

Audit Report on Financial Statements
issued by an Independent Auditor

DURO FELGUERA, S.A.

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

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 FINANCIAL STATEMENTS

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

Report on the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2020, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 3 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 to the accompanying financial statements for 2020, in which the directors indicate that the Company 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 an 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 Company's viability plan as intended and, accordingly, they prepared the 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 22, 28 and 33 to the accompanying financial statements, may significantly affect the Company's ability to meet its present and future obligations, which indicates that a material uncertainty exists that may cast significant doubt on the Company'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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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
<p>The Company engages mainly in the provision of engineering services through EPC projects in the industrial, energy, minerals handling, logistics and environmental sectors, and follows the general policy of recognising the revenue from, and profit or loss on, each contract by reference to the estimated stage of completion thereof, calculated on the basis of the costs incurred in the contract as a percentage of the total budgeted costs. Revenue recognised by reference to stage of completion in 2020 amounted to EUR 77.1 million, with an amount of EUR 36.2 million receivable at year-end (see Note 11), of which EUR 20.3 million correspond to amounts to be billed for work performed, with amounts billed in advance for construction work totalling EUR 33.3 million (see Note 18).</p> <p>Determination of the stage of completion necessarily involves a high degree of complexity and judgement by management in relation to, inter alia, the 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 applicable legislation.</p> <p>Accordingly, the situation described was considered to be a key matter in our audit.</p>	<p>Our audit procedures included obtaining an understanding of the Company's revenue recognition policies and the processes directly related to the periodic reviews of the contracts carried out by those responsible for each area and supervised by Company management taking into account the corresponding follow-up reports that include the costs incurred, the estimate of costs to be incurred, the estimated percentage of completion, the assessment of the margin and the possible penalties and obligations provided for in the contracts.</p> <p>Also, our audit procedures included, among others, an itemised in-depth analysis of a selection of projects, 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 Company's technical staff and obtained the support of internal specialists in relation to certain issues.</p> <p>Lastly, we reviewed the disclosures provided in the accompanying financial statements in relation to these matters. Specifically, Notes 3.16, 11 and 23-b contain relevant information on revenue recognition and on amounts yet to be billed or amounts billed in advance.</p>

Measurement of non-current investments in Group companies and associates

Description	Procedures applied in the audit
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The Company has ownership interests in the share capital of Group companies that are not listed on regulated markets, as detailed in Note 10, and has granted the loans to them described in Note 31.

Each year the Company reviews the indicators of impairment and, where appropriate, the recoverable amount of these ownership interests and loans. The estimation of the recoverable amount of the ownership interests and loans for which it was considered that there were indications of impairment requires the application of significant judgements and estimates, when determining both the valuation method used and the key assumptions established for each method in question. The Company took into account the unrealised gains relating to real estate assets when determining the recoverable amount of its investees using the reports of an independent expert.

The matters indicated above, and the significance of the ownership interests held, the financing granted to the investees and the financial-support commitments acquired led us to determine the situation described to be a key matter in our audit.

Our audit procedures to address this matter included the review of the analysis conducted by the Company to detect indications of impairment. We obtained and analysed the impairment tests performed and other valuation-related evidence gathered by management in relation to the ownership interests that evidenced indications of impairment, verifying the clerical accuracy of the impairment calculations and the appropriateness of the valuation method used in relation to the investments held. Thus, we reviewed the consistency of the financial information used with that contained in the consolidation process and obtained the report of the experts engaged to appraise the property assets of each investee, evaluating their competence, capacity and objectivity, together with the adequacy of their work for use as audit evidence. With the cooperation of our internal valuation experts, we analysed and concluded on the reasonableness of the valuation procedures and methodology used by the experts engaged and for a sample of assets, on a selective basis, independent alternative analyses were performed.

Notes 10, 20 and 31 to the accompanying financial statements contain the disclosures and information relating to these matters.

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

Description	Procedures applied in the audit
<p>As indicated in Notes 28 and 33, as a result of its business activities the Company is involved in various arbitration and court proceedings mainly with customers and suppliers, certain of which are for a significant amount. The aforementioned processes are characterised by the existence of cross claims between the parties. At 31 December 2020, there were accounts receivable associated with the resolution of arbitration proceedings amounting to EUR 7.8 million (see Note 2.6), escrow accounts amounting to EUR 16 million (see Note 11), unrecognised contingent assets subject to claims and provisions recognised to cover claims amounting to EUR 60 million (see Note 20). The Company also has ownership interests in Group companies and jointly controlled entities involved in arbitration proceedings with customers (see Note 28).</p> <p>In relation to the aforementioned ongoing proceedings, Company management assesses whether impairment losses should be recognised, and whether the claims should be considered to be contingent liabilities or whether they require the recognition of provisions, and the quantification thereof.</p> <p>These circumstances constitute a key matter in our audit, since they require Company management to make significant judgements, in particular as to whether it is probable that there will be a future outflow of resources and whether the amount of the obligation can be estimated reliably. These judgements are formed by Company management based mainly on the opinions of its external legal counsel engaged for this purpose.</p>	<p>Our audit procedures included, among others, obtaining an understanding of the arbitration and court proceedings in which the Company is involved and their evolution during the year, as well as an analysis of the judgements of management made on the basis of the opinion of its external and internal legal counsel. For this purpose we sent confirmation letters and obtained responses from the lawyers and legal advisers with whom the Company works to analyse the current situation of the proceedings and check 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 management in relation to these proceedings in Notes 28 and 33 to the accompanying financial statements, in accordance with the applicable regulations, and evaluated whether it was consistent with the evidence obtained during the performance of our tests, taking into account the existing uncertainty regarding the outcome of these proceedings.</p> <p>Notes 11, 20, 28 and 33 contain the information on provisions and the disclosures on contingent liabilities related to arbitration and court proceedings and negotiations in progress.</p>

Tax contingencies	
Description	Procedures applied in the audit
<p>As indicated in Note 22, the tax treatment of certain income tax matters in Spain was reviewed by the tax authorities, and in previous years assessments amounting to EUR 150 million were issued, which were signed on a contested basis and appealed against by the Company. 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 Company 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.</p> <p>Management of the Company has evaluated whether the aforementioned proceedings represent contingencies or whether, on the contrary, a provision associated with them should be recognised. These judgements and estimates are made primarily based on the opinions of its internal and external tax advisers engaged for this purpose.</p> <p>This was a key matter in our audit, since such classification and the quantification require the directors to make significant judgements, in particular as to whether it is probable that there will be a future outflow of resources and whether the amount of the obligation can be estimated reliably.</p>	<p>Our audit procedures included, among others, the obtainment and analysis of the evaluations made by the Company’s internal and external tax advisers, as well as the documentation of any relevant correspondence with the tax authorities regarding tax litigation currently under way. We also sent confirmation letters and obtained responses from the tax advisers with whom the Company 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.</p> <p>Lastly, we evaluated the adequacy of the disclosures provided in Note 22 to the financial statements in relation to these matters.</p>

Emphasis of Matter

We draw attention to Note 28 to the 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 Company are positive based on the internal investigation conducted. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of Duro Felguera, S.A. for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 22 May 2020.

Other information: Directors' Report

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

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

- a) Solely checking that the non-financial information statement 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 directors' report is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Report on Other Legal and Regulatory Requirements

European Single Electronic Format

We have examined the digital file in European Single Electronic Format (ESEF) of Duro Felguera, S.A. for 2020, which comprises an XHTML file including the financial statements for 2020, 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 requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation").

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

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

Additional Report to the Audit Committee

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

Engagement Period

The Annual General Meeting held on 29 October 2020 appointed us as auditors 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 I to our auditor's report

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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



Duro Felguera, S.A.

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

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DURO FELGUERA, S.A.

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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 AND 2019
(€ thousand)

	Note	At 31 December			Note	At 31 December	
		2020	2019 ^(*)			2020	2019 ^(*)
ASSETS				EQUITY AND LIABILITIES			
NON-CURRENT ASSETS				EQUITY			
Intangible assets	6	6,491	8,700	Capital and reserves		(164,035)	7,209
Property, plant and equipment	7	12,796	15,384	Capital	15.a)	4,800	4,800
Investment properties	8	10,363	13,469	Share premium	15.b)	-	-
Non-current investments in group companies and associates		30,186	26,335	Reserves	15.e)	(198)	(126)
Equity instruments	10	30,186	26,335	Prior periods' profit and loss	15.f)	(5,558)	(2,961)
Loans		-	-	Profit/(loss) for the year	15.g)	(171,172)	(2,597)
Non-current investments	9	5,248	5,498	Other equity instruments	15.d)	8,093	8,093
Equity instruments		5,227	5,470	Valuation adjustments	15.h)	12,247	980
Loans to companies	11	-	3	Available-for-sale financial assets		783	1,026
Other financial assets	11	21	25	Translation differences		11,464	(46)
Deferred tax assets	21	21,520	28,059	Grants, donations and bequests received	17	1,599	1,691
TOTAL NON-CURRENT ASSETS		86,604	97,445	TOTAL EQUITY		(150,189)	9,880
				NON-CURRENT LIABILITIES			
CURRENT ASSETS				Non-current provisions		54,203	11,373
Inventories	13	3,212	4,228	Long-term employee benefits	19	648	686
Trade and other receivables	09-11	60,720	92,442	Other provisions	20	53,555	10,687
Trade receivables		25,948	49,643	Non-current payables	9-18	601	1,407
Trade receivables from group companies and associates	31	10,332	12,981	Bonds and other marketable debt securities		-	-
Other receivables		5,810	10,263	Bank borrowings		-	-
Personnel		139	109	Other financial liabilities		601	1,407
Current tax assets		-	-	Deferred tax liabilities	21	20,713	27,234
Other receivables from Public Administrations	21	18,491	19,446	TOTAL NON-CURRENT LIABILITIES		75,517	40,014
Current investments in group companies and associates	9-11-31	99,143	126,579	CURRENT LIABILITIES			
Loans to companies		34,257	35,330	Current provisions	20	85,673	35,852
Other financial assets		64,886	91,249	Current payables	9-18	89,866	86,428
Current investments	9-11	33,475	15,124	Bank borrowings		88,831	85,307
Loans to companies		-	488	Other financial liabilities		1,035	1,121
Other financial assets		33,475	14,636	Current payables to group companies and associates	9-18-31	35,085	38,472
Prepayments for current assets		705	1,183	Trade and other payables	9-18	157,472	206,926
Cash and cash equivalents	9-14	9,565	80,581	Suppliers		94,370	109,864
TOTAL CURRENT ASSETS		206,820	320,137	Suppliers, group companies and associates	31	19,028	24,971
TOTAL ASSETS		293,424	417,582	Other payables		4,480	3,375
				Personnel (salaries payable)		2,347	1,939
				Current tax liabilities		1,320	2,141
				Other payables to Public Administrations	21	2,623	1,628
				Advances from customers		33,304	63,008
				Prepayments for current assets		-	10
				TOTAL CURRENT LIABILITIES		368,096	367,688
				TOTAL EQUITY AND LIABILITIES		293,424	417,582

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

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



DURO FELGUERA, S.A.

STATEMENT OF PROFIT OR LOSS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019
(€ thousand)

	Note	Year ended 31 December	
		2020	2019 (*)
CONTINUING OPERATIONS			
Revenue	23	77,086	254,043
Revenue		71,104	242,949
Services rendered		5,982	11,094
Self-constructed assets		-	-
Cost of sales	23	(41,936)	(183,216)
Raw materials and other consumables used		(27,037)	(116,201)
Subcontracted work		(14,899)	(67,015)
Other operating income		28	3,178
Non-trading and other operating income		28	3,178
Employee benefits expense	23	(26,111)	(43,326)
Salaries and wages		(20,047)	(34,668)
Other employee benefits expense		(6,064)	(8,658)
Other operating expenses		(93,256)	(36,100)
External services		(25,114)	(39,918)
Taxes		(266)	(609)
Losses, impairment and changes in trade provisions	11-20	(67,876)	4,427
Amortisation and depreciation	6-7-8	(2,923)	(3,306)
Release of non-financial capital grants and other	17	123	119
Provision surpluses		-	733
Impairment and gains/(losses) on disposal of assets	6-7-8	(4,985)	-
Other income/(expense)		(658)	(911)
OPERATING PROFIT/(LOSS)		(92,632)	(8,786)
Finance income		3,407	15,663
Finance costs		(2,139)	(1,946)
Change in fair value of financial instruments		-	8,069
Exchange differences		(21,074)	3,938
Impairment and gains/(losses) on disposal of financial instruments	9-20	(58,581)	(16,490)
NET FINANCE INCOME/(COST)	24	(78,387)	9,234
PROFIT/(LOSS) BEFORE TAX		(171,019)	448
Income tax expense	22	(153)	(3,045)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(171,172)	(2,597)
PROFIT/(LOSS) FOR THE YEAR		(171,172)	(2,597)

(*) Presented solely for comparative purposes (Note 2.3)
The accompanying notes 1 to 34 are an integral part of these financial statements.



