DURO FELGUERA, S.A.
AND SUBSIDIARIES

Audit Report on Financial Statements
issued by an Independent Auditor

and

Consolidated Financial Statements and
Consolidated Management Report
for the year ended 31 December 2022

This version of our report is a free translation from the original, which is prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED

This version of our report is a free translation from the original, which is prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

To the shareholders of Duro Felguera, S.A.:

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Duro Felguera, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of recognised income and expense, the consolidated statement of total changes in equity, the consolidated statement of cash flows, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and the consolidated financial position of the Group as at 31 December 2022, and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those regulations are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned regulations.

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 the disclosures in Notes 2.1.1 and 2.1.2, in which the directors note that the international economic landscape and other factors affected the Group's operations in 2022, it cash flows from operating activities and its cash plan, resulting in deviations from the viability plan that require additional financing. This situation implies a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and its capacity to realise its assets for the amounts recognised and meet its financial obligations. Therefore, the Group continued to search for industrial partners to invest in the Group in order to strengthen its financial position and equity and provide business opportunities and synergies. This culminated in the agreements entered into with Grupo Promotor de Desarrollo e Infraestructura, S.A. de C.V. ("Grupo Prodi") and Mota-Engil México, S.A.P.I. de C.V. ("Mota-Engil México") in February 2023, the execution of which is subject to compliance with certain legal and contractual conditions precedent, which the directors consider will be achieved satisfactorily in the coming weeks (Note 37).

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Therefore, the directors of the Parent of Duro Felguera Group have prepared the accompanying consolidated financial statements on a going concern basis, assuming that the Group's equity and financial ability to address the challenges in executing its viability plan, as amended in March 2023 and the processes explained in Notes 29 and 33, will be strengthened with the inflow of funds from the proposed transactions approved by the Extraordinary General Shareholders' Meeting held on 13 April 2023. Our opinion is not modified in respect of this matter.

Key audit matters

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

In addition to the matter discussed under the Material uncertainty for a going concern section, we determined that the circumstances described below are key audit matters that would require disclosure in our audit report.

Recognition of revenue by reference to the stage of completion

Description

The Group engages mainly in the provision of engineering and/or manufacturing services for the supply of facilities through EPC projects in the industrial, energy, minerals handling, logistics and environmental sectors. It also provides maintenance and assembly services. Its general policy is to recognise revenue from, and profit or loss on, each contract by reference to the estimated stage of completion, calculated on the basis of the proportion that costs incurred in the contract bear to total budgeted costs. Revenue recognised by reference to the stage of completion in 2022 amounted to €117 million, of which €8 million related to completed work pending certification in 2022. There were also €34 million of progress billings in 2022.

Determining the stage of completion necessarily entails a high degree of complexity and judgement by management in relation to, inter alia, the estimation of the total costs to be incurred in each project, the measurement of work completed in the period (both the allocation of the cost associated with materials and subcontracted work to the project and engineering, manufacturing and assembly hours) and the accounting treatment for contract modifications, all of which fall within the framework of the criteria established in IFRS 15 Revenue from Contracts with Customers.

Accordingly, we determined this situation to be a key matter for our audit.

Procedures applied in the audit

Our audit procedures included obtaining an understanding of the Group's revenue recognition policies and the processes directly related to the regular reviews of contracts carried out by the persons in charge of each area and supervised by Group management and, specifically, the related follow-up reports, which include costs incurred, the estimate of costs to be incurred, the estimated percentage of completion and the assessment of the margin, as well as the potential penalties and obligations provided for in the contracts.

Our audit procedures also included performing an itemised in-depth analysis of a sample of projects based on qualitative and quantitative factors, in which we recalculated the stage of completion and evaluated the reasonableness of the hypotheses and assumptions used in determining revenue for the year, as well as identifying the contract price and performance obligations, reviewing the consistency of the estimates made in the previous year with the actual data of the projects in the current year, considering, as appropriate, the impact of Covid-19, and the evaluation of the reasonableness of the costs to be incurred. To perform these procedures, we met with the Group's technical staff and enlisted the support of internal specialists on certain matters.

Lastly, we reviewed the disclosures provided in the accompanying consolidated financial statements in relation to these matters. Specifically, Notes 12, 22 and 23 contain relevant information on revenue recognition and amounts to be billed or progress billings.

Contingencies and provisions related to arbitration proceedings and lawsuits and/or negotiations in progress

Description	Procedures applied in the audit
As explained in Note 35, because of its activity, the Group is involved in several arbitration and court proceedings for a significant amount, mostly with customers and suppliers, or is involved in negotiations over contract terminations, the outcome of which could lead to lawsuits. These proceedings include counter suits among the parties. Of these proceedings, as at 31 December 2022, there were receivables related to the resolution of arbitration proceedings amounting to €25 million, net of provisions (Note 12), guarantee deposits amounting to €16 million (Note 10), and unrecognised contingent assets subject to claims, and liabilities and provisions recognised to cover claims amounting to €67 million (Note 25). The Group also has an ownership interest in a jointly controlled entity involved in an arbitration proceeding with a customer that is in the final stages (Note 9). In relation to these proceedings, Group management assesses whether impairment losses should be recognised and whether the claims should be considered as contingent liabilities or require the recognition of provisions and, if so, the amount of the provisions. These matters require Group management to make significant judgements, especially regarding the probability of a future outflow of resources and whether the amount of the obligation can be estimated reliably, which it does primarily based on opinions of its internal advisors and the external advisors engaged for this purpose. Therefore, we determined this to be a key audit matter.	Our audit procedures included, among others, obtaining an understanding of the arbitration and court proceedings in which the Group is involved and any changes during the year, and assessing the judgements made by management based on the opinions of its external and internal legal advisors. To do so, we sent confirmation letters and obtained responses from the lawyers and legal advisers with whom the Group works to analyse the current situation of the proceedings and check their assessment of risks, based on classification as "remote", "possible" or "probable" as required by applicable accounting regulations. In our analysis, we paid particular attention to matters relating to the most significant court proceedings in progress and the other assumptions considered in the calculation of provisions. We also evaluated the information disclosed by the Group in relation to these proceedings in Notes 9, 10 and 33 to the accompanying consolidated financial statements in accordance with applicable regulations and assessed whether it was consistent with the evidence obtained during the performance of our tests, taking into account the existing uncertainty regarding the outcome of the proceedings. Notes 9, 11, 23 and 33 contain the information on provisions and disclosures on contingent liabilities related to arbitration and court proceedings.

Tax contingencies

Description	Procedures applied in the audit
As explained in Note 29, the taxation authorities reviewed the tax treatment applied to certain income tax and VAT matters, issuing assessments in previous tax periods which were partially modified in 2023 and currently amount to €183 million. These cover the tax charge, penalties and interest, and were signed under protest and appealed against by the Group. As at 31 December 2022, there were no tax liabilities recognised in relation to these assessments, and there were withholdings made by the tax authorities amounting to	Our audit procedures included, among others, obtaining and analysing the evaluations made by the Group's internal and external tax advisers and the documentation of any relevant correspondence with the tax authorities regarding the tax litigation currently in progress. We also sent confirmation letters and obtained responses from the tax advisers with whom the Group works, and we involved our internal tax experts in evaluating and examining the assumptions and judgements made by the directors, who

€6 million recognised as collection rights. The Group has also provided real estate collateral on certain assets and been granted a suspension of its payment obligations for all the proceedings with real estate collateral.

Group management has assessed whether these proceedings represent contingencies or whether, on the contrary, a related provision should be recognised. These judgements and estimates are based primarily on the opinions of internal advisors and the external advisors engaged for this purpose.

Both the classification and quantification require Group management to make significant judgements, especially regarding the probability of a future outflow of resources and whether the amount of the obligation can be estimated reliably. Therefore, we determined this to be a key audit matter.

took into account the uncertainty existing in relation to the outcome of the matters in question.

