impetus, the Plan has been designed with the ultimate goal of relaunching the company by consolidating the traditional businesses while sustainably growing our "green" and digital intelligence businesses.

This dramatic change of course is a clear illustration of Duro Felguera's commitment to sustainability, ethics and good corporate governance, as the pillars on which we base our relations with our stakeholders and seek to manage the impact in the locations in which we operate. Part of our corporate strategy has been to pursue sustainable and socially responsible objectives, while ensuring compliance with applicable law and regulations across all territories in which we undertake our projects and embracing best practices.

This commitment is embodied in the defence, fulfilment and protection of fundamental rights and public freedoms explicitly enshrined in our Code of Conduct, which sets out the principles of corporate conduct that must guide the behaviour and steer the decision-making of those who form part of Duro Felguera, focusing on work-life balance, equal opportunities, non-discrimination and the right of employees to receive ongoing training and professional development. To ensure compliance with the objectives in place and to strengthen the Company's commitment to ethics and transparency, all parties (employees, company owners and partners) have the inalienable duty to comply with our Code of Conduct.

Our whistleblower channel allows any of us to report our suspicions of any breach or irregular behaviour or conduct that might violate the Code of Conduct and/or the corporate Crime Prevention Model. The platform, accessible both internally and externally, is managed independently to ensure objectivity, independence and impartiality.

NON-FINANCIAL STATEMENT – 2020

At Duro Felguera we continue to make progress towards our objective of developing a sustainable business model and to achieve this it is essential that we flag and describe all risks inherent in the sectors and activities in which we operate in the domestic and international spheres. Our integrated risk management system, which is standardised and applies throughout the organisation, helps us accomplish the objectives set out in the Viability Plan, while strengthening the Company's commitment to its stakeholders. In 2020, proper risk management of opportunities, bids and projects was consolidated. This means that the entire life cycle of our projects is controlled from their inception, which is viewed as an opportunity, during the bidding, procurement and performance phases, and right through to completion and closure.

In the realm of health and safety, 2020 was characterised by the enormous challenges raised by the pandemic, which is why Duro Felguera's commitment to the occupational health and safety of its employees this year has been greater than ever. The Health and Safety department has worked tirelessly to coordinate and manage the measures to be put in place to ensure a safe working environment and minimise the risk that COVID-19 poses to the organisation. We are pleased to report that these efforts received external recognition in October 2020 in the form of the V-Safe Certification, issued by TÜV Austria, showing that Duro Felguera's management of COVID-19 was worthy of such certification. Despite this hostile backdrop, we successfully renewed our OHSAS 18001:2007 certifications for Duro Felguera's business lines.

Our focus on quality is essential. Duro Felguera views quality as the means of creating value for its stakeholders. In March 2020, Duro Felguera completed the process of integrating its quality (ISO 9001) and environmental (ISO 14001) systems into a single integrated system. Integrating these systems has enabled the Company to unlock the synergies of maintaining both systems in place and provided alignment with the Company's new organisation and structure, thus providing it with a single management system.

Duro Felguera's corporate social responsibility strategy focuses on developing the local, national and international communities and territories in which we operate. Our approach to project execution is rigorously compliant with the labour regulations and standards of each location. We are firmly committed to showing respect for the environment and seek to get involved in developing the local community. The pandemic led to mobility restrictions and project stoppages throughout 2020, meaning that the number of initiatives was lower than in previous years. However, our commitment and desire to help develop and grow the communities in which we operate when undertaking our projects remains completely intact.

While it was certainly a challenging year, we are convinced that we are on the right track and have done our best to overcome these obstacles. Thanks to the effort, commitment and hard work of our great team, combined with our experience and the support of our entire value chain, we will ensure that Duro Felguera continues to move forward stronger than ever.

1. About us

With more than 160 years of history in industrial activities, Duro Felguera now executes end-to-end projects for the construction of power generation plants, mineral processing and bulk handling facilities, fuel storage plants and other infrastructure in the oil and gas sector. The Company carries out the entire project from end to end: engineering, supply, assembly, commissioning, operation and maintenance. In the field of manufacturing, Duro Felguera designs and manufactures large pressure equipment for the petrochemical industry and other industrial assets.

New business segments have recently been developed in renewables and smart systems —both high-growth sectors— with the aim of growing in "green" and "digital intelligence" businesses.

1.1 Mission, vision and values

Mission

The Company specialises in executing turnkey projects for energy, industrial and Oil & Gas facilities, providing industrial services and manufacturing capital goods, with a strong international business projection.

Vision

International growth in turnkey projects, providing customers with a quality service that meets their needs for the construction of industrial facilities, while offering sustained profitability for shareholders and career development opportunities for employees.

Values

- Customer satisfaction through rigorous fulfilment of our contractual obligations in timing and quality.
- Commitment to our shareholders, with the aim of assuring them an attractive return on their investment.
- Sustained growth through technological development and internationalisation.
- Reinvestment in assets and technological development to ensure continuing competitiveness.
- Support our employees' personal and career development.
- Fairness to our partners and suppliers.
- Integration with our community and social environment.
- Strict adherence to legislation in all countries where we operate.
- Respect for the environment and occupational health and safety.

1.2 Business model

Duro Felguera specialises in projects that are tailored to its customers' needs. Its international presence requires the Company to analyse and manage risks in highly diverse economic, political and social environments.

Specialised services ensure excellence when undertaking major projects. Duro Felguera benefits from a flexible and streamlined decision-making structure, enabling it to adapt quickly to the changes inherent in the market in which it operates.

The Company is active in six synergistic business lines: Energy, Mining & Handling, Oil & Gas, Services, Manufacturing and Smart Systems.

DF Energy

Undertakes EPC projects through all phases of the process and for all types of industrial power plants, ranging from gas turbine power facilities to conventional thermal power plants, cogeneration plants, solar thermal plants, photovoltaic plants, biomass plants and waste-to-energy plants, among others. The Company has been performing turnkey power generation projects for more than 20 years across various countries in Europe, Latin America, the Middle East and Africa, with a total installed capacity of more than 23,000 MW.

DF Mining & Handling

This business unit specialises in the "turnkey" execution of projects in the areas of mining and solid bulk handling. This business segment, with more than 40 years of experience, has an extensive track record in the international arena, as well as its own technology and designs. It has a multidisciplinary and highly qualified team of professionals that allows it to cover all the phases required for this type of project in the realm of Mining & Handling.

DF Oil & Gas

This line of business specialises in building "turnkey" facilities for the oil and gas sector. The Company has undertaken projects in different countries for major multinational petrochemical groups. It is highly specialised in the engineering and construction of storage projects for hydrocarbons, liquefied gases and other petrochemical products thanks to the extensive experience amassed in this field by its subsidiary Felguera IHI.

DF Services

This business line specialises in various disciplines related to the assembly, commissioning and operation and maintenance of energy and industrial facilities and comprises subsidiary companies DF Operaciones y Montajes and DF Mompresa. It is a leading company in the Spanish market with a growing international presence.

Capital goods manufacturing

Duro Felguera's own workshops for the manufacture of capital goods are operated by DF Calderería Pesada, S.A. (DFCP), a subsidiary founded in 1968. The Company specialises in the manufacture of large pressure vessels for the oil and gas, petrochemical and nuclear sectors. With more than 50 years of experience in projects for widely diverse international destinations, DFCP has become one of the foremost pressure vessel manufacturers in the world given its immense ability to cater to even the most demanding of markets.

DF EPICOM

Specialises in critical communications protection at the absolute highest security level for both the Spanish Government and international organisations, making it a benchmark in the industry. Our main products and services are encryption systems for communications networks (encryption, management centre and key carrier), secure VoIP solutions (voice and video), encryption algorithms, cryptographic modules, and security applications.

New business lines

The process of developing new high-growth segments got under way in 2020. New business lines have therefore emerged with the aim of growing in "green" and digital intelligence businesses:

DF GREEN TECH

Duro Felguera set up DF Green Tech to pool its renewable energy assets and capabilities. This kicks off a new cycle in the renewable energy market in which the focus shifts to developing and promoting photovoltaic farm projects, winning the EPC and O&M contracts, and creating value from strong demand for this type of asset in a market that looks set to grow strongly over the next decade.

OFFSHORE WIND POWER

Seizing the exceptional manufacturing capabilities of DF Calderería Pesada's workshop ("Tallerón") and in light of the off-shore wind market's heady growth in Europe, Duro Felguera is committed to diversifying its product range, ensuring that the Group's manufacturing line remains sustainable and continues to grow. Following the increasing worldwide trend towards the decarbonisation of energy, the Company plans to rely on its own sites and capabilities at DF Calderería Pesada to manufacture foundation structures for offshore wind power facilities.

SMART SYSTEMS

Duro Felguera has combined EPICOM, Felguera TI 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.

1.3 Duro Felguera in the world

Duro Felguera is present in the following countries, through its commercial offices or through the projects that the Company undertakes in different regions.

SAUDI ARABIA
ALGERIA
ARGENTINA
BAHREIN
BELGIUM
BELARUS
BRAZIL
BULGARIA
CANADA
CHILE
COLOMBIA
COSTA RICA
CROATIA
SPAIN
UAE (DUBAI)
FRANCE
INDIA
MOROCCO
MEXICO
NETHERLANDS
PERU
POLAND
QATAR
UNITED KINGDOM
ROMANIA
SOUTH AFRICA

1.4 Strategy

If there was one defining event in 2020, it would certainly be the COVID-19 crisis. The pandemic has hit Duro Felguera hard through:

- A drastic drop in tendering activity, which affected procurement in 2020 and forced the company to update its strategic plan.
- Delays in ongoing projects, due to mobility, customs and other restrictions on all economic activity, with the ensuing cost overruns.
- Suspension of ongoing contracts and even the termination of certain projects.
- Suspension of talks with customers to discuss the resumption of projects.
- Decline in the value of the real estate assets that the company expected to sell in 2020.
- Delays in receiving payment from certain customers, resulting in the impairment of receivables.

Duro Felguera is rolling out actions to protect business continuity. The Company's Viability Plan was unveiled at the 2020 Annual Shareholders' Meeting and is structured around three pillars:

- Approval of the temporary public financial support requested from the Solvency Support Fund for Strategic Companies, which will allow the Company to regain the trust of the market, including customers, lenders, partners and suppliers.
- Refinancing of syndicated debt and new financing facilities.
- Attracting new investors.

The following priorities will also be targeted:

- Strengthening the core businesses of Duro Felguera, which have been historically profitable and stable.
- Growing in "green" and digital intelligence businesses.

In drawing up its Strategic Plan, Duro Felguera has accepted that its business performance will be influenced in the short term by the multiple risks and uncertainties to have arisen from the ongoing COVID-19 pandemic.

Geographically speaking, the Company's key markets will be Spain, Portugal, Mexico, Peru, Colombia, Chile and the Middle East.

In terms of product, Duro Felguera operates in a sector that remains strong globally, although the EPC segment is fiercely competitive, with inherently greater risks and complexity in project execution.

In terms of the core businesses, Duro Felguera's strategy is to build stronger relations with recurring customers and leverage alliances to build capacities and grow in Latin America, while growing in non-domestic but stable markets with local alliances, all complemented with the development of new products.

The main trends in the market are the gradual replacement of fossil fuels by renewable energy, with a large investment in renewable technologies, mainly solar and wind. Demand for encryption systems is also expected to grow exponentially over the coming years. It is therefore necessary to develop new high-growth segments, specifically in:

- Renewables: with the creation of DF Green Tech. This new subsidiary is designed exclusively to boost renewable energies, centralising commercial management and coordinating the Group's current capabilities in this type of project.
- Smart Systems: consolidation of IT capabilities (EPICOM, Logistics Systems and FTI) to boost growth and access to new segments.

The growth of the renewable energy sector opens up an opportunity for Duro Felguera. The renewable energy market is thriving and the outlook for the next few years is promising. Duro Felguera must become a relevant player with recurring business in the renewable energy sector in Spain and Latin America.

2. Good governance

Duro Felguera’s governing bodies are compliant with the recommendations established in the Good Governance Code of the CNMV, Spain’s securities market regulator, and are aligned with best practices in the industry. The essentials of value creation are transparency, improved efficiency and stronger investor confidence. Therefore, we need to strengthen governance through ongoing assessment and updating of the relevant rules.

The focus in 2020 was to make further progress in updating and reinforcing various corporate policies and functions. More precisely, in 2020 the General Shareholders’ Meeting heard about the amendments to the Regulations of the Board of Directors already agreed in June 2019, for subsequent filing at the Companies Registry.

2.1 Ownership structure

Share capital

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

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

Direct holders of significant shareholdings, excluding directors

<u>2020</u>

Name of shareholder	% of shares carrying direct voting rights
UBS Switzerland, AG	3.94
Morgan Stanley and Co International PLC	3.66
TSK Electrónica y Electricidad, S.A.	3.12

<u>2019</u>

Name of shareholder	% of shares carrying direct voting rights
Global Portfolio Investments	7.57
ACEC	3.88
TSK Electrónica y Electricidad, S.A.	3.12

In 2020, there were no shareholders with financial instruments carrying voting rights (nor in the previous year).

Treasury shares

There were no treasury shares in either 2020 or 2019.

Estimated free float

To calculate the estimated free float, the criterion used is to discount from the Company's total share capital the shareholdings held by direct and indirect holders of significant stakes in the company. Free float therefore means the portion of the Company's shares that are highly fragmented and not controlled by shareholders on a stable basis.

2020

Estimated free float	89.28%

2019

Estimated free float	85.43%

2.2 Corporate governance

Duro Felguera's **Corporate Governance Policy** was approved by the Board of Directors in December 2015 and sets out the criteria and principles that guide the organisational structure and functioning of the Company's governing bodies. The Policy, which is posted on the Company's website, is based on the corporate values and is inspired by the principles and recommendations contained in the Good Governance Code of Listed Companies approved by the CNMV, Spain's securities market regulator.

Therefore, for its corporate governance, Duro Felguera follows these principles and practices:

- Efficient and organised functioning of the Board of Directors.
- Diversity of membership of the Board.
- Diligent and loyal conduct of directors.
- Remuneration practices designed to further the interests of the Company
- Sustained growth through customer satisfaction, technological development and internationalisation, environmental protection activities, and respect for occupational safety and health.
- Commitment to and promotion of shareholders' rights.
- Compliance with the law and adoption of the best governance practices.
- Commitment to transparency.

The Board and its committees are regulated by the Spanish Companies Act (*Ley de Sociedades de Capital*), the Articles of Association and the Internal Regulations of the Board of Directors.

Board of Directors

The Company's **Board of Directors** is the highest decision-making body. The main responsibilities of the Group's Board of Directors consist of defining, supervising and monitoring strategies and general guidelines, reporting and being accountable to shareholders, proposing dividend distributions at the Annual General Meeting, and overseeing financial reporting.

The Board of Duro Felguera, within the scope of its powers, meets all the requirements under the law and the internal rules of the Company. The Board and its committees (Audit, Risk and Compliance Committee and Nomination and Remuneration Committee) have a balanced membership as to gender and professional background.

At 31 December 2020, the Board comprised five members, all independent, with three vacancies.

Name of director	Category	Position	Length of tenure	Method of selection
Rosa Rosa Isabel Aza Conejo	Independent	Chairman	Since 30 September 2019	Co-option by the Board
José María Orihuela Uzal	Executive director	Chief Executive Officer	Since 30 November 2018	Co-option by the Board
Jordi Sevilla Segura	Independent	Director	Since 17 April 2020	Co-option by the Board
Valeriano Gómez Sánchez	Independent	Director	Since 30 January 2020	Co-option by the Board
José Julián Massa Gutiérrez del Álamo	Independent	Director	Since 30 September 2019	Co-option by the Board

At 31 December 2019, the Board comprised six members, four of them independent and two vacancies.

Name of director	Category	Position	Length of tenure	Method of selection
Acacio Faustino Rodríguez García	Other external	Chairman	Since 26 April 2001	General meeting resolution
José María Orihuela Uzal	Executive director	Chief Executive Officer	Since 30 November 2018	Co-option by the Board
Ricardo de Guindos Latorre	Independent	Director	Since 29 March 2018	Ratification of co-option through General Meeting resolution
Ignacio Soria Vidal	Independent	Director	Since 29 March 2018	Ratification of co-option through General Meeting resolution
José Julián Massa Gutiérrez del Álamo	Independent	Director	Since 30 September 2019	Co-option by the Board
Rosa Rosa Isabel Aza Conejo	Independent	Director	Since 30 September 2019	Co-option by the Board

Independent directors

In 2020 and 2019, no independent director received from the Company any form of remuneration beyond the remuneration expressly assigned to this position.

Board diversity

The Company's Corporate Governance Policy provides that the Company should ensure that the procedures for selecting members favour a diversity of gender, experience and knowledge and have no implicit bias whatsoever and that, in particular, they favour the selection of women directors.

Accordingly, the Nomination and Remuneration Committee states in relation to "positive discrimination" that in the search for candidates that best adapt to the corporate interest, the professional profile that generates the greatest value for Duro Felguera, regardless of gender, age, or race, shall be considered. However, where two profiles are objectively similar, priority will be given to the least represented gender.

At year-end, women accounted for 20% of total Board membership (16.66% at year-end 2019).

Committees

Audit, Risk and Compliance Committee

At the end of financial years 2020 and 2019, the Committee comprised the following members elected by the Board of Directors from among its non-executive directors:

2020

Name	Position	Category
José Julián Massa Gutiérrez del Álamo	Director and Chairman	Independent
Jordi Sevilla Segura	Director	Independent
Valeriano Gómez Sánchez	Director	Independent

2019

Name	Position	Category
Ricardo de Guindos Latorre	Director and Chairman	Independent
Ignacio Soria Vidal	Director	Independent
José Julián Massa Gutiérrez del Álamo	Director	Independent

Committee members, particularly the Chairman, are appointed with regard to their knowledge and experience in accounting, auditing, or risk management matters.

The **Audit, Risk and Compliance Committee** meets whenever called by the Chairman or requested by two of its members and, in any event, at least four times per year, within fifteen days following the end of each calendar quarter. In 2020, the Audit, Risks and Compliance Committee met on 12 occasions, having met 19 times in 2019.

On 21 June 2019, the Board of Directors agreed to amend the Regulations of the Board of Directors and to approve a separate set of regulations for both the Appointments and Remuneration Committee and the Audit Committee, the latter to be renamed the Audit, Risk and Compliance Committee. This decision was based on a report issued by the Appointments and Remuneration Committee and followed the CNMV's practical guidance for Audit Committees and Appointments and Remuneration Committees.

The functions of the Audit, Risk and Compliance Committee are to:

» Define the procedure for selecting the statutory auditor, including the relevant selection criteria, such as training, experience and independence.

» Report to the General Meeting on any business that falls within the committee's remit and, in particular, regarding the outcome of the audit, explaining how this has contributed to the integrity of financial information and the role that the committee has played during this process.

- Supervise the 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.

- 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.

- Monitor the preparation and presentation of the required financial and non-financial information on the Company and, where appropriate, the Group, and submit recommendations or proposals to the Board of Directors with a view to safeguarding its integrity, while checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

- Ensure the independence of the internal audit, risk and compliance functions, 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.

- Examine and review the annual work plan of the internal audit, risk and compliance functions, including reports of any incidents that may have arisen while carrying out the work; and scrutinising the reports on the activities of those functions at the end of each year.

- Escalate to the Board of Directors proposals to select, appoint, re-elect and replace the auditor, assuming responsibility for the selection process pursuant to applicable EU legislation, in addition to the conditions of her/her engagement and regularly request information on the audit plan and its execution from him/her, in addition to ensuring his/her independence in the exercise of audit duties.

- Establish appropriate relationships with the external auditor to receive information on issues that may threaten his/her independence, to be analysed by the Committee, and any other issues related to the process of auditing financial statements. Furthermore, when appropriate, authorise services other than those prohibited under applicable legislation, as well as the other communications stipulated in audit legislation and technical auditing standards. In all cases, an annual statement must be received from the external auditors confirming their independence with regards to their relationship with the entity or directly or indirectly related entities, while also providing detailed information on an individual basis about any type of payments received from these entities by the external auditor or by persons or entities related to them, pursuant to the regulations on auditing activities, and ensuring that the Company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

- Inform the Board of Directors, with prior notice, about all matters foreseen in law, the Bylaws and the Regulations of the Board of Directors, particularly those relating to:

  - the financial information that the Company must periodically make public;
  - the non-financial information that the Company must periodically make public;
  - the creation or acquisition of shares in special purpose entities or those registered in countries or territories considered tax havens; and
  - transactions with related parties.
    Any report issued by the Audit Committee regarding related-party transactions shall be published on the Company's website sufficiently in advance of the Annual General Meeting;
  - Any structural changes, mergers or acquisitions the Company may be planning, including their financial terms and accounting impact and, in particular, the proposed exchange ratio.

- Receive from Senior Management the justification for any change of accounting criteria or principles, and to review such reasons.

- Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities in the Company.

- Supervise the Internal Codes of Conduct and regulatory compliance not expressly attributed to another Committee or to the Company's Board of Directors.

- Verify compliance with the Company's corporate governance rules.

- Monitor compliance with the Company's corporate social responsibility policy.

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

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

Nomination and Remuneration Committee

At 31 December 2020 and 2019, the committee had three members:

2020

Name	Position	Category
Valeriano Gómez Sánchez	Director and Chairman	Independent
Jordi Sevilla Segura	Director	Independent
José Julián Massa Gutiérrez del Álamo	Director	Independent

2019

Name	Position	Category
Ignacio Soria Vidal	Director and Chairman	Independent
Ricardo de Guindos Latorre	Director	Independent
Rosa Rosa Isabel Aza Conejo	Director	Independent

Committee members were chosen from among non-executive directors, with a majority of independent directors. Its members, particularly the Chairman, are appointed with regard to their knowledge, skills and experience on matters that fall within the Committee's remit.

The Committee meets whenever called by its Chairman or a majority of its members, or when required by a resolution passed by the Company's Board of Directors. In 2020, the Nomination and Remuneration Committee met on 11 occasions, having also met 11 times in 2019.

The main functions of the **Nomination and Remuneration Committee** are to:

» In relation to directors and the Board of Directors:

- Evaluate the competencies, knowledge and experience necessary for the Board of Directors. To this end, the Committee shall define the duties and capabilities necessary in candidates who shall fill each vacancy and evaluate the time and dedication necessary in order to efficiently fulfil their commitment, and run an annual check on compliance with the director selection policy.
- Set a target for representation for the under-represented gender on the Board, and draw up guidelines on how to achieve this objective.
- Submit to the Board of Directors proposals for the appointment of independent directors for their nomination by co-option or for their submission to the General Meeting of Shareholders' decision, in addition to proposals for the re-election or dismissal of said directors by the General Meeting of Shareholders.
- Propose the appointment of all other directors for their nomination by co-option or for their submission to decision by the General Meeting of Shareholders, in addition to proposals for their re-election or dismissal by the General Meeting of Shareholders.
- Research and organise the succession of the Chairman of the Board of Directors and, as appropriate, the Chief Executive of the Company, formulating proposals

to the Board of Directors so that said succession can be processed in an ordered and well-executed manner.
- Propose the remuneration policy to the Board of Directors, as well as the individual remuneration and other contractual terms of executive directors, while ensuring compliance with the same.
- Periodically review the remuneration policy applied to directors, including remuneration that involves the delivery of shares, and see to it that individual remuneration is proportional to that received by other directors and senior managers.
- Verify the information on director pay contained in corporate documents, including the Annual Directors' Remuneration Report.
- Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
- Report to the Board of Directors on proposed removals from office where any director fails to honour their duties as director as set out in prevailing legislation or internal regulations, or upon the occurrence of any of the grounds for removal or resignation provided for in applicable law and regulations.

» In relation to Senior Management personnel and executive remuneration policies:

- Advise the Board of Directors on the appointment or dismissal of senior management and the basic terms of their contracts. For these purposes, the Committee shall receive from the Management, the Board of Directors or its committees, as appropriate, a description of the post to be filled, the desired profile of potential candidates, the selection proposal and the contractual terms that will be offered to the new incumbent, all of which must be in line with the remuneration policy for senior managers. The Committee may also interview candidates if it deems this necessary, request further information and, in general, take any action it deems necessary before making its final proposal.
- Propose, to the Board of Directors, the remuneration policy of general managers and of whomever else discharges senior management duties under the direct supervision of the Board of Directors, the Executive Committee or Chief Executive Officers, while ensuring compliance with that policy.
- Periodically review the remuneration policy applied to senior officers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other senior officers at the Company.
- Verify the information on senior officers' pay contained in corporate documents, including the Annual Directors' Remuneration Report.
- Verify, each time substantial amendments are made to the contracts or changes made to the policies, that the terms of the contracts of the senior management are consistent with the remuneration policies in force.
- Ensure, annually, that senior management remuneration policies are properly implemented, that no payments are made that are not provided for in those policies, and propose any measures that may be needed to recover any amounts unduly paid.
- Periodically review the general remuneration systems for the Group's staff, including an assessment as to their suitability and results.

» Review and evaluate Corporate Governance Policies, ensuring that all such policies remain up-to-date and compliant with prevailing law and regulations, and making any proposals for review, modification and improvement that it deems appropriate.

- Draw up, for submission to the Board of Directors, the corresponding annual directors' remuneration statement (ADRS), which must be disclosed in accordance with the law.

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

Nomination and appointment to the Board

In 2015, the Board approved a Director Nomination and Selection Policy, which can be found on the Group's corporate website and explains the natural persons eligible to serve as directors and, in the case of legal person candidates, the natural persons who will represent them.

As to the procedure, proposals for the appointment or re-election of independent directors fall to the Company's Nomination and Remuneration Committee, or to the Board itself in the case of proprietary, executive and other external directors.

Remuneration

The Directors' Remuneration Policy is approved by the shareholders at a General Meeting, on the recommendation of the Board and following a report from the Nomination and Remuneration Committee. The current Policy was approved at the General Meeting of 15 June 2018, and is effective for 2018, 2019 and 2020.

The General Meeting of Shareholders, at its meeting held on 29 October 2020, approved the Directors' Remuneration Policy for financial years 2021, 2022 and 2023.