DURO FELGUERA, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

A) STATEMENT OF TOTAL CHANGES IN EQUITY

(€ thousand)

	Registered capital	Share premium	Reserves	(Own shares and equity holdings)	Prior years' profit and loss	Profit/(loss) for the year	Other equity instruments	Valuation adjustments	Grants, donations and bequests received	TOTAL
BALANCE AT 1 JANUARY 2019 (*)	48,000	79,152	(8,242)	-	(181,063)	63,992	8,093	697	1,781	12,410
Total recognised income and expense	-	-	-	-	-	(2,597)	-	283	(90)	(2,404)
Capital increases/(reductions)	(43,200)	(79,152)	8,242	-	114,110	-	-	-	-	-
Cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into convertible bonds	-	-	-	-	-	-	-	-	-	-
Transactions with equity holders or owners	-	-	-	-	-	-	-	-	-	-
Treasury share transactions	-	-	-	-	-	-	-	-	-	-
- Other transactions with equity holders or owners	-	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	(126)	-	63,992	(63,992)	-	-	-	(126)
BALANCE AT 31 DECEMBER 2019 (*)	4,800	-	(126)	-	(2,961)	(2,597)	8,093	980	1,691	9,880
BALANCE AT 1 JANUARY 2020	4,800	-	(126)	-	(2,961)	(2,597)	8,093	980	1,691	9,880
Total recognised income and expense	-	-	-	-	-	(171,172)	-	11,267	(92)	(159,997)
Capital increases/(reductions)	-	-	-	-	-	-	-	-	-	-
Cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into convertible bonds	-	-	-	-	-	-	-	-	-	-
Transactions with equity holders or owners	-	-	-	-	-	-	-	-	-	-
- Treasury share transactions	-	-	-	-	-	-	-	-	-	-
- Other transactions with equity holders or owners	-	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	(72)	-	(2,597)	2,597	-	-	-	(72)
BALANCE AT 31 DECEMBER 2020	4,800	-	(198)	-	(5,558)	(171,172)	8,093	12,247	1,599	(150,189)

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

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



STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

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

	Note	Year ended 31 December	
		2020	2019 (*)
Profit/(loss) for the year	15	<u>(171,172)</u>	<u>(2,597)</u>
Income and expense recognised directly in equity			
Available-for-sale financial assets	9.1	(243)	1,026
Cash flow hedges			-
Translation differences		11,510	(743)
Tax effect	21		-
Total income and expense recognised directly in equity		<u>11,267</u>	<u>283</u>
Amounts transferred to profit or loss			
Grants, donations and bequests received	17	(123)	(119)
Tax effect	21	31	29
Total amounts transferred to profit or loss		<u>(92)</u>	<u>(90)</u>
TOTAL RECOGNISED INCOME AND EXPENSE		<u>(159,997)</u>	<u>(2,404)</u>

(*) Presented solely for comparative purposes (Note 2.3)
The accompanying notes 1 to 34 are an integral part of these financial statements.



DURO FELGUERA, S.A.

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019 (€ thousand)

	Note	Year ended 31 December	
		2020	2019 (*)
CASH FLOWS FROM OPERATING ACTIVITIES	25		
Profit/(loss) for the year before tax		(171,019)	448
Adjustments for:		144,734	(11,206)
Changes in operating assets and liabilities		(24,991)	11,769
Other cash flows from operating activities		(2,193)	(1,774)
		(53,469)	(763)
CASH FLOWS FROM INVESTING ACTIVITIES	26		
Payments for investments		(16,591)	(184)
Proceeds from sale of investments		-	-
		(16,591)	(184)
CASH FLOWS FROM FINANCING ACTIVITIES	27		
Proceeds from and payments for equity instruments		-	-
Proceeds from and payments for financial liability instruments		(892)	(956)
Dividends and interest on other equity instruments paid		-	-
		(892)	(956)
Profit/(loss) on exchange differences in cash and cash equivalents		(64)	3,938
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		(71,016)	2,035
Cash and cash equivalents at the beginning of the year	14	80,581	78,546
Cash and cash equivalents at the end of the year	14	9,565	80,581

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

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



DURO FELGUERA, S.A.

**NOTES TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

1. General information

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

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

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

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

The Company's main shareholders (Note 15) share control.

Effects of COVID-19 on the Company'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 which the Company is the parent 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.

Because of COVID-19, the Company has taken action to overcome the crisis, adapting to the new normal and planning for its future. Indeed, the Company 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 to which the Company is the parent in the year, which totalled around €120 million, were as follows:



DURO FELGUERA, S.A.

**NOTES TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

Impact on operations:

The 2021-2027 strategic plan was revised recently to focus on strengthening traditional businesses and growing in renewable energy and smart systems. The aim is to absorb the impact on the accounts of the Company and of the Group to which it is the parent of the drop in order intake and lower activity brought on by the health emergency.

For instance, tendering in the Company's various footprint geographies slacked off owing to the impact on investment decisions of potential customers. This led to a sharp drop in the number of contracts expected in 2020.

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 28).

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.



DURO FELGUERA, S.A.

**NOTES TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

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 Company has 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 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 between Company subsidiary DF Operaciones y Montajes and 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 amount owed to the investee is unlikely to be recovered.

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.



DURO FELGUERA, S.A.

NOTES TO THE 2020 FINANCIAL STATEMENTS (€ thousand)

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 Company 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.



DURO FELGUERA, S.A.

**NOTES TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

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 mainly to the Iernut project in the Energy business line and the Naftan project in Mining & Handling.

Impact on the valuation of assets:

The slowdown in the Spanish real estate market caused by the pandemic also impacted the Company 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 Company 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 €4.8 million impairment loss on these assets in 2020.

Impact on personnel:

The Company'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 23 d), on 14 April 2020, several Duro Felguera Group companies in Spain reached an agreement with workers' committees to avail of temporary layoffs. These layoffs produced savings of €3.13 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 Company's activity prompted implementation of a new temporary layoff scheme, as described in Note 33.

Impact on liquidity:

The Company 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 of certain subsidiaries.

The uncertainty caused by the global pandemic forced the Company 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.



DURO FELGUERA, S.A.

**NOTES TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

Because of these direct COVID-19-related effects, the Company reported a EBITDA loss in 2020 of €103 million and a net loss for the year of €171.1 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 2.2.

Lastly, the Company'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. Basis of preparation

2.1 True and fair view

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

These financial statements were authorised for issue by the Company's directors on 31 March 2021 and re-issued on 9 April 2021 to include the events after the reporting period disclosed in Note 33 herein. They will be submitted for approval at the Annual General Meeting and 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.

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

2.2 Accounting policies

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

Going concern principle

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). 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.



DURO FELGUERA, S.A.

**NOTES TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

Because of this and the losses sustained in 2020, at 31 December 2020 the Company had negative equity of €150,189 thousand. In addition, the Company had negative working capital of €161,276 thousand at 31 December 2020. Nevertheless, it 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 Company 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 Company'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



DURO FELGUERA, S.A.

NOTES TO THE 2020 FINANCIAL STATEMENTS (€ thousand)

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.

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".

(...)



DURO FELGUERA, S.A.

**NOTES TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

This temporary public financial aid is framed under the Company'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 Company 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, the Company 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 Company's 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.



DURO FELGUERA, S.A.

NOTES TO THE 2020 FINANCIAL STATEMENTS (€ thousand)

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.

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.

Off-shore 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. 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

The Company's 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.



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(€ thousand)**

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 Company 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 22 and 28 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 Company and 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 financial statements on a going concern basis.

2.3 Comparative information

In accordance with company law, for comparative purposes the Company included, in addition to the figures for 2020 for each item of the statement of financial position, the statement of profit or loss, the statement of changes in equity and the statement of cash flows, those of the previous year.

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

2.4 Aggregation of items

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

DURO FELGUERA, S.A.

**NOTES TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

2.5 Consolidated financial statements

The Company is the parent of a group of companies in accordance with Royal decree 1159/2010 and, therefore, is required to present consolidated financial statements.

For reasons of clarity, the directors have elected to present the consolidated financial statements separately. These financial statements were also 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 33 herein and will be placed on file with the Asturias Companies Register.

2.6 Accounting estimates and judgements

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

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

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

Estimated impairment losses on real estate assets

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

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

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

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

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.

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

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

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



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3. The fair value of certain financial instruments

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

As explained in Note 3.5.c), for equity investments in Group companies, the impairment loss is measured as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the present value of future cash flows from the investment. When estimating these investments, the investee's equity is taken into consideration, corrected for any unrealised gains existing at the measurement date, unless better evidence of the recoverable amount of the investment is available.

In this respect, in 2020, regarding Epicom, S.A., as described in Note 33, 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 financial statements, 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, so no impairment loss was recognised.

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

The Company has a stake in Ausenco, Ltd, over which it has no control (Note 9.1). Given the limited amount of updated information available to the Group on this investment, the Company measured the investment based on an assessment of the 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 Company 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 Ausenco, Ltd's valuation starting from the valuation made with financial information as at 31 December 2019. This exercise yielded impairment in fair value of between 0.7% and 8.3%. Accordingly, the Company recognised an impairment loss of €243 thousand, as described in Note 9.1.

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

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4. Calculation of provisions

Warranty claims

The Company provides warranties of between one and two years for its projects, mainly in the turnkey project business line. Management estimates the related provision for future warranty claims based on its experience and the degree of complexity of the product, its experience with respect to the customer's quality expectations, and the country risk of the country where the project is carried out. The amount of the provision for warranties at 31 December 2020 stood at €8,926 thousand (Note 20).

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

Litigation

The Company sets aside, based on the estimates of its legal advisors, sufficient provisions to cover the forecast outflows of cash which may arise from litigation with the various social agents for the amounts claimed, discounted where they are expected to exceed one year. The Company's provisions and contingent liabilities at 31 December 2020 are disclosed in Notes 20 and 28. Due to the complexities involved in these proceedings, there is a high level of uncertainty regarding the probability and outcome of rulings and the quantification of the potential financial consequences.

Actuarial liabilities

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

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

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

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



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Revenue from variable consideration, claims and disputes

The Company 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.

The Company recognised €6 million on the Aconcagua 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.

On rejection by the owner, 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 a preliminary amount of USD 23.3 million, plus interest and costs for breaches of contract and project delays attributable to the customer. The Arbitration Court is currently being constituted after each party selected one of the co-arbitrators.

On 10 July 2020, the customer submitted a counter-claim worth, if the arbitration court finds fraud by DF (which the Company considers unlikely), €124 million and, if no fraud is found, at the 15% cap in the contract, i.e. €16.37 million.

Nevertheless, considering the technical results, the Company it objective 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 a third-party 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 outstanding amount receivable at year-end from this project and recognised in the Company's statement of financial position as at 31 December 2020, which includes the performance bonus, was €7.8 million.

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Regarding the Djelfa project, the Company recognised customer claims 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), 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 20).

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

Regarding recognised deferred tax assets, as explained in Note 3.12 deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In this respect, considering the Company's financial performance in recent years and that of the companies comprising the tax group, it recognised assets up to the amount of the deferred tax liabilities recognised.

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

7. Impairment of receivables

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

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

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



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3. Accounting policies

3.1. Intangible assets

Computer software

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

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

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

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

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

3.2. Property, plant and equipment

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

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

Costs for major repairs are capitalised and amortised over the estimated useful life of the assets, while recurring maintenance costs are recognised in the statement of profit or loss for the period in which they are incurred.

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

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



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

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

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

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

3.3. Investment properties

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

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

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

3.4. Impairment of non-financial assets

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

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

3.5. Financial assets

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



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a) Loans and receivables

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

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

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

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

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

The Company derecognises financial assets when the contractual rights to the cash flows from the financial asset expire or have been transferred, provided that substantially all the risks and rewards of ownership have been transferred, such as in binding agreements for sales of assets, transfers of trade receivables in factoring transactions in which the Company retain no credit or interest rate risk, sales of financial assets with an agreement to repurchase them at fair value and securitisations of financial assets whereby the transferee neither retains any subordinated financing nor extends any type of guarantee or incurs any other type of risk. At 31 December 2020, no assets of this kind were derecognised.

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



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

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

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

b) Held-to-maturity investments

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

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

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

The impairment loss is measured as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the present value of future cash flows from the investment. When estimating impairment, the investee's equity is taken into consideration, corrected for any unrealised gains existing at the measurement date, as explained in Note 2.6.1, unless better evidence of the recoverable amount of the investment is available. Impairments, and reversals thereof, are recognised in the statement of profit or loss for the reporting period in which they occur. If the investee's equity is negative, a provision for liabilities and charges is recognised to the extent that there are firm commitments to restore equity or provide additional financial support (Notes 10 and 20).



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d) Financial assets at fair value through profit or loss:

This category has two sub-categories: financial assets held for trading and financial assets designated at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the near term or if designated at fair value through profit or loss by management. Derivatives are also classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are held for trading or expected to be settled within 12 months of the reporting date, otherwise they are classified as non-current.

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

e) Available-for-sale financial assets

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

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

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

Where there is objective evidence that the asset is impaired, the Company records the accumulated losses recognised in equity for a decrease in fair value in the statement of profit or loss. In this regard, (permanent) impairment is considered to exist if the market value of the asset has fallen by more than 40% or if there has been a prolonged fall in market value over a period of 18 months without the value having recovered. Impairment losses recognised in the statement of profit or loss for equity instruments are not reversed through the statement of profit or loss.

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



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f) Effects of consolidation

As explained in Note 9, the Company has majority interests in the share capital of certain companies. The operations of the Company and of the Group companies of which it is parent are managed on a consolidated basis, even though the related effect on equity and profit or loss of the companies is attributed individually. Accordingly, these financial statements do not reflect changes in equity and financial position that would arise from consolidating the equity investments in Group companies and associates or the share of profit or loss of transactions carried out by the Company and by them. These changes are, however, reflected in the consolidated financial statements for 2020 prepared by the Group. The effect of consolidation compared to the 2020 separate financial statements would be an increase in 2020 profit/(loss) attributable to the parent of €0.6 million and a decrease in equity of €2.9 million.

3.6. Inventories

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

3.7. Derivative financial instruments and hedging activities

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

Cash flow hedges:

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

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

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

3.8. Cash and cash equivalents

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

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3.9. Equity

Share capital is represented by ordinary shares.

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

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

3.10. Financial liabilities

Debts and payables

This category includes trade payables and non-trade payables. These liabilities are classified as current liabilities, unless the Company has an unconditional right to defer settlement for at least 12 months after the reporting date.

Debts and payables are initially measured at fair value, including transaction costs, and are subsequently measured at amortised cost using the effective interest method. The effective interest rate is the rate that equates the carrying amount of the financial liability to the expected cash flows payable until maturity of the liability.