Lastly, we evaluated the appropriateness of the disclosures provided in relation to these matters in Note 29 to the consolidated financial statements.

Emphasis of matter paragraphs

We draw attention to Note 33 to the accompanying consolidated financial statements, in which the directors explain the key estimates regarding liabilities and contingencies associated with litigation, arbitration or negotiations, specifically litigation, with counter-claims among the parties involving the Group with the Recope (Costa Rica) and Jebel Ali Power Station (Dubai) projects. Contractual termination rulings were given for the two contracts in Costa Rica in 2023, which in the latter case, the customer resumed its lawsuit in 2022 after failure to reach an amicable solution. In this regard, uncertainties exist that could affect the final resolution of these proceedings. Both are in the early stages and have not led to any judgement or ruling. Therefore, the amounts or even the outcome of the legal proceedings cannot be estimated reliably, so the estimates made by the directors could be modified significantly depending on developments. Our opinion is not modified in respect of this matter.

In addition, in Note 33 to the consolidated financial statements the directors explain criminal complaint filed in 2017 against Duro Felguera, S.A. and others by Spain's Special Prosecutor's Anti-Corruption and Organised Crime Department (Fiscalía Especial contra la Corrupción y la Criminalidad Organizada) citing the potential existence of an alleged crime of bribery of a foreign authority or public officials, and an alleged crime of money laundering. The proceeding is still in the investigation phase. As explained in that note, the directors state that it is not possible to determine the probability or extent of the potential consequences, which will depend on the outcome of the criminal proceedings, although the Group holds a positive outlook and view based on the internal investigation carried out. Our opinion is not modified in respect of this matter.

Other information: Consolidated management report

Other information refers exclusively to the 2022 consolidated management report, the preparation of which is the responsibility of the Parent's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the consolidated management report, in conformity with prevailing audit regulations in Spain, entails:

a) Checking only that certain information included in the consolidated non-financial statement, certain information in the Annual Corporate Governance Report and the Annual Report on Director Remuneration, as defined in the Audit Law, was provided in the manner as stipulated in the applicable regulations and, if not, disclose this fact.

b) Assessing and reporting on the consistency of the remaining information included in the consolidated management report with the consolidated financial statements, based on the knowledge of the Group obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described above, we have verified that the information referred to in a) above has been provided as stipulated by applicable regulations and that the remaining information contained in the consolidated management report is consistent with that provided in the 2022 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the directors and the audit committee for the consolidated financial statements

The directors of the Parent are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU and other provisions in the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee of the Parent is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

Report on other legal and regulatory requirements

European Single Electronic Format

We have examined the digital files of the European single electronic format (ESEF) of Duro Felguera, S.A. and subsidiaries for the 2022 financial year, consisting of XHTML files containing the financial statements for the year and the XBRL files marked up by the entity, which will form part of the annual financial report.

The directors of Duro Felguera, S.A. are responsible for submitting the annual financial report for the 2022 financial year in accordance with the format and markup requirements set out in the European Commission Delegated Regulation (EU) 2019/815, of 17 December 2018 (the "ESEF Regulation").

Our responsibility consists of examining the digital files prepared by the Parent's directors in accordance with prevailing audit regulations in Spain. These standards require that we plan and perform our audit procedures to obtain reasonable assurance about whether the contents of the consolidated financial statements included in the aforementioned digital files correspond in their entirety to those of the consolidated financial statements that we have audited, and whether the consolidated financial statements and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the ESEF Regulation.

In our opinion, the digital files examined correspond in their entirety to the audited consolidated financial statements, which are presented, in all material respects, in accordance with the ESEF Regulation.

Additional report to the Parent's audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the Parent's audit committee on 30 April 2023.

Term of engagement

At the Annual General Meeting held on 29 October 2020, we were appointed auditor of the Group for three years, from the year beginning on 1 January 2020.

DELOITTE, S.L.
Registered in R.O.A.C. under no. S0692

Alicia Izaga
Registered in R.O.A.C. under no. 17477

30 April 2023

DURO FELGUERA, S.A. AND SUBSIDIARIES

Consolidated Financial Statements and Consolidated Management Report
for the year ended 31 December 2022

DURO FELGUERA, S.A. AND SUBSIDIARIES

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DURO FELGUERA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (€ thousand)

ASSETS	NOTE	As at 31 December 2022	2021
NON-CURRENT ASSETS		56,494	64,778
Intangible assets	8	3,216	5,384
Property, plant and equipment	6	26,949	29,058
Investment properties	7	18,445	22,116
Investments accounted for using the equity method	9	20	20
Non-current financial assets	10	7,864	8,200
CURRENT ASSETS		176,964	227,288
Inventories	13	4,706	6,431
Trade and other receivables:	10 and 11	118,128	99,975
a) Trade receivables		86,661	67,746
b) Other receivables		31,467	32,229
c) Current tax assets		-	-
Current financial assets	10	29,412	31,548
Other current assets	10	621	792
Cash and cash equivalents	14	24,097	88,542
TOTAL ASSETS		233,458	292,066

EQUITY AND LIABILITIES	NOTE	As at 31 December 2022	2021
EQUITY	15 e)	(141,929)	(137,879)
CAPITAL AND RESERVES		(73,186)	(77,743)
Capital	15 a)	4,800	4,800
Reserves and retained earnings	17	(82,992)	(105,157)
Profit or loss for the period attributable to the parent		5,006	22,614
ACCUMULATED OTHER COMPREHENSIVE INCOME	17	(69,382)	(60,667)
EQUITY ATTRIBUTABLE TO THE PARENT		(142,568)	(138,410)
NON-CONTROLLING INTERESTS	19	639	531
NON-CURRENT LIABILITIES		154,730	170,625
Government grants		3,038	3,340
Non-current provisions	23	1,271	7,499
Non-current financial liabilities:	10 and 20	147,722	158,085
a) Bank borrowings, and bonds and other marketable securities		13,178	28,987
b) Other financial liabilities		134,544	129,098
Deferred tax liabilities	22	2,699	1,701
CURRENT LIABILITIES		220,657	259,320
Current provisions	23	75,394	87,219
Current financial liabilities:	10 and 20	8,178	12,387
a) Bank borrowings, and bonds and other marketable securities		64	10,056
b) Other financial liabilities		8,114	2,331
Trade and other payables:	10 and 21	136,987	159,709
a) Suppliers		71,457	102,016
b) Other payables		64,750	57,484
c) Current tax liabilities		780	209
Other current liabilities		98	5
TOTAL EQUITY AND LIABILITIES		233,458	292,066

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(€ thousand)

	NOTE	Year ended 31 December 2022	Year ended 31 December 2021
Revenue	24	117,185	84,468
Changes in inventories of finished goods and work in progress		362	309
Self-constructed assets		-	72
Cost of sales	26	(43,489)	(23,953)
Other operating income		262	72
Employee benefits expense	25	(72,538)	(57,778)
Other operating expenses	26	(5,276)	(16,242)
Amortisation and depreciation	6, 7 and 8	(5,025)	(5,121)
Release of non-financial capital grants and other		242	242
Impairment of property, plant and equipment	6 and 7	-	611
Gains/(losses) on disposals of property, plant and equipment		(415)	(44)
Other income/(expense)	27	2,044	542
OPERATING PROFIT/(LOSS)		(6,648)	(16,822)
Finance income		2,756	38,875
Finance costs		(4,442)	(4,418)
Change in fair value of financial instruments		4,135	-
Exchange differences		5,467	3,139
Impairment/(reversal of impairment) of financial instruments		2	(391)
NET FINANCE INCOME/(COST)	28	7,918	37,205
Share of profit/(loss) of companies accounted for using the equity method	9	5,699	(784)
PROFIT/(LOSS) BEFORE TAX		6,969	19,599
Income tax expense	29	(1,851)	(468)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		5,118	19,131
PROFIT/(LOSS) AFTER TAX FOR THE YEAR FROM DISCONTINUED OPERATIONS		-	3,536
PROFIT/(LOSS) FOR THE YEAR		5,118	22,667
a) Profit/(loss) attributable to the parent		5,006	22,614
b) Profit/(loss) attributable to non-controlling interests	19	112	53
EARNINGS PER SHARE (€)			
Basic	30	0.05	0.24
Diluted	30	0.04	0.22