Average remuneration of directors and Senior Management

In 2020 and 2019, the average remuneration of the Board of Directors and Senior Management, broken down by gender in euros, was as follows:

2020

	Total	Men	Women
Directors[1]	119,921	127,571	83,515
Senior Management	193,646	221,091	128,877

2019

	Total	Men	Women
Directors[2]	115,700	137,648	40,162
Senior Management	217,681	228,990	148,538

(i) The average remuneration of the Chief Executive Officer is included under the category of "Directors".
(ii) Does not include attendance fees and/or fees for seats held on Board committees.
(iii) Average remuneration has been calculated as an arithmetic average taking into account the length of time spent in office during the financial year.
(iv) Both fixed remuneration and remuneration in kind count towards average remuneration.
(v) The Senior Management comprises each and every person who sat on the Management Committee throughout 2020, based on how long they remained in office. It does not include the Chief Executive Officer.

The difference in the average cost of the "men" section between 2020 and 2019 is due to changes in the post of non-executive Chairman, which is now held by a female director, thus increasing the differential for women compared to the previous year.

As regards management staff, the reduction is largely due to the effect of the salary reduction measures agreed upon, together with the furlough scheme.

[1] For further information, see the Directors' Remuneration Report for 2020

[2] For further information, see the Directors' Remuneration Report for 2019.

Breakdown of remuneration received by item

2020

Remuneration rate (%)	Directors	Senior Management
Pension plans and funds	0%	0%
Fixed remuneration	90.92%	98.73%
Variable remuneration	0%	0%
Items under the Company's articles (*)	7.91%	0%
Other forms of remuneration (**)	1.17%	1.27%

(*) Attendance fees and/or fees for seats held on Board committees.
(**) In-kind remuneration.

2019

Remuneration rate (%)	Directors	Senior Management
Pension plans and funds	0%	0%
Fixed remuneration	92.05%	98.47%
Variable remuneration	0%	0%
Items under the Company's articles (*)	7.53%	0%
Other forms of remuneration (**)	0.42%	1.53%

(*) Attendance fees and/or fees for seats held on Board committees.
(**) In-kind remuneration.

3. Ethics and compliance

Duro Felguera's Regulatory Compliance Policy was approved by the Board of Directors on 19 December 2019. It sets out the core aspects of its Crime Prevention Model, its commitment to establish a culture of regulatory compliance that is conducive to diligent professional conduct and its absolute condemnation of any kind of unlawful action or business, which shall never be justified on the grounds that it benefits the Company.

Duro Felguera has now developed and implemented a Crime Prevention Handbook initially approved on 23 December 2015 and which was last reviewed and updated on 19 December 2019. This handbook is the reference framework of the Crime Prevention Model. It sets out the model for organising, preventing, managing and controlling crime risks at the Company. Meanwhile, the Map of Criminal Risks and Controls on which the model is based was approved on 23 December 2015. It states that the most significant risks in accordance with the Company's activity are those relating to: (i) discovery and disclosure of secrets: personal and family privacy, sabotage and IT damage; and (ii) crimes relating to the market and consumers: industrial espionage, violation of trade secrets and fixing the price of goods, as well as all risks relating to corruption, bribery and fraud. At a meeting held on 18 December 2020, the Board of Directors approved the updated Crime Prevention

Model and, more specifically, the updated criminal risk map and controls, as explained later in this section.

To ensure a suitable degree of control of its business activities, Duro Felguera has continuous control mechanisms in place and has set up internal bodies entrusted with internal control functions and, in particular, for the monitoring and sound functioning of the Crime Prevention Model.

The Board of Directors is the supreme governing and representative body and is therefore tasked with implementing and overseeing the approval and effective implementation of the Company's risk management policy. Meanwhile, the Audit, Risk and Compliance Committee has responsibilities in the realm of regulatory compliance and monitors the Internal Codes of Conduct and matters of regulatory compliance, responsibility for which is not expressly vested in another committee or in the Board of Directors.

Along these lines, Duro Felguera has adopted a decentralised control model consisting of three clearly differentiated lines of defence, which allows for a specific allocation of responsibilities.

The first line of defence comprises Senior Management, which must ensure compliance with the policies and procedures prescribed by Duro Felguera and act ethically and responsibly at all times. It is responsible for maintaining an effective control environment and for ensuring that all areas for which it is responsible act in accordance with applicable legislation and applicable internal regulations. It also sees to it that controls are implemented in optimal fashion and that the different areas and departments run them as they should.

The second line of defence is the Compliance Committee, a collegiate control body tasked with specific regulatory compliance functions at Duro Felguera. The Compliance Committee is responsible for the periodic supervision and monitoring of the Crime Prevention Model in place at Duro Felguera, so that the main criminal risks are adequately identified, managed and reported internally. This committee is tasked with the duties described in Article 31 *bis*.2. 2 of the Criminal Code (*Código Penal*).

The Compliance Committee is independent and stand-alone and reports directly to the Audit, Risk and Compliance Committee, which in turn reports to the Board of Directors on the work carried out by the committee and on the reports and other documents drawn up.

The Compliance Committee of Duro Felguera relies on the permanent support of the Chief Compliance Officer, who ensures the proper and effective fulfilment of its duties, without prejudice to any further support that may be requested or provided by other divisions of the Company, whether on an *ad hoc* or regular basis.

The effective implementation of the crime prevention plan and, in general, of the crime prevention policy is the responsibility of the Head of Regulatory Compliance, who reports directly to the Audit, Risk and Compliance Committee.

In the first half of 2020, the Compliance Committee met on 26 May 2020, 4 June 2020 and 8 July 2020. Meanwhile, in the second half of 2020, and following the departure from Duro Felguera of most of the members of the Compliance Committee and of the Chief Compliance Officer himself, the compliance functions were temporarily delegated to the Chief Financial Officer, with the support of the internal Legal Services team and the Company's external advisers. However, the review and updating of the Crime Prevention Model was approved at a meeting of the Board of Directors held on 18 December 2020. This process includes, among other aspects, a review of the existing structure and operation of the Supervisory and Control Body (Compliance Committee and Regulatory Compliance Officer).

The Internal Audit function, as the third line of defence, supports the process of overseeing the Crime Prevention Model. Internal Audit ensures that the controls in place are sufficient and effective, i.e. by determining whether or not the defined control environment reasonably mitigates the criminal risks to have been identified.

In 2020, the Internal Audit function did not carry out any specific work on the compliance model.

The Company provides a global framework that enables all employees to identify their legal obligations. This framework, which aims to strengthen stakeholders' confidence in Duro Felguera, comprises:

- Code of Conduct: enshrining the values and principles that underpin the actions of Duro Felguera, and to which all covered persons and all of the Company's other stakeholders have access.
- Crime Prevention Handbook: sets out a model for organising, preventing, managing and controlling criminal risks at Duro Felguera. All of this relating to the criminal liability of legal persons. The handbook describes the entire governance model when it comes to crime prevention, identifying and defining the structure and functions of the bodies entrusted with internal control and explaining how the Crime Prevention Model should be implemented and monitored.
- Identification of criminal risks, as well as general and specific policies and controls to mitigate the criminal risks identified.
- Methodology for the assessment and identification of criminal risks: serves as the basis for identifying and evaluating criminal risks in relation to each of the business activities carried out by Duro Felguera, and then prioritising them accordingly.
- Crime prevention and compliance training: aimed at all Covered Persons.
- Standard on how to report incidents and conduct internal investigations: which explains how the Ethics Line at Duro Felguera works.
- Standard on Third Party Due Diligence: requires Duro Felguera to assess the risks arising from its commercial relations with: (i) commercial intermediaries; (ii) potential partners in associative contracts; and (iii) external advisers and consultants.

The Company also has policies and regulations to ensure compliance with legal obligations and regulatory requirements relating to the Company's business activities, as mentioned in section 2 on Good Corporate Governance.

3.1 Code of conduct

In December 2018, the Board of Directors of Duro Felguera approved the latest version of the **Code of Conduct** to meet the requirements of both stakeholders and the markets in general. The Code is mandatory for all employees, executives and members of the Board, and for subsidiaries and investees that do not have a code of their own that covers the same matters.

Each person in the organisation is key to Duro Felguera's reputation through their conduct and day-to-day interactions with our stakeholders. For this reason, the Code of Conduct states, by way of summary, that Company employees must act in a manner that is transparent, objective, upright, responsible, honest and respectful. The principles and guidelines of behaviour described in the Code are:

- Compliance with the law
- Respect for people
- Relations with government authorities and third parties
- Commitment to the market
- Prevention of contraband.
- Commitment to the environment.
- Protection of information
- Financial and accounting transparency
- Responsible use of resources and assets
- Use of facilities
- Protection of third-party intellectual and industrial property rights

To ensure that it is properly disseminated, the Code of Conduct is made available to all employees via the Company's corporate Intranet and to all stakeholders on the website in both its Spanish and English versions.

Ethics Line

As mentioned in the Internal Incident and Investigation Reporting Standard approved by the Board of Directors on 7 September 2017 and subsequently reviewed on 22 July 2020, Duro Felguera has set up an Ethics Line as a communication channel available to all Covered Persons and third parties with whom the Company maintains or may maintain business relations. The Ethics Line allows all such persons to report incidents related to conduct that may violate the Company's corporate policies, the Crime Prevention Model, the Code of Conduct, or other internal rules, including financial and/or accounting rules, and especially any conduct that could qualify as criminal.

All incidents will be properly investigated and/or managed with all legal safeguards in place, particularly the need to respect the fundamental principles of presumption of innocence, confidentiality and non-reprisal.

To ensure absolute respect for these principles, the Company has created a web portal that can be accessed through links on the corporate Intranet and website, as well as through the following address: https://lineaetica.durofelguera.com/. Both the incident report form and the applicable regulations can be found on the specific website set up for this purpose. The handling of reports is governed by the Standard on the Reporting of Internal Incidents and Investigations.

These incidents are typically received by the Compliance Officer (though the special cases defined in the Standard may be heard by other profiles), who then conducts a preliminary analysis of the facts reported and informs the Compliance Committee as to whether or not they are admissible. If so, an investigation is launched.

During the investigation process, the Instructing Officer, who will normally be the Compliance Officer (except in the event of a conflict of interest), may be assisted by internal and/or external investigators. The investigation process shall culminate in the transfer of the motion for a resolution to the relevant executive body, which shall decide on the matter in accordance with the legislation in force. Once a decision has been reached, it will be communicated to the parties concerned and the case will be closed.

This channel may also be used to handle queries relating to matters of regulatory compliance. These matters are typically heard and resolved by the Regulatory Compliance Officer.

Duro Felguera entertains both queries and reports of incidents made anonymously.

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

In 2020, no reports were received through the Ethics Line.

The creation of an independent compliance area, reporting directly to the Audit, Risk and Compliance Committee, reinforces the Company's commitment to transparency and ethics by encouraging all stakeholders to participate in a corporate culture based on integrity.

As mentioned previously, in December 2020 the Chief Financial Officer took over the functions of the regulatory compliance area.

Anti-corruption measures

Duro Felguera and its Group reject all forms of corruption, fraud or bribery. It therefore establishes measures to prevent and combat this type of conduct, such as the drafting of regulations and the implementation of a whistleblower channel. All Duro Felguera employees are also subject to the obligations set out in the Code of Conduct.

No reports or complaints of corruption were received during the year.

Meanwhile, a number of preliminary proceedings are still being heard before the Audiencia Nacional (National High Court), having been lodged in September 2017, for a possible offence of corruption of an authority or foreign official against the Company. The deadline for investigating the case has been extended until 28 July 2021, without prejudice to any further six-month extensions that the court may agree upon in accordance with Law 2/2020, of 27 July, amending Article 324 of the Criminal Procedure Act. For further information, see Note 35 to the 2020 consolidated financial statements.

At its meeting of 26 February 2020, the Board of Directors, in view of the internal investigations conducted by an expert third party, approved the filing of a lawsuit against the former Chairman of the Board of Directors for mismanagement and/or misappropriation. This lawsuit was effectively filed in March 2020. It was also agreed at that meeting that immediate action would be taken in response to any evidence of fraudulent practices committed against or on behalf of the Company, with the aim of fostering a culture of compliance across the entire Company. Several lines of investigation have been initiated since that meeting.

In July 2020, a third party was instructed to draw up a forensic report of certain employees' computers to investigate the possible leaking of inside information following the share price increase that occurred on 8 July 2020.

These actions effectively show that the Group has been promoting and strengthening its compliance culture since 2017, with an active review and updating of policies and procedures in this realm, the most important of which are as follows: (i) the Anti-Corruption Policy (in the process of being approved); (ii) the Standard on the Reporting of Incidents and Internal Investigations; (iii) the Standard on Third Party Due Diligence; (iv) the Corporate Social Responsibility Policy approved on 23 December 2015; (v) the Risk Control and Management Policy approved on 23 December 2015 and subsequently reviewed by the Board of Directors on 20 December 2018; and (vi) NIG.03 Project Risk Control and Management, issued on 11 November 2019.

Duro Felguera's Code of Conduct also explicitly prohibits all forms of corruption. In particular, it is prohibited to offer, promise or give, directly or indirectly, anything of value in a bid to influence the recipient to carry out some action, or refrain from carrying out some action, for the benefit or gain of the Company, other Group companies or any third party. Not only is it prohibited to offer, promise or give anything of value, but also to solicit, accept or receive any such item as consideration for performing or abstaining from some action for the benefit or gain of any third party.

Under no circumstances may monetary or in-kind gifts, loans, individual benefits or actions of third parties, whether natural or legal persons, be accepted in connection with the Group's activities when doing so could lead to a loss of independence and fairness in relations with the Company's different stakeholders.

The Group encourages the utmost collaboration and diligence among all of its employees when interacting with the public authorities, and also during inspection proceedings and in response to any requests, requirements or other processes initiated by the competent administrative or regulatory bodies. When engaging in tendering, bidding or contract award procedures, Duro Felguera rigorously abstains from influencing or altering, or attempting to influence or alter, the normal course of these processes in a bid to obtain a favourable outcome or more advantageous terms for the future contract holder, or with the aim of substantially modifying the requirements, conditions and criteria of the tender or award of the contract in question.

The Duro Felguera Code of Conduct forbids us from making political contributions in the Group's name or on its behalf, where doing so constitutes, or may constitute, any form of political affiliation or involvement. There are no known breaches of the Code in relation to contributions to political parties.

As mandated by the Code of Conduct, the Company is firmly committed not to engage in practices that may be considered irregular in relations with government bodies or regulators, market operators, suppliers and other stakeholders, including any practice related to money laundering.

Duro Felguera also has a Standard on Third Party Due Diligence in place, which was approved by the Board of Directors on 19 December 2019. It explains the procedure that the Company must follow when launching any procurement process or entering into any partnership agreement with external third parties. It also insists that a preliminary analysis and study be conducted prior to the commencement of any professional or commercial relationship, thus helping to ensure that the Group does not incur any possible liability should any technical, financial or compliance risk arise from such relations.

Meanwhile, an updated version of IMR 08 – Management and Use of Information and Communication Tools was approved by the Board of Directors on 18 December 2020 to incorporate all the technological developments that have emerged in recent years and which affect the working tools and equipment of all employees. At the same meeting, and as we mentioned previously, the Board of Directors also ratified the updates made to the Crime Prevention Model with the aim of further strengthening and defining internal measures to prevent situations and conduct conducive to corruption, fraud and bribery.

3.3 Tax transparency

Duro Felguera's tax strategy identifies, adopts and implements effective methods to reduce tax risks. Note 31 to the consolidated financial statements for 2020 expressly describes all tax contingencies and events affecting Duro Felguera.

The Company's tax policy sets out the principles to be followed by Group companies as to tax performance and transparency. The policy, approved by the Board in December 2015, is designed to implement a responsible tax strategy within the framework of the Company's interests, sustainable value creation and the reduction of tax risks surrounding the activities of Duro Felguera.

The Company founds its practices on transparency, accurate reporting, good faith, cooperation with tax authorities, the principle of prudence, and compliance with the law and best practices. Our principles of action are:

- Design of tax structure without using opaque or artificial tax structures. Duro Felguera is committed to the fight against tax havens and international tax evasion.
- Commitment to payment on time and in proper form of all tax obligations.
- Cooperation with tax authorities and proper application of tax law to relevant business factors to reduce uncertainty and minimise any non-compliance.
- Management of tax risks arising from business interactions: Duro Felguera carries out an exhaustive analysis of tax aspects.
- Academic training of relevant employees to enable them to comply with the Group's Tax Strategy and build up practices that prevent and reduce tax risks in the design and implementation of their activities.

The Audit Committee oversees the Company's internal control, internal audit and tax risk management systems. The Committee reports to the Board on tax-related affairs.

The Board, as the highest management body, is responsible for framing the Company's tax policy and strategy.

Duro Felguera applies a transfer pricing policy for all transactions between related parties to ensure value creation through functions, assets and assumption of business risk.

Tax contribution

Duro Felguera properly fulfils its tax obligations under the law and regulations of each country in which it operates.

More precisely, the amounts paid in euros for corporate income tax in each of the countries in which the Group operates were as follows in 2020 and 2019:

	2020	2019
Algeria	69	75
Belgium	97,877	-
Belarus	664,864	561,138
Canada	-	462,729
Chile	45,988	102,840
Mexico	23,344	549,679
Peru	27,284	92,895
Romania	51,460	443,949
Total	**910,885**	**2,213,305**

The above amounts reflect the taxes effectively paid. Different countries have different rules on when to recognise income and it is often not when the tax expense is recorded, but rather based on an accruals basis.

The change in taxes paid in 2020 compared to the previous year is mainly due to quieter levels of activity in Mexico, Canada and Peru and the slowdown of the Iernut project in Romania due to COVID-19. It should be noted that in Romania payments on account of corporate income tax are made on a quarterly basis in line with earnings, with the final payment adjusted accordingly in March of the following year based on final earnings for the year. Given the impact that COVID-19 has had on the Iernut project from the second quarter of 2020 onward, and in contrast to 2019, the result of payments on account for the second and third quarters of 2020 was negative.

Grants received

In 2020 and 2019, no government grants or subsidies were received in the realm of R&D, innovation, energy efficiency, occupational risk prevention, or investment. The only allowances received were €27,875 as a discount on social security contributions for research personnel (€47,480 in 2019), and €44,763 for continuous training initiatives (€70,188 in 2019). See also Note 21 – Grants to the consolidated 2020 financial statements.

4. Sustainable growth

4.1 Main financial indicators

Group operations were impacted by the COVID-19 crisis from mid-March 2020 onward, rendering it impossible to sustain the earnings delivered in 2019.

While the Group made every effort from the outset, heeding the preventive measures issued by the World Health Organisation and other authorities and prioritising worker health and safety, the scale of the pandemic's impact on the economy had major implications for its business. Uncertainty among potential customers about whether to undertake to investments led to lower-than-expected order intake. Moreover, restrictions on the mobility of employees and the supply of materials to execute projects in progress hurt the segments where the largest projects are carried out; i.e. Energy, Mining & Handling and Oil & Gas. However, Specialised Services managed to keep activity broadly in line with 2019 levels in spite of the restrictions.

Against this backdrop, Duro Felguera Group has taken steps to overcome the crisis by adapting to the new normal and planning for its future. Indeed, the Group is taking steps to secure liquidity and the continuity of its business, to boost profitability and to optimise earnings, having drawn up a new strategy.

In a bid to cushion the impact of the health emergency, on 28 August 2020 the Company applied for a total of €120 million in temporary public financial aid through the Solvency Support Fund for Strategic Companies (the "Fund").

At its meeting 9 of March 2021, the Spanish Cabinet, in line with article 2.6 of Royal Decree-Law 25/2020, of 3 July, on urgent measures to support economic recovery and employment, authorised the Governing Board of the Solvency Support Fund for Strategic Companies (Consejo Rector del Fondo de Apoyo a la Solvencia de Empresas Estratégicas, or FASEE) to approve the aforementioned request for temporary public aid, as discussed in Note 40 – Events after the reporting period to the consolidated financial statements.

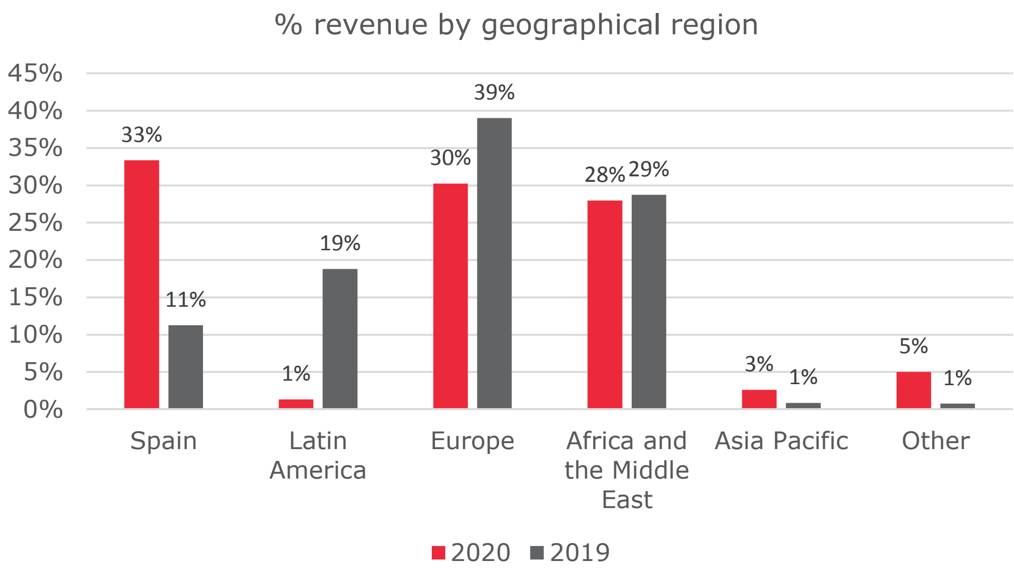
This temporary public aid is framed under the Group's corporate-wide restructuring process designed to strengthen its financial and equity position. Other key components include refinancing the current €85 million of syndicated debt subject to certain terms and conditions, arranging a revolving guarantee facility to cover performance bond requirements over the coming two years, and monetising receivables.

Regarding the process to attract private investors, it has received non-binding offers and continues to spark interest among other potential investors. In addition, the Asturias regional government has announced its intention of contributing a further €6 million, although no specifics have been disclosed.

Key financial indicators	2020	2019
Revenue	137,707	379,838
EBITDA	(137,974)	1,215
Working capital	(203,867)	25,842
Order intake	78,635	105,480
Order backlog	268,063	468,912
Basic earnings per share	(1.79)	0.0006
Diluted earnings per share	(1.68)	0.0006

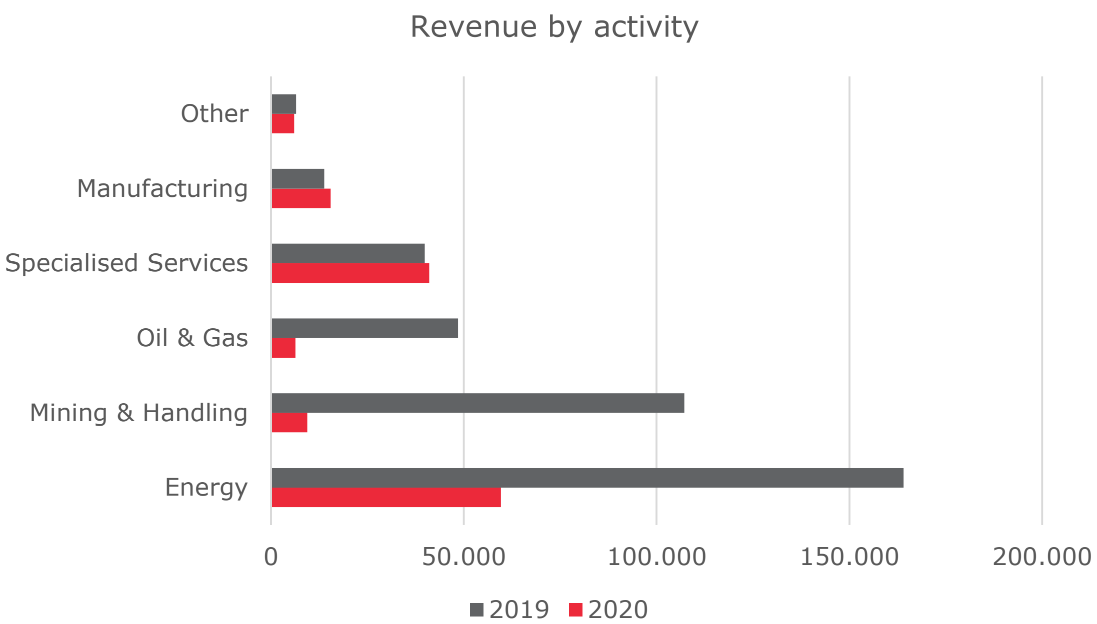
The following table presents the breakdown of revenue at year-end by the geographical distribution of the entities generating the revenue as presented to the Board:

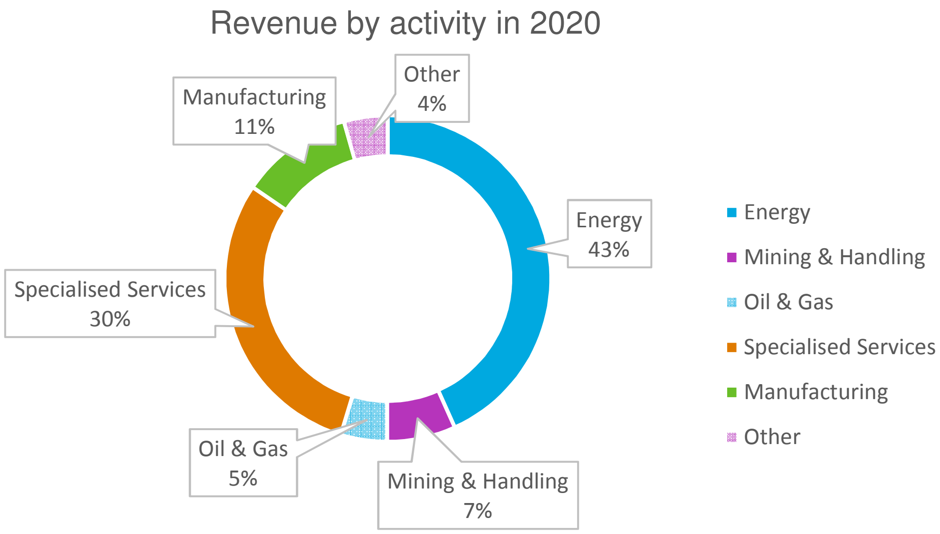
Revenue by geographical region	2020	2019
Spain	45,970	42,777
Latin America	1,854	71,445
Europe	41,628	150,304
Africa and the Middle East	38,487	109,145
Asia Pacific	3,594	3,240
Other	6,174	2,927
TOTAL	**137,707**	**379,838**

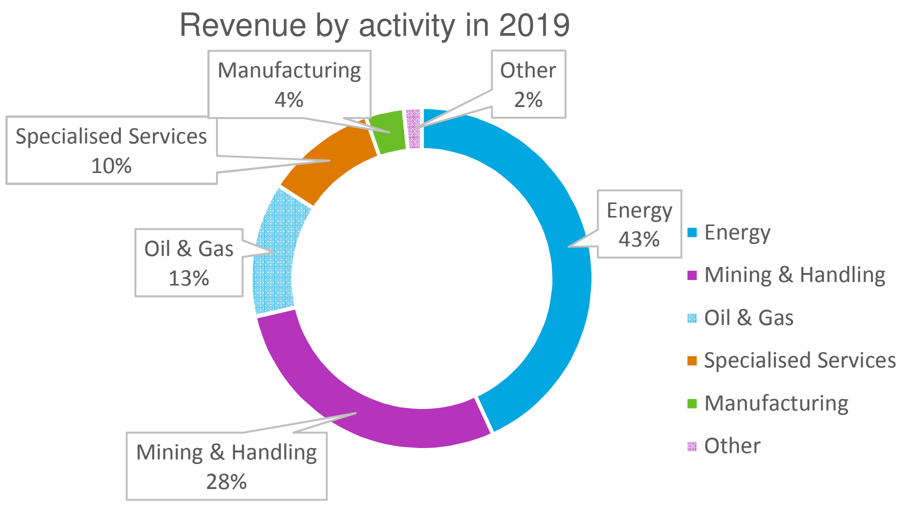


Revenue by activity, graphs for two financial years and comparison

Business lines	2020	2019
Energy	59,597	164,034
Mining & Handling	9,373	107,191
Oil & Gas	6,300	48,496
Specialised Services	41,021	39,888
Manufacturing	15,452	13,757
Other	5,964	6,472
TOTAL	**137,707**	**379,838**




Revenue by activity in 2020
Other 4%
Manufacturing 11%
Energy 43%
Specialised Services 30%
Oil & Gas 5%
Mining & Handling 7%
Energy
Mining & Handling
Oil & Gas
Specialised Services
Manufacturing
Other


Revenue by activity in 2019
Manufacturing 4%
Other 2%
Specialised Services 10%
Energy 43%
Oil & Gas 13%
Mining & Handling 28%
Energy
Mining & Handling
Oil & Gas
Specialised Services
Manufacturing
Other

Profit by geographical region

Pre-tax profit was as follows in 2020 and 2019[3], broken down by country:

Country	2020	2019
Spain	(69,894)	(12,540)
Dubai	(34,635)	(15,231)
Argentina	(18,434)	(1,565)
Algeria	(17,064)	(409)
Mexico	(14,512)	(1,721)
India	(11,376)	(4,945)
Romania	(2,759)	1,647
Brazil	(1,055)	(608)
Peru	(960)	13,454
Chile	(383)	3,374
Belgium	395	1,221
Belarus	2,768	1,894
Costa Rica	56	20,740
Other	(655)	(632)
TOTAL	**(168,508)**	**4,679**

** (€ thousand)*

[3] More detailed information has been presented for 2019 when compared with the non-financial statement drawn in the previous year in order to provide separate figures for each country.