Nonetheless, trade payables falling due within one year for which there is no contractual interest rate are measured both initially and subsequently at their nominal amount, provided that the effect of not discounting the cash flows is immaterial.

3.11. Grants received

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

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

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



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

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

3.12. Current and deferred income tax

The Company pays income tax under the consolidated tax scheme provided for in article 55 et seq. of Corporate Income Tax Law 27/2014, of 27 November.

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

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

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

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

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

Deferred tax assets are only recognised to the extent that it is probable that the tax group or each individual company in the tax group that files taxes individually will have taxable profit against which the deductible temporary differences can be utilised over a period of up to 10 years, irrespective of the statutory limit for recognition if it is a longer or unlimited time period where allowed by tax laws, as of 10 years from the reporting date in those cases unless there is better evidence to the contrary, of whether the tax group or individual companies have deferred tax liabilities (equivalent for these purposes to taxable profit) with a plan to reverse the temporary difference to offset tax losses or other tax credits, considering the tax ceiling for the related set-off (quantitative limits and minimum taxation), where applicable.

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

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

Recognised deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments are made where there are doubts as to their future recoverability. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered within the established accounting and tax time limits. In this respect, considering the financial performance of the tax group in recent years, the Company recognised deferred tax assets up to the amount of the deferred tax liabilities recognised by the tax group.

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3.13. Provisions for liabilities and charges and other trade provisions

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

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

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

The directors consider that there are no significant contingent liabilities for the Company at 31 December 2020 other than those disclosed in Notes 20 and 28.

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

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

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

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

3.14. Employee benefits

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

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

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b) Coal vouchers

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

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

c) Profit-sharing and bonus plans

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

d) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to terminate the employment of employees according to a detailed formal plan without any possibility of withdrawal or to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

3.15. Joint ventures

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

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

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

The Company has an interest in a consortium to carry out an overseas project. The contractual arrangement gives it ultimate decision-making power in the case of disagreement, so it has control whether it exercises it or not. It incorporates the consortium's transactions in full, considering those of the other party to the consortium as subcontracting in accordance with the nature of their relationship.



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a) Accounting of joint ventures

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

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

b) Integration of branches

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

3.16. Revenue recognition

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

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

a) Rendering of services

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

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

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

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



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

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

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

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

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

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

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

b) Interest income

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

c) Dividend income

Dividend income is recognised as income in the statement of profit or loss when the right to receive payment is established. However, if distributed dividends are derived from profits generated prior to the acquisition date, they are not recognised as income, reducing the carrying amount of the investment.

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3.17. Leases

a) When the Company is lessee – Finance lease

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

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

b) When the Company is lessee – Operating lease

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

c) When the Company is lessor

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

3.18. Foreign currency transactions

a) Functional and presentation currency

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

b) Foreign currency transactions and balances

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

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. Any resulting gains or losses are recognised directly in the statement of profit or loss in the year in which they arise.

Non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies are translated using the exchange rates at the date when the fair value was determined. The resulting gains or losses are recognised in equity or in profit or loss by applying the same methods as those used to recognise changes in fair value.

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3.19. Related party transactions

In general, transactions between Group companies are accounted for initially at fair value. Where the agreed-upon price differs from fair value, the difference is recognised taking into account the economic substance of the transaction. The transactions are subsequently measured in accordance with the related standards.

3.20. Current versus non-current classification

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

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

3.21. Discontinued operations

A discontinued operation is a line of business earmarked for closure or sale whose assets, liabilities and net profit or loss can be distinguished physically, operationally and for financial reporting purposes. Income and expenses of discontinued operations are presented separately in the statement of profit or loss. In addition, when the Company classifies an operation as discontinued, it reclassifies the above amount for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

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

3.22. Statement of cash flows

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

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

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

4. Financial risk management

4.1 Financial risk factors

a) Market risk

(i) Foreign currency risk

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

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

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

Foreign exchange risk arises when future commercial transactions or firm commitments, recognised assets and liabilities and net investments in foreign operations are denominated in a currency that is not the entity's functional currency. The Company's risk management policy is to hedge most of the forecast transactions over the life of each project. However, the operating units are responsible for taking decisions on arranging hedges, using external forward foreign currency contracts, with the involvement of the Company's Treasury Department. Nevertheless, there were no outstanding hedges at 31 December 2020.

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 €452 thousand lower (2019: €2,858 thousand), whereas if it had strengthened by 5%, post-profit for the year would have been €409 thousand higher (2019: €2,586 thousand), mainly as a result of foreign exchange gains/losses on translation to USD of trade and other receivables, cash, suppliers and customer prepayments, as well as the impact on the final outcome of projects of the amounts of future revenues and expenses in dollars, and the effect of the stage of completion at year end.

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(ii) Price risk

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

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

Against the current backdrop, with COVID-19 causing delays in project execution and invariably resulting in time overruns, the Company reassessed its estimate of the total costs in the budgets used to calculate the stage of completion (Note 3.16) and the onerous contract provision. 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 Company has no significant interest-bearing assets, income and cash flows from the Company's operating activities are substantially independent of changes in market interest rates.

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

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

Based on the simulations performed, the impact on profit or loss of a 10 basis point shift would be an increase/decrease of €85 thousand (2019: €85 thousand).

b) Credit risk

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

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

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



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

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

The balance of trade receivables past due but not impaired at 31 December 2020 was €16,399 thousand (2019: €11,848 thousand) (Note 11).

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 Company's Treasury Department is to maintain flexibility in funding. Management also monitors the forecasts for the Company's liquidity reserves based on estimated cash flows.

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

	2020	2019
Borrowings and derivatives (Notes 5, 12 and 18)	(90,467)	(87,835)
Less: Cash and cash equivalents (Note 14)	9,565	80,581
Net financial debt	(80,902)	(7,254)
Undrawn credit lines (Note 18)	-	-
Total liquidity surplus/(shortfall)	(80,902)	(7,254)

Cash and cash equivalents at 31 December 2020 (Note 14) included €1,921 thousand subject to certain restrictions, basically as it provides guarantees for third-party lawsuits pending court rulings or counterparty agreements (2019: €23,603 thousand, pledged as security for project guarantees or cash deposits made in lieu of project guarantees).

The Company also had €31,429 thousand of deposits and escrow accounts, of which €16 million related to the Iernut project in Romania, recognised under "current financial assets" in the statement of financial position as at 31 December 2020 (Notes 9 and 11), deposited as security for execution of its projects due to the lack of 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 €73,648 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.



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As a result, to preserve both its liquidity and that of the Group, the Company is undertaking the actions described in Note 2.2.

4.2 Capital risk management

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

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

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

As explained in Note 8, the syndicated loan is subject to compliance, as of 31 December 2019, with the debt ratio of the consolidated group (gross financial debt/EBITDA). 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 2.2, it is close to reaching a financial restructuring agreement.

5. Assets and liabilities classified as held for sale

There were no assets classified as held for sale at 31 December 2020 and 2019.

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6. Intangible assets

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

	€ thousand		
	Computer software	Other assets in progress	Total
Balance at 1 January 2019	10,563	235	10,798
Cost	19,949	235	20,184
Accumulated amortisation	(9,386)	-	(9,386)
Carrying amount	10,563	235	10,798
Additions	91	-	91
Other movements	(52)	-	(52)
Amortisation allowance	(2,144)	-	(2,144)
Other amortisation movements	7	-	7
Balance at 31 December 2019	8,465	235	8,700
Cost	19,988	235	20,223
Accumulated amortisation	(11,523)	-	(11,523)
Carrying amount	8,465	235	8,700
Balance at 1 January 2020	8,465	235	8,700
Cost	19,988	235	20,223
Accumulated amortisation	(11,523)	-	(11,523)
Carrying amount	8,465	235	8,700
Additions	-	-	-
Impairment losses	-	(235)	(235)
Amortisation allowance	(1,974)	-	(1,974)
Balance at 31 December 2020	6,491	-	6,491
Cost	19,988	-	19,988
Accumulated amortisation	(13,497)	-	(13,497)
Carrying amount	6,491	-	6,491

a) Fully amortised intangible assets

At 31 December 2020, there were fully amortised intangible assets still in use with an accounting cost of €4,397 thousand (2019: €4,282 thousand).

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7. Property, plant and equipment

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

	€ thousand					
	Land and buildings	Technical installations and machinery	Other installations, equipment and furniture	Other property, plant, and equipment	Construction in progress and advances	Total
Balance at 1 January 2019	13,540	259	2,058	381	-	16,238
Cost	16,189	385	6,360	5,751	-	28,685
Accumulated depreciation	(2,649)	(126)	(4,302)	(5,370)	-	(12,447)
Carrying amount	13,540	259	2,058	381	-	16,238
Additions	-	-	-	144	-	144
Decreases	-	-	-	-	-	-
Transfers	(279)	-	3	8	3	(265)
Depreciation allowance	(291)	(67)	(339)	(199)	-	(896)
Decreases	-	-	-	-	-	-
Other depreciation movements	196	-	(14)	(19)	-	163
Balance at 31 December 2019	13,166	192	1,708	315	3	15,384
Cost	15,910	385	6,363	5,903	3	28,564
Accumulated depreciation	(2,744)	(193)	(4,655)	(5,588)	-	(13,180)
Carrying amount	13,166	192	1,708	315	3	15,384
Balance at 1 January 2020	13,166	192	1,708	315	3	15,384
Cost	15,910	385	6,363	5,903	3	28,564
Accumulated depreciation	(2,744)	(193)	(4,655)	(5,588)	-	(13,180)
Carrying amount	13,166	192	1,708	315	3	15,384
Additions	-	2	-	68	-	70
Decreases	-	-	-	-	-	-
Impairment losses	(1,742)	-	(112)	-	-	(1,854)
Transfers	-	-	(31)	(99)	-	(130)
Depreciation allowance	(269)	(68)	(316)	(86)	-	(739)
Decreases	-	-	-	-	-	-
Other depreciation movements	-	-	5	60	-	65
Balance at 31 December 2020	11,155	126	1,254	258	3	12,796
Cost	15,910	387	6,332	5,872	3	28,504
Accumulated depreciation	(3,013)	(261)	(4,966)	(5,614)	-	(13,854)
Impairment losses	(1,742)	-	(112)	-	-	(1,854)
Carrying amount	11,155	126	1,254	258	3	12,796

a) Additions and transfers

Additions in 2020 included mainly the acquisition of information technology equipment.

b) Impairment losses

The Company engaged an independent expert to value the land and buildings in order to determine whether there were any indications of impairment. Based on the appraisals, impairment of €1,854 thousand (Note 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 an independent expert did not give rise to the recognition of any impairment losses on the Company's land and buildings.



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c) Subsidised assets

The net carrying amount of subsidised assets at 31 December 2019 was €12,824 thousand (2019: €13,114 thousand).

d) Fully depreciated assets

At 31 December 2020, there were fully depreciated buildings with an original cost of €181 thousand (2019: €181 thousand) still in use. The cost of the rest of the fully depreciated items of property, plant and equipment still in use amounted to €6,492 thousand (2019: €6,235 thousand).

e) Assets held under operating lease

The statement of profit or loss included under "Operating expenses" operating lease expenses amounting to €1,697 thousand (2019: €4,867 thousand).

f) Insurance

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

g) Assets subject to guarantees

At 31 December 2020, there were items of property, plant and equipment amounting to €11,720 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: €13,458 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 22). The Company formally requested lifting of those embargoes, but as at the date of authorisation for issue of the accompanying financial statements the taxation authorities had yet to issue any order cancelling them.

8. Investment properties

	€ thousand	
	2020	2019
Land	6,323	8,619
Buildings	4,040	4,850
	10,363	13,469

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

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

	€ thousand		
	Land	Buildings	Total
Balance at 1 January 2019	8,618	5,034	13,652
Cost	9,094	9,429	18,523
Accumulated depreciation	-	(4,395)	(4,395)
Impairment losses	(476)	-	(476)
Carrying amount	8,618	5,034	13,652
Transfers	-	280	280
Depreciation allowance	-	(266)	(266)
Other depreciation movements	-	(197)	(197)
Balance at 31 December 2019	8,618	4,851	13,469
Cost	9,094	9,709	18,803
Accumulated depreciation	-	(4,858)	(4,858)
Impairment losses	(476)	-	(476)
Carrying amount	8,618	4,851	13,469
Balance at 1 January 2020	8,618	4,851	13,469
Cost	9,094	9,709	18,803
Accumulated depreciation	-	(4,858)	(4,858)
Impairment losses	(476)	-	(476)
Carrying amount	8,618	4,851	13,469
Impairment losses	(2,295)	(601)	(2,896)
Depreciation allowance	-	(210)	(210)
Balance at 31 December 2020	6,323	4,040	10,363
Cost	9,094	9,709	18,803
Accumulated depreciation	-	(5,068)	(5,068)
Impairment losses	(2,771)	(601)	(3,372)
Carrying amount	6,323	4,040	10,363

The main investment properties relate to land located mostly in Langreo, Oviedo, Gijón (Asturias) and Madrid, of which €0.4 million (2019: €0.4 million) correspond to plots zoned as rural estates located in various areas of the Langreo municipality. The rest of the investments relate to buildings in La Felguera amounting to €1.8 million (2019: €2 million), Oviedo amounting to €5.9 million (2019: €8 million), and Gijón amounting to €2.2 million (2019: €3.1 million).

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

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Based on the appraisals, impairment of €2,896 thousand 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 (Note 1). In 2019, the appraisal made by an independent expert did not give rise to the recognition of any impairment losses on the Company's land and buildings.