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (€ thousand)

	NOTE	Year ended 31 December 2022	2021
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		5,118	22,667
OTHER COMPREHENSIVE INCOME - ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:		-	1,942
Revaluation/(reversal of revaluation) of property, plant and equipment and intangible assets		-	-
Equity instruments at fair through other comprehensive income	10	-	2,589
Other comprehensive income that will not be reclassified to profit or loss		-	-
Tax effect		-	(647)
OTHER COMPREHENSIVE INCOME - ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:		(8,715)	(10,759)
Translation differences:	17	21,062	(1,073)
a) Valuation gains/(losses)		21,062	(1,073)
b) Amounts reclassified to profit or loss		-	-
c) Other reclassifications		-	-
Other comprehensive income that may be reclassified subsequently to profit or loss:	17	(29,777)	(9,686)
a) Valuation gains/(losses)		(29,777)	(9,686)
b) Amounts reclassified to profit or loss		-	-
c) Other reclassifications		-	-
Tax effect	22	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(3,597)	13,850
a) Attributable to the parent		(3,709)	13,797
b) Attributable to non-controlling interests		112	53

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

DURO FELGUERA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY
(€ thousand)

	Note	Equity attributable to the parent							
		Capital and reserves							
		Capital	Share premium and reserves	Own shares and equity instruments	Profit or loss for the period attributable to the parent	Other equity instruments	Valuation adjustments	Non-controlling interests	Total equity
Balance at 1 January 2021		4,800	63,326	-	(171,643)	8,093	(51,850)	477	(146,797)
Total comprehensive income for the year		-	-	-	22,614	-	(8,817)	53	13,850
Transactions with equity holders or owners		-	-	-	-	-	-	-	-
Capital increases/(reductions)	15	-	-	-	-	-	-	-	-
Distribution of dividends		-	-	-	-	-	-	-	-
Other changes in equity		-	(168,483)	-	171,643	(8,093)	-	1	(4,932)
Transfers between equity items		-	(171,643)	-	171,643	-	-	-	-
Other changes		-	3,160	-	-	(8,093)	-	1	(4,932)
Balance at 31 December 2021		4,800	(105,157)	-	22,614	-	(60,667)	531	(137,879)
Balance at 1 January 2022		4,800	(105,157)	-	22,614	-	(60,667)	531	(137,879)
Total comprehensive income for the year		-	-	-	5,006	-	(8.715)	112	(3,597)
Transactions with equity holders or owners		-	-	-	-	-	-	-	-
Capital increases/(reductions)	15	-	-	-	-	-	-	-	-
Distribution of dividends		-	-	-	-	-	-	-	-
Other changes in equity		-	22,165	-	(22,614)	-	-	(4)	(453)
Transfers between equity items		-	22,614	-	(22,614)	-	-	-	-
Other changes (note 20.a)		-	(449)	-	-	-	-	(4)	(453)
Balance at 31 December 2022		4,800	(82,992)	-	5,006	-	(69,382)	639	(141,929)

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

DURO FELGUERA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(€ thousand)

	NOTE	Year ended 31 December 2022	2021
NET CASH FLOWS USED IN OPERATING ACTIVITIES	32.a)	(61,495)	(64,703)
Profit/(loss) before tax		6,969	23,135
Adjustments for:		(22,833)	(43,514)
Amortisation and depreciation		5,025	5,120
Other adjustments to profit/(loss)		(27,858)	(48,634)
Working capital changes		(42,827)	(33,562)
Other cash flows from operating activities:		(2,804)	(10,762)
Interest paid		(3,433)	(10,110)
Interest received		874	68
Income tax received/(paid)		(245)	(720)
NET CASH FLOWS FROM INVESTING ACTIVITIES	32.b)	8,554	14,371
Payments for investments		(4,329)	(847)
Proceeds from sale of investments		12,883	16,121
Cash flows from investing activities		-	(903)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	32.c)	(11,504)	113,978
Proceeds from and payments for equity instruments:		-	-
Proceeds from and payments for financial liability instruments		(11,504)	113,978
Dividends and interest on other equity instruments paid		-	-
Other cash flows from financing activities		-	-
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(64,445)	63,646
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		88,542	24,896
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	24,097	88,542

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

1. General information

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

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

The parent company's current registered address and headquarters is Parque Científico Tecnológico, calle Ada Byron, 90, 33203 Gijón, Asturias, Spain.

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

With more than 150 years of history in industrial activities, over the last decade it has geared its business towards a variety of activities, the most important of which is the execution, on behalf of customers, of major turnkey industrial projects (Engineering, Procurement & Construction or EPC projects) around the world. DF Group executes end-to-end projects for the construction of all kinds of power generation plants, mineral processing and bulk handling facilities, fuel storage plants and other infrastructure in the oil and gas sector. Note, however, as explained in Note 5, the Group, following a period of strategic reflection, has not only articulated its business activities around these traditional businesses but also around new businesses focused on renewable energies and smart systems, after redesigning the business lines targeted in the viability plan approved by the Spanish Solvency Support Fund for Strategic Companies (Fondo de Apoyo a la Solvencia de Empresas Estratégicas or "FASEE"). The Group can carry out an entire project from end to end: engineering, supplies, assembly, commissioning, operation and maintenance. Duro Felguera also provides specialised engineering, assembly and heavy industrial machinery and equipment maintenance services. In addition, the Group specialises in the manufacture of large pressure vessels for the oil and gas, petrochemical and nuclear sectors at its workshops located in the port of Gijón. With more than 50 years of experience in projects for widely diverse international destinations, it has become one of the foremost pressure vessel manufacturers in the world.

Since January 2022, the organisation centres on five business lines (Conventional Energy, Industrial Plants, Specialised Services, Renewable Energies and Smart Systems), thus enhancing the Company's expertise and project orientation in both traditional and innovative businesses, such as renewable energies, energy storage, hydrogen and smart systems.

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

These consolidated financial statements were authorised for issue by the Parent's directors on 31 March 2023 and for reissue on 29 April 2023 to include an update to Note 2.1.2 Assessment of possible uncertainties relating to application of the going concern principle due, among other reasons, to progress on the roadmap drawn up to reinforce equity and financial position pursuant to the resolutions adopted by shareholders at the Extraordinary General Shareholders' Meeting held on 13 April 2023 and other issues disclosed in Note 37 Events after the reporting period. The reissued financial statements will be submitted for approval by shareholders at the Annual General Meeting and are expected to be approved without any changes. The financial statements for 2021 were approved by shareholders at the Annual General Meeting held on 28 June 2022.

2. Summary of significant accounting policies

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

2.1. Basis of preparation

The consolidated financial statements for the year ended 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS), the interpretations issued by the IFRS Interpretation Committee (IFRIC) and mercantile law applicable to companies reporting under EU-IFRS.

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

These consolidated financial statements, which were prepared based on the accounting records of Duro Felguera, S.A. and subsidiaries, provide a true and fair view of the consolidated equity and financial position of the Group as at 31 December 2022, and of the consolidated results, changes in consolidated equity and consolidated cash flows for the year then ended.

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

For comparative purposes, the Group presents jointly the consolidated statement of financial position at year-end 2021 and 2021, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the years ended 31 December 2022 and 2021.

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

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

Changes in accounting policies and disclosures

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

Except where indicated otherwise below, the accounting policies used are the same as those applied in the 2021 annual consolidated financial statements.