Value generated and distributed

Value generated	2020	2019
Revenue	137,707	379,838
Other non-financial income	592	32,618
Finance income	1,703	7,349
Share in profit or loss of associates	(14,426)	(5,278)
Proceeds of asset disposals	273	2,312
TOTAL value generated	**125,849**	**416,839**
Value distributed	**2020**	**2019**
Relations with suppliers	99,248	306,037
Employee remuneration	62,304	89,515
Payments to providers of capital	-	-
Total taxes payable by DF	(911)	(1,688)
Discontinued operations	-	-
TOTAL value distributed	**160,641**	**393,864**
Value retained	**(34,792)**	**22,975**

** (€ thousand)*

4.2 Risk management

The nature of the industries in which Duro Felguera operates and its international activities entail risks that the Company identifies and controls, eliminating or mitigating any adverse impact. Duro Felguera is committed to developing a sustainable business model and therefore works to manage key social, environmental and economic impacts, including effects that could influence the decisions of our stakeholders.

The Company has end-to-end, standardised risk management throughout the organisation. Risk officers identify, analyse, evaluate, manage and communicate the risks involved in strategy and operations.

Duro Felguera thus seeks to achieve the goals of the Business Plan and reinforce the organisation’s commitment to our stakeholders.

Risk management model

The comprehensive risk management system is based on the COSO ERM 2017 methodology, setting out the essential components of risk management, and is governed by the Risk Control and Management Policy, approved by the Board of Directors in 2018. This policy sets out the basic principles and guidelines for the sound control and management of all risks to which the Company is exposed, based on the identification and flagging of the main business risks and relying on the most suitable internal control and management systems. The policy sets out the following principles:

- **Promote a risk-management culture**, from strategic planning through to operational decision-making.
- **Separate and assign responsibilities**, and obtain or create the most effective instruments to cover risk.
- **Report transparently on the Group's risks and operation of the control systems.**
- **Ensure compliance with corporate governance standards and update rules** in accordance with best practices.

The risk management system employs a methodology based on the following five phases: identification, analysis, evaluation, management and communication of the risks associated with the strategy and operations of Duro Felguera, thus ensuring a general framework for managing the threats and uncertainties inherent in the business processes and the environment in which the Group operates, while operating at all times under a monitoring approach.

Governance of risk management

Since it is a Group-wide system, everyone at Duro Felguera is under the duty to support risk management. The Risk Management Policy sets down the following responsibilities:

- **Board of Directors**: defines, updates and approves the Risk Control and Management Policy and sets risk appetite.
- **Audit Committee**: oversees and controls the risk management system and makes risk appetite recommendations to the Board.
- **Management Committee**: identifies and evaluates risks throughout the Company, assigns responsibilities, confirms the results of risk assessments, and approves the actions proposed and executed by risk officers.
- **Risks Department**: reports directly to the Audit Committee and provides support to the Board and the Management Committee. Its role is to standardise, monitor and reinforce the risk system.
- **Risk Officers**: actively participate in the identification, assessment and proposal of risk management actions.

Development of the risk management model

There are two distinct levels of control within this model, under the principles of the Risk Control and Management Policy:

- **Control and Management of Corporate Risks**: the general risks associated with Duro Felguera's business in general.

  Given the transversal nature and significance of this type of risk —and not only for the achievement of the objectives of the wider business but also for the Company's future prospects— the members of the Management Committee act as the officers of these corporate risks.

- **Control and Management of Project Risks**: the risks inherent in each particular project throughout its life, running from the commercial opportunity phase through to completion.

  In this case, the Risk Officers are the members of the project team.

Duro Felguera's **Corporate Risk Control and Management division** draws up, updates and approves the Risk Map at least once a year.

The main input for building the Risk Map is the Strategic Plan, which is prepared, reviewed and approved by the Board of Directors. Due to the economic and financial hardship that Duro Felguera is currently enduring, which includes the necessary task of finding new financing, this plan was presented at the Shareholders' Meeting held on 29 October 2020 and has been updated to reflect the new financial assumptions that have been negotiated with the financial institutions involved. This aspect, together with the restructuring of the division, which included the departure of the Chief Risk Officer in mid-2020 (note that at year-end the Company had yet to appoint a new officer), has meant that the risk map is still in the process of being drawn up. More accurately, an initial process has been completed to identify the risks that may hinder the pursuit of the Strategic Plan, although as yet no evaluation or assessment of these risks has been carried out.

These identified risks, in accordance with the risk management model designed and approved by the Group, are divided into the following four categories:

» **Strategic**: risks associated with key long-term objectives. They may arise from the actions of other key market participants (customers, competitors, regulators, investors or others), from changes in the competitive environment or from the business model itself. This category includes the following risks: market, geographic presence, partners, organisation, availability of funding and collateral, portfolio and reputational.

» **Operational**: risks associated with the normal operations carried out at Duro Felguera, including all risks related to operating procedures and the efficient and effective use of the organisation's resources. More precisely, the main risks included in this category are: bidding and contracting, project planning, procurement and subcontracting, availability of resources and equipment, contract performance and management, asset security, occupational safety, information systems and cyber security, disasters, attracting and retaining talent, fraud and technology.

- **Financial**: risks related to the economic and financial management of Duro Felguera (liquidity, interest rate, impairment of financial assets, exchange rate and credit risk) and financial reporting. These risks are explained at greater length in Note 3 – Financial risk management to the accompanying consolidated financial statements of Duro Felguera.
- **Compliance:** risks of non-compliance with external and internal regulations by the Company's management or employees, particularly those related to crime prevention, tax, environmental concerns, employment, data protection and the securities market.

As regards the inclusion of the COVID-19 pandemic in the Risk Map, Management has addressed the effect of the pandemic on each of the risks identified and shown on the map, but without this generating a specific pandemic risk. As a complementary measure, Management has also run an exhaustive analysis and assessment of the impact of the pandemic on Duro Felguera in Note 1.1. Effects of COVID-19 on the Group's operations in the year, as shown in the accompanying consolidated financial statements.

Once the identification of the risk inventory has been agreed with the Management Committee, the risks will be assessed and prioritised accordingly. Action plans and KPIs are defined to determine the risks considered critical for the Group and to be able to assign the right persons tasked with managing each of them. These Critical Risk Officers will invariably be members of the Management Committee.

Within the **Project Risk Control and Management** area, the following Internal Management Standard has been drawn up and implemented: "NIG-03: Control and Management of Project Risks".

This standard or rule defines the responsibilities and the methodology that must be applied as a standard and integrated procedure when managing projects throughout their entire life cycle: commercial opportunity, offer, award, performance and completion.

Three levels of risk are defined for each opportunity, offer or project, and as the opportunity evolves into an offer and then into a project, this assessment must be updated to include the additional information obtained. Depending on the level of risk, the tier of approval required for each opportunity, offer or project is defined. The level of risk depends on both the type of contract and certain risk-pricing parameters. There are three types of contract according to their scope (supplies, services, or EPC turnkey contracts) and the amount involved. The main parameters used in the risk assessment relate to customer, country, partner if applicable, turnover, bid cost, expected cash flow, need for bid security/collateral, possible need for equity investment, whether the parent company must also post collateral, disclaimer of liability under the contract and project complexity.

Once the risk level of the opportunity has been determined, the required approval level is obtained. For lower risk level opportunities, this approval rests with the Head of Corporate Marketing and Sales. If the risk level is moderate, approval shall also be granted by the Head of Corporate Marketing and Sales, though subject to approval by the Chief Executive Officer of those parameters that have raised the risk to moderate status. If the level of risk is high, the approval of the Chief Executive Officer is required.

Once the opportunity has been approved, the bid preparation phase commences and a risk and opportunity analysis of the bid must be carried out for the different areas involved (engineering, procurement, planning, contract management, construction, financial and tax, legal, HR, quality, environment and prevention), thus generating an updated risk level for the bid. At the lowest risk level, approval may be granted by the Head of Corporate Marketing and Sales, and as the level of risk increases the approval of the Management Committee, the Chief Executive Officer and the Board of Directors may be required.

If the bid is successful and the contract signed, risk control and risk management must be integrated into the project management phase. There are six core project management processes to ensure the proper control and management of project risks: risk management planning, risk identification, qualitative and quantitative risk analysis, risk response planning and risk control.

To make these six processes part of all project management activities, and to maintain process uniformity, a common template is used to perform the risk taxonomy for each project. During the project performance phase, Project Management must continuously monitor threats, opportunities and action plans and issue the risk taxonomy report, which will be reviewed by the Risks Manager, the Production Manager and the Head of Management Control. The frequency of these project risk review processes depends on the level of risk, with the low risk being six-monthly, moderate risk quarterly and high risk monthly. Once the project is more than 95% complete, the project risk closure report can be generated.

For projects in progress, the main risk addressed and managed by Duro Felguera in 2020 was the risk associated with COVID-19. As discussed in section 1.4 – Strategy, the pandemic has led to delays in ongoing projects and a halt in talks with customers to negotiate the resumption of certain suspended projects.

Given the current landscape, certain operational risks related to project planning, procurement, subcontracting and safety, among others, have materialised and have had to be managed accordingly in response to the situation in each country. Highlights include certain measures implemented in the realm of health and safety, as explained in section 5.3, as well as the assessment and contractual management with customers of situations arising from the pandemic.

5. Doing business responsibly

5.1 Our management approach

For Duro Felguera, corporate social responsibility (CSR) means a commitment to sustainability, ethics and good practices. Its corporate strategy on CSR is therefore geared towards achieving a sustainable and socially responsible business model, and setting sustainable and socially responsible business goals and strategies.

The Company endeavours to become more competitive by adopting management practices underpinned by innovation, efficiency and sustainability, while promoting the application of principles of equality, transparency and trust in its dealings with stakeholders.

The CSR management framework at Duro Felguera is stated in the Corporate Social Responsibility Policy and the Code of Conduct, along with various voluntary commitments.

CSR Policy

The Company's CSR policy sets out the basic principles and general framework for action. It underpins the corporate responsibility strategy and practices and the commitments assumed with the Company's main stakeholders.

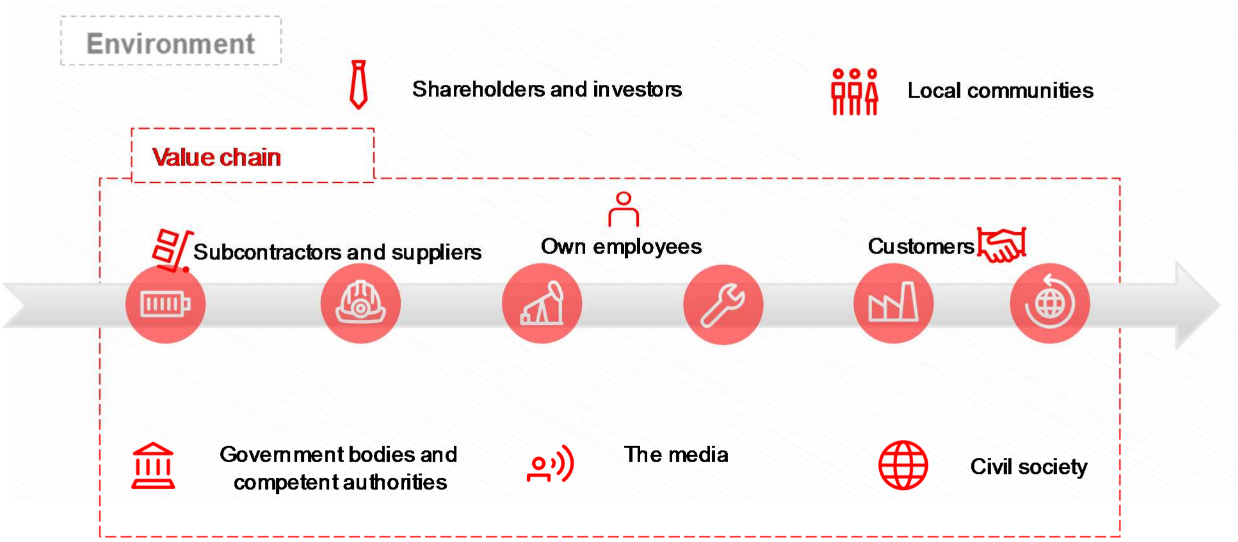
The principles that govern CSR at Duro Felguera are:

- **Respect for the environment** in project execution.
- **Strict health and safety policies**, ensuring the well-being of employees, facilities and project execution.
- **Quality policies** aimed at continuous improvement of processes.
- **Continuous training** for employees.
- **Hiring young talent**.
- **Transparency** in relations with our **shareholders and investors**.
- **Ongoing dialogue** with unions.
- Support for the **development of local communities**.
- Involvement with **local social, cultural and sports organisations**.
- **Compliance, supervision and monitoring** of existing legislation, the Company's internal rules and regulations, and good corporate governance practices undertaken by Duro Felguera.
- **Cooperation with authorities and regulatory bodies.**

Duro Felguera's Corporate Social Responsibility Policy is publicly available on the website.

Dialogue with the value chain and stakeholder engagement

Dialogue and engagement with the value chain, meaning all parties involved in the production process, serves a key purpose of sharing the commitments assumed under the CSR policy, while also sharing strategies and strengthening the business. Good CSR practices are shared through codes of conduct with suppliers.



Fluid dialogue with stakeholders is key to creating a long-lasting climate of trust across all the different countries and regions in which Duro Felguera operates.

The communication channels in place in 2020 for each stakeholder group are as follows:

Stakeholder group	Communication channel
Own employees	Suggestion box Intranet Human Resources Department E-mail
Subcontractors and suppliers	Quality surveys Regular presentations Direct contact via telephone and e-mail Site visits (until March 2020) Tours and inspections carried out by DF
Customers	Regular meetings and talks Workshops and conferences Polls Corporate website
Shareholders and investors	Investor Relations Department: online and/or telephone contact Contact form on the corporate website
Civil society and local communities	Corporate website Annual report The media Social media (LinkedIn and Twitter) Communication with local organisations Business associations Public and private bodies
The media	Corporate website Annual Report The media Local organisations Business associations Public and private bodies
Government bodies and competent authorities	Institutional relations Statutory announcements

Materiality analysis

A materiality analysis identifies the most relevant issues for companies and their stakeholders. Based on the result of the analysis, the priorities for action and the information to be presented in the report can be established.

The 2020 materiality analysis was carried out at Duro Felguera over[4] the following phases:

Identification

During the external analysis, we analyse reports from our main competitors, along with news and content published by the press and media, requirements of the main customers in this realm, information from the main analysts on sustainability, emerging trends and regulations on sustainability, and the requirements laid down in non-financial reporting regulations.

[4] DF's materiality analysis considers the dual concept of materiality, meaning the impact of both financial and non-financial issues on the Company.

When conducting the internal analysis, we analyse in-house sources such as the Viability Plan, the inventory of corporate risks indicated in section 4.2 of this document, the vision and values of Duro Felguera, the Code of Conduct, the main policies, internal rules and handbooks approved by the Group, as well as interviews with the main people in charge of the different departments and areas of Duro Felguera.

The materiality analysis at Duro Felguera is carried out and updated every year, although it is also based on a time horizon aligned with the Strategic Plan (2020-2025), in that it is one of the sources used for our internal analysis, as just mentioned in the preceding paragraph.

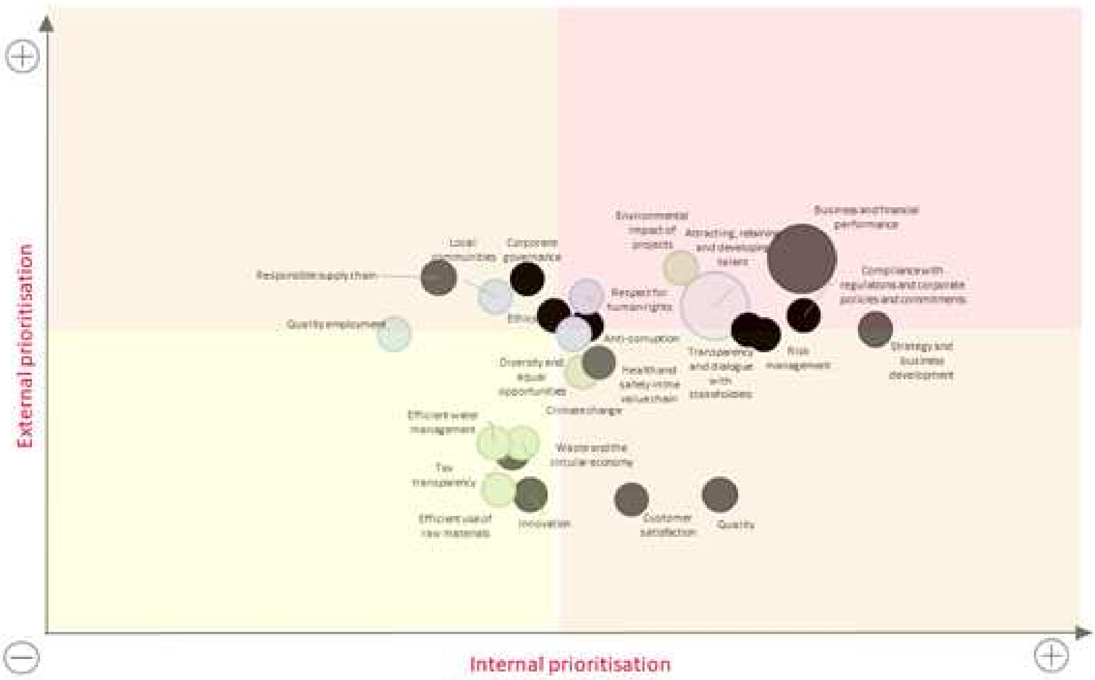
Priorities

As a result of this analysis, **27 key topics** were selected for assessment. Sources of information were weighted according to their importance for the Company and its stakeholders.

Validation

Our choice of priorities was validated internally by the Corporate Social Responsibility Area of Duro Felguera, which examined material topics and their weight in relation to the Group's goals.

The Materiality Matrix was ultimately generated according to the two axes of materiality, based on both external and internal prioritisation:



Material topics

Our analysis showed that the following 27 topics are material:

Good governance

- Corporate governance
- Relations with shareholders and investors
- Risk management
- Ethics
- Compliance with regulations and corporate policies and commitments
- Anti-corruption
- Transparency and dialogue with stakeholders

Economic dimension

- Business and financial performance
- Tax transparency
- Strategy and business development
- Quality
- Customer satisfaction
- Digitisation and information security
- Responsible supply chain
- Innovation

Environmental dimension

- Environmental impact of projects
- Waste and the circular economy
- Efficient water management
- Efficient use of raw materials
- Climate change

Social dimension

- Respect for human rights
- Health and safety in the value chain
- Quality employment
- Company-employee relations
- Attracting, retaining and developing talent
- Local communities
- Diversity and equal opportunities

Contribution to the Sustainable Development Goals

Duro Felguera has reaffirmed its commitment by embracing the 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs). These commitments were considered in the identification phase of the materiality analysis.

The main SDGs to be implemented and Duro Felguera's contribution to their achievement are:

SDG	Goal	Material topic	Duro Felguera approach
3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well-being for all at all ages	Health and safety throughout the value chain	Firm commitment to employee and external partner health and safety, underscored by the creation in 2020 of the COVID-19 Monitoring Committee and the implementation of the COVID-19 Contingency Plan for handling the pandemic OHSAS 18001:2007 certification for all business lines and, and internal audits and V-Safe certification for management of COVID-19 measures Work-life balance and time management
4 QUALITY EDUCATION	Promote lifelong learning opportunities	Company-employee relations Quality employment Talent attraction, retention and development Diversity and equal opportunities	Commitment to employee training by promoting and facilitating on-line training throughout 2020 Agreements with universities and vocational training centres to offer interships to students In-house internship programme for daughters of women employees
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all	Corporate governance Ethics Compliance with regulations and corporate policies and commitments Anti-corruption Transparency Respect for human rights	Through the Code of Conduct, which sets out the principles of corporate conduct that must guide the behaviour and steer the decision-making of those who form part of Duro Felguera Through implementation and update of policies and procedures, focused on the Anti-Corruption Policy (in the process of being approved), the Standard on the Reporting of Incidents and Internal Investigations, the Standard on Third Party Due Diligence, the Corporate Social Responsibility Policy, the Risk Control and Management Policy, the NIG.03 Project Risk Control and Management, and the protocol for action against sexual and/or moral harassment. Having a whistleblower channel that allows any of us to report our suspicions of any irregular behaviour or conduct that might violate the Code of Conduct

Aside from these, which are the objectives, goals and actions currently being carried out, the 2020-2025 Strategic Plan enshrines Duro Felguera's future commitment to the 2030 Agenda as it pursues the following priority SDGs:

SDG	Goal	Material topic	Duro Felguera approach
7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy for all	Strategy and business development Environmental impact of projects	Through a firm commitment to renewable energy with the creation and launch of the DF Green Tech subsidiary Contributing to the decarbonisation of the economy
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Promote sustainable industrialization	Innovation Digitalisation and information security Quality	Positioning ourselves in the renewables sector by manufacturing products, carrying out projects and providing services that ensure sustainability Reinforcing our commitment to innovation and technological progress as key components for developing lasting solutions that meet economic and environmental challenges
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns	Waste and the circular economy Responsible supply chain	Developing and applying circular economy criteria throughout the project life cycle Improving the product life cycle approach Working towards achieving the 'zero waste to landfill' goal
13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts	Climate change Efficient water use Efficient raw materials use	Studying energy efficiency improvements through audits and implementing management systems according to the ISO 50001 standard Obtaining ISO TS-14072 certification for our environmental footprint Encouraging the selection of local suppliers and circular procurement Promoting employee awareness-raising initiatives

5.2 Talent management

Duro Felguera's commitment to employees is set out in the CSR Policy, which establishes guidelines for the relationship:

» Prohibition on discrimination

» Respect for the freedom of association and collective bargaining

» Support and commitment in the implementation of public policies that promote equality of opportunity and merit-based corporate culture

» Recruiting and promoting professionals based on merit and ability.

Similarly, the Code of Conduct establishes respect for the fundamental rights and freedoms of Duro Felguera employees through the following pillars:

- **Work-life balance**: policies that support a balance between professional and personal life to enable our people to achieve integral fulfilment.
- **Equal opportunities**: promote the professional and personal development of all our employees on an equal footing.

- **Non-discrimination:** Duro Felguera employees must treat each other with respect, adopting cordial relations and a pleasant, healthy and safe working environment. The Group does not accept discrimination in the workplace and rejects harassment or any other conduct that may generate an environment that intimidates people or offends against their rights.
- **Training:** All employees must actively take part in the training plans that Duro Felguera makes available, become invested in their own development and commit to keeping the necessary knowledge and skills up to date in order to develop professionally and generate value for customers, the Company's shareholders and society at large.

People management at Duro Felguera drives orderly and solid growth by getting the best out of the talent and commitment of our professionals. We work hard to provide the right terms and remuneration and attractive career opportunities in a supportive and straightforward way so that our employees can achieve our business goals.