At year-end 2020, the fair value of the investments were appraised by an independent, expert valuer at €16,000 thousand (2019: €25,410 thousand).

a) Assets held under operating lease

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

	€ thousand	
	2020	2019
Cost-capitalised operating leases	9,262	5,215
Accumulated depreciation	(1,968)	(1,021)
Depreciation for the year	(139)	(87)
Carrying amount	7,155	4,107

b) Insurance

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

c) Assets subject to guarantees

At 31 December 2020, there were investment properties amounting to €3,980 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: €5,372 thousand), of which €16 thousand relate to items subject to an attachment order by the taxation authorities, which must be revoked in a ruling by the National High Court of 13 February 2020 (Note 22). The Company formally requested lifting of those embargoes, but as at the date of authorisation for issue of the accompanying financial statements the taxation authorities had yet to issue any order cancelling them.

9. Analysis of financial instruments

9.1 Analysis by category

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

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	€ thousand					
	Non-current financial assets					
	Equity instruments		Credits and other		TOTAL	
	2020	2019	2020	2019	2020	2019
Loans and receivables (Note 11)	-	-	21	28	21	28
Available-for-sale financial assets at fair value	5,227	5,470	-	-	5,227	5,470
	5,227	5,470	21	28	5,248	5,498

	€ thousand					
	Current financial assets					
	Equity instruments		Loans, derivatives and other financial assets		TOTAL	
	2020	2019	2020	2019	2020	2019
Loans and receivables (Note 11)	-	-	174,847	214,699	174,847	214,699
Cash and cash equivalents (Note 14)	-	-	9,565	80,581	9,565	80,581
	-	-	184,412	295,280	184,412	295,280

Loans and receivables do not include balances with Public Administrations.

Available-for-sale financial assets include mainly the stake in Ausenco, Ltd for €5,164 thousand (2019: €4,380 thousand) over which the Company does not have control. In 2020, changes in the fair value of these financial assets amounting to €243 thousand were recognised (2019: €1,026 thousand).

	€ thousand					
	Non-current financial liabilities					
	Bank borrowings		Derivatives and other		TOTAL	
	2020	2019	2020	2019	2020	2019
Debts and payables (Note 18)	-	-	601	1,407	601	1,407
	-	-	601	1,407	601	1,407

	€ thousand					
	Current financial liabilities					
	Bank borrowings		Derivatives and other		TOTAL	
	2020	2019	2020	2019	2020	2019
Debts and payables (Notes 5 and 18)	88,831	85,307	189,649	242,750	278,480	328,057
	88,831	85,307	189,649	242,750	278,480	328,057

Debts and payables do not include balances with Public Administrations.

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9.2 Analysis by maturity

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

2020	€ thousand					
	Financial assets					
	2021	2022	2023	2024	Subsequent years	Total
Loans and receivables (Note 11)	174,847	21	-	-	-	174,868
Cash and cash equivalents (Note 14)	9,565	-	-	-	-	9,565
	184,412	21	-	-	-	184,433

2019	€ thousand					
	Financial assets					
	2020	2021	2022	2023	Subsequent years	Total
Loans and receivables (Note 11)	214,699	28	-	-	-	214,727
Cash and cash equivalents (Note 14)	80,581	-	-	-	-	80,581
	295,280	28	-	-	-	295,308

2020	€ thousand					
	Financial liabilities					
	2021	2022	2023	2024	Subsequent years	Total
Bank borrowings (Note 18)	88,831	-	-	-	-	88,831
Other financial liabilities (Note 18)	189,649	601	-	-	-	190,250
	278,480	601	-	-	-	279,081

The Company classified €85,000 thousand related to the syndicated loan as current since it was subject to early repayment and no waiver for breach of the gross financial debt/EBITDA ratio at 31 December 2020 had been given.

2019	€ thousand					
	Financial liabilities					
	2020	2021	2022	2023	Subsequent years	Total
Bank borrowings (Note 18)	85,307	-	-	-	-	85,307
Other financial liabilities (Note 18)	242,750	845	562	-	-	244,157
	328,057	845	562	-	-	329,464

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9.3 Credit quality of financial assets

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

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

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

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



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	€ thousand				
	Opening balance	Additions and allowances	Transfers	Decreases	Closing balance
2019					
Investments in group companies					
Investments in group companies	152,018	76,864	-	(223)	228,659
Impairment of investments in group companies	(120,838)	(81,627)	-	124	(202,341)
	<u>31,180</u>	<u>(4,763)</u>	<u>-</u>	<u>(99)</u>	<u>26,318</u>
Investments in associates					
Investments in associates	55	-	-	-	55
Uncalled capital on investments in associates	(4)	-	-	-	(4)
Impairment of investments in associates	(34)	-	-	-	(34)
	<u>17</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17</u>
	<u>31,197</u>	<u>(4,763)</u>	<u>-</u>	<u>(99)</u>	<u>26,335</u>

Additions to investments in group companies in 2020 related to capital contributions to Duro Felguera Do Brasil of €104 thousand and Duro Felguera Logistics Systems, S.A.U. of €60 thousand, and equity holder contributions to offset losses at DF Investment, S.A. of €11,694 thousand, Duro Felguera Operaciones y Montajes, S.A.U. of €5,500 thousand and DF Oil & Gas, S.A. of €2,253 thousand. In 2019, they related to capital contributions to Felguera Gras India, Pvt for €211 thousand, and equity holder contributions to offset losses at DF Mompresa, S.A., for €33,910 thousand, and Duro Felguera Operaciones y Montajes, S.A.U. for €8,681 thousand. Regarding subsidiary Felguera IHI, S.A., with the waiver of pre-emptive shareholder rights, Duro Felguera, S.A. subscribed the full amount of a capital increase through a non-monetary contribution entailing the assignment of receivables from Coporación Eléctrica Nacional, S.A. (CORPOLEC) of Venezuela for €9,828 thousand and a contribution to offset losses through the offset of claims for €24,236 thousand.

Disposals in 2019 related to the liquidation of DF Ingeniería Técnica de Proyectos y Sistemas, S.A.U. and Duro Felguera Industrial Projects Consulting Co.Ltd.

The most significant impairment of investments in 2020 related to DF Investment, S.A. for €2,059 thousand, Felguera IHI, S.A., for €897 thousand, Duro Felguera Operaciones y Montajes, S.A.U. for €5,500 thousand, Duro Felguera Oil&Gas, S.A. for €491 thousand, Duro Felguera Do Brasil for €104 thousand, Duro Felguera Saudí for €95 thousand and Felguera Grúas India Private Limited for €6,568 thousand. Provisions were recognised for an amount equal to the underlying carrying amount of investees, as explained in Note 20 Provision for liabilities. Determination of the value of investees considered the unrealised gains on real estate assets appraised by an independent expert in accordance with the methodology explained in Note 2.6.1.

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The following table presents information on group companies and associates:

2020

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



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<u>Name and legal structure</u> <u>Group companies and</u> <u>jointly controlled entities:</u>	<u>Activity and location</u>	<u>% shareholding</u>	
		<u>Direct,</u> <u>%</u>	<u>Indirect,</u> <u>%</u>
Felguera Tecnologías de la Información, S.A.	Development of business management software (Llanera).	60%	-
Turbogeneradores del Perú, S.A.C.	Construction and assembly of industrial projects (Peru)	90%	10%
Duro Felguera Argentina, S.A.	Construction, maintenance and supply of equipment for power stations (Argentina).	-	100%
Duro Felguera Chile Limitada (formerly Opemasa Andina, Ltda.)	Construction, maintenance and supply of equipment for power stations (Chile)	-	100%
Mopre Montajes de Precisión de Venezuela, S.A.	Assembly of turbo-generators and auxiliary equipment in power stations (Venezuela).	-	100%
Turbogeneradores de Venezuela, C.A.	Construction and assembly of industrial projects (Venezuela)	-	100%
Equipamientos Construcciones y Montajes, S.A. de C.V.	Construction and assembly of industrial projects (Mexico)	100%	-
Proyectos e Ingeniería Pycor, S.A. de C.V.	Engineering (Mexico)	99.8%	0.2%
Felguera Diavaz Proyectos México, S.A. de C.V.	Wind energy and cogeneration (Mexico)	50%	-
Felguera Grúas India Private Limited	Port terminals (India).	99.65%	0.35%
PT Duro Felguera Indonesia	Engineering, supply and construction projects for the mining, energy and industrial sectors (Indonesia).	95%	-
Duro Felguera Panamá, S.A.	Engineering, supplies and civil works for energy projects (Panama).	100%	-
Duro Felguera Saudí LLC	Construction of electricity generation buildings and plants (Saudi Arabia).	95%	5%
DF Canadá Ltd.	Engineering and construction services	100%	-
Felguera IHI Canadá Inc.	Engineering and construction services	-	100%

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

2020

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



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<u>Name and legal structure</u> <u>Group companies and</u> <u>jointly controlled entities:</u>	<u>Activity and location</u>	<u>% shareholding</u>	
		<u>Direct,</u> <u>%</u>	<u>Indirect,</u> <u>%</u>
Duro Felguera Investment, S.A.U.	Investment services (La Felguera)	100%	-
Duro Felguera Calderería Pesada, S.A.U.	Pressure vessels and heavy boiler-making (Gijón)	-	100%
DF Técnicas de Entibación, S.A.U.	Shoring material manufacture (Llanera)	-	100%
DF Operaciones y Montajes, S.A.U.	Study, marketing and provision of all types of services and supplies. Industrial plant and machinery maintenance and operation, and instrumentation. Commissioning of facilities (Gijón)	100%	-
DF Mompresa, S.A.U.	Assembly and maintenance of turbines (Gijón)	100%	-
Duro Felguera Oíl&Gas, S.A.	Creation, design, calculation, basic engineering, detailed engineering, management, planning, computerisation, coordination, monitoring and control of projects in the oil, gas and petrochemical industry (Madrid).	100%	-
Epicom, S.A.	Research, development, manufacture, marketing, technical assistance, study and consulting in relation to equipment, electronic systems and software (Madrid)	100%	-
Felguera I.H.I., S.A.	Fuel and gas storage equipment (Madrid)	100%	-
Felguera Tecnologías de la Información, S.A.	Development of business management software (Llanera).	60%	-
Turbogeneradores del Perú, S.A.C.	Construction and assembly of industrial projects (Peru)	90%	10%
Duro Felguera Argentina, S.A.	Construction, maintenance and supply of equipment for power stations (Argentina).	-	100%



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<u>Name and legal structure</u> <u>Group companies and</u> <u>jointly controlled entities:</u>	<u>Activity and location</u>	<u>% shareholding</u>	
		<u>Direct,</u> <u>%</u>	<u>Indirect,</u> <u>%</u>
Opemasa Andina Ltda	Construction, maintenance and supply of equipment for power stations (Chile)	-	100%
Mopre Montajes de Precisión de Venezuela, S.A.	Assembly of turbo-generators and auxiliary equipment in power stations (Venezuela).	-	100%
Turbogeneradores de Venezuela, C.A.	Construction and assembly of industrial projects (Venezuela)	-	100%
Equipamientos Construcciones y Montajes, S.A. de C.V.	Construction and assembly of industrial projects (Mexico)	100%	-
Proyectos e Ingeniería Pycor, S.A. de C.V.	Engineering (Mexico)	99.8%	0.2%
Felguera Diavaz Proyectos México, S.A. de C.V.	Wind energy and cogeneration (Mexico)	50%	-
Felguera Grúas India Private Limited	Port terminals (India).	99.65%	0.35%
PT Duro Felguera Indonesia	Engineering, supply and construction projects for the mining, energy and industrial sectors (Indonesia).	95%	-
Duro Felguera Australia Pty Ltd.	Capital goods engineering (Australia)	100%	-
Duro Felguera Panamá, S.A.	Engineering, supplies and civil works for energy projects (Panama).	100%	-
Duro Felguera Saudí LLC	Construction of electricity generation buildings and plants (Saudi Arabia).	95%	5%
DF Canadá Ltd.	Engineering and construction services	100%	-
Felguera IHI Canadá Inc.	Engineering and construction services	-	100%

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<u>Name and legal structure</u> <u>Group companies and</u> <u>jointly controlled entities:</u>	<u>Activity and location</u>	<u>% shareholding</u>	
		<u>Direct,</u> <u>%</u>	<u>Indirect,</u> <u>%</u>
Dunor Energía, S.A.P.I de C.V,	Construction of 313 CC Empalme II combined cycle plant in the state of Sonora (Mexico) under a tender from the Federal Electricity Commission (CFE).	50%	-
DF USA, LLC	Commercial project development (USA)	100%	-
Operación y Mantenimiento Solar Power S.L.	Provision of operation and maintenance services for solar thermal power plants (Madrid).	-	60%
DF do Brasil Desenvolvimento de Projectos Ltda.	Commercial project development	100%	-

2019

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

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



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2020

€ thousand

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



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2020

€ thousand

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

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

(2) Consolidated data included in the direct holding.

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

(4) Dormant.

(5) Not audited.

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



DURO FELGUERA, S.A.

**NOTE TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

2019

€ thousand

Company	Equity					Carrying amount of the investment
	Capital	Reserves	Other items (1)	Operating profit/(loss)	Profit/(loss) for the year	
Group companies and jointly controlled entities:						
Direct holding (2)						
DF Mompresa, S.A.U. (3)	2,736	3,667	(3,667)	647	(6,310)	-
Felguera Tecnologías de la Información, S.A (6)	90	1,177	142	(95)	(97)	176
Duro Felguera Investment, S.A.U.	23,468	5,336	(18,005)	(155)	(3,836)	6,963
Felguera I.H.I., S.A. (3)	2,900	-	(16,305)	17,762	20,528	7,106
Duro Felguera Operaciones y Montajes, S.A.U. (3)	120	8,758	(3,465)	(1,855)	(6,001)	-
Equipamientos Construcciones y Montajes, S.A. de C.V	166	5,947	(463)	3,249	2,187	-
Duro Felguera Oil & Gas, S.A.U.	3,000	-	(998)	(1,214)	(1,243)	758
Turbogeneradores del Perú, S.A.C.	9	555	(120)	283	(41)	8
PT Duro Felguera Indonesia	477	-	(1,116)	(180)	(180)	-
Felguera Diavaz Proyectos México, S.A. (4)	3	-	(50)	-	3	-
Duro Felguera Do Brasil	91	6,087	(7,344)	(430)	(608)	-
Duro Felguera Australia Pty Ltd.	-	-	(8,521)	14,506	8,675	-
Epicom, S.A.	217	1,398	-	317	223	4,636
Duro Felguera Saudí LLC (6)	237	-	(137)	-	-	95
DF USA, LLC (6)	167	-	(661)	(17)	(17)	-
Dunor Energía, S.A.P.I. de C.V. (5)	3	-	(1,367)	5,368	(8,407)	-
DF Canadá Ltd. (6)	-	133	28	(196)	(204)	-
Felguera Grúas India Private Limited	50,523	-	(39,017)	(7,340)	(4,938)	6,567
Proyectos e Ingeniería Pycor, S.A. de CV (6)	481	77	(531)	52	5	9



DURO FELGUERA, S.A.