New mandatory standards, amendments and interpretations applicable in 2022

Approved for use in the European Union		Mandatory for annual reporting periods beginning on or after:
Amendments to IFRS 3 – Reference to the Conceptual Framework	The amendments update IFRS 3 to align the definitions of assets and liabilities recognised in a business combination with the definitions in the conceptual framework.	1 January 2022
Amendment to IAS 16 – Proceeds before Intended Use	The amendments prohibit a company from deducting from the cost of property, plant and equipment any proceeds from selling items produced while the company is preparing the asset for its intended use.	1 January 2022
Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract	The amendment specifies that costs that relate directly to the contract include incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.	1 January 2022
Improvements to IFRSs 2018-2020 Cycle	Narrow-scope amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022

The Group has been applying the above-listed standards and interpretations, none of which has had a significant impact on its accounting policies, since they became effective on 1 January 2022.

New mandatory standards, amendments and interpretations applicable for annual periods after the calendar year beginning 1 January 2023

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

Approved for use in the European Union		Mandatory for annual reporting periods beginning on or after:
New standard IFRS 17 - Insurance Contracts	Replaces IFRS 4 and covers recognition and measurement, disclosure and presentation of insurance contracts.	1 January 2023
Amendments to IAS 1 - Disclosure of Accounting Policies	Narrow-scope amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2023
Amendments to IAS 8 - Definition of Accounting Estimates	Amendments to assist entities in adequately identifying information on material accounting policies that needs to be disclosed in the financial statements.	1 January 2023
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Clarifications as to how companies should account for deferred tax on transactions such as leases and decommissioning obligations.	1 January 2023

Amendments to IFRS 17 - Insurance contracts - Initial application of IFRS 17 and IFRS 9 Comparative Information	Amendments to the IFRS 17 transition requirements for insurance companies that apply IFRS 17 and IFRS 9 for the first time at the same time.	1 January 2023
IFRS 17C IFRS 17 Insurance Contracts	Replaces IFRS 4 and sets out the principles for recognition, measurement, presentation and disclosure of insurance contracts to ensure that an entity provides relevant and reliable information to enable users of financial statements to assess the effect of insurance contracts on financial statements.	1 January 2023

Not yet approved for use in the European Union		Mandatory for annual reporting periods beginning on or after:
Amendment to IAS 1 – Classification of Liabilities as Current or Non-current with Covenants	Clarifications regarding the presentation of liabilities subject to complying with covenants as current or non-current	1 January 2024
Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback	The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions.	1 January 2024

For standards that become effective from 2023 and onwards, the Group has assessed the potential impacts of their future application on its consolidated financial statements once effective. As at the reporting date, it considers that the impacts of application of these standards will not be significant.

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

The accounting criteria applied during the year ended 31 December 2022 are not materially different from those applied during the year ended 31 December 2021.

2.1.1. Impact of the war in Ukraine and post-Covid situation

In 2022, the armed conflict between Russia and Ukraine had immediate impacts on the world's economy by causing energy prices to soar on the back of rising oil and gas prices.

The global economy is facing a scenario of high inflation, cause at first by the pandemic. However, unfortunately, the war sent energy prices spiralling and bolstered inflation expectations.

Widespread industrial supply chain disruptions were exacerbated by the economic sanctions imposed on Russia, with rising commodity prices pushing up prices in the supply chain. The biggest threat to the economy is a slowdown or halt to the global post-Covid economic recovery due to persistent inflation.

Meanwhile, in the year's second half this situation prompted central banks to embark on a rapid interest-rate tightening campaign, thereby ending the period of low interest rates and applying anti-inflationary monetary policies.

As a result, at year-end 2022, there was still uncertainty over how long the war would last, how intense it would be and what impacts it could have for the medium and long term.

Implications for the Group

Against the current backdrop of uncertainty regarding the impacts of the war on Spain's and the world's economy, the Group has closely monitored the effects and drawn up action plans to minimise the related risks.

Although our contracts with customers do not contain express clauses regarding claims for price increases due to rises in the prices of materials, fuel, energy, etc., laws and/or jurisprudence could result in application of what we call the principle of "unpredictability", i.e., where execution of a contract becomes too onerous for one of the parties due to events that are supervening or extraordinary events and events that were unpredictable at the time of signing of the contract that could require authorisation for the revision of the terms and conditions so as to readjust the contract.

The current situation has jeopardised the energy models of countries that rely heavily on imported gas and the energy price-setting mechanisms. This has prompted several countries to reconsider their energy policies and caused delays in investments in conventional energy projects, which has also delayed order intake.

The war has shown that countries need to include security of supply of energy among their top priorities, thereby speeding up and increasing the importance of the energy transition and of raising awareness about energy storage and efficiency as savings measures. These circumstances were behind the European Union's approval of the REPowerEU plan to rapidly reduce dependence on Russian fossil fuels and fast forward the green transition in Europe, paving the way for the development of renewables and hydrogen that the Group hopes to leverage.

Also because of the war, the Group, with the assistance of external advisors, is constantly assessing developments in international sanctions related to the conflict so it can review the impact on its committed customer base and take timely decisions bearing in mind the prevailing legal framework at any given time.

Although the first half of 2022 featured some delays in order intake, the second half of the year saw a recovery. Therefore, the Group's directors are more upbeat about the prospects for 2023.

Even with the Covid-19 crisis and/or the war in Ukraine, the Group has maintained its portfolio of contract wins in the recent years. None of the EPC (Engineering, Procurement and Construction) projects included in the portfolio have had to be cancelled, except the Iernut project in Romania, which was terminated in 2021 but is expected to be resumed in the first half of 2023. After negotiations with the customer in 2022, a letter of intent (LOI) was signed on 31 December 2022 in which the parties confirmed that no significant disputes were left unsettled and undertook to address, in early January 2023, the unresolved issues regarding modification of the original contract signed on 31 October 2016. Subsequently, in March 2023, the new agreement was formally signed. It is subject to three conditions precedent, which the parties consider will be complied with satisfactorily. These conditions precedent are:

- Approval at the general meeting scheduled for 10 May 2023 by shareholders of Romgaz (the Romanian state-owned enterprise) of the proposed ratification of the agreement included as an item on the meeting agenda.
- Formal approval by Duro Felguera's Board of Directors.
- Approval at the meeting of Romelectro's creditors to the insolvency administrator's proposal to ratify the contract.

At present, all projects awarded both before and since March 2020 have been rescheduled as needed and are gradually approaching a normal rate of execution, except the Sonelgaz agreement in Djelfa. Execution of this contract has slowed due to strained diplomatic relations between Algeria and Spain and it is currently under negotiation.

2.1.2. Assessment of possible uncertainties relating to application of the going concern principle

As at 31 December 2022, the parent company had negative equity (Note 15) and negative working capital.

This was the result of three external crises: the health crisis (the Covid-19-related economic impact throughout 2022), the economic crisis (arising inflation and the higher raw material costs) and the military crisis (invasion of Ukraine, as discussed in the previous note). There was also the diplomatic crisis with Algeria. The Group monitors its actions on an ongoing basis so as to minimise the impact on its cash requirements. It does so by preparing a cash inflow and outflow plan to assess whether it has the necessary financial resources to meet its operational requirements over the next 12 months, taking appropriate steps as needed. The key assumptions underlying the cash inflow and outflow plan approved by the Board of Directors to address this situation are:

- Progress on projects being executed in accordance with the obligations assumed with customers.
- Compliance with the viability plan approved by the Board of Directors in February 2023, which includes updates of the financial assumptions for the 2023-2027 period based on the prevailing geopolitical landscape and the Group’s assessment of its business prospects.
- Progress in the backlog being executed in accordance with the obligations assumed with customers.
- Rebound of economic activity and increase in order intake in coming months.
- Optimisation of costs of projects in progress and general expenses.
- Conclusion of customer negotiations, arbitration and litigation processes according to schedule (Notes 29 and 33).
- Compliance with the terms and conditions outlined in the financing raised through the FASEE, from financial institutions and SRP (Sociedad Regional de Promoción del Principado de Asturias, S.A.).