Duro Felguera is also working to design and implement people management systems that will enable modern, agile and flexible people management to encourage and hone talent. The Company's Human Resources Department frames people management policies and systems that are harmonious with the Company's strategy.

2020 Furlough Scheme (*Expediente de Regulación de Empleo*, ERTE)

On 14 April 2020, an agreement was reached with the Workers' Legal Representatives to apply a furlough scheme based on productive grounds in the wake of the COVID-19 pandemic. This contract suspension process was applied to most of the Group's workers, though excluding the subsidiaries Duro Felguera Calderería Pesada, EPICOM and Felguera Tecnologías de la Información.

This measure potentially affected a total of 672 workers, but at the same time it could be applied to 464 workers. While the measure ran from 14 April through to 20 October, no worker could be placed on furlough for longer than five months.

Subsequently, due to the ongoing pandemic situation, a fresh round of talks was held with the workers' legal representatives to negotiate a new furlough scheme beginning in December (see section 6 – Events after the reporting period).

The Management Committee and management team also accepted a 20% monthly salary reduction over the duration of the furlough scheme.

Workforce distribution at year-end

At year-end 2020, Duro Felguera had a team comprising 1,109 employees (1,321 employees in 2019) Group-wide, with average length of service of 9.80 years (8.30 years in 2019).

187 women

922 men

Employees by gender	2020	2019	Change (%) 2020 - 2019 to Total
Men	922	1,115	-17.31%
Women	187	206	-9.22%
TOTAL	**1,109**	**1,321**	**-16.05%**

Employees by age	2020	2019	Change (%) 2020 - 2019 to total
Employees < 30 years-old	31	74	-58.11%
Employees 30-50 years-old	706	873	-19.13%
Employees > 50 years-old	372	374	-0.53%
TOTAL	**1,109**	**1,321**	**-16.05%**

Employees by job category	2020	2019	Change (%) 2020 - 2019 to total
Senior managers	6	9	-33.33%
Managers	16	19	-15.79%
Middle Managers	119	152	-22.37%
Qualified staff	472	577	-18.02%
Support positions	69	76	-9.21%
Operators	427	488	-12.50%
TOTAL	**1,109**	**1,321**	**-16.05%**

Employees by country	2020	2019	Dev % 2020-2019 vs. total
Algeria	34	85	-60.00%
Argentina	0	2	-100.00%
Australia	0	1	-100.00%
Belgium	0	2	-100.00%
Belarus	9	10	-10.00%
Brazil	2	2	0.00%
Chile	1	1	0.00%
Colombia	3	3	0.00%
Costa Rica	1	3	-66.67%
Dubai	4	23	-82.61%
Spain	1,034	1,165	-11.24%
India	5	7	-28.57%
Mexico	8	7	14.29%
Peru	4	7	-42.86%
Roumania	4	3	33.33%
TOTAL	**1,109**	**1,321**	**16.05%**

This figure is down 16.05% in absolute terms on the 2019 headcount, due to the COVID-19 pandemic, which continues to take its toll on the global economy. Notably, there was a reduction in staff under 30 years of age (58% less than at the end of 2019), mainly due to the termination or stoppage of projects in the wake of COVID-19. The decline was particularly noticeable in international projects, where there was a significant proportion of employees under the age of 30.

Workforce distribution by region and gender

Geographical diversity is hugely important to Duro Felguera due to its international presence. The Human Resources Department promotes and supports the International Mobility Service for employees hired in Spain and personnel from third countries.

The service facilitates the expatriation and return home of employees and takes care of the relevant formalities and related terms and conditions for international relocations by Duro Felguera personnel.

2020

Region[5]	Mujeres	Hombres	Total
Africa	1	33	34
Americas	6	13	19
Asia	2	7	9
Spain	168	866	1.034
Rest of Europe	10	3	13
TOTAL	**187**	**922**	**1,109**

2019

Region[6]	Women	Men	Total
Africa	10	75	85
Americas	8	17	25
Asia	5	25	30
Spain	174	991	1,165
Oceania	0	1	1
Rest of Europe	9	6	15
TOTAL	**206**	**1,115**	**1,321**

[5] All tables that mention geographical regions in relation to 2020 include the following countries:
Africa means Algeria
America means Argentina, Brazil, Chile, Colombia, Costa Rica, Peru and Mexico
Asia means Dubai and India.
Rest of Europe: Belgium, Belarus and Romania

[6] All tables that mention geographical regions in relation to 2019 include the following countries:
Africa means Algeria
America means Argentina, Brazil, Chile, Colombia, Costa Rica, Peru, Venezuela and Mexico.
Asia means Dubai and India.
Oceania means Australia and Indonesia
Rest of Europe: Belgium, Belarus and Romania

Workforce distribution by category and age

At the end of 2020 and 2019, the distribution by category and age of the total workforce of Duro Felguera was as follows:

2020

	Employees < 30 years-old		Employees 30-50 years-old		Employees > 50 years-old	
Category	Women	Men	Women	Men	Women	Men
Senior Management	-	-	0.72%	0.35%	0.00%	0.91%
Managers	-	-	1.44%	0.53%	7.32%	2.42%
Middle Managers	-	-	10.07%	9.70%	12.20%	13.60%
Qualified staff	71.43%	41.67%	68.35%	38.45%	43.90%	38.07%
Support positions	14.29%	20.83%	17.99%	3.00%	36.59%	1.81%
Operators	14.29%	37.50%	1.44%	47.97%	-	43.20%
TOTAL	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

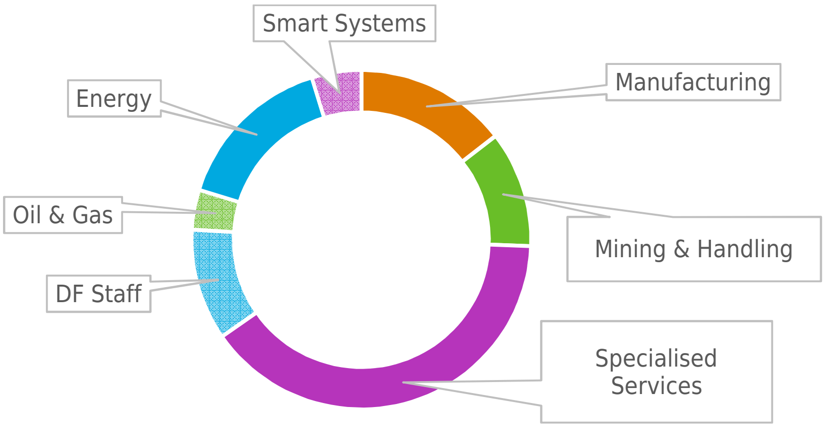
2019

	Employees < 30 years-old		Employees 30-50 years-old		Employees > 50 years-old	
Category	Women	Men	Women	Men	Women	Men
Senior Management	-	-	1.26%	0.42%	-	1.17%
Managers	-	-	1.89%	0.84%	6.25%	2.34%
Middle Managers	-	-	12.58%	10.50%	15.63%	15.20%
Qualified staff	66.67%	45.76%	66.67%	39.08%	34.38%	42.11%
Support positions	33.33%	11.86%	16.98%	2.38%	43.75%	1.75%
Operators	-	42.37%	0.63%	46.78%	-	37.43%
TOTAL	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

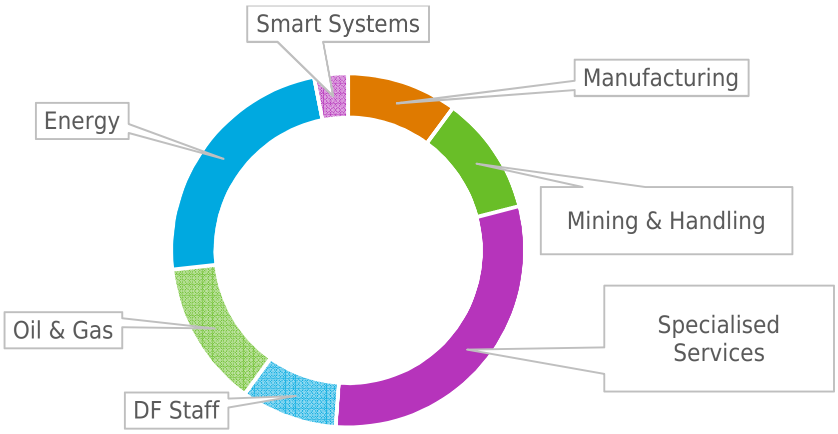
Average headcount by business

The average headcount[7] is distributed according to the needs of each business and related activities. The distribution was as follows in 2020 and 2019:

<u>2020</u>



<u>2019</u>



Annual average by contract type

As regards employment stability, notably 64% of our total staff —based on the average headcount— had permanent employment contracts in 2020, compared to 55% in 2019 (63% based on the average headcount in 2020 while the furlough was in effect).

The distribution of permanent and temporary contracts in 2020 and 2019 is shown below, based on average headcount. As can be seen, there has been a decline in the average number of employees (24%) due to the economic impact of the COVID-19 pandemic.

[7] The effect of the furlough scheme was taken into account when calculating the average headcount in 2020, i.e. the time actually worked during the year was counted for each employee, deducting the period not worked while on furlough.

2020 (without furlough effect[8])

	Employees < 30 years-old		Employees 30-50 years-old		Employees > 50 years-old	
Contract type	Women	Men	Women	Men	Women	Men
Permanent contract	0	6	118	348	41	242
Temporary contract	7	24	28	254	0	105
TOTAL	**7**	**30**	**146**	**602**	**41**	**347**

2020 (with furlough effect[9])

	Employees < 30 years-old		Employees 30-50 years-old		Employees > 50 years-old	
Contract type	Women	Men	Women	Men	Women	Men
Permanent contract	0	5	101	322	36	221
Temporary contract	6	24	26	244	0	98
TOTAL	**6**	**29**	**127**	**566**	**36**	**319**

2019[10]

	Employees < 30 years-old		Employees 30-50 years-old		Employees > 50 years-old	
Contract type	Women	Men	Women	Men	Women	Men
Permanent contract	4	10	138	419	33	240
Temporary contract	13	58	53	420	4	155
TOTAL	**17**	**68**	**191**	**839**	**37**	**395**

[8] To calculate the average headcount in 2020 without the furlough effect, we counted the time actually worked by the employee, whether or not he/she was placed on furlough at any time during the year.
[9] To calculate the average headcount in 2020 with the furlough effect, we counted the time actually worked by each employee during the year, ignoring the period not worked while on furlough.
[10] The 2019 non-financial statement did not provide information on the annual average by type of contract, but instead provided the same level of breakdown, but for the headcount as at 31 December 2019. In 2020, it was decided to include information on the annual average for 2019 for comparison purposes.

Annual average by contract type and by job category

2020 (without furlough effect[8])

Category	Permanent contract	Temporary contract	Total
Senior Management	8	0	8
Managers	19	0	19
Middle managers	120	11	131
Qualified staff	379	125	504
Support positions	51	20	71
Operators	178	262	440
TOTAL	**755**	**418**	**1,173**

2020 (with furlough effect[9])

Category	Permanent contract	Temporary contract	Total
Senior Management	8	0	8
Managers	19	0	19
Middle managers	115	11	125
Qualified staff	329	118	448
Support positions	42	19	61
Operators	172	250	422
TOTAL	**685**	**398**	**1,083**

2019[10]

Category	Permanent contract	Temporary contract	Total
Senior Management	8	0	8
Managers	23	0	23
Middle managers	150	27	177
Qualified staff	432	313	745
Support positions	50	45	95
Operators	181	318	499
TOTAL	**844**	**703**	**1,547**

Annual average by contract type and by geographical region

2020 (without furlough effect)

Region	Permanent contract	Temporary contract	Total 2020
Africa	0	38	38
Americas	13	9	22
Asia	4	14	18
Spain	738	343	1,081
Oceania	0	0	0
Rest of Europe	0	14	14
TOTAL	**755**	**418**	**1,173**

2020 (with furlough effect[9])

Region	Permanent contract	Temporary contract	Total 2020
Africa	0	38	38
Americas	13	9	22
Asia	4	14	18
Spain	668	323	991
Oceania	0	0	0
Rest of Europe	0	14	14
TOTAL	**685**	**398**	**1,083**

2019[10]

Region	Permanent contract	Temporary contract	Total 2020
Africa	0	99	99
Americas	32	62	94
Asia	14	26	40
Spain	797	497	1,294
Oceania	1	3	4
Rest of Europe	0	16	16
TOTAL	**844**	**703**	**1,547**

Average number of new contracts

Information on the average number of new contracts in 2020 and 2019 is presented below[11]:

2020

Average number of new contracts (2020)

Gender						
Permanent contract		Temporary contract		Part-time contract		TOTAL
Men	Women	Men	Women	Men	Women	
8	2	142	4	0	0	156

Contract type	Age						TOTAL
	Employees < 30 years-old		Employees 30-50 years-old		Employees > 50 years-old		
	Women	Men	Women	Men	Women	Men	
Permanent	0	1	2	4	0	3	10
Temporary	2	12	2	89	0	41	146
Part-time							0
TOTAL	2	13	4	93	0	44	156

Category				
	Permanent contract	Temporary contract	Part-time contract	Total
Senior Management	1	0	0	1
Managers	0	0	0	0
Middle managers	3	1	0	4
Qualified staff	4	16	0	20
Support positions	1	3	0	4
Operators	1	126	0	127
TOTAL	10	146	0	156

[11] New contracts in 2020 and 2019 were largely temporary and associated with the performance of specific projects.

2019

Average number of new contracts (2019)

Gender						
Permanent contract		Temporary contract		Part-time contract		TOTAL
Men	Women	Men	Women	Men	Women	
115	28	293	18	1	0	454

Contract type	Employees < 30 years-old		Employees 30-50 years-old		Employees > 50 years-old		TOTAL
	Women	Men	Women	Men	Women	Men	
Permanent	1	4	27	72	0	39	143
Temporary	3	23	14	195	1	75	311
Part-time	0	1	0	0	0	0	1
TOTAL	4	28	41	266	1	114	454

Category	Permanent contract	Temporary contract	Part-time contract	Total
Senior Management	3	0	0	3
Managers	5	0	0	5
Middle managers	36	5	0	41
Qualified staff	85	119	0	205
Support positions	4	9	1	14
Operators	9	178	0	187
TOTAL	142	311	1	454

Remuneration policy

The Company's remuneration policy is consistent with applicable collective bargaining agreements. However, an annual wage review may be carried out for those employees whose remuneration is agreed on an individual basis.

The fixed remuneration of permanent and temporary employees was counted in order to calculate average remuneration, given that there was no variable remuneration in the last year. This average remuneration figure was based on the Company's average headcount in 2020 and 2019, taking into account the effects of the approved furlough scheme, which affected the workforce in 2020 as described in the section titled "2020 Furlough Scheme (*Expediente de Regulación de Empleo*, ERTE)" and also excluding such effect.

Without furlough effect[12]

	Women	Men
Average remuneration in 2020	€33,561.55	€38,325.62
Average remuneration in 2019[13]	€33,052.03	€35,966.67
Chg. 2020/2019 (%)	1.54%	6.56%

[12] To calculate the average remuneration for 2020 without the furlough effect, the basis was the headcount at year-end without counting Senior Management personnel and without disregarding the period in which each employee was placed on furlough. In other words, the calculation was based on the annualised salary of each employee. This same criterion was used to calculate the figure for 2019.

[13] The average remuneration tables contained in the 2019 non-financial statement included information on Senior Management. However, for ease of understanding, the tables provided in the 2020 and 2019 statements do not provide information on the remuneration of Senior Management personnel, as this information is disclosed separately under section 2.2 – Corporate Governance: Remuneration.

With furlough effect[14]

	Women	Men
Average remuneration in 2020	€26,683.90	€27,779.67
Average remuneration in 2019	€24,472.82	€26,118.71
Chg. 2020/2019 (%)	9.03%	6.36%

The wage deviation is due to the departure of some 48% of local employees at the end of the year.

The pay gap at the Company is 12.43% without the furlough effect[8] (8.10% in 2019) and 3.94% with the furlough effect[10] (6.30% in 2019). In calculating the pay gap, the average remuneration (average headcount) of women was subtracted from that of men, and then divided by the average remuneration payable to men (average headcount).

The resulting pay difference is a product of two key factors traditionally present within the industry in which Duro Felguera operates. First, there is a higher average length of service of men compared to women due to the Company's historical gender composition. Secondly, the industry typically features a greater presence of men on the shop floor, which has the effect of widening the pay gap.

Without the furlough effect[12]

	Employees < 30 years-old	Employees 30-50 years-old	Employees > 50 years-old
Average remuneration in 2020	€21,174.74	€34,526.62	€43,993.12
Average remuneration in 2019[13]	€20,375.64	€34,501.43	€40,915.25
Chg. 2020/2019 (%)	3.92%	0.07%	7.52%

With the furlough effect[14]

	Employees < 30 years-old	Employees 30-50 years-old	Employees > 50 years-old
Average remuneration in 2020	€10,746.95	€26,086.50	€32,267.69
Average remuneration in 2019	€8,745.33	€24,687.77	€32,048.08
Chg. 2020/2019 (%)	22.89%	5.67%	0.69 %

The deviation in the average remuneration of the "under 30 years-old" group is due to the decline in the number of local employees assigned to international projects.

The calculation is based on average staff salaries for the years 2019 and 2020.

Without the furlough effect[12]

[14] When calculating average remuneration for 2020 with the furlough effect, we counted the remuneration effectively accrued during the year for each employee, deducting the period not worked while the worker was on furlough. The calculation was also based on the average headcount for the year, whether or not the employees remained in the Company's employ at 31.12.2020. This same criterion was used to calculate the figure for 2019.

	Managers	Middle Managers	Qualified staff	Support positions	Operators
Average remuneration in 2020	€84,575.68	€60,944.49	€37,063.16	€23,947.05	€28,945.49
Average remuneration in 2019[13]	€110,199.97	€62,253.75	€35,479.69	€22,435.24	€26,353.39

With the furlough effect[14]

	Managers	Middle Managers	Qualified staff	Support positions	Operators
Average remuneration in 2020	€83,815.06	€50,864.67	€27,998.46	€17,657.17	€19,203.17
Average remuneration in 2019	99,039.52	€49,035.61	€24,675.52	€14,044.28	€18,290.56

Distribution of dismissals by gender, age and job category

The following tables show the number of dismissals that took place within the Group in 2020 and 2019, broken down by gender, age and job category, including employee churn. It includes dismissals on both disciplinary and objective grounds. Note that in 2020 the average churn at Group companies with registered offices in Spain was 5.83%, compared to 15.06% in the previous year.

2020

	Women	Men	Total 2020
Number of dismissals	1	14	15
Voluntary turnover	4.68%	6.04%	5.83%

2019

	Women	Men	Total
Number of dismissals	4	15	19
Voluntary turnover	18.93%	14.35%	15.06%

	Employees < 30 years-old	Employees 30-50 years-old	Employees > 50 years-old
Voluntary turnover – 2020	11.55%	7.65%	2.13%
Voluntary turnover – 2019	21.62%	17.64%	7.75%

	Employees < 30 years-old	Employees 30-50 years-old	Employees > 50 years-old	TOTAL
Number of dismissals 2020	0	6	9	15
Number of dismissals 2019	0	11	8	19
Dev % 20-19 vs. total	0.00%	-45.45 %	12.50%	-21.05%

Job category	2020	2019
Senior Management	3	2
Management	5	1
Middle Management	2	5
Qualified Staff	5	6
Support positions	0	3
Operators	0	2
TOTAL	**15**	**19**

Response to COVID-19

In the wake of the health pandemic, a COVID-19 Monitoring Committee was set up at Duro Felguera, comprising members of management from different departments and workers' legal representatives. This committee kept close track of the COVID-19 pandemic and weighed up the different measures to be undertaken.

The committee implemented a raft of organisational measures beginning in March with the overriding aim of protecting the health and safety of employees. As a result, almost all workers were already working remotely at the time the state of alarm was declared in Spain on 14 March, with the exception of those employees who were unable to work remotely due to the particular nature of their job. These employees then began to work with strict safety measures in place, with their health and safety coming first and foremost.

There followed a gradual return of certain workers to on-site duties as and when the health situation in the country allowed for this and various organisational measures were put in place to facilitate this return to work. These steps included a restructuring of working hours. For instance, central office personnel began to work shorter, six-hour days with no lunch break; work stations were reorganised to ensure that minimum safety distances were observed; all COVID-19 information was made available to workers by different means; a special office was set up to manage and resolve problems raised by workers (INFOCOVID); and the MECUIDA Plan for workers was prioritised.

Subsequently, various important organisational decisions were taken as the pandemic played out and based on the recommendations of the DF COVID-19 Monitoring Committee. Teleworking was therefore combined with face-to-face work, though always prioritising the health and safety of workers.

Communication with employees

Duro Felguera views its workers as key agents in carrying on its activities. Therefore, the companies Duro Felguera, S.A., DF Operaciones y Montajes, S.A.U., Duro Felguera Calderería Pesada, S.A.U. and Felguera Tecnologías de la Información, S.A. have workers' legal representatives (WLRs) and hold meetings at least once a quarter to share information on the general state of the industry in which the company operates, its financial position, the recent and probable outlook for its business, production and sales figures, the Company's forecasts regarding new contracts, statistics on accidents at work, and so forth. In other words, the meetings are held to provide all information considered relevant for the Duro Felguera team. Further meetings may also be held at the request of the Company or the workers to discuss any specific issues that may arise.

To keep employees fully up to date with all the latest news and events, an internal communication project known as DF In Company was implemented in 2020. Regular emails are sent out to all employees to provide relevant information about the Company, as well as general operational information. This tool has proven its worth in rapidly relaying transparent information on various aspects to all employees, including the ongoing COVID-19 pandemic. It has proved hugely popular among all Company employees.

Talent management at Duro Felguera

Duro Felguera is firmly committed to nurturing the talent of the employees who are instrumental to the Company's growth and internationalisation. This takes the form of various integrated talent management systems to engage, attract, train and enable the professional development of all people within our organisation.

Loyalty and talent attraction

Duro Felguera's internal recruitment procedure is an excellent tool with which to foster loyalty and nurture talent across the organisation. It gives the Company and its employees the opportunity to harness the experience and knowledge of our professionals in other areas or positions within the Company at which they may like to continue their professional development. The Human Resources Department regularly publishes a list of vacancies that the Company is looking to fill internally. Employees who believe that they possess the training and qualities required for the position and who wish to pursue other career opportunities may then apply for the opening.

As for the external recruitment procedure, Duro Felguera is committed to attracting new professionals through its presence on social networks, mainly LinkedIn, and by posting job openings on its own website under the specific "Work with us" section. This makes us extremely effective in attracting new highly qualified talent with international experience to join our team, mainly in relation to international and technological projects.

Professional training and development

One of the main objectives of the Human Resources Department is to plan the training and career development of our people to aid the achievement of our business goals.

For more than 25 years, Duro Felguera has been committed to training its workers and relying on government aid for employee training. In-house training is carried out through the FORMA-T tool, which allows us to control and monitor three key phases of the training process, namely implementation, certification and assessment of training effectiveness.

Duro Felguera runs annual training plans that are agreed upon with management and look to the needs of the workforce at each Group company. In 2020, a total of 4,298 training hours were delivered to 240 employees, giving an average training time of 3.88 hours/employee (7.5 hours/employee in 2019).

In 2020, more than 16,079 hours of talks in occupational health and safety were given at different locations and worksites, mainly for shop floor personnel.

2020

Post hierarchy	No. of employees trained		Training hours	
	MEN	WOMEN	MEN	WOMEN
Managers	2	-	108	-
Middle Managers	9	2	438	63
Operators	174	-	2,706	-
Qualified staff	43	10	756	229
TOTAL 2020	**228**	**12**	**4,008**	**292**

2019

Post hierarchy	No. of employees trained		Training hours	
	MEN	WOMEN	MEN	WOMEN
Managers	8	3	119	32
Middle Managers	76	26	1,200	354
Operators	48	-	836	-
Support positions	11	28	123	248
Qualified staff	229	76	5,454	1,541
TOTAL 2019	**372**	**133**	**7,732**	**2,175**

Special mention should be made of the shift away from face-to-face training in 2020 amid the COVID-19 pandemic. The declaration of the state of alarm included specific measures effectively suspending face-to-face activity in the realm of vocational training and education, although it did allow educational activities to continue through e-learning and virtual classrooms. This, plus the impact of the furlough scheme, were the main reasons for the reduction in the number of training hours in 2020 compared to the previous year.

Further highlights included an increase in the number of shop floor workers trained and the number of hours of training delivered to this segment compared to the previous year, bearing in mind that this is a priority segment under national employment training programmes. This increase came about because during the lockdown period additional free e-learning training was made available to the Company by the mutual labour insurance company with which the Group works, so that site personnel could receive training in the realm of occupational risk prevention. Thus, Duro Felguera has been able to provide additional prevention training for this segment, while at the same time generating an effective return on training costs. The reduction in the number of women trained and the decrease in the number of training hours delivered to this group can be explained by two factors. The first of these is because additional training was provided to women in the previous year, when a total of 133 women were trained, thus reducing the need for training in 2020. The second reason is the number of women in the workforce in 2020, totalling 187, with 6.41% of this segment having received training in 2020.

In-house internship programme for daughters of women employees

In 2020, Duro Felguera launched its in-house internship programme whereby the daughters of female employees can get to work at the Company. The programme is aimed at both university and vocational training students in their final year of studies who need to complete an internship or final degree project in order to finish the degree they are pursuing.

This programme was hugely important in a year with extremely limited work placement options due to the COVID-19 pandemic. The Company's aim with this initiative is to allow access to this valuable training to at least the daughters of its women employees, so that they can complete their formal training.

Work-life balance and time management

The Company complies with legal requirements regarding paternity and maternity leave. Duro Felguera also has an agreement in place governing flexible working hours, through which it also provides its employees with telecommute equipment and facilities. Everyone is able to adapt their working day to their needs through flexible entry, meal and exit times.

Almost all of Duro Felguera's employees are subject to collective bargaining agreements (93.2%)[15], with the exception of those employees who qualify as Senior Management and local workers hired in foreign countries, who are subject to local legislation.