**NOTE TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

2019

€ thousand

Company	Equity					Carrying amount of the investment
	Capital	Reserves	Other items (1)	Operating profit/(loss)	Profit/(loss) for the year	
Indirect holding						
DF Técnicas de Entibación, S.A.U.	3,936	861	(3,557)	3,916	3,916	-
Duro Felguera Calderería Pesada, S.A.U.	9,843	2,831	(5,277)	(6,605)	(6,596)	-
Duro Felguera Argentina, S.A.	13,874	2,465	(67,808)	715	(5,020)	-
Felguera IHI Canadá Inc	-	20	(10)	-	-	-
Opemasa Andina, Ltda (6)	1	1,791	(10,104)	(1,938)	(3,986)	-
Turbogeneradores de Venezuela C.A.	475	-	(2,479)	-	(1)	-
Mopre Montajes de Precisión Venezuela, C.A.	368	(314)	(225)	-	-	-
Operación y Mantenimiento Solar Power, S.L.	10	9	-	2	2	-

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

(2) Consolidated data included in the direct holding.

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

(4) Dormant.

(5) Audited by a firm other than the Company's auditors.

(6) Not audited.

DURO FELGUERA, S.A.

**NOTE TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

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

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

The Company has no contingencies in relation to associates.

11. Loans and receivables

	€ thousand	
	2020	2019
Non-current loans and receivables:		
- Loans to employees	-	3
- Other financial assets	21	25
	21	28
Current loans and receivables:		
- Trade receivables	65,638	68,736
- Completed work pending certification	20,301	34,112
- Provision for impairment	(59,991)	(53,205)
- Loans to group companies and associates (Note 31)	99,143	126,579
- Group companies (Note 31)	10,180	9,936
- Completed work pending certification, group (Note 31)	152	3,045
- Other receivables	5,810	10,263
- Loans to employees	139	109
- Current tax assets ⁽¹⁾	-	-
- Other taxes receivable ⁽¹⁾	18,491	19,446
- Loans to companies	-	488
- Other financial assets	33,475	14,636
	193,338	234,145
	193,359	234,173

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

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

“Completed work pending certification” includes the difference between production recognised by the Company in each project, and the invoices issued to customers. This amount relates to work covered by the terms of the various contracts in which the billing milestones for the work performed have yet to be reached. The Company considers that there are not doubts that this work will be invoiced.

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

DURO FELGUERA, S.A.

**NOTE TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

The Company also had €31,429 thousand of deposits and escrow accounts, of which €16 million related to the Iernut project in Romania, recognised under "current financial assets - Other financial assets" in the statement of financial position as at 31 December 2020, deposited as security for execution of its projects due to the lack of guarantees.

The carrying amounts of loans and receivables are denominated in:

	€ thousand	
	2020	2019
Euro	80,285	89,694
US dollar	87,811	130,473
Algerian dinar	8,135	11,268
Mexican peso	274	232
Romanian leu	16,395	782
Indian rupee	54	60
Peruvian nuevo sol	397	462
United Arab Emirates dirham	-	1,202
Canadian dollar	8	-
	193,359	234,173

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

	€ thousand	
	2020	2019
Opening balance	(53,205)	(70,218)
Provision for impairment of receivables	(6,786)	(6,647)
Reversals	-	360
Transfers	-	23,300
Closing balance	(59,991)	(53,205)

The transfer in 2019 entailed the provision related to the assignment of claims provided to Felguera IHI, S.A., as explained in Note 10.

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

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

At 31 December 2020, in addition to receivables provisioned, receivables amounting to €16,399 thousand had fallen due (2019: €11,848 thousand). Balances less than six months past due are not impaired, as these accounts correspond to customers for whom there is no recent history of default. Balance more than six months past due, which relate to projects in progress, are also not considered to be impaired as some are covered by prepayments not settled and recognised under "Trade and other payables" (Note 18) for €4.7 million (2019: €2.1 million).

DURO FELGUERA, S.A.

**NOTE TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

The most important past-due balances relate to:

- Bellara project (Algeria)

The balance includes a past-due amount of €2,919 thousand, for which a commitment has been undertaken to resume the project pursuant to an agreement entered into in January 2021 as amended with the customer, which includes the collection of outstanding invoices due (Note 1).

- Termocentro project (Venezuela)

This includes the past-due balance, net of provisions and including completed construction work pending certification, for 2019 of €8,431 thousand (2019: €14,983 thousand). No amounts related to this project were received between February 2017 and the date of authorisation for issue of these financial statements. In its assessment of the recoverability of the balance receivable, the Company equated the debt to Venezuela sovereign debt, since the customer is a public institution. To estimate expected credit losses, it considered the available information before default of the Venezuelan government's CDS curve. Meanwhile, in light of the severe worsening of Venezuela's economic, political and social situation over the past few years and more so since the sovereign rating was downgraded from CCC to C, the recovery rate remains low, at around 15%.

As a result, the Company has kept an allowance for 85% of the entire outstanding balances, including the amount of completed work pending certification and the provision for the withholding to be applied to the customer. The accumulated amount of the provision at 31 December 2020 was €47,778 thousand (2019: €41,157 thousand).

Under the terms of the agreement signed with the customer, at 31 December interest amounting to €52,705 thousand had accrued to the Company (2019: €54,115 thousand) which had not been recognised and was considered as contingent assets, of which €43,317 thousand corresponded to the Company.

The ageing analysis of these receivables is as follows:

	€ thousand	
	2020	2019
Up to 3 months	324	5,568
Between 3 and 6 months	291	793
Between 6 months and 1 year	2,348	2,240
More than 1 year	13,436	3,247
	16,399	11,848

DURO FELGUERA, S.A.

**NOTE TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

12. Derivative financial instruments and hedging activities

At 31 December 2020 and 2019, the Company held no derivative financial instruments.

13. Inventories

The entire balance of inventories at 31 December 2020 and 2019 relates to advance payments to suppliers for execution of projects in progress.

14. Cash and cash equivalents

	€ thousand	
	2020	2019
Cash	9,494	58,103
Other cash equivalents	71	22,478
	9,565	80,581

Total cash and cash equivalents is included in the statement of cash flows. 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: €23,603 thousand, pledged as security for project guarantees or cash deposits made in lieu of project guarantees).

In 2019 "Cash equivalents" included mainly a deposit earning 0.1% in Romanian leis securing the issue of warranties for a project.

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

	2020	2019
Euro	7,585	52,093
US dollar	692	1,070
Algerian dinar	1,206	1,194
AED dirham	28	3,414
Romanian leu	43	22,452
Other	11	358
	9,565	80,581

DURO FELGUERA, S.A.

**NOTE TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

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

a) Capital

Share capital at 31 December 2020 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.

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	% direct and indirect ownership	
	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.

DURO FELGUERA, S.A.**NOTE TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

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. 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:

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

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.

DURO FELGUERA, S.A.

**NOTE TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

- 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 equity.

e) Reserves

	€ thousand	
	2020	2019
Legal and statutory reserves		
- Legal reserve	-	-
	-	-
Other reserves:		
- Voluntary reserves	(198)	(126)
	(198)	(126)
	(198)	(126)

DURO FELGUERA, S.A.

**NOTE TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

Legal reserve

The legal reserve is allocated in accordance with article 274 of the Corporate Enterprises Act, which states that in any event, companies must earmark an amount equal to 10% of profit for the year to a legal reserve until such reserve reaches at least 20% of the capital.

It may not be distributed, and can only be used to offset losses if no other reserves are available. Any amount of the reserve used for this purpose must be restored with future profits.

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

f) Prior periods' profit and loss

	€ thousand	
	2020	2019
Retained earnings	-	-
Prior periods' losses	(5,558)	(2,961)
	<u>(5,558)</u>	<u>(2,961)</u>

g) Profit/(loss) for the year

g.1) Proposed application of losses

The proposed application of losses and reserves to be presented for approval at the Annual General Meeting is as follows:

	€ thousand	
	2020	2019
<u>Basis of distribution</u>		
Profit/(loss)	(171,172)	(2,597)
	<u>(171,172)</u>	<u>(2,597)</u>

	€ thousand	
	2020	2019
<u>Distribution</u>		
Legal reserve	-	-
Prior periods' losses	(171,172)	(2,597)
	<u>(171,172)</u>	<u>(2,597)</u>

g.2) Interim dividend

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

DURO FELGUERA, S.A.

**NOTE TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

- 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 18) in an amount equal to the dividend to be distributed.

g.3) Limitations on the distribution of dividends

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

h) Valuation adjustments

Valuation adjustments at year-end 2020 related primarily to:

	€ thousand	
	2020	2019
Available-for-sale financial assets	783	1,026
Translation differences:		
- 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)	(395)
- Mexico branch	715	359
	<u>11,464</u>	<u>(46)</u>
	<u>12,247</u>	<u>980</u>

16. Share-based payments

No share delivery plan was agreed in 2020 or 2019.

17. Grants received

The amount recognised under capital grants relates to the restatement of loans granted for building construction, net of the related tax effect (Note 21). In 2020, €123 thousand were transferred to profit or loss (2019: €119 thousand).

DURO FELGUERA, S.A.
**NOTE TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**
18. Debts and payables

	€ thousand	
	2020	2019
Non-current debts and payables:		
Bonds and other marketable debt securities	-	-
- Bank borrowings	-	-
- Other loans	601	1,407
	601	1,407
Current debts and payables:		
- Bank borrowings	88,831	85,307
- Suppliers	94,370	109,864
- Suppliers, group companies and associates (Note 31)	19,028	24,971
- Other payables	4,480	3,375
- Current payables to group companies and associates (Note 31)	35,085	38,472
- Other financial liabilities	1,035	1,121
- Salaries payable	2,347	1,939
- Current tax liability (1)	1,320	2,141
- Other payables to Public Administrations ⁽¹⁾	2,623	1,628
- Advances from customers	33,304	63,008
	282,423	331,826
	283,024	333,233

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

The exposure of the Company's debts and payables to changes in interest rate, mainly payables to group companies and bank borrowings, for €123,916 thousand (2019: €123,472 thousand), is reviewed annually and quarterly, respectively.

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

	€ thousand			
	Carrying amount		Fair value	
	2020	2019	2020	2019
Bonds and other marketable debt securities	-	-	-	-
- Bank loans	-	-	-	-
- Other loans	601	1,407	601	1,407
	601	1,407	601	1,407

The carrying amount of current borrowings approximates fair value as the effect of discounting is not material. Fair values are based on cash flows discounted at an interest rate based on the borrowing rate of 4% (2019: 4%).

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

DURO FELGUERA, S.A.

**NOTE TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

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

	€ thousand	
	2020	2019
Euro	232,702	291,192
US dollars	9,143	6,420
Pound sterling	318	39
Algerian dinar	30,456	31,684
Peruvian nuevo sol	21	11
Mexican peso	66	58
Indian rupee	24	27
Romanian new leu	6,611	2,446
Australian dollar	36	-
United Arab Emirates dirham	3,600	1,315
Other	47	41
	283,024	333,233

At 31 December 2020 and 2019, the Company had no credit facilities.

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 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 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:

DURO FELGUERA, S.A.

**NOTE TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

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:

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

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:

DURO FELGUERA, S.A.

NOTE TO THE 2020 FINANCIAL STATEMENTS (€ thousand)

- 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 Company 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.

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b) Bank loans

This item includes mainly the syndicated loan arising from the agreement signed on 21 June 2018 between the 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 and a pledge on shares of certain investees. The borrowers of the syndicated loan have 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.

The €85,000 thousand syndicated loan is subject to compliance with the debt ratio (gross financial debt/ EBITDA) from the year ended 31 December 2019. The borrowers in the syndicated loan have been given a waiver from the financial institutions on compliance with the debt ratio at 31 December 2019.

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

As the General Accounting Plan requires prospective analysis at the reporting date of compliance with financial ratios and since at 31 December 2019, no waiver had been issued by the financial institutions for compliance with the debt ratio at 30 June 2020, the syndicated loan arising from the refinancing agreement for €85,000 was reclassified to current liabilities.

The multiproduct syndicated financing agreement 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 Company was unable to avail of the guarantee lines envisaged in 2018.

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At the date of authorisation for issue of these financial statements, the Company 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 Duro Felguera, S.A.'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 Company lacks the funds to meet this obligation.

c) Other loans

"Other non-current loans" mainly includes the updated debts with official bodies mainly loans received from the Ministry of Education and Science and other bodies, for a nominal amount of €8,790 thousand (2019: €8,790 thousand). The effect of discounting is recognised in "Capital grants".

The present value of these loans at 31 December 2020 was €601 thousand (2019: €1,407 thousand).

d) Other current financial liabilities

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

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

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

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

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	Days	
	2020	2019
- Average supplier payment period	443.13	250.66
- Ratio of transactions paid	190.78	183.55
- Ratio of transactions outstanding	726.15	453.27

	€ thousand	
	2020	2019
- Total payments made	36,377	142,853
- Total payments outstanding	32,435	47,322

Excluding the Djelfa product, which has been halted (see Note 1), the average supplier payment period would be 230 days.