The treasury plan includes raising additional financing and own funds. Therefore, as set out in the viability plan, the Group continues to work on bringing in new reference investors and industrial partners which, through a legal order, must take place within the next six months, as explained in Note 37. The capital increases already approved at the General Meeting include, firstly, a €90 million loan to, following the steps outlined in Note 37 and subject to compliance with the legal and contractual terms of the agreements, through a debt-to-equity swap of the part of the first loan not subscribed for by current shareholders, and secondly, a debt-to-equity swap of the second loan through the issuance of new shares, whereby the parent company's equity and cash position would be strengthened by more than €90 million. Moreover, the acquisitions of equity interests in the company by industrial shareholders Grupo Promotor de Desarrollo e Infraestructura, S.A. de C.V. (“Grupo Prodi”) and Mota-Engil México, S.A.P.I. de C.V. (“Mota-Engil México”) will boost Duro Felguera's international operations, leveraging the Group's broad international experience in attractive markets such as Mexico and its surrounding markets. In particular, it will enhance the Group’s positioning in the U.S. Nearshoring programme and other investment projects in that geographical area. Grupo Prodi's and Mota-Engil México's addition will bolster the Group's active presence in existing markets, complementing and reinforcing its business plan, which includes Europe as one of its main targets.

As described in Note 25, the Group has initiated a process to adapt its capabilities to its current needs, resulting in a reduction in general expenses.

The parent company's directors are confident that the gradual recovery in activity, increased order intake and growth in the portfolio of customers, along with the execution of the capital increase, with subscription assured by the new investors, will strengthen the Group's financial position and equity. As at the date of authorisation for issue of these financial statements, the Group is in the process of completing the legal and contractual conditions set out in the agreements for the acquisitions of interests by the new investors. At the Extraordinary General Shareholders' Meeting held on 13 April 2023, majority approval by 98% of shareholders present or represented was given to carry out two capital increases up to €90,000,000 plus interest through the issuance of up to 117,478,135 new shares. The Group expects to secure the authorisations it needs over the coming months and within the legally stipulated six-month period. It is acting quickly and this, coupled with the other issues explained previously, will ensure its ability to meet its obligations and continue its business operations normally.

In the going-concern assessment, the directors considered that as at 31 December 2022, by law the losses reported for 2020 and 2021 through 2024 were not included in application of article 363.1.e) of the Consolidated Text of the Spanish Corporate Enterprises Act (Texto Refundido de la Ley de Sociedades de Capital) as amended by Royal Decree Law 20/2022, of 27 December, on measures to address the economic and social consequences of the war in Ukraine.

On the basis of all of the foregoing, the parent company's directors have prepared these consolidated financial statements on a going concern basis.

2.2. Basis of consolidation

a) Consolidation scope

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

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

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

b) Subsidiaries

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

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

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

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

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

If at the end of the reporting period in which the business combination occurs it is not possible to complete the valuation work needed to apply the acquisition method outlined above, the business combination is accounted for provisionally. The provisional amounts recognised can be adjusted within a measurement period of no more than one year from the acquisition date to reflect access to new information. The effects of any such adjustments are accounted for retrospectively, modifying the comparative information as necessary.

The cost of a business combination also includes the fair value of any contingent consideration that depends on future events or delivery of pre-determined conditions. Changes in the fair value of contingent consideration that take place during the measurement period (which may not last for more than one year from the acquisition date) may be the result of additional information obtained after the acquisition date regarding facts and circumstances that existed as of that date; any such changes are recognised by decreasing or increasing goodwill.

The income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the acquisition date or until the date of change in control, as warranted.

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

All material transactions carried out between fully consolidated companies and the resulting year-end balances have been eliminated on consolidation.

Given that all of the Group companies have the same financial year-end no adjustments have had to be made to ensure uniform reporting periods.

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

Company	% ownership interest	Location	Activity
Fully consolidated:			
DF Mompresa, S.A.U (3).	100%	Gijón	Assembly and maintenance of turbines
DF Operaciones y Montajes, S.A.U. (3)	100%	Gijón	Study, marketing and provision of all kinds of services and supplies, maintenance, and operation of industrial plants, machinery and equipment for industrial plants. Commissioning of facilities
Duro Felguera Calderería Pesada, S.A.U. (4)	100%	Gijón	Pressure vessels and heavy boiler-making
Duro Felguera Green Tech, S.A.U. (2) (4)	100%	Gijón	Design, manufacture, supply, assembly, operation, maintenance, promotion, development, management, exploitation and marketing of renewable energy installations, products, technical solutions, works and services, including the ownership and commercial operation of service concession arrangements, agreements and facilities for the production of electricity, hydrogen, biodiesel, hydrocarbons, biofuels, by-products or products used to produce these products, and products resulting from processing, and other raw materials using renewable energy
Duro Felguera Energy Storage, S.A. (formerly Felguera I.H.I., S.A.) (3)	100%	Gijón	Fuel and gas storage equipment
Felguera Tecnologías de la Información, S.A. (2) (3)	60%	Llanera	Development of business management software
Duro Felguera Investment, S.A U. (2) (3)	100%	Gijón	Investment in trading, industrial and service companies, agency and mediation services in diverse types of contract, and securities management and administration
Duro Felguera Oil&Gas, S.A.U. (2) (3)	100%	Gijón	Creation, design, calculation, basic engineering, detailed engineering, management, planning, computerisation, coordination, monitoring and control of projects in the oil, gas and petrochemical industry
Duro Felguera Intelligent Systems, S.A.U. (formerly Duro Felguera Logistic Systems, S.A.U.) (2) (3)	100%	Gijón	The study, design, marketing, preparation, manufacture and supervision of all types of automated transport systems, automated warehouses and maintenance systems for industry and their components
DFOM Biomasa Huelva, S.L. (2) (5)	100%	Gijón	Operation and maintenance of Ence's biomass power generation plant in Huelva
Equipamientos Construcciones y Montajes, S.A. de C.V. (2) (3) (5)	100%	Mexico	Construction and assembly of industrial projects
Proyectos e Ingeniería Pycor S.A. de C.V. (2) (3) (5)	100%	Mexico	Construction and assembly of industrial projects
Felguera Diavaz Proyectos México S.A. de C.V. (2) (3)	50%	Mexico	All kinds of activities related to power generation through the full or partial

Company	% ownership interest	Location	Activity
			use of wind and cogeneration energy sources
Turbogeneradores del Perú, S.A.C. (2) (3) (6)	100%	Peru	Installation of electromechanical equipment for electricity plants
Duro Felguera Argentina, S.A. (2) (6) (5)	100%	Argentina	Construction, maintenance and supply of equipment for power stations
Duro Felguera Chile Limitada (formerly Opemasa Andina, Ltda.) (2) (5) (6)	100%	Chile	Construction, maintenance and supply of equipment for power stations
Turbogeneradores de Venezuela C.A. (2) (5)	100%	Venezuela	Engineering, supplies and civil works for energy projects
Duro Felguera Do Brasil Desenvolvimiento de Projectos Ltda. (2) (3)	100%	Brazil	Commercial project development
Felguera Grúas India Private Limited. (2) (3)	100%	India	Port terminals.
PT Duro Felguera Indonesia (2) (3)	95%	Indonesia	Engineering, supply and construction projects for the mining, energy and industrial sectors
DF USA, LLC (2) (3)	100%	United States	Commercial project development
DF Canadá Ltd (2) (3)	100%	Canada	Engineering and construction services
DFOM Netherlands B.V. (2) (5)	100%	Netherlands	Execution of the Lump Sum construction contract for revamping of the blast furnace for Tata Steel Ijmuiden

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

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

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

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

Company	% ownership interest	Location	Activity
Duro Felguera Saudí LLC (2) (3) (6)	50%	Saudi Arabia	Construction of electricity generation buildings and plants
Felguera IHI Canadá INC (2) (7)	100%	Canada	Engineering and construction services

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

c) Associates and joint ventures

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

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

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

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

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

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

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

In the opinion of the directors, there were no significant assets and/or contingent liabilities related to the Group's investments in associates and joint ventures at 31 December 2022 and 2021 other than those disclosed in Note 9.