The majority of the Group's employees are covered by the collective bargaining agreement for the metal industry of the Principality of Asturias. However, there are other subsidiaries with different collective agreements in effect: for example, Duro Felguera Calderería Pesada has its own company agreement which is currently under negotiation for renewal; DF Mompresa is covered by the collective agreement for assembly and auxiliary companies in the Principality of Asturias; and Felguera Tecnología de la Información is covered by the collective agreement for offices and firms of the Principality of Asturias. Elsewhere, local staff hired in Brazil and Romania are subject to collective bargaining agreements, while other local staff hired in foreign countries are subject to the local legislation in force. Minimum legal employment conditions in relation to working hours, pay and organisation are at least matched and often improved upon.

[15] As almost all employees are covered by collective bargaining agreements (93.2%), a breakdown of the percentage of those not covered by collective bargaining agreements by country is not considered a material disclosure for the Group.

The annual working hours for most Group employees are therefore as set out in the applicable collective agreement (metal industry of the Principality of Asturias), specifically 1,736 hours. As mentioned above, some employees work different hours (although very close to the above figure), because they are attached to subsidiaries subject to a different collective agreement.

Working hours are set at 8.75 h/day including a lunch break, except in the months of July and August and on working Fridays all year round, when there is a continuous workday of 6 h/day with no break.

During workdays with a lunch break, working hours are flexible, with entry permitted between 08:00 and 09:00, lunch between 13:30 and 15:30 and departure from 17:30 onward once all hours have been effectively worked. This flexible system of entering and leaving work also applies to days of uninterrupted work with no break, with entry permitted between 08:00 and 09:00 and exit between 14:00 and 15:00. The Company has also agreed with the workers' legal representatives to establish a flexible working week, enabling employees to create a healthier work-life balance by splitting their total weekly hours into a different daily distribution to that indicated in the work calendar.

Duro Felguera closely monitors all cases of absenteeism at the Company. Total absenteeism in 2020 came to 129,352[16] hours, compared to 107,056 hours in 2019. The increase in absence hours is largely due to the effect of COVID-19. Absenteeism comprises all absences from work on working days, no matter the cause, excluding holiday leave and public holidays, and rest days granted to ensure that total annual working hours are not breached. To calculate these hours, the figure has been multiplied by eight.

Finally, as regards the minimum period of notice for operational changes, Duro Felguera complies with the terms under the applicable legislation.

Diversity and equal opportunities

Duro Felguera views diversity as an opportunity to identify, develop and promote talent. Diversity is thus a key element in the CSR Policy and the Code of Conduct. Women account for 16.86% of Duro Felguera. This is due to the context of the sector, which leans towards a higher male presence. Duro Felguera promotes gender diversity by hiring more women, and the system of recruitment and promotion is based on meritocracy.

This is a key lever in the promotion of diversity since, with all workers under the same regulation, it is not possible to differentiate by gender.

In line with the foregoing, the Company has an Equality Plan which is currently being renewed. On 29 November 2019, the Equality Committee was formally set up as the body entrusted with drawing up the Equality Plan. The committee comprises members of the Works Committee and representatives of the Company. The Equality Committee met on various occasions in 2020 to complete this renewal process, although the global pandemic has certainly hindered the achievement of this goal.

Turning to the workforce representation of employees with disabilities, there were seven such individuals at Duro Felguera S.A. at the end of 2020, compared to six the previous

[16] Absenteeism hours are tracked and measured at all companies located in Spain. The calculation excludes hours of absenteeism hours resulting from the COVID-19 lockdowns.

year. Meanwhile, DF Calderería Pesada, with a workforce of 158 employees, is in the process of obtaining a certificate exempting itself from the requirement to recruit a minimum number of workers with disabilities.

The office building at the Gijón Science and Technology Park is compliant with applicable law governing the universal accessibility of facilities. It now features, among other improvements, lifts for staff with reduced mobility, special bathroom facilities and parking bays reserved for disabled individuals.

Non-discrimination

Duro Felguera has a protocol for action against sexual and/or moral harassment, which was updated in May 2017. This protocol includes the principles of non-discrimination on grounds of gender enshrined in Article 32 of the Collective Bargaining Agreement for the Metal Industries of the Principality of Asturias. This protocol was drafted in partnership with employee representatives.

There are two ways for an employee to report such cases:

- An "ethics" or whistleblower channel through which they can report known or suspected incidents.
- Communications to the Human Resources Department, either through the Human Resources Department of each entity or directly through Management. There is also the possibility of reporting to an employee representative who will notify the Human Resources Department.

5.3 Health and safety[17]

Much like the rest of the organisation, H&S management at Duro Felguera has not been immune to the impact of the pandemic. Because of the health ramifications of the disease, the means and resources of this department have been brought to bear in coordinating the other areas and departments involved in managing the pandemic, across all levels of the organisation.

The damage the pandemic would cause to the organisation was evident from the outset, and prompt action was taken. The COVID-19 Monitoring Committee was rapidly set in early March to support and provide advice to Management. It comprises representatives from all the corporate divisions and features the involvement of employees through their legal representatives.

This COVID-19 Monitoring Committee rolled out a raft of general actions and measures through the COVID-19 Contingency Plan, specific action plans for construction sites, centres and projects, guidelines to ensure the proper monitoring of infections and contacts, as well as guidelines for international travel and postings.

[17] All reported information is consistent with Directive 89/391/EEC on the introduction of measures to encourage improvements in the safety and health of worker at work. ESAW: EUROPEAN STATISTICS ON ACCIDENTS AT WORK This criterion does not include: accidents going to or from work, relapses, or accidents involving leave of absence that lasts less than three days.

The guidelines contained in these documents were automatically relayed to all Duro Felguera centres and projects, leading to major changes in how the work is organised, sometimes directly and other times in coordination with the customers concerned. Every attempt was made to honour Duro Felguera's existing commitments with its customers.

However, the Group has always placed the health of its employees and partners above all else. Major efforts have been made to procure means of protection, especially at the start of the pandemic, when demand for such equipment increased exponentially, making it impossible to obtain the equipment via the Group's usual procurement routes and there was zero availability through the market.

Duro Felguera has stepped up and extended agreements with entities specialised in occupational medicine, carrying out, when necessary, screening and additional testing in order to track, at all times, the extent of the pandemic within the workforce. Medical studies have been carried out on all workers with previous pathologies to determine their degree of vulnerability to the virus. Meanwhile, the members of the COVID-19 Monitoring Committee have been coordinating matters closely with the public health services to monitor cases.

Duro Felguera is pleased to report that its management of the pandemic merited third-party recognition in October 2020, when TÜV Austria awarded the Group the V-Safe Certification.

Also in 2020, Duro Felguera started to draw up its Occupational Health and Safety Policy, which is expected to be approved in early 2021 and which will be available to interested parties on the corporate website and via the Intranet.

Despite this hostile environment, and in relation to specific and concrete health and safety issues, Duro Felguera has managed to maintain OHSAS 18001:2007 assurance for all of its business lines[18] and it has continued to conduct internal audits for the projects envisioned in its plan for the year (Iernut and Jebel Alí, among others). Given the current situation, it has been decided to postpone the process of migrating the system to ISO 45001:2018 until 2021.

In 2020 and 2019, there were no work-related accidents with fatalities in any location or country.

[18] With the exception of DF Oil & Gas.

Figures on the accident rate in 2020 and 2019 are as follows:

	Own employees	
	2020	2019
Accidents involving absence from work[19]	31	32
Frequency[20]	14.70	11.33
Severity[21]	0.78	0.83
Occupational diseases[22]	3	4

Duro Felguera has found that the accident frequency rate among subcontracted personnel is 1.25[23] (2019: 1.83).

Compared to 2019, the number of accidents with medical leave during the period decreased by one, although the number of hours worked was also down, mainly due to the furlough scheme agreed as a result of the COVID-19 pandemic, meaning the frequency rate (ratio of accidents to hours worked) was slightly up. The severity rate (ratio of days lost due to accidents to total hours worked) was down during the period, meaning the accidents were less serious than those that occurred in 2019.

All information relating to health and safety has been made available to the workers' representatives through the competent Health and Safety Committees. There are currently three Health and Safety Committees set up at companies belonging to Duro Felguera: Duro Felguera Operaciones y Montajes (4 ordinary meetings), Duro Felguera Calderería Pesada, S.A. (5 ordinary meetings and 4 extraordinary meetings relating to COVID-19) and Duro Felguera, S.A. (2 ordinary meetings).

On the subject of industrial hygiene, 32 actions were carried out during the period at the different units and centres of Duro Felguera, on a representative population of 78 employees and supported by 116 analyses. In addition, a total of 21 non-employee environmental samples were taken to complement the direct measurements and provide the necessary inputs for an overall evaluation of the working environments.

During the pandemic, a total of 1,180 health examinations have been carried out under the preventive protocols in place. These health screenings have been complemented, when required, by a further 60 specific analytical tests and 53 diagnostic tests.

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[19] 31 accidents affecting national personnel (2019: 31 accidents affecting national personnel). All the victims were men in both 2020 and 2019.
[20] National personnel in 2020: 30 accidents in Spain, 1 accident in Belgium.
National personnel in 2019: 28 accidents in Spain, 2 accidents in Belgium and 1 accident in Algeria. Local personnel in 2019: 1 person in Argentina.
[21] Frequency rate: Number of accidents with leave occurring during working hours per million hours worked. The 2020 figure takes into account the reduction in hours resulting from the furlough scheme (ERTE).
[22] Severity rate: Number of days lost per thousand hours worked. The 2020 figure takes into account the reduction in hours resulting from the furlough scheme (ERTE).
[23] All occupational diseases involving medical leave in 2020 and 2019 occurred in men and in Spain.

Score in 2020: 3 accidents / 2,390,405 hours worked x 1,000,000
Score in 2019: 12 accidents / 6,567,381 hours worked x 1,000,000

Within the specific context of COVID-19, 74 close contact studies, 51 COVID-19 vulnerability assessment reports, and 410 tests and trials to detect COVID-19 have been carried out.

5.4 The environment

Duro Felguera's business activities impact the environment. The Company therefore works to minimise the environmental impact of its projects by making environmental concerns an integral part of its business strategy and management.

As a global company, Duro Felguera carries out different types of processes, from managing EPC projects and providing a range of services to manufacturing capital goods at its DF Calderería Pesada workshop, not to mention the engineering work that goes on at its central offices.

All the environmental risks associated with these activities are controlled through the existence of a certified Environmental Management System and are identified and assessed for each of the projects in which the Group is involved. Due to the suspension and/or cancellation of key projects in progress in 2020 amid COVID-19, the environmental risks and the impact of the Group's activity on such risks were not considered significant.

Environmental aspects and their associated impacts are suitably appraised in order to ensure proper operational control of the different activities involved in any given project. The most recurrent aspects that are taken into account when attempting to minimise the environmental impact on the surrounding area are as follows:

Activity	Aspect	Impact	Action
Handling of chemical products when performing work units.	Emissions of gases and vapours into the atmosphere. Spills affecting soil/water. Generation of hazardous and non-hazardous waste.	Alteration of air quality. Alteration of soil quality/watercourses.	Ensuring that containers remain closed and are properly stored and seeing to it that they are properly managed upon reaching the end of their useful life.
Environmental accidents.	Spills affecting soil/water. Emission of combustion gases. Emission of fire extinguishing gases.	Alteration of soil quality/watercourses. Alteration of air quality.	Providing training on the steps to follow in response to an emergency.

As for the foreseeable effect of Duro Felguera's activities on the environment, note that the latest strategic plan approved for financial years 2020-2025 seeks to develop new sustainable business lines to support the energy transition, thus positioning Duro Felguera as a benchmark company in renewable energies. It also expresses the Group's commitment to sustainability as part of its DNA, making it an integral part of the way Duro Felguera operates in order to reduce both emissions and the consumption of paper, water and energy.

Environmental Policy

In 2020, the Environmental and Quality Management Systems were successfully integrated following an ambitious process that began in December 2019 —with the signing of the corporate Quality and Environment Policy for the entire Group— and ended in March, upon obtaining ISO 14001 and 9001 certifications at corporate level, the scope of which extends to all of the Company's businesses and subsidiaries. Both the Policy and the ISO certifications can be found on Duro Felguera's Intranet.

The policy aims to establish a common framework for environmental matters and quality, enabling the Company to coordinate the various plans and measures in place while respecting the autonomy and unique circumstances and needs of each business unit.

Environmental management

The environmental department at Duro Felguera is a transversal discipline that is fully integrated into all of the Company's processes. This translates into absolute compliance with the law, meaning no fines or sanctions were received in 2020. See Note 39.c) to the accompanying consolidated financial statements for 2020.

Reporting to the Corporate Quality and Environment Division, the department's job is to provide answers and technical advice on environmental matters to all of the Group's business units. Its remit starts with the commercial phase, where it flags potential risks associated with future bids, and then extends throughout the execution of the projects/services, ensuring sound environmental performance across all phases: design, construction and manufacturing, operation and maintenance.

Duro Felguera's own qualified staff work out of its central offices to coordinate and ensure that the performance of these activities is in line with the corporate environmental strategy. This control work takes the form of visits to construction sites and regular internal audits.

In 2020, site visits only took place through to February due to the pandemic. Thereafter, they were carried out remotely.

Aside from central office personnel, larger EPC projects include human resources attached to the environmental department (Technicians), who oversee the environmental performance of the subcontractors present on site, by conducting audits to track and control environmental aspects such as waste management, response to environmental emergencies (spillage management) and emissions management (vehicle maintenance control).

As subcontracting accounts for a large part of any EPC project, Duro Felguera has developed a specific operational procedure for the environmental control of subcontractors, so as to ensure that the environmental performance of all companies working on Duro Felguera projects meets the Company's own rigorous standards.

Efficient management of natural resources

Specific procedures describing the operational control of significant environmental impacts have been integrated into the corporate Environmental Management System.

More precisely, DF-PO-004 is the Operational Procedure in place for the control of natural resources. It applies to resources that have been flagged as environmental items necessary for the performance of Duro Felguera's activities and services, mainly electricity, water and fuel.

Once all inputs have been identified, they are suitably controlled and metrics and indicators are taken monthly or quarterly to generate annual figures.

Monthly records of water, electricity and other consumables (paper and fuels, where applicable) are kept at all of the Group's fixed centres (Central Offices, Tooling and DFCP).

When it comes to project management, subcontractors present on site are required to apply natural resource control measures through the inspections and audits previously discussed in the section above on Environmental management.

As regards consumption in offices, the environment department has drawn up a Good Environmental Practices Handbook, the content of which is disseminated through environmental awareness campaigns, including informative talks and the placement of explanatory posters in different areas of the buildings.

Because of the pandemic, only one face-to-face talk was held in house in 2020. To make up for the face-to-face talks, the Handbook has been disseminated via the corporate Intranet.

Water consumption

While direct water consumption is monitored at all of the Group's fixed centres (Central Offices, Tooling and DF Calderería Pesada), it is not considered a relevant aspect on which Duro Felguera's business has a direct impact, as all such centres are connected to the municipal sewage network and their impact on the water environment is not considered material.

In 2020, a total of 7,924 m^3 of water was consumed, broken down as follows: 2,144 m^3 of water was consumed at the Company's fixed centres (Science and Technology Park in Gijón and Tooling Centre in Llanera), while 5,780 m^3 was consumed at the workshop of DF Calderería Pesada.

	2020		2019		Change (%)	
m3	Offices	DF Calderería Pesada[24]	Offices	DF Calderería Pesada	Offices	DF Calderería Pesada
Water	2,144	5,780	2,537	7,933	-15%	-27%

[24] Water consumption figures for 2020 are estimated as the bill for December was not available in time.

This reduction in water consumption is down to the absence of staff from the offices (teleworking) and the reduction/cancellation of workloads.

As the Company carries out many of its projects on its customers' own premises or facilities, it is typically the customer that monitors consumption, with Duro Felguera therefore unable to exercise any direct control.

Consumption of raw materials

In 2020, DF Calderería Pesada (the Company's manufacturing unit) acquired 1,846 tonnes of metal laminates (2019: 2,972 tonnes). The reduction in consumption is mainly due to the type of work that Duro Felguera carried out in 2020, as well as the customer specifications in relation to such work (thickness of equipment, sizes, etc.).

Any surplus from this manufacturing process is stored for potential reuse in new manufacturing or auxiliary processes. In a bid to reduce the consumption of these raw materials, DF Calderería Pesada evaluates, from the initial design stage, the possibility of reusing this stock material, quality standards and manufacturing codes permitting and assuming also that the end customer agrees. It is also proactive in making the necessary changes and raising proposals to the customer in order to optimise the total amount of material used.

Once this stock material has become too small to be used, it is recycled and therefore enters the life cycle of the raw material once again to produce new metal products.

In 2020, a total of 213.64 tonnes of metal waste was recycled.

Waste and the circular economy

Duro Felguera's waste management and handling strategy is essentially to minimise, reuse and recycle the waste generated when carrying on its business activities.

Waste management is performed with strict regard for local environmental law in each country and Duro Felguera's own policies and procedures and by selecting the right final disposal method for each type of waste generated.

Significantly, all of Duro Felguera's activities (offices, projects and manufacturing) are carried out with adequate separation and management of waste, with special attention paid to polluting hazardous waste. Duro Felguera's Environmental Management System contains a specific operational procedure, DF-PO-002, to describe how waste should be managed and to explain proper environmental signposting.

The following table shows the waste generated by Duro Felguera's activities and then managed in 2020 and 2019, broken down by business unit.

Kilograms	Hazardous waste 2020	Hazardous waste 2019[25]	Change (%)
DF Services	198	2,568	-92%
Calderería Pesada	3,565	2,201	62%
Total	**3,763**	**4,769**	**-21%**

Kilograms	Non-hazardous waste 2020	Non-hazardous waste 2019[25]	Change (%)
DF Services	5,640	7,970	-29%
Calderería Pesada	181,820	154,880	17%
Total	**187,460**	**162,850**	**15%**

At DF Calderería Pesada, business was not affected by the pandemic and the positive change in the volume of waste generated was down to the type of projects carried out during the year and their production phases (waste generation increases during the final phases of the project, when tests are carried out).

More precisely, DF Calderería Pesada's non-hazardous waste is ultimately sent to the COGERSA recycling plant (treatment manager authorised by the Principality of Asturias)).

As for the management of waste generated by the remaining businesses, Duro Felguera, in compliance with applicable law, relies on authorised waste management companies to handle all its hazardous and non-hazardous waste.

Climate change

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

Direct emissions

While Duro Felguera does not have any production processes that possess special relevance in relation to direct emissions (Scope 1), it does need to consume fossil fuels to carry out its activities. For example, natural gas is needed to provide heating for its offices.

[25] The information shown for hazardous and non-hazardous waste in 2019 does not coincide with the figures contained in the Non-Financial Statement for the previous year, as it does not count the waste associated with the energy line, M&H and Felguera IHI, which is controlled and managed by the customer, meaning DF has no direct control over it. Despite this circumstance and because DF is absolutely commitment to the environment, the Group regularly requests and obtains data from its customers on the waste generated and carries out exhaustive follow-up and monitoring of the same.

In addition, its Tooling facilities (tool and logistics warehouse) and DF Calderería Pesada (manufacturing workshop) also use fuels such as diesel and petrol for vehicles and machinery.

	Fuel consumption – 2020		
	Offices	DF Calderería Pesada	Unit
Natural gas	774,954	1,509,435	kWh
Gas oil	716	57,180	litres
Gasoline	-	649	litres

In 2020, direct emissions from fuel consumption amounted to 579 tonnes of CO_2 equivalent:

	Fuel consumption – 2019		
	Offices	DF Calderería Pesada	Unit
Natural gas	840,879	1,014,076	kWh
Gas oil	1,514	54,764	litres
Gasoline	-	826	litres

In 2019, direct emissions from fuel consumption amounted to 490 tonnes of CO_2 equivalent:

The following table shows the percentage change of CO_2 consumption from direct emissions over the reference years.

	CO2 equivalent (kg) 2020[26]		CO2 equivalent (kg) 2019		Change (%)	
	Offices	DF Calderería Pesada	Offices	DF Calderería Pesada	Offices	DF Calderería Pesada
Natural gas	141,042	274,717	153,040	184,562	-8%	49%
Gas oil	1,785	160,004	3,774	147,297	-53%	9%
Gasoline	-	1,400	-	1,782	-	-21%

The reduction in emissions at the offices is due to the ongoing pandemic. However, there was an increase in natural gas and diesel emissions at DF Calderería Pesada due to the type of work carried out in 2020, which was closely related to heat treatments, welding and finishing work specified by customers.

[26] Source of emission factors used to calculate CO2 equivalent for 2019 and 2020: Ministry for the Energy Transition (Government of Spain), version 15 – June 2020.

Indirect emissions

Duro Felguera activities that contribute to the generation of indirect emissions (Scope 2) are those related to electricity consumption.

	Energy consumption – 2020 (kWh)	
	Offices	DF Calderería Pesada
Electricity	1,386,300	1,862,728

	Energy consumption – 2019 (kWh)	
	Offices	DF Calderería Pesada
Electricity	1,134,009	1,906,688

In 2020, indirect emissions from electricity consumption amounted to 650 tonnes of CO_2 equivalent (2019: 608 tonnes of CO_2 equivalent).

The following table shows the percentage change of CO_2 consumption from indirect emissions over the years.

	CO2 equivalent (kg) 2020[25]		CO2 equivalent (kg) 2019		Change (%)	
	Offices	DF Calderería Pesada	Offices	DF Calderería Pesada	Offices	DF Calderería Pesada
Electricity	277,260	372,545	226,802	381,338	22%	-2%

For 2020, the Company reports the emissions derived from fuel consumption and electricity consumption at its head offices and DF Calderería Pesada, as the emissions associated with other activities (projects) are not considered material as they are carried out on the customer's own premises and there is no direct control over consumption and billing.

Emissions resulting from Duro Felguera's activities: 1,229 tonnes of CO2 eq. (1,099 tonnes of CO2 eq. in 2019).

Environmental awareness

Because of the ongoing COVID-19 situation, fewer face-to-face awareness-raising talks were held in 2020 at the offices and on-site at the projects. However, the following initiatives were carried out during the period, given the importance of disseminating and publicising the Group's environmental strategy:

- Dissemination of the Good Environmental Practices Handbook through regular postings on the corporate Intranet.
- Creation of an environmental suggestions box to receive ideas from workers.
- Induction talks by the site environmental officer for all personnel due to work on site (only until February 2020).
- Environmental awareness campaigns; informative/explanatory posters on good practices for reducing consumption (electricity, water, paper).
-

Environmental emergencies

Duro Felguera draws up specific Environmental Emergency Plans for all of its activities (offices, projects and manufacturing), clearly explaining the steps for spotting and responding to possible environmental accidents and emergencies.

The effectiveness of the emergency plans is regularly checked by carrying out environmental emergency drills.

If a drill is out of the question, DF carries out training activities, which may involve talks or training courses to raise awareness of the response protocol set out in the Environmental Emergency Plan.

No drills were carried out in 2020 due to the impact of COVID-19 on all production activities and the only training actions that took place were delivered at the central offices.

5.5 Quality

As mentioned in the section on the Environment, in March 2020 Duro Felguera completed the process of integrating its quality (ISO 9001) and environmental (ISO 14001) systems into a single integrated system.

Integrating these systems has enabled the Company to unlock the synergies of maintaining both systems in place and provided alignment with the Company's new organisation and structure, thus providing it with a single management system that can be applied to any of its multiple products.

Duro Felguera views quality as the basis for creating value for its stakeholders, including its customers, its owners and its suppliers and subcontractors. It has therefore approved and released a Corporate Quality and Environmental Policy, which enshrines the strategic values to be followed:

- Commitment to knowing, meeting and enforcing all applicable requirements and delivering on customer expectations.
- Combining a healthy return on the projects with customer satisfaction.
- Entrenching the culture of continuous improvement and management excellence in a bid to become more competitive and create value for stakeholders.
- Engaging employees and maintaining channels of communication with all stakeholders.

This Policy takes the practical form of a Quality Management System for all Duro Felguera products.

Quality Management System

Duro Felguera has implemented a Quality Management System (QMS) that adheres to ISO 9001:2015 across all products, businesses and subsidiaries. The system is geared towards the customer, continuous improvement and risk-based thinking as the main levers in achieving professional excellence. This Quality Management System (QMS) has been certified by Lloyd's Register under ISO 9001:2015 since the 1990s.

Duro Felgueras relies on its QMS to ensure compliance with all contractual and legal requirements applicable to its products. In essence, Duro Felguera's QMS seeks to identify and control Company processes, identify and control associated risks, and provide the resources needed to ensure they run effectively.

The processes are described through procedures and work instructions where responsibilities, monitoring methods and control indicators are all identified. Continuous monitoring of processes and early flagging of risk factors allows us to define quality-based targets for continuous improvement.

Critical processes for the business activities of DF:

- Commercial Process
- Engineering Process
- Quality Management and Control Process
- Environmental Management Process
- Health and Safety Process
- Tooling and Control of Measuring Equipment Process
- Project Management and Performance Process
- After-sales Process
- Control and Project Risk Management Process
- Resource Management Process
- System Processes

Thanks to DF's focus on quality over the years, Duro Felguera has become synonymous with quality in the market and the entire the organisation is geared towards this goal, led by the Management of DF.

Customer satisfaction

According to the principles of the Quality Policy, Duro Felguera views customer satisfaction as being fully compatible with the economic performance of its projects. Customer satisfaction hinges not only on strict compliance with the specified requirements, but also on identifying and meeting their expectations. To achieve this, DF defines and maintains communication channels throughout all phases of project execution, enabling it gauge levels of customer satisfaction and take corrective action if needed.

Communications with the customer are centralised at the Commercial department during the offer phase and are then handled by the Project Manager during the performance phase. Doing so provides a single point of contact, thus making it easier to gauge their degree of satisfaction.

Aside from the Commercial Department, both Project Management and DF Management make themselves available to customers and other stakeholders at all times to resolve any concerns regarding compliance with contractual commitments.

To track and control the degree of customer satisfaction, DF has an indicator system in place that aggregates possible customer grievances, the results of satisfaction surveys and the particular views of the Project Managers.

Any complaints received from the customer are logged in the Quality Management System and dealt with diligently by DF. The log of customer complaints is analysed by Management at regular review meetings to determine the appropriate actions for ensuring the continuous improvement of the system. No customer complaints were received in 2020. Meanwhile, there are Quality Control systems in place to carry out inspections during the manufacturing process and the different phases of an EPC project, thus allowing us to detect non-conformities, which are invariably resolved before the product is delivered to the customer. These non-conformities are used as one of the inputs to achieve the objective of continuous improvement.