In accordance with the ICAC Resolution, the calculation of the average supplier payment period in these financial statements considered commercial transactions involving the delivery of goods and the rendering of services from the effective date of Act 31/2014, of December 3.

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

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

At 31 December 2020, the Company had past-due balances with suppliers amounting to €58,402 thousand for services, works or supplies related mainly to projects. Of this amount, 71.4% corresponded to the Djelfa project, which, as explained in Note 1, has been halted since 22 March.

Of the total amount of past-due balances at year-end, 57.9% were the subject of litigation and/or arbitration, mostly over delays in payments. However, the Company is actively negotiating agreements with several suppliers to set new payment schedules or obtain forgiveness of outstanding past-due amounts.

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19. Long-term employee benefits

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

	€ thousand	
	2020	2019
On-balance sheet obligations for:		
-Coal vouchers	100	104
-Length-of-service awards and other employee commitments	548	582
	648	686

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

	€ thousand	
	2020	2019
Present value of the obligations assumed	648	686
Liability in the statement of financial position	648	686

a) Coal vouchers

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

	€ thousand	
	2020	2019
Opening balance	104	104
Benefits paid	-	-
Charges	-	-
Reversals	(4)	-
Closing balance	100	104

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

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

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

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b) Other obligations with employees

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

	€ thousand	
	2020	2019
Opening balance	582	899
Current service cost	157	-
Decreases	(191)	(317)
Closing balance	548	582

20. Provisions for liabilities and charges and other trade provisions

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

	€ thousand			
	Provisions for liabilities	Provision for warranties	Other provisions	Total
2020				
Opening balance	10,687	9,151	26,701	46,539
Charges	42,902	984	65,724	109,610
Reversals	(34)	(1,182)	(674)	(1,890)
Amounts used	-	-	(13,724)	(13,724)
Transfers	-	(27)	(1,280)	(1,307)
Closing balance	53,555	8,926	76,747	139,228

Analysis of total provisions:

	€ thousand	
	2020	2019
Non-current	53,555	10,687
Current	85,673	35,852
	139,228	46,539

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

“Provision for warranties” includes mainly those amounts for which it has been considered reasonable to set aside a provision, basically as a result of various contractual clauses relating to warranties and liabilities which, if appropriate, would have to be assumed upon completion of the work, and taking into account the historical development of the amounts that have had to be assumed for this type of contingencies.

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"Other provisions" includes mainly a provision of €39,073 thousand, calculated as the best estimate of the outcome of ongoing proceedings with the customer described in Note 28, and a provision for €19,917 thousand for cancellation of orders in progress with suppliers in the same project. Also included are €13,924 thousand for the additional amount claimed from the customer of another project for cost 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 and 2.6), provisions for other liabilities and project losses of €2,529 thousand and others for occupational risks for €1,304 thousand.

At 31 December 2019, the Company recognised under "Other provisions" a provision for losses amounting to €22,411 thousand and a provision for penalties of €2,449 thousand.

21. 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 (*)	18,491	19,446
Personal income tax withholdings	-	-
Prepaid taxes, income tax of other countries and non-resident withholdings	-	-
Receivable for refund of prior year's income tax	-	-
Other	-	-
	18,491	19,446
Other taxes payable		
Value added tax	(1,260)	(380)
Social Security payables	(420)	(603)
Other	-	(201)
Personal income tax withholdings	(943)	(444)
Other taxes	-	-
	(2,623)	(1,628)

(*) 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.

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b) Deferred taxes

The breakdown of deferred taxes is as follows:

	€ thousand	
	2020	2019
Deferred tax assets:		
- Temporary differences	21,520	28,059
	21,520	28,059
Deferred tax liabilities:		
- Temporary differences	(20,713)	(27,234)
	(20,713)	(27,234)
Deferred taxes	807	825

	€ thousand	
	2020	2019
Deferred tax assets:		
- Non-current	21,520	28,059
- Current	-	-
	21,520	28,059
Deferred tax liabilities:		
- Non-current	(20,713)	(27,234)
- Current	-	-
	(20,713)	(27,234)
Deferred taxes	807	825

The gross movement in deferred taxes is as follows:

	€ thousand	
	2020	2019
Opening balance	825	1,905
Credited to profit or loss (Note 22)	(48)	(1,276)
Tax charged directly to equity	30	196
Closing balance	807	825

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

		€ thousand				
		Provisions for pensions and employee obligations	Provisions for warranties and liabilities	Taxable income (tax losses) and deductions	Adaptation to Royal Decree 1514/2007 and other	Total
Deferred tax assets						
Balance at 31 December 2018		-	3,318	33,275	1,331	37,924
(Charged)/credited to profit or loss		-	(1,030)	(9,311)	309	(10,032)
Charged directly to equity		-	-	-	167	167
Balance at 31 December 2019		-	2,288	23,964	1,807	28,059
(Charged)/credited to profit or loss		-	(56)	(6,491)	8	(6,539)
Charged directly to equity		-	-	-	-	-
Balance at 31 December 2020		-	2,232	17,473	1,815	21,520

		€ thousand				
		Gains on transactions with non- current assets	Class B Convertible Bonds	Other	Subsidiaries, interest-free loans	Total
Deferred tax liabilities						
Balance at 31 December 2018		129	33,276	1,827	787	36,019
Charged/(credited) to profit or loss		-	(9,312)	557	-	(8,755)
Charged directly to equity		-	-	-	(30)	(30)
Balance at 31 December 2019		129	23,964	2,384	757	27,234
Charged/(credited) to profit or loss		-	(6,499)	9	-	(6,490)
Charged directly to equity		-	-	-	(31)	(31)
Balance at 31 December 2020		129	17,465	2,393	726	20,713

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, among the tax group. 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 deferrals granted in an agreement with the taxpayers' creditors. There are also other unrecognised positive temporary differences limiting the impact of applying this limit.

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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 Convertible Bonds, as explained below and described in Note 3.12, 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 Company recognised deferred tax assets up to the limit of the deferred tax liability as it considered that the circumstances for offsetting them are met since they relate to the same tax and tax group and can be utilised within the same time window without limitation under current legislation. The Company does not recognise deferred tax assets for tax losses (except the amount explained above), temporary differences and other remaining tax credits since the Company's directors consider that their recoverability is not reasonably assured.

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Unrecognised deferred tax assets of the Company at 31 December 2020 are as follows:

	2020		2019	
	Base	Tax charge	Base	Tax charge
Tax losses	40,576	10,144	3,718	929
Deductions	-	-	-	-
R&D and technological innovation	-	1,957	-	1,906
Donations	-	189	-	189
Reversal of temporary measures	-	23	-	19
Double international taxation	-	435	-	435
Losses of foreign operations	106,766	26,691	54,706	13,676
Losses of subsidiaries	293,793	73,448	235,212	58,803
Other	84,745	21,186	61,949	15,487
	525,880	134,074	355,585	91,445

As explained previously, there is no time limit for recognising the carry forward of tax losses or deductible temporary differences. The deadlines for applying tax credits are 18 years for R&D and technological innovation and 10 years for donations. Double taxation tax credits and tax credits for the reversal of temporary measures are not subject to any time limit.

22. Income tax and tax situation

a) Reconciliation

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

2020	€ thousand		
	Statement of profit or loss		
Income and expense for the year	Increases	Decreases	Total
Net profit			(171,172)
Income tax			153
Unrecognised permanent and temporary differences	141,375	(6,822)	134,553
Temporary differences:			
- arising in the year	9,613	-	9,613
- arising in prior years	25,994	(10,707)	15,287
Taxable income/(tax loss)			(11,566)
Offset of tax loss carryforwards			-
			(11,566)

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Income tax expense comprises:

	€ thousand	
	2020	2019
Current tax	92	(587)
Foreign tax	(1,031)	(1,174)
Adjustment of prior year current tax	834	(8)
Adjusted of prior deferred tax (Note 21)	-	-
Tax credit (Note 21)	(6,499)	(9,312)
Deferred tax (Note 21)	6,451	8,036
Other	-	-
	(153)	(3,045)

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

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

Duro Felguera, S.A. and the subsidiaries in which it directly or indirectly holds an interest of over 75% pay income tax under the consolidated tax scheme. This system requires the Tax Group reporting the taxable income be treated as single taxpayer for all purposes. However, each consolidating company must calculate its own tax liability as if it were filing 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 and thereafter
- Value added tax: 2011 and 2012 and 2017 and thereafter
- Income tax (earned income, professional fees and investment income) for Duro Felguera, S.A.: 2011, 2012 and 2014, and 2017 and thereafter.
- 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.

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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 05 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.

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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.

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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.

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(€ thousand)**

- 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.

23. Revenue and expenses

a) Foreign currency transactions

The amounts of foreign currency transactions are as follows:

	€ thousand	
	2020	2019
Purchases	30,704	43,303
Sales	18,696	45,548

b) Revenue

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

Market	%	
	2020	2019
Domestic market	10.21	5.00
International market	89.79	95.00
	100.00	100.00

The breakdown of revenue by product line is as follows:

Line	%	
	2020	2019
Energy project management	78.59	63.81
Mining & Handling project management	13.30	26.30
Oil & Gas project management	2.52	6.78
Sundry services	5.59	3.11
	100.00	100.00

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(€ thousand)**

In 2020, the Energy segment recorded sales totalling €30 million, €23 million and €11 million, respectively, with three customers that, individually, represented over 10% of the Company's revenue (2019: three customers amounting to €65 million, €59 million and €46 million).

c) Operating grants released to income

No operating grants were recognised in 2020 and 2019.

d) Employee benefits expense

	€ thousand	
	2020	2019
Salaries and wages	18,713	33,639
Termination benefits	1,334	1,029
Employee benefits expense:		
- Social Security payable by the Company	5,697	8,872
- Other benefits	367	(214)
	26,111	43,326

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

	Number of employees		
	2020	2020	2019
	(excluding the impact of the temporary layoffs)	(including the impact of the temporary layoffs)	
Directors	1	1	1
Senior management	7	7	7
Managers	16	16	18
Middle managers	82	76	112
Qualified staff	296	254	454
Other	50	43	91
	452	397	683

The distribution of Company personnel by gender at the end of the reporting period is as follows:

	2020			2019		
	Men	Women	Total	Men	Women	Total
Directors	1	-	1	1	-	1
Senior management	4	1	5	6	2	8
Managers	9	5	14	11	5	16
Middle managers	55	15	70	80	20	100
Qualified staff	187	87	274	257	91	349
Other	24	25	49	50	29	78
	280	133	413	405	147	552

At 31 December 2020, there were 7 employees (all men) with a disability of greater than 33%. In 2019, there were 6 employees (all men).

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(€ thousand)**

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 case will last six months and affect a total of 672 workers, subject to an upper limit of 464 workers per month. It also includes 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.

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 33.

e) External services

External services include mainly independent professional services and engineering services.

24. Net finance income/(cost)

	€ thousand	
	2020	2019
Finance income:		
Dividends		
- Group companies and associates (Note 31)	-	7,796
Marketable securities and other financial instruments		
- Group companies and associates (Note 31)	3,384	6,722
- Other	23	1,145
	3,407	15,663
Finance costs:		
Group companies and associates (Note 31)	(302)	(25)
On payables to third parties	(1,837)	(1,921)
	(2,139)	(1,946)
Change in fair value of financial instruments:		
Trading portfolio and other	-	8,069
Exchange differences	(21,074)	3,938
Impairment and gains/(losses) on disposal of financial instruments		
Impairment and losses	(58,581)	(16,490)
Gains/(losses) on disposal and other	-	-
	(58,581)	(16,490)
Net finance income/(cost)	(78,387)	9,234

Change in the fair value of financial instruments includes the financial income resulting from changes in the valuation of class "B" convertible bonds (Note 18).