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

Accounted for using the equity method:	% ownership interest	Location	Activity
Dunor Energía, S.A.P.I. de C.V. (1) (2) (3)	50%	Mexico	Construction of the 313 CC Empalme II combined cycle plant in the state of Sonora (Mexico) under a tender from the Federal Electricity Commission (CFE)

(1) Audited by a firm other than the parent company's auditor. As at the date of authorisation for issue of these financial statements, the audit of 2022 and 2021 was still being performed.
(2) Joint venture
(3) Interest held by the parent company

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

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

Company	% ownership interest	Location	Activity
Associates			
Sociedad de Servicios Energéticos Iberoamericanos, S.A. (1) (2)	25%	Colombia	Assembly and maintenance of electricity generation plants
Zoreda Internacional, S.A. (1) (2)	40%	Gijón	Environmental projects

(1) Not audited.
(2) Interest held by the parent company

d) Joint operations and temporary joint ventures

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

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

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

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

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

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

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

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

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

The parent company’s proportional share of the line items of the UTE’s statement of financial position and statement of profit or loss are included in the consolidated statement of financial position and statement of profit or loss in accordance with its percentage of ownership interest, and the cash flows are likewise included proportionately in the consolidated statement of cash flows.

As at 31 December 2022 and 2021, there were no significant contingent assets and liabilities related to the Group's interests in UTEs other than those disclosed in Note 33.

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

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

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

e) Changes in the scope of consolidation

The only change in 2022 in the Group's scope of consolidation was the incorporation of DFOM Netherlands B.V., which is wholly owned by DF Operaciones y Montajes, S.A. In 2022, this company contributed assets, profit and liabilities amounting to €8,966 thousand, €1,540 thousand and €7,417 thousand, respectively.

Changes in the Group's consolidation scope in 2021:

GROUP	Disposals
	Epicom, S.A.

The impacts of these changes in the consolidation scope on consolidated equity and profit or loss were not significant in 2021.

The Group classified as a current asset the retained interest in Epicom, S.A. after the disposal of a 40% stake and the grant of a purchase option on the remaining 60%, which expires on 31 December 2023 after the deferral approved by the Board of Directors on 22 February 2023 (Note 37).

f) Transactions with non-controlling interests

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

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

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

g) Translation of financial statements denominated in foreign currency

The financial statements of investees whose functional currency is different from the presentation currency (i.e. the euro) have been translated using the procedures explained in Note 2.4.c).

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

2.3. Current versus non-current classification

The Group classifies assets and liabilities that are realised or settled as part of its normal operating cycle as current assets and liabilities. Specifically, assets are classified as current when they are expected to be realised within 12 months from the reporting date. Trade receivables, completed work pending certification and other financial assets associated with the operating cycle which, because of a dispute between the Group and the customer, could take longer than 12 months to collect, are classified as current, irrespective of their maturity or whether they will be realised more than 12 months after the reporting period to the extent that they are considered to form part of the Group's normal operating cycle. If not, they are classified as non-current assets. The same criterion is used to classify liabilities that are settled as part of the normal operating cycle. Assets and liabilities expected to be realised or settled in more than 12 months but classified within current assets are as follows:

	€ thousand	
	31 December 2022	31 December 2021
Trade receivables and completed work pending certification, net of any impairment losses and balances with public authorities.	50,220	31,934
Total current assets	50,220	31,934
Trade and other payables	4,930	9,025
Provisions for contingencies and guarantees	60,580	66,840
Total current liabilities	65,510	75,865

In accordance with IAS 1, the Group classifies a liability as current when a) it expects to settle the liability in its normal operating cycle, b) it holds the liability primarily for the purse of trading, c) the liability is due to be settled within twelve months after the reporting period, or d) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. The Group classifies all other liabilities as non-current. On 30 December 2022, the Group obtained a waiver for compliance with the covenants (financial ratios) of the financing agreement subject to compliance with financial ratios until June 2023 (Note 3.c), so it classified this agreement as non-current.

2.4. Foreign currency transactions

a) Functional and presentation currency

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

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation, where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at closing rates are recognised

in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.
Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss under "Exchange differences".

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

c) Group companies

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

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

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

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

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

When a foreign operation is disposed of, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in a separate component of equity, are reclassified from equity to profit or loss when the gain or loss on disposal is recognised.
The financial statements of Group companies whose functional currency is the currency of a hyperinflationary economy are adjusted for inflation in accordance with the procedure described in the following paragraph prior to their translation to euros. Once restated, all the items of the financial statements are converted to euros using the closing exchange rate. Amounts shown for prior years for comparative purposes are not modified.

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

d) Hyperinflationary economies

Classification of Argentina as a hyperinflationary economy

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

In accordance with IAS 29, the Group:

- Adjusted the historical cost of the non-monetary assets and liabilities and the various items of equity from the date of acquisition or inclusion in the consolidated statement of financial position to the end of the reporting period to reflect the changes in the purchasing power of the currency caused by inflation.
- Included the gain or loss on the net monetary position caused by the impact of inflation in profit or loss.
- Adjusted the various items of the statement of cash flows by the general inflation index from the dates they arose, with a balancing entry in net financial results and an offsetting item in the statement of cash flows, respectively.
- Translated all components of the financial statements of Argentine companies at the closing exchange rate, which at 31 December 2022 was 188.96 Argentine pesos per euro (2021: 116.34 Argentine pesos).

To restate the financial statements, the Group has used the indexes defined in Resolution JG No. 539/18, as published by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE), based on the Consumer Price Index (CPI) published by the National Institute of Statistics and Censuses (INDEC) of the Argentine Republic and the Internal Wholesale Price Index (IPIM) published by the FACPCE. The cumulative index at 31 December 2022 and 2021 was 1,134.6% and 582.5%, respectively, while on an annual basis the index for 2022 was 95% (2021: 51%).

The Group does not have any significant fixed assets in Argentina, so the impact of hyperinflation was not significant. The impact was recognised in exchange differences. The impact of hyperinflation on monetary assets amounted to €1,014 thousand and is recognised in profit or loss (Note 28).

The main impacts on the DF Group's consolidated financial statements for the year ended 31 December 2022 arising from the above were as follows:

	€ thousand
Revenue	-
Operating profit/(loss)	(22)
Profit/(loss) for the year from continuing operations	1,103
Accumulated exchange differences	(9,347)
Impact on equity	-

2.5. Intangible assets

a) Goodwill

Goodwill arises on the acquisition of subsidiaries in prior periods and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of the net identifiable assets acquired. If the total of consideration transferred, the non-

controlling interest recognised, and the previously held equity interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

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

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

The Group no longer recognises any goodwill following the deconsolidation of Epicom in 2021 (see Note 2.2e).

b) Computer software

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

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

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

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

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

c) Development costs

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

a) it is technically feasible to complete the software product so that it will be available for use or sale;
b) management intends to complete the intangible asset and use or sell it;
c) the entity has the ability to use or sell the intangible asset;
d) it can be demonstrated how the software product will generate probable future economic benefits;

e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
f) the expenditure attributable to the intangible asset during its development can be reliably measured.

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

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

Research costs are expensed currently.