In 2020, a new system for gauging customer satisfaction was implemented through Microsoft Office forms, which customers can rapidly complete on an anonymous basis.

Product or service health and safety

No industrial product or service supplied by DF shall pose a risk to the health or safety of any customers, workers or the general public who may come into direct or indirect contact with the product or service under normal or reasonably foreseeable conditions of use throughout its useful life.

To achieve this goal, DF shall comply strictly with all applicable design, construction and testing legislation, as well as with all good practices that protect the end user of the product or service.

Risks inherent in the use of the product or service and therefore considered admissible, albeit within an acceptable level of protection of the health and safety of persons, shall be reported and signposted on the product or installation in question through the use of barriers or other means of restraint so as to minimise the risks.

5.6 Human rights

Duro Felguera is firmly committed to the defence, fulfilment and protection of human rights and public freedoms, as explicitly enshrined in several corporate policies and internal management rules, more precisely the Code of Conduct and the Corporate Social Responsibility Policy, both of which must be observed by its direct employees.

The **Code of Conduct** embodies its commitment to respecting fundamental rights and public freedoms, focusing particularly on equal opportunities, non-discrimination, work-life balance and the right to receive training. These commitments correspond to Articles 1, 7, 20, 24 and 26 of the Universal Declaration of Human Rights.

To guarantee transparency and make it easier for the Company's stakeholders to report irregular conduct or bad practices that violate the Code of Conduct and/or the Crime Prevention Model, Duro Felguera set up an Ethics Line and Whistleblower Channel in 2018, as explained at greater length in section 3.1 – Code of Conduct. There were no complaints or incidents in 2020 related to possible violations of human rights.

The **Corporate Social Responsibility Policy** expands upon the commitments assumed by the Company in its Code of Conduct, ensuring that all DF activities reflect the Company's firm commitment to defending and protecting human rights and civil liberties, notably:

- It shall reject any form or manifestation of physical, psychological or moral harassment or abuse of authority, as well as any other conduct that might generate an environment that is either intimidating or offensive to human rights.
- It shall guarantee professional respect and mutual collaboration among the Company's employees and external collaborators, dispensing cordial and respectful treatment for all and ensuring an amenable, healthy and safe working environment.
- It shall prioritise the integral development of people and facilitate a healthy work-life balance.
- It shall recognise the rights of ethnic minorities in the countries in which it operates, and shall reject child labour and, in general, any other form of exploitation.
- It shall guarantee the utmost respect for diversity, equal opportunities and non-discrimination on grounds of gender, age, disability or any other circumstance, while also fostering diversity and social inclusion at all times and providing an adequate, decent and professional working environment.
- It shall do business with suppliers that respect all human rights and comply with all labour rights recognised in the domestic and international legislation prevailing in the territories in which they operate.

The national laws of Spain, as a member of the International Labour Organisation (ILO), include the Spanish Constitution to the Workers' Statute and embody the eight fundamental conventions of the ILO, which are grouped into four categories: Freedom of association, trade union freedom and effective recognition of the right to collective bargaining; Elimination of forced or compulsory labour; Abolition of child labour; Elimination of discrimination in respect of employment and occupation, which Duro Felguera, as a Spanish business group, must respect and comply with.

Duro Felguera carries on its business activities in highly diverse countries and industries. It therefore undertakes to respect —wherever it works and in strict compliance with local legal and regulatory requirements— the internationally recognised human rights enshrined in the Declaration of Fundamental Principles and Rights at Work and in other fundamental conventions of the ILO.

This commitment is expressed in our Code of Conduct, which sets out the ethical principles that guide and steer the conduct and decision-making of Duro Felguera and which are based, among other principles, on compliance with current legislation across all activities and respect for fundamental rights and public freedoms.

This protection extends along the entire value chain. As a measure to prevent any risk that might involve human rights violations, suppliers and subcontractors are required to sign a clause in their contracts insisting that they respect, in all territories in which they are established and/or carry out their activities, the principles enshrined in the Universal Declaration of Human Rights and the various Conventions and Recommendations of the ILO. This includes, in particular, the principles relating to fundamental labour rights established by the ILO and the ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.

Suppliers and subcontractors are also asked to confirm that they have received DF's Code of Conduct and that they undertake to abide by it, and that they agree to honour their human rights obligations as set out in the contract clause. In the event of breach, DF may adopt the necessary measures, and may seek compensation and/or damages and even the unilateral termination of the contract.

In 2020, there were no reports of human rights abuses by suppliers, nor was there any perceived risk of any of DF's suppliers or subcontractors engaging in forced or compulsory labour, and nor was there any other incident of human rights abuses occurring in any of the countries in which the Group operated during that period.

5.7 Supply chain

Duro Felguera treats the sound management and control of its supply chain as key priorities in optimising and maximising its business. To achieve this, the Company's Procurement Department closely tracks all operations and ensures the utmost transparency.

Duro Felguera differentiates between two types of supplier, depending on the purpose for which their services are arranged:

- **Corporate**: to respond to corporate needs. These suppliers provide the following services and supplies, among others: security services, cleaning, maintenance, stationery supplies, IT equipment, or consultancy services.
- **Project-specific:** catering to the needs of each project undertaken. Here, Duro Felguera may arrange engineering services, the supply of electromechanical equipment, the supply of bulk materials, civil engineering services, subcontractors to carry out electromechanical assembly work, on-site support services, among others.

The procedures and rules in place are there to ensure that all suppliers are treated and appraised under equal conditions, taking due account of project-specific criteria for all procurement processes.

In the realm of corporate social responsibility, Duro Felguera's CSR Policy and Code of Conduct (under section II.3.6 "Our customers and suppliers") sets out the basic guidelines steering relations between the Company and its suppliers:

- **Adopting responsible supply chain management practices** by championing sustainability initiatives.
- **Getting suppliers to act responsibly**, by ensuring that all suppliers comply with Duro Felguera's principles and values in relation to business ethics, labour practices, health and safety, the environment, and the quality and safety of the products and services marketed and sold.
- **Doing business with suppliers that respect human rights** and comply with all labour rights recognised in the domestic and international legislation prevailing in the territories in which they operate.
- **Championing objectivity, truthfulness and transparency** as the principles governing relations between the Company and its suppliers.
- **Enhancing the environmental reputation** of the Company and its group in the eyes of their suppliers.
- **Applying and honouring the provisions of the Company's Code of Conduct**, as well as the safety regulations and practices with suppliers that the Company has put in place.

Risk management in the supply chain

Supply chain risks relate to procurement and subcontracting, i.e. outsourced products and services due to the unavailability of suitable companies or professionals, inadequate selection, lack of financial or technical capacity of the subcontractor to meet the obligations it has undertaken, which may in turn lead to delays, cost overruns in the works or quality issues.

These risks are minimised by conducting regular supplier assessments to closely monitor the progress of work and track performance. Supervision, inspection and auditing are carried out during the construction phase.

To prevent the risk of human rights abuses, Duro Felguera insists that all suppliers and subcontractors sign a clause in their contract requiring them to embrace the commitments set out in DF's own Corporate Social Responsibility Policy and Code of Conduct.

To ensure transparency and respect for the Code of Conduct, Duro Felguera has undertaken to eradicate all forms of gifts or gratuities from suppliers by 2020.

Meanwhile, and with regards to environmental protection and related risks, the Procurement Department passes on to suppliers all the relevant technical information provided by the engineering and project departments so as to ensure due compliance with the corresponding environmental requirements.

When quality audits are conducted, the auditor also reviews contractual requirements and compliance with the Company's internal regulations, especially the Code of Ethics.

Supplier assessments

One of the key objectives in supply chain management is to ensure that suppliers meet the standards of excellence and quality required within the industry. Duro Felguera therefore has a tool that allows it to evaluate potential suppliers before their products or services are arranged, thus enabling it to anticipate possible risks along the supply chain (both from a financial standpoint and in terms of meeting deadlines and ensuring the quality of the products supplied and respect for the environment).

Based on this assessment, DF determines whether the supplier merits a contractual relationship. If the parties do enter into a contract, the supplier may undergo further assessment and monitoring if deemed necessary. This type of oversight is carried out throughout the manufacturing process according to the criticality of the product, with regular inspections conducted of the main manufacturing milestones and site activation visits, where the quality of the product supplied and compliance with delivery deadlines are verified. At the end of the process, the corresponding shipping authorisation is sent as and when the product complies with all requirements set out in the contract signed between the parties.

The results of the different inspections and site activation visits are taken into account for the reappraisal and follow-up of DF suppliers.

DF has yet to identity any supplier that might pose a significant risk to the principles and commitments it upholds.

No new suppliers were evaluated in 2020, since no new contracts were required for new supplies or critical services due to the level of progress made in the projects. Moreover, there were no apparent risks associated with any supplier whose services had already been arranged.

Health and safety along the value chain

Duro Felguera pays close attention to monitoring the health and safety performance of its suppliers and subcontractors to ensure that its own health and safety standards are observed, as well as those prescribed by applicable law and regulations.

This monitoring takes the form of specific HSE inspections aimed at guaranteeing a safe working environment for our teams and collaborators. DF also conducts on-site monitoring of contractors to directly oversee their health and safety performance while the project is ongoing, and advises its subcontractors on such matters when considered necessary.

5.8 Innovation

Duro Felguera attaches huge importance to technological innovation as part of its business model. However, innovation at the company was adversely affected during the year by the COVID-19 pandemic, leading to delays in ongoing projects and the start-up of new challenges.

Thus, 2020 can be viewed as a year of transition towards new projects mainly focused on renewable energies and green hydrogen in particular. Throughout the year, DF continued to seek out partners and opportunities to embark upon new projects in 2021.

Notable projects in 2020:

» Development of new production processes for the manufacture and supply of oversized equipment (SYAGEE)

The aim here is to develop new technical capabilities that will allow DF Calderería Pesada to manufacture oversized equipment. During the year, the third of the project's four milestones was successfully reached to attain 80% completion.

» New automatic truck side-loading system – Nalón NCL

This project was successfully completed in 2020 with the completion of prototype testing and final installation in a real working environment, where it has been successfully operating to date.

5.9 Community relations

When it comes to social and sustainable responsibility, Duro Felguera has pledged to collaborate and lend its full support in developing the local, national and international communities, as one of its stakeholders, and in the territories in which it operates.

Duro Felguera seeks to generate positive impacts on the community through its business activities, while at the same time putting measures in place to prevent, manage and mitigate any possible negative impact arising from its activities. It pays close attention to four key areas:

- **Strict compliance with prevailing legislation, the Company's own internal rules and regulations and the good corporate governance practices embraced by Duro Felguera**, delivering on customer expectations and looking to cooperate at all times with the competent authorities.
- **Strict compliance with applicable environmental requirements** to prevent potentially negative impacts on the natural environment, including control actions such as continuous environmental monitoring.
- **Helping local communities grow,** mainly by procuring products and services from local suppliers, provided that doing so does not adversely impact the performance of the project.

- **Recruiting local labour** wherever possible and complying at all times with international rules and standards, as well as those that apply locally in the country where the operation or project is carried out. The Company considers the health and safety of its employees to be an integral part of its social welfare work, dedicating significant resources and effort into preventing occupational accidents and promoting health and safety across all of its business activities.

The CSR Policy enshrines Duro Felguera's commitment to the economic and social development of local communities through actions that have a positive impact on society and by carrying out social welfare work, fostering research, development and innovation (R&D+i) and cooperating with local communities.

Programmes and agreements at national level

Mentoring programme

In 2020, the Human Resources department continued to collaborate on the *Enfoca Talento* initiative promoted by Avilés City Council, whose main objective is to train and provide job guidance to women who, for one reason or another, have been excluded from the labour market. The programme accompanies them in their search for employment and integration into the labour market. Duro Felguera's lends its support by providing its own employees to act as mentors and counsellors for the women taking part in the programme, with their involvement depending on levels of demand. DF reviews the subject's CV, gets them ready for job interviews and offers information on further training that might help them find a job. Another method of collaboration is to offer interested participants the opportunity to carry out "job tastings" at their choice of department within the company, to help gauge the kind of work they are fit for, what technological tools are used and what skills are sought among candidates, among other benefits.

Agreements with educational centres

Duro Felguera has agreements in effect with educational centres whereby students who have recently graduated or are in their final year of studies can pursue an internship in the company.

When it comes to university studies, we have two types of partnership. Recently graduated students can do a one-year scholarship, with a monthly monetary endowment and registration with the Social Security, while final-year students can complete their internship at Duro Felguera as it is a compulsory subject that they need to earn their degree.

In the case of the vocational training centres, final-year students can take their on-the-job training course at Duro Felguera, which is delivered during the last school term.

The centres with which Duro Felguera has agreements in place include the likes of the University of Oviedo, the University-Business Foundation of Madrid, the University of Valladolid, the University of Castilla la Mancha and various vocational training centres in Asturias.

Actions with the local community

To aid in the development of the communities in which it operates, Duro Felguera remains in close contact with local stakeholders when performing its projects, while collaborating closely on various measures initiatives, donating material and entering into agreements to hire local labour. Because of Duro Felguera's business model, it is typically the end customer who builds relationships with the local community and is largely responsible for organising and handling the different social development and environmental protection actions associated with this type of project, including environmental impact assessments.

Throughout 2020, COVID-19 had a major impact on the development of Duro Felguera's projects, bringing activity to a halt due to the mobility and customs restrictions. In tandem, the level of progress made towards many of the Company's projects has meant that the number of initiatives has been lower than in previous years. There were, however, the following highlights in the period:

Donations of material in Peru

A large quantity of office material was placed in storage while carrying out Duro Felguera's projects in Peru. Following completion of the projects, it was decided to donate the material to a local rural school within Educational Community IEI No. 469 – CHILCA.

The donated chairs, tables, and other office furniture will ultimately contribute to the well-being of students and workers.

Initiatives and partnerships

In 2020, Duro Felguera continued to maintain responsible and strategic alliances with numerous associations, organisations and foundations at regional, national and international level in a bid to improve dialogue with its main stakeholders.

In 2020, contributions made to associations totalled €35,552, as follows:

- FADE – Asturian Federation of Business Owners
- Association of Business Owners and Users of Valnalón
- Spanish Energy Club – Club Español de la Energía
- Idonial Foundation
- Polo del Acero
- Spanish Society for Non-Destructive Testing
- Metal Foundation for Training, Qualification and Employment
- ASEMPOSIL – Association of Business Owners of Polígono de Silvota
- Fundación Laboral de la Construcción – Construction Labour Foundation

6. Events after the reporting period

The following significant events have occurred between 31 December 2020 and the date of authorisation for issue of the consolidated financial statements:

- **2021 Furlough Scheme (*Expediente de Regulación de Empleo*, ERTE)**

  On 7 January 2021, the new temporary furlough scheme based on productive needs under the terms of 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 plan 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.

  The furlough will last until 31 May 2021 and will simultaneously affect a maximum of 425 workers per day, with a maximum period per worker of four months. In any event, the furlough scheme affected 44, 69 and 89 employees in January, February and March 2021, respectively, which is far fewer than expected. As an additional measure in the scheme, the Group intends to reduce the salaries of Management Committee members and employees with a salary of over €100 thousand by 20% while the scheme is in place.

  This measure was adopted after consultation with workers' representatives. No agreement was reached as employees rejected the Company's proposal, so the latest conditions offered to the Negotiating Committee have been applied.

- **Renewal of ASME U, U2 and National Board Certificates of Authorisation for the manufacture of spheres in accordance with ASME Code Section VIII Division 1 and 2**

  To ensure product quality standards that are befitting the level of Duro Felguera's target markets, and given the Company's firm commitment to sustainability, in January 2021 Felguera IHI S.A. renewed the ASME U, U2 and National Board Authorisation Certificates for the manufacture of spheres in accordance with the ASME Code Section VIII Division 1 and 2. These certificates are valid until March 2024.

- **DF GREEN TECH, founding partner of the Mexican Hydrogen Association**

  In March 2021, DF Green Tech and other leading companies from the energy sector founded the Mexican Hydrogen Association (AMH) to promote the hydrogen industry in Mexico and frame strategies and actions in an organised and efficient manner. The association's overriding objective is to ensure a well-developed hydrogen industry in Mexico.

See also Note 40. Events subsequent to the accompanying consolidated financial statements for 2020.

7. About this Report

This document is the Group's consolidated management report and contains information relating to the regulatory requirements prescribed by Law 11/2018 of 28 December, amending Spain's Code of Commerce, the consolidated text of the Corporate Enterprises Act, enacted by Legislative Royal Decree 1/2010, of 2 July, and Spain's Audit Act (Law 22/2015), on the disclosure of non-financial and diversity information.

This report covers the activities carried out at all Group companies in relation to environmental, personnel, corporate, human rights, anti-corruption and anti-bribery issues, including information on their strategic, development and market positioning. The information presented refers to the 2020 financial year, running from 1 January 2020 through to 31 December 2019. Information for 2019 is presented for comparative purposes only.

8. Reference table of requirements under Law 11/2018, on non-financial statements, and related provisions of the Global Reporting Initiative (GRI Indicators)

The information required under Law 11/2018 of 28 December and the related items of the Global Reporting Initiative (GRI) reported by Duro Felguera are as follows:

General disclosures		Reference framework	Section	Remarks
Business model	Brief description of the Group's business model	GRI 102-1 Name of the organization GRI 102-2.a Activities, brands, products, and services	1.1 Mission, vision and values 1.2 Business model 1.4 Strategy	-
		GRI 102-3 Location of headquarters	-	Duro Felguera S.A. Parque Científico Tecnológico, C/ Ada Byron, 90, 33203 Gijón, Asturias (Spain)
		GRI 102-4 Location of operations	1.3 Duro Felguera in the world	-
		GRI 102-18.a Governance structure GRI 102-22.a.iii Composition of the highest governance body and its committees	2.2 Corporate governance	-
		GRI 102-7.a.iii Scale of the organization	4.1 Main financial indicators	-
General disclosures	Reporting framework	GRI 102-40 List of stakeholder groups GRI 102-47 List of material topics	5.1 Our management approach	-

Management approach disclosures	Policies pursued by the group, including due diligence processes implemented to identify, assess, prevent and mitigate significant risks and impacts and for assurance and control, and the measures that have been adopted	GRI 103-2 The management approach and its components	2.2 Corporate governance 3. Ethics and regulatory compliance 4.2 Risk management: Risk management model and governance of risk management 5.1 Our management approach: CSR Policy 5.2 Talent management 5.3 Health and safety 5.4 Environment: Environmental Policy 5.5 Quality 5.7 Supply chain 5.9 Community relations	-
	Main risks related to these issues and connected to the Group's activities	GRI 102-11 Precautionary principle or approach	3. Ethics and regulatory compliance 4.2 Risk management 5.4 Environment 5.7 Supply chain: Risk management in the supply chain Annual Corporate Governance Report: section E (Risk control and management systems) and Section F (Internal risk control and management systems in relation to the financial reporting process (ICFR))	With regard to environmental risks, and as mentioned in section 5.4, Duro Felguera was forced to pare back its activities considerably due to the pandemic that lasted throughout 2020. As such, the environmental risks and impacts during the year are not considered material.
Environmental matters		**Reference framework**	**Section**	**Remarks**
Environmental management	Current and foreseeable effects of the company's activities on the environment and, as the case may be, on health and safety	GRI 102-11 Precautionary principle or approach	5.4 Environment	-

	Environmental assessment or certification procedures	GRI 103-2.a Management approach and its components GRI 103-2.c Management approach and its components	5.4 Environment: Environmental Policy	-
	Resources dedicated to the prevention of environmental risks	GRI 103-2.a Management approach and its components GRI 103-2.c Management approach and its components	5.4 Environment: Environmental management	-
	Application of the precautionary principle	GRI 102-11 Precautionary principle or approach	5.4 Environment	DF's environmental management system focuses on risk identification and assessment. This is a requirement under ISO 14001/2015.
	Amount of provisions and safeguards for environmental risks	GRI 307-1 Non-compliance with environmental laws and regulations	5.4 Environment: Environmental management Note 25 – Provisions for other liabilities and provision expenses in the consolidated financial statements for 2020	-
Pollution	Measures to prevent, reduce or repair carbon emissions (also includes noise and light pollution)	-	-	Due to Duro Felguera's activities and industry, noise and light pollution are not material aspects to consider. Similarly, measures to prevent, reduce or repair emissions are not relevant to Duro Felguera's production process and therefore no specific metrics were taken in 2020.

Circular economy and waste prevention and management	Waste prevention, recycling and reuse measures and other forms of waste recovery and disposal	GRI 103-2.a The management approach and its components (looking towards GRI 306 – Waste)	5.4 Environment: Waste and the circular economy	Duro Felguera implemented no specific measures in this regard in 2020 beyond the continuous waste management strategy it has defined and which is described in section 5.4.
	Actions to combat food waste	-	-	As Duro Felguera does not engage in any food-related activities, this requirement is not considered material for the Group.
Sustainable use of resources	Responsible water consumption and supply based on local restrictions	-	5.4 Environment: Water consumption	-
	Consumption of raw materials	GRI 301-1 Materials used by weight or volume	5.4 Environment: Consumption of raw materials	The data provided are for the DF Calderería Pesada business unit. At the other business units of Duro Felguera, projects are managed from a design viewpoint. Therefore, the most significant work units when it comes to material consumption (civil engineering and structures) are fully outsourced, although the subcontractors have no access to the data.
	Measures in place to ensure more efficient use of resources	GRI 103-2.a The management approach and its components	5.4 Environment: Consumption of raw materials	All surplus sheet metal (offcuts) is reused at the fabrication workshop (Duro Felguera Calderería Pesada). This quantity of stock material is relatively low, because a specific calculation is made before any purchases to optimise stock and adjust them to manufacturing needs.

	Direct and indirect energy consumption	-	5.4 Environment: Climate change	-
	Measures in place to improve energy efficiency; Use of renewable energies	-	-	An energy efficiency audit of the manufacturing workshop (Duro Felguera Calderería Pesada) was conducted in 2016. In 2020, the audit was carried out but the report is not yet available as all processes have been slowed down due to the pandemic. However, an extension of the deadline has been granted, precisely for this reason.
Climate change	Material aspects relating to the greenhouse gas emissions generated as a result of the Company's activities	-	5.4 Environment: Climate change	DF's operations do not generate greenhouse gas emissions beyond those accounted for in calculating tonnes of CO2 contributed.
	Measures in place to adapt to the consequences of climate change	-	-	No concrete measures to adapt to the consequences of climate change were implemented in 2020.
	Voluntary medium- and long-term targets in place to reduce greenhouse gas emissions and the resources implemented to that end	-	-	Duro Felguera has not set itself any concrete GHG emission reduction targets because it does not consider emissions to be material to the Group's production process.
Protection of biodiversity	Measures in place to preserve or restore biodiversity	-	-	As Duro Felguera does not carry out activities that could affect biodiversity, this aspect is not considered material for the Group.
	Impacts caused by activities or operations in protected areas	-	-	Duro Felguera does not engage in activities in protected areas.
Corporate matters and employees		**Reference framework**	**Section**	**Remarks**

Employment	Total number and breakdown of employees by gender, age, country and professional classification	GRI 102-7.a.i Scale of the organization GRI 102-8.a Information on employees and other workers GRI 102-8.b Information on employees and other workers GRI 405-1.b Diversity of governance bodies and employees	5.2 Talent management: Distribution of the workforce at year-end; Distribution of the workforce by geographical region and gender; and Distribution of the workforce by category and age Annual Corporate Governance Report, Section C – Company administrative structure	-
	Total number and distribution of types of employment contract	-	-	As at 31 December 2020, only one person was part-time at the Group (0.1%). Therefore, this is not considered a material breakdown for the Group (the same as in 2019).
	Annual average by contract type (permanent, temporary and part-time), by gender, age and job category	GRI 405-1.b Diversity of governance bodies and employees	5.2 Talent management: Annual average by type of contract; Annual average by type of contract by professional category; Annual average by type of contract by geographical region; and Average number of new contracts. Annual Corporate Governance Report, Section C – Company administrative structure	-
	Number of dismissals by gender, age and professional category	-	5.2 Talent management: Distribution of dismissals by gender, age and job category	-
	Average remuneration by gender, age and job category	-	5.2 Talent management: Remuneration policy	-

	Pay gap	-	5.2 Talent management: Remuneration policy	-
	Remuneration per equivalent jobs or average remuneration at the company	-	5.2 Talent management: Remuneration policy and Work-life balance and time management measures	-
	Average remuneration of directors and managers, including variable remuneration, per diem allowances, severance pay, long-term retirement plans and any other amounts received, broken down by gender	-	2.2 Corporate governance: Remuneration	-
	Implementation of work disconnection policies	-	5.2 Talent management: Introduction and Work-life balance and time management measures	-
	Employees with disabilities	-	5.2 Talent management: Diversity and equal opportunities	-
Organisation of work	Organisation of working hours	GRI 103-2.a The management approach and its components	5.2 Talent management: Introduction, Actions in response to COVID-19, and Work-life balance and time management measures	-
	Number of hours of absenteeism	-	5.2 Talent management: Work-life balance and time management measures	-
	Measures aimed at improving the work-life balance and ensuring a suitable balance between both parents	-	5.2 Talent management: Introduction and Work-life balance and time management measures	-

Health and safety	Health and safety conditions in the workplace	GRI 103-2 The management approach and its components (looking towards GRI 403 – Health and safety)	5.2 Talent management: Actions in response to COVID-19 and Communication with employees 5.3 Health and safety	-
	Workplace accidents and occupational diseases (frequency and severity), broken down by gender	403-9.a.i Work-related injuries	5.3 Health and safety	-
Employment relations	Organisation of dialogue between the company and employees, including procedures for informing, consulting and negotiating with employees	GRI 103-2.a The management approach and its components	5.2 Talent management: Introduction and Communication with employees	-
	Percentage of employees covered by collective bargaining agreements, by country	102-41 Collective bargaining agreements	5.2 Talent management: Work-life balance and time management measures	-
	Description of collective bargaining agreements, particularly in the field of occupational health and safety	-	5.2 Talent management: Work-life balance and time management measures	-