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**NOTE TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

a) Finance income and costs

	€ thousand	
	2020	2019
Finance income:		
- Dividends from investments in group companies and associates	-	7,796
- Interest from debt securities	23	1,145
- Other finance income from group companies	3,384	6,722
	3,407	15,663
Finance costs:		
- Interest on current accounts and loans to group companies	(302)	(26)
- Loan interest	(1,729)	(1,788)
- Interest due to restatement	(108)	(132)
	(2,139)	(1,946)

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

	€ thousand	
	2020	2019
Impairment losses:		
- Investments in group companies and associates	(58,581)	(16,490)
	(58,581)	(16,490)
Losses on impairment, disposals and other:		
Impairment and reversal of impairment of other financial assets	-	-
	-	-
	(58,581)	(16,490)

Impairment of investments relates mainly to Felguera Grúas India Private Limited, Duro Felguera Operaciones y Montajes, S.A.U., DF Mompresa, S.A.U., DF Investment, S.A. and Dunor Energía, S.A.P.I. de C.V. (Notes 10 and 20)

c) Exchange differences

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

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(€ thousand)**

25. Cash flows from operating activities

	€ thousand	
	2020	2019
Profit/(loss) for the year before tax	(171,019)	448
Adjustments for:		
- Amortisation and depreciation	2,923	3,306
- Valuation allowances for impairment losses	124,293	12,022
- Changes in provisions	-	(733)
- Grants recognised in profit or loss	(123)	(119)
- Exchange gains/(losses)	12,312	(3,938)
- (Gains)/losses on derecognition and disposal of assets	4,750	-
- Impairment and reversal of impairment of investments	-	-
- Finance income	(3,407)	(15,663)
- Finance costs	2,139	1,946
- Change in fair value of financial instruments	-	(8,069)
- Other income and expenses	1,847	42
	144,734	(11,206)
Changes in operating assets and liabilities:		
- Inventories		-
- Trade and other receivables	35,029	62,992
- Other financial assets	-	-
- Other current assets	478	79,874
- Trade and other payables	(48,081)	(69,833)
- Other financial liabilities	-	-
- Other current liabilities	(16,364)	(5,041)
- Other non-current assets and liabilities	3,947	(56,223)
	(24,991)	11,769
Other cash flows from operating activities:		
-Interest paid	(1,402)	(1,910)
-Interest received	23	1,145
-Other amounts paid (received)	(814)	(1,009)
	(2,193)	(1,774)
Cash flows from/(used in) operating activities	(53,469)	(763)

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(€ thousand)**

26. Cash flows from investing activities

	€ thousand	
	2020	2019
Payments for investments:		
- Group companies and associates	(119)	-
- Property, plant and equipment and investment property	(70)	(145)
- Intangible assets	-	(39)
- Other financial assets (*)	(16,402)	-
	(16,591)	(184)
Proceeds from sale of investments:		
- Property, plant and equipment and investment property	-	-
	(16,591)	(184)

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

27. Cash flows from financing activities

	€ thousand	
	2020	2019
Proceeds from (and payments for) equity instruments:		
- Issue:		
- Equity instruments	-	-
	(892)	(956)
Proceeds from and payments for financial liability instruments:		
- Issue:		
- Bank borrowings	-	-
- Redemption and repayment		
- Bank borrowings	-	-
- Other payables	(892)	(956)
	(892)	(956)
Dividends and interest on other equity instruments paid:		
- Other payments to shareholders of the company	-	-
	(892)	(956)

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**NOTE TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

28. Guarantees, commitments and other contingencies

a) Contingent liabilities

Company management considers that the risks of litigation, arbitration and claims are reasonably covered by the provisions recognised in these financial statements at 31 December 2020, and does not expect any further significant liabilities than those recognised to arise. The main lawsuits, arbitration and claims are as follows:

Lawsuit by the Special Prosecutor

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

In light of the expert report issued by a third party, the evidence contained in the documentation provided in the Prosecutor's investigation and the pre-trial proceedings of the Central Examining Court, as well as information gleaned from testimonies given to the Prosecutor and the court, and, in general, all actions taken as at the date of the proceedings, the Company'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,

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arranging and executing Termocentro's combined cycle plant construction project with C.A. Electricidad de Caracas. Therefore, no liability should be attributed to Duro Felguera for any potential money laundering crimes, since there is no predicate offence, nor any involvement. Finally, it considers that the Group's measures and policies outlined in its non-financial reporting are still appropriate.

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

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

Duro Felguera Australia Pty Ltd.

As explained in the events after the reporting period for 2019, on 28 February 2020, Duro Felguera Australia Pty Limited was appointed insolvency administrator in the event of the company's insolvency.

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 uncertainty regarding the possible reimbursements of amounts against the parent company.

Contingencies and project claims

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

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

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

1) Jebel Ali Power Station Project

In April 2020, the Company 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 financial statements.

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

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 Company 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 Company replied, disputing the jurisdiction of the Dubai Court. Non-jurisdiction of this court was ruled at first instance, supporting the Company'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 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 Company recognised a provision in this connection.

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2) Djelfa project

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

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

Court of First Instance No. 11 of Oviedo issued a ruling in the Company'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 Company 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 Company 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 Company as described in Note 1.

3) Aconcagua project

The Company 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 Company filed a lawsuit for an amount equal to €25 million.

The Company recognised a receivable of €10 million in the 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. The directors and internal and external legal advisors consider it highly probable that it will not reverse since their case is based on an independent expert report and that there will be no reversal, as this is supported by an independent expert report and, therefore, duly accredited.

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NOTE TO THE 2020 FINANCIAL STATEMENTS (€ thousand)

4) Vuelta de Obligado project

ICC arbitration instigated by General Electric ("GE") against DF 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 DF and now GE is attempting to attribute to DF, for USD 65 million. On 22 January 2021, DF 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.

DF'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 DF's entitlement to restore the contract's financial equilibrium. In 2016, GE itself, in defence of DF's interests, brought an arbitration suit against the customer with the Buenos Aires Stock Exchange. GE subsequently withdrew as party of the subsequent settlement agreement with the customer, thereby undermining DF's legitimate right to the contract's rebalancing of and compensation for cost overruns arising from a delay that was not attributable to DF. GE's failure to comply with its most basic obligations undermined DF's claims, causing serious damage to DF, which is the subject of the counter-claim submitted to the ICC International Court of Arbitration.

DF submitted its statement of defence and counter suit. Evidence included two expert reports on delay and reasonable amount. In the opinion of the directors and its internal and external legal advisors, these reports lend credibility to, support and strengthen DF's arguments and claims. They believe there are solid legal grounds defending the DF's position and that it is unlikely that GE's claims will result in any payment by DF. 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, DF recognised an impairment loss on this asset in 2018 at its carrying amount as an unrecognised receivable from the customer in the project.

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 is pending.

Aside from the matters described above, there are a number of other minor contingencies, related mainly to cases involving employees (Note 20) and suppliers (Note 18) for which the Company believes existing provisions to be sufficient.

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Contingencies involving investees.

In addition, investees were party in the following proceedings:

1) Matheu & Lujan

In 2019, the Group submitted an application for arbitration against its customers, Stoneway Capital Corporation y Araucaria Energy, S.A. 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 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 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.

For this claim, the investees recognised a receivable at 31 December of €5,291 thousand, net of the impairment losses recognised.

2) Recope

To date, two appeals for judicial review are under way against Recope. The first seeks Recope's financial liability and/or the financial imbalance caused by changes in the scope, substantial modifications, delays and distortion of the two contracts (one for the construction of four spheres and the other for three tanks) being carried out by investees for this customer. It also sought to overturn the administrative acts by which the customer disputed the claims filed in administrative proceedings at the time. The second relates to the court's rejection of two extensions to the previous action and their joinder. The directors and its internal and external legal advisors consider it likely that a ruling partially in favour of DF will be obtained, but these proceedings generally take 4-5 years on average. The investees did not recognise any amount for their credit claim related to these proceedings in their statements of financial position. The 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 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.

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3) Empalme II project

On 26 August 2020 Dunor Energía S.A.P.I. de C.V. lodged an application for arbitration against the Federal Electricity Commission (Comisión Federal de Electricidad or "CFE"), the customer in the Empalme II project, 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 5 February 2021, Dunor Energía S.A.P.I. de C.V. filed a lawsuit seeking payment of USD 26.2 million.

At 31 December 2020, since the arbitration process had begun during the year, the Company re-estimated the probability of success of the claims recognised, which were recognised expressly by the customer and ratified by the CFE in a notification dated 20 February 2019. The Company recognised a total loss of €28.85 million, including the re-estimated amount, of which €14.42 million corresponds to Duro Felguera, S.A.'s interest. Accordingly, Duro Felguera, S.A. recognised a provision for liabilities based on underlying carrying amount (Note 20). 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.

b) Guarantees

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

	€ thousand	
	2020	2019
Dunor Energía S.A.P.I. de C.V.	2,520	7,654
Duro Felguera Calderería Pesada, S.A.U.	50,940	66,465
DF Mompresa, S.A.U.	84	88
Opemasa Andina Ltda	2,069	37,057
Núcleo	186	195
Duro Felguera Oil & Gas S.A.U.	103	582
Felguera IHI, S.A.	322	1,823
Duro Felguera Raíl, S.A.U.	340	834
DF Operaciones y Montajes, S.A.U.	291	330
Duro Felguera UK	21	23
Epicom	482	517
UTE Termocentro	-	3,471
	57,358	119,039

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

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

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

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

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

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

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

	€ thousand	
	2020	2019
Guarantees of sales and execution contracts	200,188	285,308
Other	842	919
	201,030	286,227

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

The Company has also received bonds and other guarantees from third parties for execution of its projects amounting to €46,631 thousand.

c) Commitments

At year-end 2020 and 2019, there were no significant commitments to investment in property, plant and equipment and intangible assets.

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(€ thousand)**
29. Temporary joint ventures and branches

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

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

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

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

	€ thousand	
	2020	2019
Assets:		
Non-current assets	-	-
Current assets	60,463	62,804
	60,463	62,804
Liabilities:		
Non-current liabilities	-	-
Current liabilities	(123,957)	(119,285)
	(123,957)	(119,285)
Net assets	(63,494)	(56,481)
Revenue	4,607	(778)
Expenses	(11,620)	(5,486)
Profit/(loss) after tax	(7,013)	(6,264)

DURO FELGUERA, S.A.

**NOTE TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

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

30. Director and senior management remuneration

a) Board of Directors

The breakdown of the remuneration accrued by members of the parent company's Board of Directors for their membership of the Board of Directors, by item, in 2020 and 2019 is as follows:

Remuneration item:	€ thousand	
	2020	2019
Remuneration for membership of the board and/or board committees	350	488
Salaries	400	437
	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.

b) Senior management

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

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

DURO FELGUERA, S.A.

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(€ thousand)**

c) 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.

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

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

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



DURO FELGUERA, S.A.

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(€ thousand)**

31. Other related party transactions

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

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

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



DURO FELGUERA, S.A.

**NOTE TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

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



DURO FELGUERA, S.A.

**NOTE TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

2019	€ thousand								
	Transactions				Debit/(credit) balances				
	Revenue and other operating income	Supplies and other operating expenses	Finance income	Finance costs	Loans to Group companies	Trade receivables and other financial assets	Payables to group companies	Suppliers, group companies	Dividends received
GROUP COMPANIES									
a) Direct interest:									
Felguera I.H.I., S.A.	3,055	(3,723)	306	-	-	5,254	-	(3,845)	-
Duro Felguera Operaciones y Montajes, S.A.U.	2,855	(262)	-	-	-	12,531	(8,032)	(2,356)	-
Duro Felguera Investment, S.A.U.	-	-	-	-	-	2,194	-	-	-
DF Mompresa, S.A.U.	827	(463)	-	-	-	262	(2,637)	(771)	-
DF Australia Pty Lda	3,193	-	669	-	-	948	-	-	-
Duro Felguera Oil&Gas, S.A.U.	702	-	20	-	926	241	(16,109)	-	-
Equipamientos, Construcciones y Montaje, S.A. de CV	3,771	-	990	-	-	6,054	(3,182)	-	990
Proyectos e Ingeniería Pycor, S.A. de C.V.	61	(407)	-	-	-	197	-	(32)	-
Epicom, S.A.U.	386	-	3,966	(8)	-	3,966	(2,923)	(9)	3,966
Duro Felguera Argentina	-	-	4,600	-	9,317	31,678	-	(16,654)	-
Duro Felguera do Brasil	-	-	143	-	1,466	237	-	-	-
Duro Felguera Indonesia	-	-	-	-	-	948	-	-	-
Felguera Grúas India Private Limited	-	-	-	-	-	11,813	-	-	-
Turbogeneradores de Perú	-	-	1,751	-	241	798	-	-	1,741
Dunor Energía	(1,837)	-	299	-	6,387	2,120	(35)	-	-
Felguera Tecnologías de la Información, S.A.	57	-	22	-	-	99	-	-	22
DF Canada Ltd	17	-	1,007	(17)	-	367	(245)	-	1,007
DF Ingeniería Técnica de Proyectos y Sistemas, S.A.U.	-	-	-	-	-	-	-	-	70
Other group companies	-	-	70	-	663	72	(152)	-	-
	13,087	(4,855)	13,843	(25)	19,000	79,779	(33,315)	(23,667)	7,796



DURO FELGUERA, S.A.

**NOTE TO THE 2020 FINANCIAL STATEMENTS
(€ thousand)**

€ thousand								
Transactions				Debit/(credit) balances				
Revenue and other operating income	Supplies and other operating expenses	Finance income	Finance costs	Loans to Group companies	Trade receivables and other financial assets	Other payables to group companies	Suppliers, group companies	Dividends received
b) Indirect interest:								
Duro Felguera Green Tech, S.A.U. (formerly DF Técnicas de Entibación, S.A.U.)	-	-	-	-	-	(5,140)	-	-
Duro Felguera Calderería Pesada, S.A.U.	974	(839)	-	-	20,770	-	(1,304)	-
Duro Felguera Raíl, S.A.U.	10	-	-	-	-	-	-	-
Duro Felguera Chile, Ltda (formerly Opemasa Andina, Ltda)	-	-	675	-	14,685	3,292	-	-
Turbogeneradores de Venezuela C.A.	-	-	-	-	1,645	389	-	-
	984	(839)	675	-	16,330	24,451	(5,140)	(1,304)
ASSOCIATES:								
Zoreda Internacional S.A.	-	-	-	-	-	(17)	-	-
TOTAL	14,071	(5,694)	14,518	(25)	35,330	104,230	(38,472)	(24,971)
								7,796

DURO FELGUERA, S.A.

NOTE TO THE 2020 FINANCIAL STATEMENTS (€ thousand)

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

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

At 31 December 2020 and 2019, no dividends or other benefits were paid to significant shareholders (Note 15).

32. Environmental disclosures

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

33. Events after the reporting period

The following significant events have occurred between 31 December 2020 and the date of authorisation for issue of these 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 be 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 additional liquidity to proceed with the restructuring and refinancing being undertaken.
- 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.

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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.

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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.

34. Auditors' fees

Fees accrued during the year by Deloitte for the audit of the separate financial statements and other audit-related services amounted to €151 thousand (2019: €467 thousand accrued by EY for audit services). Deloitte, SL provided other assurance services in 2020 amounting to €12 thousand.

In 2019, other non-audit services provided by companies using the EY brand amounted to €198 thousand.

35. Additional note for English translation

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



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2020 Management Report



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2020 MANAGEMENT REPORT

CORPORATE INFORMATION

GENERAL PERFORMANCE

The Company's FY 2020 earnings were hit by the impact of the COVID-19 crisis on operations from mid-March.

While the Company 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 the business. Uncertainty among potential customers about whether to undertake 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.