2.6. Property, plant and equipment

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

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

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

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

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

For assets under port concessions that must be returned with a useful life greater than the term of the concession, the term of the concession is used as the useful life of the asset.

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

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

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

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

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

2.7. Investment properties

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

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

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

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

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

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

After initial recognition, these assets are stated at acquisition cost less accumulated depreciation and any accumulated impairment losses recognised (Note 2.9).

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

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

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

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

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

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

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

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

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

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

2.9. Impairment of non-financial assets

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

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

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

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

The Group uses appraisals compiled by independent experts (Note 4) to determine the fair value of the industrial assets of Duro Felguera Calderería Pesada and of its investment properties.

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

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

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

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

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

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

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

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

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

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

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

2.11. Financial assets

2.11.1 Initial recognition and measurement

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

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

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

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

a) Financial assets at fair value through profit or loss

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

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

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

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

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

IFRS 9 includes two approaches for calculating expected loss based on the nature of the balances:

- General approach, with three phases: applicable to trade receivables and leases that contain a significant financing component, contract assets and loan commitments, and financial guarantee contracts.
- Simplified approach: applicable to trade receivables and lease receivables without a significant financing component.

In accordance with IFRS 9, paragraph 5.5.16, the Group has selected the option of applying the simplified expected loss approach to trade receivables and lease receivables, and contract assets for which lifetime expected credit losses are calculated.

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

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

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

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

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

Item	Gross carrying amount at 31 December 2022	Expected loss		Carrying amount after ECL impairment at 31 December 2022
		%	€ thousand	
Total trade and other receivables	153,522	60%	(91,061)	62,461
Total completed work pending certification	51,671	53%	(27,471)	24,200
Total receivables	13,100	61%	(8,081)	5,019
Other financial assets	30,069	2.1%	(657)	29,412
Cash	24,197	0.4%	(100)	24,097
	272,558		(127,370)	145,188

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

c) Financial assets at fair value through other comprehensive income

This category includes non-derivative financial assets that are not included in any of the above categories. For the Group, these are mainly investments in companies not included in the scope of consolidation in 2022 and 2021 according to prevailing standards in which the parent company's direct and indirect ownership is 5% or less.

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

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

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

2.11.2 Derecognition of financial assets

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

2.12. Inventories

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

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

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

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

2.13. Cash and cash equivalents

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

2.14. Share capital

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

2.15. Government grants

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

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

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

2.16. Financial liabilities and equity

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

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

A financial instrument is determined to be an equity instrument if, and only if, both conditions (a) and (b) below are met:

(a) The instrument includes no contractual obligation:
(i) to deliver cash or another financial asset to another entity; or
(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

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

(i) a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or
(ii) a derivative that will be settled exclusively by the issuer via the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the issuer's own equity instruments do not include instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

A contractual obligation, including one arising from a derivative financial instrument, that will or may result in the future receipt or delivery of the issuer's own equity instruments, but does not meet conditions (a) and (b) above, is not an equity instrument.

Therefore, bonds and similar instruments that include conversion clauses that stipulate an exchange ratio that obliges the issuer to deliver a variable number of own shares are accounted for as financial liabilities.

The difference between the initially recognised fair value and the new fair value derived from the reclassification of an equity instrument as a financial liability is recognised in equity.

2.16.1 Initial recognition and measurement

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

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

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

2.16.2 Subsequent measurement

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

a) Financial liabilities at fair value through profit or loss

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

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

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

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

b) Loans and borrowings

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

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

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

The profit participating loans received, which are classified within debts and payables, are subsequently measured at amortised cost provided the contractual terms and conditions permit the reliable estimation of the instrument's cash flows. However, in contracts in which the payment of interest is contingent in nature, either because the agreement stipulates a fixed or floating rate of interest conditional upon delivery of a specific milestone at the borrower, such as the generation of a profit, or interest payments that are calculated exclusively by reference to the borrower's business performance, the economic substance of the transaction is similar to that of unincorporated joint venture agreements (contratos de cuentas en participación). In those instances the borrower measures the loan at cost plus any interest payable to the lender in keeping with the contractually agreed terms and conditions. Transaction costs are recognised in profit or loss on a straight-line basis over the term of the profit participating loan.

c) Trade payables

Trade payables do not accrue interest and are recognised at their nominal amount.

The accounting treatment of non-recourse reverse factoring agreements is not explicitly addressed in IFRS. According to the European Securities and Markets Authority (ESMA), reverse factoring transactions should be analysed in accordance with the economic substance of the agreement between the parties in order to determine whether the trade debt should be classified as a financial liability and whether the cash flows should be classified as cash flows used in financing activities or operating activities on the statement of cash flows. To the extent that the agreements do not produce substantive changes in the trade debt (e.g. changes in the maturity dates, amount or applicable interest rates), the fact that, pursuant to the reverse factoring transaction, the new legal creditor becomes a bank instead of the original commercial creditor does not modify the economic substance of the debt, which is originated by the Group's operating activities. The Group has used that classification policy.

2.16.3 Derecognition of financial liabilities

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

2.17. Current and deferred taxes

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit nor taxable profit or loss.

Meanwhile, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is recognised on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

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 its financial performance in recent years, the Group has recognised deferred tax assets up to the amount of the deferred tax liabilities recognised. In general, deferred tax assets are presented net of recognised deferred tax liabilities, in accordance with IAS 12.

2.18. Employee benefits

a) Coal vouchers

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

Annual coal allowances are calculated based on actuarial studies prepared by an independent actuary and include the following assumptions: mortality tables PERM/F 2020, technical interest rate of 3.75% p.a. (2021: 0.79%) and consumer prices indices reflecting an increase of 1% p.a. (2021: 1%).

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

The Collective Labour Agreement covering certain Group companies provides for awards for employees that complete 25 and 35 years of service with the Company, in addition to other obligations with employees. To measure these obligations, the Group has applied its best estimates based on an actuarial study performed by an independent third party in which the following assumptions have been applied: mortality table PERM/F 2020 and a technical interest rate of 3.75% p.a. (2021: 0.79% p.a.).

c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates. (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

The Group recognises a restructuring provision at the end of the reporting period in its consolidated financial statements if it meets the obligation to have a detailed plan (i.e., that identifies the companies, locations, functions/employment positions and number of employees affected) and has raised a valid expectation in those affected that it will carry out the restructuring and start to implement the plan by announcing its main features.

In 2022, the Group took the necessary steps to carry out a workforce reduction plan to adapt its resources to its current levels of activity. On 9 November 2022, the Group reached an agreement with employees' legal representatives. Then, on 23 November 2022, it filed, with the Spanish labour authorities, after approval by the parent company's board of directors, the decision to implement a collective redundancy plan for objective economic, productive and organisational purposes and begin the gradual termination of employment contracts, over a period of up to 18 months. The economic terms of the plan agreed upon include termination benefits for local posts amounting to 28 days' of salary per year worked, up to a limit of 15 months' of salary, unemployment compensation for dismissals planned after 1 January 2023 and affected by an employee furlough scheme, the cost of the agreement with Social Security for employees over 55 years old with coverage until they reach 63 years of age, and an external outplacement plan. The plan agreed, by majority of those involved in the negotiation, affects up to 180 jobs. As at the end of 2022, a total of 52 jobs had been terminated through voluntary departures and dismissals under the plan, resulting in an expense of €1,391 thousand. The remaining departures will occur at different times over a period of 18 months. A provision of €3,395 thousand was recognised in profit or loss for 2022 for severance and obligations arising from the termination of jobs until the plan is concluded. The amount is based on the most likely estimate as at the date of authorisation for issue of these financial statements and included under "Current provisions" in the consolidated statement of financial position (Note 23).

d) Profit-sharing and bonus plans

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

2.19. Provisions and contingencies

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

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

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

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

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

At year-end 2022 and 2021, the consolidated entities were party to a number of legal proceedings, arbitration proceedings, and claims arising in the ordinary course of their business activities. Both the Group's internal and external legal and tax advisors, and its directors, consider that the provisions recognised are sufficient and that the outcome of these proceedings and claims will not have a material impact on the consolidated financial statements in the years in which they are resolved (Notes 29 and 33).