Training	Policies in place in relation to training	-	5.2 Talent management: Talent management at Duro Felguera: Professional training and development	DF does not have a formally approved training policy that is delivered to the Group's employees. However, as indicated in section 5.2 – Talent management, DF is committed to planning the training and professional development of its employees, as shown by the number of training hours effectively delivered in 2020, despite the Group's difficult economic and financial situation and the furlough scheme resulting from the COVID-19 pandemic.
	Total number of training hours by job category	GRI 103-2.a The management approach and its components (looking towards GRI 404 – Training and education)	5.2 Talent management: Talent management at Duro Felguera: Professional training and development	-
Accessibility	Universal accessibility for people with disabilities	-	5.2 Talent management: Diversity and equal opportunities	-
Equality	Measures put in place to foster equal treatment and opportunities for women and men	-	2.2 Corporate governance: Diversity on the Board 5.2 Talent management: Introduction and Diversity and equal opportunities 5.6 Human rights	-
			Annual Corporate Governance Report, Section C – Company administrative structure	
	Equality plans	-	5.2 Talent management: Diversity and equal opportunities	-

	Measures adopted to promote employment	GRI 103-2.a The management approach and its components (looking towards GRI 401 – Employment)	5.2 Talent management: Talent management at Duro Felguera: Attracting and engaging talent 5.2 Talent management: In-house internship programme for daughters of women employees 5.9 Community relations: Programmes and agreements at national level: Agreements with educational centres	-
	Protocols against sexual and gender-based harassment	-	5.2 Talent management: Introduction and Non-discrimination 5.6 Human rights	-
	Integration and universal accessibility for persons with disabilities	-	5.2 Talent management: Diversity and equal opportunities	-
	Anti-discrimination policy and, where applicable, diversity management policy	-	5.2 Talent management: Introduction and Non-discrimination 5.6 Human rights	-
Human rights		**Reference framework**	**Section**	**Remarks**
Human rights	Application of human rights due diligence processes	GRI 103-2.a The management approach and its components (looking towards GRI 412 – Human rights assessment)	3. Ethics and regulatory compliance 5.6 Human rights 5.7 Supply chain: Risk management in the supply chain	-

	Measures to prevent the risk of human rights abuses and, where appropriate, measures to mitigate, manage and redress any abuses committed	GRI 102-11 Precautionary principle or approach	3. Ethics and regulatory compliance 5.6 Human rights 5.7 Supply chain: Risk management in the supply chain	-
	Reports of human rights abuses	102-17 Mechanisms for advice and concerns about ethics	5.6 Human rights	-
	Promotion of and compliance with the provisions of the International Labour Organization's fundamental conventions on respect for freedom of association and the right to collective bargaining; the elimination of job and workplace discrimination; the elimination of forced or compulsory labour; and the effective abolition of child labour.	-	5.2 Talent management: Introduction and Non-discrimination 5.6 Human rights	Duro Felguera has not identified any risks relating to lack of respect for freedom of association and collective bargaining, forced or compulsory labour and/or child labour in its own operations, or in those of the suppliers and subcontractors with which it works. It does, however, possess the necessary tools to mitigate these risks, mainly the Ethics Line and Whistleblower Channel.
Corruption and money laundering		**Reference framework**	**Section**	**Remarks**
Corruption and money laundering	Measures in place to prevent corruption and bribery	GRI 102-17 Mechanisms for advice and concerns about ethics GRI 103-2 Management approach (looking towards GRI 205 – Anti-corruption)	3. Ethics and compliance Note 35. Contingencies in the consolidated financial statements for 2020	-

	Measures to combat money laundering	GRI 102-17 Mechanisms for advice and concerns about ethics GRI 103-2 Management approach (looking towards GRI 205 – Anti-corruption)	3. Ethics and compliance	-
	Contributions to foundations and non-profit entities	-	-	No contributions were made to foundations or non-profit organisations in 2020 or 2019, given the difficult situation facing the Group.
Information on the company		**Reference framework**	**Section**	**Remarks**
Company commitments to sustainable development	Impact of the Company's activities on employment and local development	-	4.1 Main financial indicators 5.9 Community relations	-
	Impact of the Company's activities on local populations and territories	-	5.9 Community relations	-
	Relations maintained with local community agents and forms of dialogue with those agents	-	3.3 Tax transparency 5.1 Our management approach: Dialogue with the value chain and stakeholder engagement 5.9 Community relations	-
	Association or sponsorship actions	GRI 102-13 Membership of associations	5.9 Community relations: Initiatives and partnerships	-
Subcontracting and suppliers	Making social, gender equality and environmental concerns part of the procurement policy	-	5.6 Human rights 5.7 Supply chain	-
	Consideration of social and environmental responsibility concerns in relations with suppliers and subcontractors	GRI 103-2.a The management approach and its components (looking towards GRI 308 – Supplier environmental assessment and GRI 414 – Supplier social assessment)	5.6 Human rights 5.7 Supply chain	-

	Supervision and audit systems and the results of those systems	-	5.7 Supply chain: Supplier assessments	-
Consumers	Measures to protect the health and safety of consumers	-	5.5 Quality: Product or service health and safety	-
	Grievance and claims systems	GRI 103-2.a The management approach and its components	5.5 Quality: Customer satisfaction	-
	Grievances received and the solution or response given	-	5.5 Quality: Customer satisfaction	No fines or sanctions for amounts deemed material for the Duro Felguera Group were imposed or handed down during the year by virtue of final judgment or decision delivered under litigation or administrative proceedings involving environmental, marketing and labelling, safety or privacy matters. See Note 35 to the 2020 consolidated financial statements.
Tax information	Profit obtained, country by country	GRI 207-4.b.vi Country-by-country reporting	4.1 Main financial indicators	-
	Income tax paid	GRI 207-4.b.viii Country-by-country reporting	3.3 Tax transparency	-
	Government subsidies and aid received	GRI 201-4.a.3 Financial assistance received from government	3.3 Tax transparency	-

Deloitte, S.L.
Palacio Valdés, 9
33002 Oviedo
España

Tel: +34 985 21 98 49
Fax: +34 985 21 88 57
www.deloitte.es

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

INDEPENDENT LIMITED ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT OF DURO FELGUERA, S.A. AND SUBSIDIARIES FOR 2020

To the Shareholders of DURO FELGUERA, S.A.,

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the Consolidated Non-Financial Information Statement ("NFIS") for the year ended 31 December 2020 of DURO FELGUERA, S.A. and subsidiaries ("Duro Felguera" or "the Group"), which forms part of the accompanying Directors' Report of the Group.

The content of the Directors' Report includes information, additional to that required by current Spanish corporate legislation relating to non-financial reporting, that was not the subject matter of our verification. In this regard, our work was limited solely to verification of the information identified in the "Reference table for requirements of Law 11/2018 on non-financial reporting and contents of the Global Reporting Initiative (GRI indicators)" included in the accompanying Directors' Report.

Responsibilities of the Directors

The preparation and content of the NFIS included in the Group's Directors' Report are the responsibility of the Directors of DURO FELGUERA, S.A. The NFIS was prepared in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected Global Reporting Initiative Sustainability Reporting Standards (GRI standards), as well as other criteria described as indicated for each matter in the "Reference table for requirements of Law 11/2018 on non-financial reporting and contents of the Global Reporting Initiative (GRI indicators)" of the Directors' Report.

These responsibilities also include the design, implementation and maintenance of such internal control as is determined to be necessary to enable the NFIS to be free from material misstatement, whether due to fraud or error.

The directors of DURO FELGUERA are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFIS is obtained.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement team consisted of professionals who are experts in reviews of non-financial information and, specifically, in information about economic, social and environmental performance.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed.

We conducted our verification in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information, currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines published by the Spanish Institute of Certified Public Accountants on attestation engagements regarding non-financial information statements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and, consequently, the level of assurance obtained is substantially lower.

Our work consisted of making inquiries of management and the various units of DURO FELGUERA that participated in the preparation of the NFIS, reviewing the processes used to compile and validate the information presented in the NFIS, and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Group personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external review.

- Analysis of the scope, relevance and completeness of the contents included in the 2020 NFIS based on the materiality analysis performed by the Group and described in the "Materiality Analysis" section of the NFIS, also taking into account the contents required under current Spanish corporate legislation.

- Analysis of the processes used to compile and validate the data presented in the 2020 NFIS.

- Review of the information relating to risks and the policies and management approaches applied in relation to the material matters presented in the 2020 NFIS.

- Verification, by means of sample-based tests, of the information relating to the contents included in the 2020 NFIS and the appropriate compilation thereof based on the data furnished by DURO FELGUERA's information sources.

- Obtainment of a representation letter from the directors and management.

Conclusion

Based on the procedures performed in our verification and the evidence obtained, nothing has come to our attention that causes us to believe that the Group's NFIS for the year ended 31 December 2020 was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI standards, as well as other criteria described as indicated for each matter in the "Reference table for requirements of Law 11/2018 on non-financial reporting and contents of the Global Reporting Initiative (GRI indicators)" of the Directors' Report.

Other Matter

On 22 May 2021 other assurance practitioners issued their independent limited assurance report on the consolidated Non-Financial Information Statement of Duro Felguera, S.A. and Subsidiaries for 2019, in which they expressed an unqualified conclusion.

Use and Distribution

This report has been prepared in response to the requirement established in corporate legislation in force in Spain and, therefore, it might not be appropriate for other purposes or jurisdictions.

DELOITTE, S.L.

Alicia Izaga

16 April 2021

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED PUBLIC LIMITED COMPANIES

ISSUER IDENTIFICATION DETAILS

Year-end date: [31/12/2020]

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 table below with details of the company's share capital:

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

Indicate whether there are different classes of shares with different associated rights:

[ ] Yes
[√] No

During 2020, share capital remained unchanged.

A.2. List the company's significant direct and indirect shareholders at year end, excluding directors:

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	3.94	0.00	0.00	0.00	3.94
MORGAN STANLEY AND CO INTERNATIONAL PLC	3.66	0.00	0.00	0.00	3.66
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
Over the course of 2020, the significant shareholders reduced their holdings. Only those named in section A.2 above remained as significant shareholders.

A.3. Complete the following tables on members of the company's Board of Directors holding voting rights on the company's shares:

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 can be transmitted 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

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 can be transmitted through financial instruments
No data					

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.

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

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

(*) Through:

Name or company name of direct shareholder	Number of direct shares
No data	

Explain any significant changes during the year:

Explain significant changes

Since total redemption of treasury shares in 2018, the Company has not concluded any transactions.

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	89.28

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:

	Attendance data				
			% distance voting		
Date of general meeting	% physically present	% present by proxy	Electronic voting	Other	Total
22/06/2017	11.09	45.36	0.00	0.00	56.45
Of which floating capital:	11.09	5.35	0.00	0.00	16.44
15/06/2018	2.27	38.28	0.00	0.00	40.55
Of which floating capital:	2.27	23.28	0.00	0.00	25.55
25/06/2018	1.94	38.43	0.00	0.00	40.37
Of which floating capital:	1.94	23.43	0.00	0.00	25.37
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
29/10/2020	3.40	10.29	0.00	0.00	13.69
Of which floating capital:	3.40	3.25	0.00	0.00	6.65

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

Items on the agenda not approved and percentage of votes against or reason why item was not approved

At the General Shareholders' Meeting of 29 October 2020, the sixth, seventh and eighth items on the agenda were not approved because even at the second call to the meeting there was no quorum. % votes against: n/a

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	8

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
ROSA ISABEL AZA CONEJO		Independent	DIRECTOR	30/09/2019	30/09/2019	CO-OPTION
JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO		Independent	DIRECTOR	30/09/2019	30/09/2019	CO-OPTION
JOSÉ MARÍA ORIHUELA UZAL		Executive	CHIEF EXECUTIVE OFFICER	30/11/2018	30/11/2018	CO-OPTION
JORDI SEVILLA SEGURA		Independent	DIRECTOR	17/04/2020	17/04/2020	CO-OPTION
VALERIANO GÓMEZ SÁNCHEZ		Independent	DIRECTOR	30/01/2020	30/01/2020	CO-OPTION

Total number of directors	5

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
RICARDO DE GUINDOS LATORRE	Independent	15/06/2018	01/04/2020	Audit Committee and Nomination and Remuneration Committee	YES
ACACIO FAUSTINO RODRIGUEZ GARCIA	Other external	22/06/2017	22/05/2020		YES
IGNACIO SORIA VIDAL	Independent	15/06/2018	30/06/2020	Audit Committee and Nomination and Remuneration Committee	YES
ELENA PISONERO RUÍZ	Independent	14/06/2020	16/06/2020		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

Valeriano Gómez Sánchez was co-opted to replace Juan Miguel Sucunza Nicasio.
Jordi Sevilla Segura was co-opted to replace Loreto Ordoñez Solís.
The reasons given by the Directors at the time they tendered their resignation are indicated below:
1. Acacio Faustino Rodríguez García said that he was prevented from continuing on the Board because he had other professional duties that interfered with the dedication required of a Director.
2. Ricardo de Guindos Latorre explained that business and personal reasons led to his decision: the dedication required by the Company at . that time was incompatible with his duties elsewhere.
3. Ignacio Soria Vidal said he was unable to perform the duties of his office due to duties elsewhere. He was unable to provide the exceptional dedication and care that Duro Felguera required at that specific stage.
4. Elena Pisonero Ruiz resigned to avoid future potential conflicts of interest, as she holds executive positions at companies that operate in the fields of renewable energy and new technologies.

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
JOSÉ MARÍA ORIHUELA UZAL	CHIEF EXECUTIVE OFFICER	*Ingeniero de Caminos, Canales y Puertos* [equiv. MSc Civil Engineering]. He has more than 25 years of experience in the engineering and infrastructure

		sector, where he has held the position of chairman or CEO at several companies.

Total number of executive directors	1
Percentage of Board	20.00

He was appointed Chief Executive Officer on 30 November 2018.

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	Degree in Economics and Business Administration from the University of Santiago de Compostela and Professor of Business Administration at the Escuela Superior de Comercio de Gijón. From 1976 to 2000, she was a professor in the Economics Department of the University of Oviedo, teaching at the School of Business Studies and the School of Industrial Engineering. From 1998 to 2004, she was the Principal of the University School of Business Studies of Gijón of the University of Oviedo. During this period, she was also the Director of the master's degree in Transport and Logistics Management and the higher degree in Tourism at the University of Oviedo. From 2000 to 2010, she combined her university role with several directorships, holding positions such as: • Member of the Board of Directors of Caja de Ahorros de Asturias. • Member of the Board of Directors of SADEI (Sociedad Asturiana de Estudios Económicos e Industriales). • Member of the Board of Directors of TELECABLE. • Member of the Governing Board of the Consorcio de la Feria Internacional de Muestras de Asturias. • Chair of the Control Committee of Caja de Ahorros de Asturias. • Chair of the Board of Directors of AUCALSA (Autopista Concesionaria Astur-Leonesa). • Chair of the Board of Directors of VIASTUR (Autopista Concesionaria Principado de Asturias). From 2010 to 2016, she held the positions of Chair of the National Commission of the Postal Sector and of the Port Authority of Gijón. In 2016, she returned to the University of Oviedo, taking part in teaching activities and speaking at master's degree lectures and conferences at several universities. She is currently a member of the Development Advisory Council of the Ministry of Development. As regards research, the most important

INDEPENDENT DIRECTORS

Name or company name of director	Profile
	lines of her work relate to economic analysis of tourism, transport and infrastructure; she is the author of several articles and books in these fields.
JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO	Economist of the State, having achieved the highest score in the competitive examination among all appointees in his year. Doctorate in Economics, master's degree in International Economics and bachelor's degree in Economics and Business Administration from the University of Deusto. He has pursued a career in financial markets: he created the Spanish options and futures market and developed the IBEX 35 index. He is the former CEO of MEFF and chairman of Iberclear. He has extensive experience as a director of several companies, including Hunosa, Repsol Exploración, MexDer, AIAF, ECofex, Enusa, Bandesco and RegisTR. He also teaches finance at CUNEF, a university that focuses on economics, business, law and finance.
JORDI SEVILLA SEGURA	He took a degree in Economics from the University of Valencia and was later appointed, by competitive examination, to the Senior Corps of Trade Experts and Economists of the State. He has dedicated his entire career to public service. He held senior positions in several government departments, including the Ministry of Agriculture and the Ministry of Economy and Finance. From 2000 to 2004 he held the position of Secretary of Economic Policy and Employment on the Federal Executive Committee of the PSOE party. From 2004 to 2007, he was the Minister of Public Administration. He is a former Senior Counselor at PwC, and Vice President at Llorente y Cuenca. He is the Chairman of the Red Eléctrica Group and of the Board of Directors of Red Eléctrica Corporación, a listed company. He formerly taught at the Escuela de Organización Industrial (EOI) and at Instituto de Empresa (IE), where he was an associate professor of Economic Environment for an Executive Master's programme.
VALERIANO GÓMEZ SÁNCHEZ	Graduate in Economics from the University of Barcelona. He has dedicated his entire career to public service and held senior positions at government agencies and departments. He is a former Director General of the Employment Promotion Fund of the Integrated Iron and Steel Sector. From 1988 to 1994, he was an Executive Advisor to the Technical Office of the Minister of Labour and Social Security. He was a member of the Consejo Económico y Social (Economic and Social Council) of Spain from 2001 to 2003. He was the Secretary General of Employment at the Ministry of Labour and Social Affairs, and from 2010 to 2011 he was the Minister of Labour and Immigration. He is a former member of the Fiscal Committee of the Economic and Social Agreement and of the General Council of INEM, the Spanish state-controlled employment institute, and a former director of Izar and Navantia.

Number of independent directors	4
Percentage of Board	80.00

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
No data		

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
No data			

Total number of other external directors	N/A
Percentage of Board	N/A

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			
	2020	2019	2018	2017	2020	2019	2018	2017
Executive					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	1	2	2	1	25.00	33.33	33.33	33.00
Other External					0.00	0.00	0.00	0.00

	Number of female directors				% of total directors for each category			
	2020	2019	2018	2017	2020	2019	2018	2017
Total	1	2	2	1	20.00	33.33	25.00	12.50

At year-end 2020, there was only one independent female director, who was appointed the Chair of the Board on 17 April 2020. A further independent female director was appointed in the course of the year, but she resigned before year-end.

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 is at that time underrepresented on the Board.

The director selection policy seeks to intensify efforts to meet the target that by year-end 2022 the number of female Directors should account for at least 40% of the Board.

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 underrepresented gender is chosen.

In 2020, there were several changes in the membership of the Company Board: three directors resigned and two new directors were appointed by co-optation. At 31 December 2020, three vacancies remained to be filled.

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 2020, there were several changes in the membership of the Company Board: four directors resigned and two new directors were appointed by co-optation. At 31 December 2020, three vacancies remained to be filled.

The Nomination and Remuneration Committee will re-evaluate its selection policy to continue increasing the number of women Directors on the Board with the objective of achieving compliance with the recommendation in 2021.

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 MARÍA ORIHUELA UZAL	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?
No data			

Not applicable.

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
No data		

Not applicable.

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)	750
Amount of pension rights accumulated by directors currently in office (thousands of euros)	

Amount of pension rights accumulated by former directors (thousands of euros)	

The extent to which the targets set for the Chief Executive Officer have been met remains to be determined.

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)
GONZALO FERNÁNDEZ ORDÓÑEZ CERVERA	HEAD OF FINANCE
ALFONSO GORDON GARCÍA SALCEDO	HEAD OF HUMAN RESOURCES
JOSÉ OLASO AYESTA	HEAD OF CORPORATE AFFAIRS
JAVIER GARCÍA LAZA	ASSISTANT TO THE CHIEF EXECUTIVE OFFICER
ÁNGEL LUIS PÉREZ GONZÁLEZ	HEAD OF CORPORATE PRODUCTION
CRISTINA QUILEZ SARDÁ	HEAD OF LEGAL AFFAIRS
MARIA CAMINO SÁNCHEZ RODRÍGUEZ	HEAD OF ASSESSMENT AND BIDS
RAFAEL BERMEJO GONZÁLEZ	HEAD OF FINANCE
GEMMA VÁZQUEZ DÍAZ	HEAD OF FINANCE
FERNANDO RIBEIRO SIMOES	HEAD OF CORPORATE MARKETING AND SALES

Number of women in senior management	3
Percentage of total senior management	30.00

Total remuneration of senior management (thousands of euros)	1,377

All the executives who formed part of the Management Committee during 2020 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.

Alfonso Gordón García Salcedo - Head of Human Resources Up to 16/07/2020
Javier García Laza - Assistant to the Chief Executive Officer Up to 02/11/2020
Cristina Quilez Sardá - Head of Legal Affairs Up to 20/10/2020
Gonzalo Fernández Ordóñez - Head of Finance Up to 10/01/2020
Gemma Vázquez Díaz - Head of Finance Up to 30/04/2020

C.1.15 Indicate whether the Board regulations were amended during the year:

[ ] Yes
[√] No

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors. List the competent bodies, steps to follow and criteria applied in each procedure.

In 2015, the Board of Directors approved a "Director 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 underrepresented 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.

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 (*Guia Técnica 1/2019 Comisión de Nombramientos y Remuneraciones*).
For the 2020 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 2020 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 resignations 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:

a) When due to supervening circumstances they engage one of the grounds for disqualification or prohibition established in law, the Articles of Incorporation, or these Regulations.

b) When they lose credibility, suitability, solvency, competency, availability or commitment to the duties necessary to be a Director of the Company.

c) When their presence on the Board may jeopardise for any reason, and directly, indirectly or through their affiliates, the loyal and diligent discharge of their duties in accordance with the corporate interest.

d) When the reasons for which they were appointed cease to exist and, in particular, when the shareholder or shareholders that proposed, required or determined their appointment, dispose, in part or in full, of their shareholding, resulting in the loss of their status as a qualifying or sufficient shareholder to justify the appointment.

e) When an independent director engages any of the impediments provided in Article 8.1.c) of the Board of Directors' Regulations.

f) When circumstances arise that could harm the Company's name and reputation, in particular when directors are investigated for any crime, they must resign if the Board, after a report from the 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	26
Number of board meetings held without the chairman's presence	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	0

Indicate the number of meetings held by each Board committee during the year:

Number of meetings held by the Audit, Risk and Compliance Committee	12
Number of meetings held by the Nomination and Remuneration Committee	11

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	26
Attendance in person as a % of total votes during the year	99.00
Number of meetings with attendance in person or proxies given with specific instructions, by all directors	26
Votes cast in person and by proxies with specific instructions, as a % of total votes during the year	99.00

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). 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. In 2019, the Management Control Department and the Project Risk Control Department were set up and began operating. The latter reports to the Audit, Risk and Compliance Committee. In addition, the company has undertaken initiatives to improve ICFR.

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 the *Ley de Auditoría de Cuentas* (Spanish Audit Act). 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

Outgoing auditor	Incoming auditor
ERNST & YOUNG, S.L.	DELOITTE, S.L.

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)	12	33	45
Amount invoiced for non-audit services/Amount for audit work (in %)	7.36	8.82	8.38

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	1	1
	Individual	Consolidated
Number of years audited by the current audit firm/number of years in which the company has been audited (%)	3.13	3.13

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, etc.; events and incidents that may have an impact on the results of the Company and the Group, 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 resignations 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.

Not applicable.

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 the Chief Executive Officer contains an indemnity clause in the event of unilateral termination without cause of the Contract for an amount of one year's fixed salary. The indemnities under the Senior Management Contracts are as follows: (i) One year's gross annual salary in case of termination before completion of five years of employment. The indemnity expired on 31 October 2020. (iii) During the first year of the contract (until 9 September 2020), in the event of unilateral termination of the contract by the Company, the executive shall continue to be paid his or her remaining salary until the gross annual remuneration originally promised is reached. (iii) Up until 31 December 2020, in the event of unilateral termination of the contract by the Company, the executive shall continue to be paid his or her remaining salary until the gross annual remuneration originally promised is reached. However, no indemnity is in effect at the date of issue of this report, either because the beneficiary is no longer at the Company or because the term of the indemnity has already expired.

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

In 2020, due to the resignations of three directors, two of whom were members of the Audit Committee (Ricardo de Guindos and Ignacio Soria), new members were appointed, as listed above.

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 Committee is regulated by the provisions of the *Ley de Sociedades de Capital* (Corporate Enterprises Act), the Internal Board Regulations and the Regulations of the Audit Committee, 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.

Ricardo de Guindos Latorre was Chairman of the Audit Committee until 1 April 2020, when he tendered his resignation. 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 Committee based on his proven professional experience in auditing and accounting matters.

The Audit 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

Until 1 April 2020, the members of the Committee were Ignacio Soria Vidal, Ricardo de Guindos Latorre and Rosa Isabel Aza Conejo. When Mr de Guindos resigned from his position as director, he was replaced on the Committee by Valeriano Gómez Sánchez, who also became Chairman 17 April 2020, replacing Ms Aza. On 17 April 2020, Jordi Segura Sevilla was appointed as a member of the Committee. On 13 July 2020, José Julián Massa Gutiérrez del Álamo was appointed as a member of the Committee, replacing Mr Soria.

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.

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							
	2020		2019		2018		2017	
	Number	%	Number	%	Number	%	Number	%
Audit, Risk and Compliance Committee	0	0.00	0	0.00	1	33.30	1	25.00
Nomination and Remuneration Committee	0	0.00	1	33.33	0	0.00	1	33.33

Until 17 April 2020, there was one female director on the Nomination and Remuneration Committee, Rosa Isabel Aza Consejo.

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 2020.

D. RELATED PARTY AND INTRAGROUP TRANSACTIONS

D.1. Describe, if applicable, the procedure and competent bodies for the approval of related party and intragroup transactions.

The procedure to be followed for transactions with related parties is provided for in the Board Regulations.

D.2. Describe any transactions that are significant, either because of the amount involved or the subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name or company name of significant shareholder	Name or company name of the company or entity within its group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
No data				N/A

Not applicable.

D.3. Describe any transactions that are significant, either because of the amount involved or the subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name or company name of director(s) or manager(s)	Name or company name of the company or entity within its group	Relationship	Nature of the transaction	Amount (thousands of euros)
No data				N/A

Not applicable.

D.4. Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the consolidation process and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

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	Amount (thousands of euros)
No data		N/A

Not applicable.

D.5. Report any material transactions carried out by the company or entities belonging to its group with other related parties that have not been reported in the previous sections.

Company name of the related party	Brief description of the transaction	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

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 listed or not, and whether it has, directly or through any of its subsidiaries, business relationships with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them.

[ ] Yes
[√] No

E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Explain the scope of the company's Risk Management and Control System, including tax risk.