Revenue amounted to €77 million in 2020, down 70% from 2019.

EBITDA was a negative €103 million, compared to a negative €1.5 million in 2019, again illustrating the impact of COVID-19.

Net loss for the year was €171.1 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 Company applied for temporary public financial 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 33 above.

The temporary public financial support is part of the Company'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 statements, the Company 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.

Meanwhile, the Company began searching for private investors and has received non-binding offers from potential investors. The Company continues to spark interest among potential investors.

Order intake for the year totalled €18 million.

The order backlog at year-end stood at €209 million. This amount does not include orders from the Jebel Ali project after termination of the contract.



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The Company had €80.9 million of net debt at 31 December 2020, with €90.4 million of gross debt and €9.5 million of cash.

Average headcount for the Company went from 683 employees at 31 December 2019 to 452 employees at 31 December 2020.

To illustrate the Company's recent performance, the following table shows the Company's main financial indicators at 31 December 2020 and 2019:

	€ thousand	
	2020	2019
Revenue	77,086	254,043
EBITDA ⁽³⁾	(103,033)	(1,542)
Profit/(loss) before tax	(171,019)	448
Order intake ⁽²⁾	18,037	3,597
Order backlog ⁽¹⁾	208,559	354,100

(1) Order backlog is the amount pending execution of signed contracts held by the Company, calculated by subtracting the amount executed from the total amount of each contract:

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

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

BUSINESS OUTLOOK

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

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2020 MANAGEMENT REPORT

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.

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.

Off-shore 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. 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

The Company's 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.

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Logistics systems

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

Duro Felguera is a strategic company for the regional productive fabric. The industrial and financial plan presented to SEPI shows that it is a viable company long term and relaunches its business model, underpinned by the Company's traditional segments and driving its progress towards the renewables sector and digitalisation.

MAIN RISKS AND UNCERTAINTIES

a) Market risk

(i) Foreign currency risk

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

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

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

Foreign exchange risk arises when future commercial transactions or firm commitments, recognised assets and liabilities and net investments in foreign operations are denominated in a currency that is not the entity's functional currency. The Company's risk management policy is to hedge most of the forecast transactions over the life of each project. However, the operating units are responsible for taking decisions on arranging hedges, using external forward foreign currency contracts, with the involvement of the Company's Treasury Department. Nevertheless, there were no outstanding hedges at 31 December 2020.

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 €4,177 thousand higher (2019: €6,585 thousand higher), whereas if it had strengthened by 5%, post-profit for the year would have been €3,779 thousand lower (2019: €5,958 thousand lower), mainly as a result of foreign exchange gains/losses on translation to USD of trade and other receivables, cash, suppliers and customer prepayments, as well as the impact on the final outcome of projects of the amounts of future revenues and expenses in dollars, and the effect of the stage of completion at year end.

2020 MANAGEMENT REPORT

(ii) Price risk

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

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

Against the current backdrop, with COVID-19 causing delays in project execution and invariably resulting in time overruns, the Company reassessed its estimate of the total costs in the budgets used to calculate the stage of completion (Note 3.16) and the onerous contract provision. 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 Company has no significant interest-bearing assets, income and cash flows from the Company's operating activities are substantially independent of changes in market interest rates.

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

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

Based on the simulations performed, the impact on profit or loss of a 10 basis point shift would be an increase/decrease of €85 thousand (2019: €85 thousand).

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b) Credit risk

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

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

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

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

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

The balance in trade receivables past due but not impaired at 31 December 2020 was €16,399 thousand (2019: €11,848 thousand) (Note 11).

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 Company's Treasury Department is to maintain flexibility in funding. Management also monitors the forecasts for the Company's liquidity reserves based on estimated cash flows.

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

	2020	2019
Borrowings and derivatives (Notes 5, 12 and 18)	(90,467)	(87,835)
Less: Cash and cash equivalents (Note 14)	9,565	80,581
Net financial debt	(80,902)	(7,254)
Undrawn credit lines (Note 18)	-	-
Total liquidity surplus/(shortfall)	(80,902)	(7,254)

Cash and cash equivalents at 31 December 2020 (Note 14) included €1,921 thousand subject to certain restrictions, basically as it provides guarantees for third-party lawsuits pending court rulings or counterparty agreements (2019: €23,603 thousand, pledged as security for project guarantees or cash deposits made in lieu of project guarantees).



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2020 MANAGEMENT REPORT

DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2020 and 2019, the Company held no derivative financial instruments.

TREASURY SHARE TRANSACTIONS

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

RESEARCH AND DEVELOPMENT ACTIVITIES

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

AVERAGE PAYMENT PERIOD TO SUPPLIERS

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The following significant events have occurred between 31 December 2020 and the date of authorisation for issue of these 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 be 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 additional liquidity to proceed with the restructuring and refinancing being undertaken.

DURO FELGUERA, S.A.

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- 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.



DURO FELGUERA, S.A.

2020 MANAGEMENT REPORT

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

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

OTHER RELEVANT INFORMATION

Stock market data

The main stock-market data for 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
Stock market capitalisation – end of period (€ thousand)	59,424	34,272

Source: Madrid Stock Exchange



DURO FELGUERA, S.A.

2020 MANAGEMENT REPORT

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 18) in an amount equal to the dividend to be distributed.



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 <u>can be transmitted</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO	0.03	0.00	0.00	0.00	0.03	0.00	0.00

Total percentage of voting rights held by the Board of Directors

0.03

Breakdown of the indirect holding:

Name or company name of director	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights	% voting rights that <u>can be transmitted</u> through financial instruments
No data					

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:

Date of general meeting	Attendance data				Total
	% physically present	% present by proxy	% distance voting		
			Electronic voting	Other	
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
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Indicate any cessations, whether through resignation or by resolution of the general meeting, that have taken place in the Board of Directors during the reporting period:

Name or company name of director	Category of the director at the time of cessation	Date of last appointment	Date of cessation	Specialised committees of which he/she was a member	Indicate whether the director left before the end of his or her term of office
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	<i>Ingeniero de Caminos, Canales y Puertos</i> [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	<p>Degree in Economics and Business Administration from the University of Santiago de Compostela and Professor of Business Administration at the Escuela Superior de Comercio de Gijón. 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:</p> <ul style="list-style-type: none"> • 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). <p>From 2010 to 2016, she held the positions of Chair of the National Commission of the Postal Sector and of the Port Authority of Gijón. 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</p>

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.
<p>JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO</p>	<p>Economist of the State, having achieved the highest score in the competitive examination among all appointees in his year. Doctorate in Economics, master's degree in International Economics and bachelor's degree in Economics and Business Administration from the University of Deusto. 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, ECofox, Enusa, Banesco and RegisTR. He also teaches finance at CUNEF, a university that focuses on economics, business, law and finance.</p>
<p>JORDI SEVILLA SEGURA</p>	<p>He took a degree in Economics from the University of Valencia and was later appointed, by competitive examination, to the Senior Corps of Trade Experts and Economists of the State. 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.</p>
<p>VALERIANO GÓMEZ SÁNCHEZ</p>	<p>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.</p>

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
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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 Quílez 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 (*Guía 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
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Indicate the number of meetings held by each Board committee during the year:

Number of meetings held by the Audit, Risk and Compliance Committee	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. (ii) 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.1 takes account of the assessment of the effects of other types of risk inherent in its business to the extent that they affect financial reporting. This means carrying out suitable assessment and control of corporate-level risks and risks that are specific to the Group's activity and operations. In particular, as described in section E.3, the DF Group has defined 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 Explain

2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:

- a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.
- b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies Complies partially Explain Not applicable

3. That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:

- a) Changes that have occurred since the last General Shareholders' Meeting.
- b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

Complies Complies partially Explain

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies [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:
- Should immediately distribute such complementary points and new proposals for resolutions.
 - 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.
 - Should submit 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.
 - That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.

Complies [X] Complies partially [] Explain [] Not applicable []

11. That, if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

Complies [X] Complies partially [] Explain [] Not applicable []

12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies [X] Complies partially [] Explain []

13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.

Complies [X] Explain []

14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:

- a) Is concrete and verifiable;
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and
- c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.

Complies []

Complies partially []

Explain []

There are no selection procedures that are, or could be, a barrier to the selection of women directors or senior executives.

When seeking a certain professional profile, the Company takes into consideration the professional profile and only evaluates the profile that is most adequate to the corporate interests, without taking into account the gender of the candidate. However, when faced with two objectively similar professional profiles, the candidate of the least represented gender on the Board or senior management will be selected, in accordance with the provisions of the Company's Director Selection Policy and in compliance with the target that 40% of Directors should be women by year-end 2022.

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 []

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 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 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 Complies partially Explain Not applicable

24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.

And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Complies [X] Complies partially [] Explain [] Not applicable []

[See section C.1.2.]

25. That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.

And that the Board regulations establish the maximum number of company Boards on which directors may sit.

Complies [X] Complies partially [] Explain []

26. That the Board of Directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.

Complies [X] Complies partially [] Explain []

27. That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions.

Complies [X] Complies partially [] Explain []

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes at the request of the director expressing them.

Complies [X] Complies partially [] Explain [] Not applicable []

29. That the company should establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies [X] Complies partially [] Explain []

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.

Complies [] Explain [X] Not applicable []

Directors are immediately informed of all new developments and changes in matters relating to auditing, accounting and legislation by the Company's internal technical services, which produce and deliver reports and are available to the Directors to clarify any doubts and provide further information as required.

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies 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 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 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 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 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:
- The quality and efficiency of the Board of Directors' work.
 - The workings and composition of its committees.
 - Diversity in the composition and skills of the Board of Directors.
 - Performance of the chairman of the Board of Directors and of the chief executive officer of the company.
 - 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] Complies partially] Explain]

37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.

Complies] Complies partially] Explain] Not applicable]

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies] Complies partially] Explain] Not applicable]

39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies] Complies partially] Explain]

40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies] Complies partially] Explain]

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

Complies [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 []

49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.

Complies [] Complies partially [] Explain []

50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) Proposing the basic conditions of employment for senior management to the Board of Directors.
- b) Verifying compliance with the company's remuneration policy.
- c) Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.
- d) Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.
- e) Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.

Complies [] Complies partially [] Explain []

51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.

Complies [] Complies partially [] Explain []

52. That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:
- That they be composed exclusively of non-executive directors, with a majority of independent directors.
 - That their chairpersons be independent directors.
 - That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and require them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.
 - That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
 - That their meetings be recorded and their minutes be made available to all directors.
- Complies [X] Complies partially [] Explain [] Not applicable []

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.
- Complies [X] Complies partially [] Explain []

54. The minimum functions referred to in the foregoing recommendation are the following:
- Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.
 - Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.
 - The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.
 - Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.
 - Supervision and evaluation of the way in which relations with the various stakeholders are handled.
- Complies [X] Complies partially [] Explain []

55. That environmental and social sustainability policies identify and include at least the following:
- a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct-
 - b) Means or systems for monitoring compliance with these policies, their associated risks, and management.
 - c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.
 - d) Channels of communication, participation and dialogue with stakeholders.
 - e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies [X]

Complies partially []

Explain []

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies [X]

Explain []

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies []

Complies partially []

Explain [X]

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 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 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 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 Not applicable

This recommendation is not followed because although the Remuneration Policy provides for the possibility of delivering shares or financial instruments linked to the value of shares, there are no remuneration plans in force that involve payment by delivery of shares or financial instruments linked to their value.

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Complies Complies partially Explain Not applicable

63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.

Complies Complies partially Explain Not applicable

This clause is not included because the targets that attract variable remuneration must be met in the financial year, i.e. in the short term, and are verifiable before payment.

64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies Complies partially Explain Not applicable

H. FURTHER INFORMATION OF INTEREST

1. If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which it is necessary to include in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.

Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.

3. The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In such case, name the code in question and the date the company began following it. Specific mention must be made as to whether the company adheres to the Code of Good Tax Practices of 20 July 2010:

Due to a lack of space in other sections, following the principle of transparency that governs the Company's policies and our policy on relations with shareholders, 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.

- g) Examine and review the annual work plan of the internal audit, risk and compliance functions, including reports of any incidents that may have arisen while carrying out the work; and scrutinising the reports on the activities of those functions at the end of each year.
- h) Escalate to the Board of Directors proposals to select, appoint, re-elect and replace the auditor, assuming responsibility for the selection process pursuant to applicable EU legislation, in addition to the conditions of her/his engagement and regularly request information on the audit plan and its execution from him/her, in addition to ensuring his/her independence in the exercise of audit duties.
- i) Establish appropriate relationships with the external auditor to receive information on issues that may threaten his/her independence, to be analysed by the Committee, and any other issues related to the process of auditing financial statements. Furthermore, when appropriate, authorise services other than those prohibited under applicable legislation, as well as the other communications stipulated in audit legislation and technical auditing standards. In all cases, an annual statement must be received from the external auditors confirming their independence with regards to their relationship with the entity or directly or indirectly related entities, while also providing detailed information on an individual basis about any type of payments received from these entities by the external auditor or by persons or entities related to them, pursuant to the regulations on auditing activities, and ensuring that the Company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

On this point, the Committee shall ensure that:

- Remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
 - The Company notifies any change of external auditor to the Comisión Nacional del Mercado de Valores as "inside information", accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
 - In the event that the external auditor resigns, examining the circumstances leading to such resignation.
- 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

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

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 Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow, Notes to the Annual Accounts and Management Report for the year ended 31 December 2020 by all of the members of the Board of Directors, have signed this document approved by the Chairman, which includes this page in the Spanish language version signed by each of the Board Members, whose full names and position are indicated after each signature, which I validate and certify. In the event of discrepancy, the Spanish language version prevails.

En Gijón, a 9 April 2021

Dña. Rosa Isabel Aza Conejo
Chairman

D. Bernardo Gutiérrez de la Roza
Secretary, non-director