On 1 January 2019, the Board approved the updated version of the "Risk Control and Management Policy" in which 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, analysing, 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.

There are two distinct levels of control within this model, under the principles of the Risk Control and Management Policy:

- Control and Management of Corporate Risks: the general risks associated with Duro Felguera’s business in general.

Given the transversal nature and significance of this type of risk —and not only for the achievement of the objectives of the wider business but also for the Company’s future prospects— the members of the Management Committee act as the officers of these corporate risks.

- Control and Management of Project Risks: These are the risks inherent in each particular project throughout its life, running from the commercial opportunity phase through to completion.

In this case, the Risk Officers are the members of the project team.

In addition, the Group has the following systems in place that complement the current Risk Management Model:

- Crime Prevention Model: this system implements management’s commitment to establish a culture of regulatory compliance that is conducive to diligent professional conduct and its absolute condemnation of any kind of unlawful action or business, which shall never be justified on the grounds that it benefits the Company. This model, which currently relies on a Criminal Risk and Controls Matrix approved in December 2015, will arise from an in-depth review and update as approved at the Board of Directors' meeting of 18 December 2020.

- Internal Control over Financial Reporting, whereby the financial risks to be considered by the Group are identified and evaluated. For further information, see section F of this report.

As to tax risk control, Duro Felguera’s tax strategy identifies, adopts and implements effective methods to reduce tax risks.

The Company’s tax policy sets out the principles to be followed by Group companies as to tax performance and transparency. The policy, approved by the Board in December 2015, is designed to implement a responsible tax strategy within the framework of the Company’s interests, sustainable value creation and the reduction of tax risks surrounding the activities of Duro Felguera.

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.

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;

- 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.

In mid-2020, the Risks Department was reorganised, and the Chief Risk Officer left the Company. At year-end, the Company had not yet appointed a new Chief Risk Officer.

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; 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:

Duro Felguera's Corporate Risk Control and Management division draws up, updates and approves the Risk Map at least once a year.

The main input for building the Risk Map is the Strategic Plan, which is prepared, reviewed and approved by the Board of Directors. 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. In addition, in mid-2020 the Risks Department was reorganised and the Chief Risk Officer left the Company; no new Chief Risk Officer had been appointed by year-end. Hence the Risk Map is still in the process of being drawn up – specifically, on a preliminary basis we have identified the risks that might hinder successful pursuit of the Strategic Plan, but those risks have not yet been fully assessed.

The identified risks, in accordance with the risk management model designed and approved by the Group, are divided into the following four categories:

- Strategic: risks associated with key long-term objectives. Such risks may arise from the actions of other key market participants (clients, competitors, regulators, investors or others), from changes in the competitive environment or from the business model itself. This category includes risks related to the market, geographical presence, partners, organisational model, availability of financing and guarantees, portfolio and reputational risk.

- Operational: risks associated with the normal operations carried out at Duro Felguera, including all risks related to operating procedures and the efficient and effective use of the organisation's resources. More precisely, the main risks included in this category are: bidding and contracting, project planning, procurement and subcontracting, availability of resources and equipment, contract performance and management, asset security, occupational safety, information systems and cyber security, disasters, attracting and retaining talent, fraud and technology.

- Financial: risks related to the economic and financial management of Duro Felguera (liquidity, interest rate, impairment of financial assets, exchange rate and credit risk) and financial reporting.

- Compliance: risks of non-compliance with external and internal regulations by the Company's management or employees, particularly those related to crime prevention, tax, environmental concerns, employment, data protection and the securities market.

As to the Covid-19 pandemic, management has considered its effects with respect to each of the risks identified and shown on the Risk Map, but has not recognised it as a new and distinct risk.

In the Project Risk Control and Management area, the main risk Duro Felguera had to manage in 2020 was the impact of Covid-19, which delayed projects in progress and halted talks with clients for the resumption of suspended projects.

The key risks identified in the current Crime Prevention Model matrix (approved 2015) are: (i) discovery and disclosure of secrets: personal and family privacy, sabotage and IT damage; and (ii) crimes relating to the market and consumers: industrial espionage, violation of trade secrets, price-fixing, and all risks relating to corruption, bribery and fraud. At a meeting held on 18 December 2020, the Board of Directors approved the updated Crime Prevention Model and, more specifically, the updated criminal risk map and controls, as explained later in this section.

As indicated in section E.1, as regards taxation Duro Felguera founds its practices on transparency, accurate reporting, good faith, cooperation with tax authorities, the principle of prudence, and compliance with the law and best practices. Note 31 to the consolidated financial statements for 2020 expressly describes all tax contingencies and events affecting Duro Felguera.

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

As set out in its Risk Control and Management Policy, the Company assesses 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.

As explained in the preceding section, as a result of the reorganisation of the Risks Department this year and the several updates to the Strategic Plan, the 2020 Risk Map is still in the process of being drawn up. On a preliminary basis, we have identified the risks that might hinder successful pursuit of the Strategic Plan, but those risks have not yet been fully assessed in terms of impact and probability. Once the identified risk inventory has been agreed with the Management Committee, we shall assess and prioritise the risks to pinpoint those that are critical for the Group. We shall then assign risk officers to manage each critical risk by specifying and monitoring appropriate action plans and key risk indicators (KRIs). These Critical Risk Officers will invariably be members of the Management Committee.

For risks with a higher impact and residual probability, the directors set risk tolerance according to the most representative KRIs.

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.

Regarding Project Risk Control and Management, we introduced our internal management standard *NIG-03: Control y Gestión de Riesgos de Proyecto* ("Control and Management of Project Risks") to reinforce integrated management of operational risks by establishing different levels of review and approval to manage risks in all phases of a project, from its inception as a business opportunity to its completion.

E.5. Indicate which risks, including tax risks, have materialised during the year.

For projects in progress, the main risk addressed and managed by Duro Felguera in 2020 was the risk associated with COVID19. The pandemic led to delays in ongoing projects and a halt in talks with clients to negotiate the resumption of suspended projects.

Given the current landscape, certain operational risks related to project planning, procurement, subcontracting and safety, among others, have materialised and have had to be managed accordingly in response to the situation in each country. Specifically, we implemented health and safety measures and assessed the effects of the pandemic alongside our clients so as to manage contracts appropriately.

No further critical risks – and no critical tax risks – were identified that would require special attention beyond the Group's standard operational approach.

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.

As explained in section E.3, the Group is in the process of drawing up its Corporate Risk Map.

Once the risks to be placed on the Map have been assessed and prioritised, management will create response and oversight plans for the key risks faced by the Company. As specified in the Risk Control and Management Policy, an organisation can take the following actions in response to risk:

- Mitigate: actions to reduce the impact or probability of a risk to a level that is acceptable to the organisation.
- Accept: no action is taken facing the risk – its consequences and probability are accepted as they are.
- Share: actions to share the risk with third parties, e.g., insurance arrangements, process outsourcing, and so forth.
- Avoid: suspend the activity giving rise to the risk so that the risk disappears.

For each identified risk – and each critical risk in particular – the risk officer must regularly monitor and weigh up the probability of occurrence of the risk using suitable quantitative and qualitative indicators. If an indicator exceeds a given tolerance threshold, the risk officer must then identify the causes and propose a plan of action or response.

The Management Committee then validates proposed action plans or requests changes as it sees fit so as to keep the risk within approved tolerance thresholds.

In 2020, the Company adopted the following response plans and actions:

- 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. At 31 December 2020, the Finance Department and the ICFR coordination area took specific steps to bring the ICFR model fully into operation in accordance with the principles and guidelines underpinning its design (see section F of this report).

- The review and updating of the Crime Prevention Model was approved at a meeting of the Board of Directors held on 18 December 2020. This process includes a review of the existing structure and operation of the Supervisory and Control Body (Compliance Committee and Compliance Officer).

- A review was also undertaken of the 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 Duro Felguera or any Group company.

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.

As set out in the Internal Control over Financial Reporting (ICFR) Governance Model, the process affects all levels of the organisation and is conducted by all Company employees.

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.

For its part, the Finance Department of Duro Felguera is responsible for establishing the design, implementation and overall monitoring of the Group's system of internal control over financial reporting. The Finance Department must therefore establish the system and have the necessary structure for oversight to ensure that it functions effectively.

Finally, the Internal Audit area, which reports to and is under the oversight of the Audit Committee, will plan the supervision and assessment of the ICFR 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 Indicate whether the following exist, especially in relation to the drawing up of financial information:

· Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) clear definition of lines of responsibility and authority with an appropriate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for their proper dissemination throughout the entity.

Under the Board Regulations, the specification of the Group's organisational structure and any changes to it are the responsibility of the Board.

In short, the Finance Department leads the preparation of financial reporting, although, as stipulated in DF's model for ICFR, all parties involved must 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.

In previous years, when the ICFR Model was in the process of being updated and reviewed as a whole, we provided employees with training in the functions and duties within the ICFR Governance Model. In the current year, we provided further training for recently appointed ICFR officers. 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 latest version of the Group's Code of Conduct, which was reviewed, updated and approved by the Board of Directors in 2018, remained in force during 2020. The Code is mandatory for all Duro Felguera directors and employees, regardless of office, position, geographical location, type of employment contract, or physical workplace.

No training relating to the Code of Conduct was provided in 2020, mainly as a result of the employee furlough programme and the fact that the position of Chief Compliance Officer was vacant for part of the year. However, the Code is accessible to all employees over the Duro Felguera intranet and to all other stakeholders on the corporate website.

The current Code of Conduct sets out the following principles and values:

- Compliance with the law: DF and all its employees undertake to comply with the legislation in force in all activities, and with the Good Corporate Governance practices adhered to by DF, while encouraging cooperation with authorities and regulatory bodies.

- Respect for 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 clients 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.

New appointees to the management team are expressly required to agree to comply with the Code of Conduct and sign a copy of it.

The Compliance Committee, comprising management representatives of the Human Resources, Legal Affairs, Finance and Compliance departments, is the internal body responsible for updating, supervising and controlling compliance with the principles, values, guidelines and patterns of behaviour set out in the Code, and existing regulations within the framework of the application of the Code of Conduct.

Specifically, as a general rule, the Chief Compliance Officer 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 Chief Compliance Officer 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.

In the first half of 2020, the Compliance Committee met on 26 May 2020, 4 June 2020 and 8 July 2020. Meanwhile, in the second half of 2020, following the departure from Duro Felguera of most of the members of the Compliance Committee and of the Chief Compliance Officer himself, the compliance functions were temporarily delegated to the Chief Financial Officer, with the support of the internal Legal Affairs team and the Company's external advisers. The review and updating of the Crime Prevention Model was approved at a meeting of the Board of Directors held on 18 December 2020. This process includes a review of the existing structure and operation of the Supervisory and Control Body (Compliance Committee and Chief Compliance Officer).

· 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 whistleblower’s manager, or the Head of Human Resources.

- *Línea Ética* whistleblower channel (https://lineaetica.durofelguera.com): This is a channel managed by the Chief Compliance Officer of Duro Felguera under the supervision of the Audit Committee. Accounting or auditing irregularities or breaches of the Code of Conduct or the Group's Crime Prevention Model can be reported via the channel in a fully confidential and independent manner. This channel, accessible from the Duro Felguera website and intranet, enables stakeholders safely and anonymously to report irregular, unethical or illegal conduct which they believe to have occurred in the course of the Group’s business. Duro Felguera assures strict confidentiality in addressing incidents and throughout the process of investigation. Duro Felguera also guarantees that no action will be taken against the whistleblower for incidents reported in good faith.

In 2020, adopting a proposal put forward by the Audit, Risk and Compliance Committee, the Board of Directors of Duro Felguera introduced a new 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 Duro Felguera or any Group company.

In 2020, no complaints or queries were received by means of the whistleblower channel.

· Training and periodic refresher programmes for personnel involved in the preparation and revision of financial information, as well as in the assessment of the ICFR system, covering at least accounting standards, auditing, internal control and risk management:

In 2019, the Board of Directors and the Audit, Risk and Compliance Committee promoted training in risk management, compliance policies and internal control over financial reporting, and training for Internal Audit staff to carry out internal control reviews. In 2020, members of the ICFR area provided an internal training programme for employees who, based on an annual assessment of the scope of companies subject to ICFR, are considered to be the first line of defence within the internal control model.

Further training was not provided over the year for the following reasons:
- The effects of the Covid-19 pandemic, which prompted the Group to avail itself of a furlough programme for a large number of employees. - A protracted decline in the financial position of the Company, which, given the need to boost its business, is now actively seeking investors.
- Vacancies in key personnel, such as the Chief Risk Officer and Chief Compliance Officer positions.

The training provided in 2020 as mentioned in the preceding paragraph was attended by eight employees who are considered to be key to the implementation of the ICFR model in one of the Group's operating units that was not formerly within the scope of the Duro Felguera ICFR system. The main training goals were:
- Review the key internal control concepts in place at Duro Felguera that help foster and strengthen an internal control culture.

- 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 *Control interno sobre la información financiera en las sociedades cotizadas*.

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 General Policy on Systems of Internal Control over Financial Reporting (ICFR), 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 2020, the ICFR area, which reports directly to the Finance Department, assessed and updated the scope of the system of Internal Control over Financial Reporting. 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. At 31 December 2020, the Finance Department and the ICFR coordination area took specific steps to bring the ICFR model fully into operation in accordance with the principles and guidelines underpinning its design.

The resumption of full operation of ICFR only covers the December 2020 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 ICFR – despite a tight timeline and the new furlough programme affecting the Group in the first few months of 2021 – was successfully met: virtually all controls set out in the risk matrices that make up the Group's model have been implemented.

Self-assessment statements were obtained from control owners and supervisors for all controls executed as a result of the resumption of full operation of ICFR.

- 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.
- Integrity: 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.

- 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.l 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 4 main risk categories: strategic, operational, financial and compliance.

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. In addition, in mid-2020 the Risks Department was reorganised and the Chief Risk Officer left the Company; no new Chief Risk Officer had been appointed by year-end. Hence the Risk Map is still in the process of being drawn up – specifically, on a preliminary basis we have identified the risks that might hinder successful pursuit of the Strategic Plan, but those risks have not yet been fully assessed.

- 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 Committee, among other things, with supervising the effectiveness of the Company’s internal control, the internal audit and risk management systems, as well as addition to 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.

The process of review of financial reporting starts with the Finance Department's assessments and checks on information obtained from all departments concerned, mainly, the Group's finance area.

Next, the process continues with the role of the Audit 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." Moreover,

for ICFR, 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 2020, 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 ICFR, 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 2020, 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 procedures in place to review the financial information prepared by the external firm, as set out in "Procedure for Review of Subcontracted Activities".

As with the ICFR model as a whole, in 2020, the procedure was not documented and supported by evidence to the required standard. Hence the financial reporting oversight and review controls for those subsidiaries were not supported by evidence as set out in the applicable procedure.

However, at year-end, as a result of the Finance Department's commitment to resume full operation of ICFR, the controls under the procedure were executed over 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 Subcontracted 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 commissions an appraisal of real property or other assets from a third party, 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 commission 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 Finance Department is responsible for keeping the Duro Felguera Group's accounting policies up to date and internally consistent. In this role, the Department works alongside Internal Audit.

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 2019, 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 readily accessible to all Group employees involved in financial reporting.

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 2020, we adapted our IT tools 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 "supervising the effectiveness of the Company’s internal control, the internal audit, compliance and risk management systems, as well as addition to 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 2020, 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.

At year-end 2020, Internal Audit submitted a new ICFR testing plan in line with the situation described in section F.2.1. The new plan, approved by the Audit Committee at its meeting of 18 December, is based on testing the design and implementation of controls qualifying as "highly critical" and "critical" in January and February 2021 with respect to the December 2020 close. In addition, Internal Audit selected a sample of medium-criticality controls to be tested in March 2021.

As planned, the Internal Audit unit conducted the tests referred to above in January and February on all resumed ICFR controls qualifying as "highly critical" or "critical" (see the explanation in section F.2.1 "Whether the process exists and is documented"). In February, the results were submitted to the Audit, Risk and Compliance Committee.

In parallel to this, the Audit, Risk and Compliance Committee is in the process of reviewing and approving the Plan for 2021.

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.

The Internal Audit unit is an element of the Group's internal control system, and reports to the Audit 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.

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.

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.

Moreover, the Audit, Risk and Compliance Committee holds regular meetings with the Internal Audit unit to approve the annual Internal Audit Plan and oversee the results of the unit's engagements.

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 2020, the Duro Felguera Audit 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 internal control over financial reporting (ICFR) in the year ended 31 December 2020.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company´s conduct. General explanations are not acceptable.

1. That the articles of incorporation of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.

   Complies [X]   Explain [ ]

2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:

   a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.

   b) The mechanisms in place to resolve any conflicts of interest that may arise.

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

3. That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:

   a) Changes that have occurred since the last General Shareholders' Meeting.

   b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

   Complies [X]   Complies partially [ ]   Explain [ ]

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies [X]   Complies partially [ ]   Explain [ ]

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of pre-emptive rights in an amount exceeding 20% of the capital at the time of delegation.

And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of pre-emptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies [X]   Complies partially [ ]   Explain [ ]

6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:

a) Report on the auditor's independence.

b) Reports on the workings of the audit and nomination and remuneration committees.

c) Report by the audit committee on related party transactions.

Complies [X]   Complies partially [ ]   Explain [ ]

7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.

And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

Complies [ ]   Complies partially [ ]   Explain [X]

The Board of Directors believes that website streaming of the General Meeting has no direct effect on increasing shareholder participation. In fact, the most recent General Meeting was held entirely by remote means and attendance was considerably less than in previous years. Attendance by remote means or by proxy may have been affected by the fact that the event was held in the midst of the special healthcare circumstances surrounding the second wave of the Covid-19 pandemic.
The Company is compliant in relation to mechanisms that allow delegation and casting of votes 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 submits all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.

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

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

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

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

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

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

    Complies [X]   Complies partially [ ]   Explain [ ]

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

    Complies [X]   Explain [ ]

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

a) Is concrete and verifiable;

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

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

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

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

Complies [ ] Complies partially [X] Explain [ ]

There are no 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.

In the light of these developments and the outlook for the presence of women on the Board of the Company, we believe compliance with the Director Selection Policy has been achieved, and we expect that, if this trend continues, the 30% objective could be achieved by 2021.

15. That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.

Complies [ ] Complies partially [X] Explain [ ]

In 2020, the percentage of women directors was less than 20%. However, as indicated in section G.14 above, the Nomination and Remuneration Committee is in the process of selecting new candidates and is prioritising an active search for female candidates in the hope that the required percentage will be achieved within the recommended time frame.

16. That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.

This criterion may be relaxed:

a) In large-cap companies where very few shareholdings are legally considered significant.

b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

Complies [X] Explain [ ]

17. That the number of independent directors should represent at least half of the total number of directors.

That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies [X] Explain [ ]

18. That companies should publish the following information on its directors on their website, and keep it up to date:

a) Professional profile and biography.

b) Any other Boards to which the 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 [X]

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

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

39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies [X] Complies partially [ ] Explain [ ]

40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies [X] Complies partially [ ] Explain [ ]

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

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

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With 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 Committee 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 Internal audit 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 [X]

49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.

Complies [X] Complies partially [ ] Explain [ ]

50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

a) Proposing the basic conditions of employment for senior management to the Board of Directors.

b) Verifying compliance with the company's remuneration policy.

c) Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.

d) Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.

e) Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.

Complies [X] Complies partially [ ] Explain [ ]

51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.

Complies [X] Complies partially [ ] Explain [ ]

52. That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:

a) That they be composed exclusively of non-executive directors, with a majority of independent directors.

b) That their chairpersons be independent directors.

c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and require them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.

d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.

e) That their meetings be recorded and their minutes be made available to all directors.

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

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies [X]   Complies partially [ ]   Explain [ ]

54. The minimum functions referred to in the foregoing recommendation are the following:

a) Monitoring of compliance with the company’s internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.

b) Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.

c) The periodic evaluation and review of the company’s corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.

d) Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.

e) Supervision and evaluation of the way in which relations with the various stakeholders are handled.

Complies [X]   Complies partially [ ]   Explain [ ]

55. That environmental and social sustainability policies identify and include at least the following:

a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct-

b) Means or systems for monitoring compliance with these policies, their associated risks, and management.

c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.

d) Channels 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]

Remuneration in the form of shares or share options is provided for in the Articles of Incorporation and in the Directors' 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 4%.

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, it is possible to verify compliance with the conditions immediately, since variable remuneration is based on the closed and audited financial statements, which is the one that is submitted at the General Meeting for deliberation.

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 [X]

63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.

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

This clause is not included because the targets that attract variable remuneration must be met in the financial year, i.e. in the short term, and are verifiable before payment.

64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

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

H. FURTHER INFORMATION OF INTEREST

1. If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which it is necessary to include in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.

   Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.

3. The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In such case, name the code in question and the date 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, further information is given below in connection with the following sections:

Section C.2.1.

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 effectiveness 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.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/her engagement and regularly request information on the audit plan and its execution from him/her, in addition to ensuring his/her independence in the exercise of audit duties.

i) 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 informaiton", accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
-I n the event that the external auditor resigns, examining the circumstances leading to such resignation.
The external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the Company's accounting situation and risks.
- The audit engagement is fulfilled, requiring that the auditor's opinion on the financial statements and the content of the report are drafted clearly and precisely.
- On an annual basis, prior to the issuance of the audit report on the financial statements, a report is issued 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)The Board of Directors is informed, with prior notice, about all matters foreseen in law, the Articles of Incorporation and the Board Regulations; in particular those regarding:
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 Company's corporate governance system, with a view to ensuring that it fulfils its purpose of promoting the Company's interests and takes account, as appropriate, of the legitimate interests of other 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:
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 of communication, participation and dialogue with stakeholders.
- 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. Review of projects in progress.
2. Implementation of Corporate and Project Risk Management Control, reporting directly to the Audit Committee.
3. Implementation of improvements to the ICFR system.
4. Study of supporting documentation of commercial brokering contracts.

APPOINTMENTS AND REMUNERATION COMMITTEE

Functions:

The Committee, independently of any other functions entrusted to it by the Board of Directors or those which, within the scope of its functions, it may submit to the Board for consideration and approval, performs the following main duties:

1. In relation to directors and the Board of Directors:
a) Evaluate the competencies, knowledge and experience necessary for the Board of Directors. To this end, the Committee shall define the duties and capabilities necessary in candidates who shall fill each vacancy and evaluate the time and dedication necessary in order to efficiently fulfil their commitment, and run an annual check on compliance with the director selection policy.

b) Set a target for representation for the 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. 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.

3. Review and evaluate Corporate Governance Policies, ensuring that all such policies remain up-to-date and compliant with prevailing law and regulations, and making any proposals for review, modification and improvement that it deems appropriate.

4. Draw up, for submission to the Board of Directors, the corresponding annual 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.

This Annual Corporate Governance Report was approved by the Board of Directors of the company in its meeting held on:

31/03/2021

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

[ ] Yes
[√] No

Deloitte.

Deloitte, S.L.
Palacio Valdés, 9
33002 Oviedo
España

Tel: +34 985 21 98 49
Fax: +34 985 21 88 57
www.deloitte.es

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

AUDITOR'S REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF DURO FELGUERA, S.A. FOR THE YEAR ENDED 31 DECEMBER 2020

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

As requested by the Board of Directors of Duro Felguera, S.A. ("the Entity") and in accordance with our proposal-letter of 21 November 2020, we have applied certain procedures to the "information relating to the ICFR system" included in section F) of the accompanying Annual Corporate Governance Report (ACGR) of Duro Felguera, S.A. for the year ended 31 December 2020, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report (ACGR).

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

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

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the *"Guidelines on the Auditor's Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Entities"*, published by the Spanish National Securities Market Commission (CNMV) on its website, which establish the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for the year ended 31 December 2020 described in the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the system of internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the audit regulations in force in Spain, we do not express an audit opinion in the terms provided for in those regulations.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system -disclosure information included in the directors' report- and assessment of whether this information includes all the

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Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model Annual Corporate Governance Report established in CNMV Circular 5/2013, of 12 June 2013, and subsequent amendments, the most recent being CNMV Circular 1/2020, of 6 October (“the CNMV Circulars”).

2. Inquiries of personnel responsible for preparing the information detailed in point 1 above for the purpose of: (i) obtaining an understanding of the process involved in its preparation; (ii) obtaining information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) obtaining information on whether the control procedures described are in place and functioning at the Entity.

3. Review of the explanatory documentation supporting the information detailed in point 1 above, including mainly the documentation furnished directly to those responsible for preparing the information describing the ICFR system. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives and other internal or external specialists providing support functions to the Audit Committee.

4. Comparison of the information detailed in point 1 above with the knowledge of the ICFR system of Duro Felguera S.A. obtained through the procedures applied during the financial statement audit work.

5. Perusal of minutes of meetings of the Board of Directors, the Audit Committee and other Group committees in order to assess the consistency between the ICFR system issues addressed therein and the information detailed in point 1 above.

6. Obtainment of the representation letter concerning the work performed, duly signed by the personnel responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements established in Article 540 of the Consolidated Spanish Limited Liability Companies Law and in the CNMV Circulars for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.

Alicia Izaga Goicoechea

16 April 2021

APPROVAL OF THE BOARD OF DIRECTORS

Chairman	Dña. Rosa Isabel Aza Conejo
Chief Executive Officer	D. José María Orihuela Uzal
Director	D. José Julián Massa Gutiérrez del Álamo
Director	D. Valeriano Gómez Sánchez
Director	D. Jordi Sevilla Segura
Secretary, non-director	D. Bernardo Gutiérrez de la Roza

Certificate prepared by D. Bernardo Gutiérrez de la Roza, Secretary to the Board of Directors, to state that after the preparation and majority approval of the Consolidated Balance Sheet, the Consolidated Income Statement, Statement of Comprenhensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flow, Notes to the Consolidated Annual Accounts and Consolidated Management Report, for the year ended 31 December 2020, as well as the signing of statement of responsibility for the content of the accounts by the Directors, they proceeded to sign this document approved by the Chairman, including a page in the Spanish language version signed by each of the Board Members, whose full names and positions are indicated after the signature, which I validate and certify. In the event of discrepancy, the Spanish language version prevails.

Gijón, 9 April 2021

Dña. Rosa Isabel Aza Conejo Chairman	D. Bernardo Gutiérrez de la Roza Secretary, non-director