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

2.20. Revenue recognition

a) Recognition of revenue from construction contracts

To ensure uniform application in the various areas of activity, the Group has a common revenue recognition policy adapted to IFRS 15 Revenue from Contracts with Customers. Below are the criteria followed in that policy, which affect mainly the Conventional Energy, Industrial Plants, Specialised Services, Renewable Energies and Smart Systems business activities.

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

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

To recognise revenue over time (the way to measure progress of a performance obligation), the Group uses the input method (measure of progress to costs incurred). Under this method, the entity

recognises revenue based on costs incurred relative to the total expected costs to complete the works, considering the expected margin for the entire project based on the latest updated budget.

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

Residually, when the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recovered. At 31 December 2022 and 2021, in none of the projects was it considered that the outcome cannot be estimated reliably.

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

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

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

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

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

c) Completed work pending certification/work certified in advance

Unlike revenue recognition, progress billings to customers are based on contractual milestones and acknowledgement of their achievement by the customer, which is given in a contractual document referred to as a certificate of completion. This way, the amounts recognised as revenue need not

necessarily coincide with the amounts billed to, or certified by, the customer. In contracts where the revenue recognised exceeds the amount billed or certified, the difference is recognised in "Completed work pending certification" (as a contract asset) under "Trade and other receivables". In those where the revenue recognised is less than the amount billed or certified, the difference is recognised under "Advances received for contract work" (as a contract liability) under "Trade and other payables".

d) Bidding costs

Bidding costs are only capitalised when they relate directly to a contract, it is probable that the costs will be recovered and the contract has been awarded or the company has been selected as preferred bidder. Costs incurred irrespective of whether the contract is won or not are recognised as an expense unless they are explicitly recoverable from the customer in any case (whether or not the contract is won). Bidding costs are amortised on a systematic basis with the transfer to the customer of the goods or services to which the asset relates. At 31 December 2022 and 2021, the Group did not have any capitalised bidding costs.

e) Provisions for budgeted losses

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

f) Recognition of revenue from the services business

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

g) Recognition of revenue from the sale of goods

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

h) Recognition of interest income

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

2.21. Leases

a) Group as lessee

The Group acts as lessee under lease contracts for office space, vehicles and other equipment. The Group applies a single recognition and measurement approach for all leases in which it is lessee, which entails recognition of a right-of-use asset and a corresponding lease liability, as described in Note 2.8.

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

b) Group as lessor

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

2.22. Distribution of dividends

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

2.23. Earnings per share

- Basic earnings per share:

Basic earnings per share are calculated by dividing:

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

- Diluted earnings per share:

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

a) the after-tax effect on earnings of interest and other finance costs associated with dilutive potential ordinary shares, and

b) the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.24. Environment

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

2.25. Statement of cash flows

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

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

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

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

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

Except for the transactions relating to convertible bonds as part of the financial restructuring process, there were no other material non-cash transactions related to investing and financing activities that were not included in the statement of cash flows (because they did not result in cash flows) requiring separate disclosure in these notes.

3. Financial risk management

3.1. Financial risk factors

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

a) Market risk

(i) Foreign currency risk

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

Foreign-currency denominated financial assets and liabilities and foreign currency transactions are disclosed in Note 24.b). Translation differences are disclosed in Note 17.

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

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

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

- Accordingly, a portion of costs is arranged in the contract's reference currency or in a currency with a high correlation to the reference currency, providing a natural hedge and reducing exposure to currency risk. However, the operating units are responsible for taking decisions on entering into hedges as circumstances warrant, which are reviewed and signed off on by the Treasury area and the Management Committee.

At 31 December 2022, 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 €150 thousand lower (2021: €138 thousand higher), whereas if it had strengthened by 5%, post-tax profit for the year would have been €135 thousand higher (2021: €125 thousand lower), mainly as a result of foreign exchange gains/losses on translation to USD of trade and other receivables, cash, suppliers and advances from customers, as well as the impact on the final outcome of projects of the amounts of future revenues and expenses in dollars, and the effect of the stage of completion at year end.

Meanwhile, if the euro had weakened by 5% against the DZD, with all other variables held constant, post-tax profit for the year would have been €1,636 thousand lower, whereas if it had strengthened by 5%, post-tax profit would have been €1,481 thousand higher, mainly as a result of exchange gains/(losses) on the translation to DZD of the receivable in the Algerian branch.

(ii) Price risk

Projects that last two or more years initially involve a contract price risk, due to the effect of the increase in costs to be contracted, particularly when operating in the international market in economies with high inflation rates. At other times, contract or related subcontract prices are denominated in stronger currencies (mainly USD) payable in local currency at the rate ruling on the collection date. These conditions are passed on to subcontractors.

Covid-19 already caused delays in project execution, invariably resulting in time overruns, so the Group had been reassessing its estimate of the total costs in the budgets used to calculate the stage of completion (Note 2.20) and the onerous contract provision. At present, the armed conflict between Russia and Ukraine is having immediate impacts on the world's economy by causing energy prices to soar on the back of rising oil and gas prices. The global economy is facing a scenario of high inflation, cause at first by the pandemic. However, unfortunately, the war has sent energy prices spiralling and bolstered inflation expectations. Widespread industrial supply chain disruptions were exacerbated by the economic sanctions imposed on Russia, with rising commodity prices pushing up prices in the supply chain. The biggest threat to the economy is a slowdown or halt to the global post-Covid economic recovery due to persistent inflation. Against the current backdrop of uncertainty regarding the impacts of the war on Spain's and the world's economy, the Group has closely monitored the effects and drawn up action plans to minimise the related risks.

Although our contracts with customers do not contain express clauses regarding claims for price increases due to rises in the prices of materials, fuel, energy, etc., laws and/or jurisprudence could result in application of what we call the principle of "unpredictability", i.e., where execution of a contract becomes too onerous for one of the parties due to events that are supervening or extraordinary events and events that were unpredictable at the time of signing of the contract that could require authorisation for the revision of the terms and conditions so as to readjust the contract.

(iii) Cash flow and fair value interest rate risk

As the Group has no significant non-current interest-bearing assets, its income and operating cash flows are scarcely sensitive to changes in market interest rates.

The Group's interest rate risk arises from non-current borrowings. There was a substantial modification of the terms of these borrowings at year-end 2021. Floating rate loans expose the Group to cash flow interest rate risk.
In the light of the current geopolitical tensions, central banks have hiked interest rates in a bid to curb persistent increases in inflation. At its latest meeting on 16 March this year, the European central bank raised its key rate to 3.5%.

The Group analyses its interest rate exposure on a dynamic basis. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. 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 100 basis point increase in interest rates would be a decrease of €1,392 thousand (2021: €1,490 thousand).

b) <u>Credit risk</u>

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

- Assets arising from financial instruments and sundry balances included in cash and cash equivalents (Notes 10 and 14).
- Trade and other receivable balances (Note 11).

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

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

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

The balance in trade receivables past due but not impaired at 31 December 2022 was €34,866 thousand (2021: €31,730 thousand).

The Group recognised an impairment loss on its financial assets of €127,370 thousand, which included the estimate of expected credit loss under IFRS 9 (Notes 2.11 and 11).

c) Liquidity risk

Prudent and austere management of liquidity risk entails maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, an objective of the Group's Treasury Department is to maintain flexibility in funding by negotiating drawdowns of the committed guarantee facilities in the financing agreements so it can continue financing its projects. Management also monitors the forecasts for the Group's liquidity reserves based on estimated cash flows on an ongoing basis. In 2020, it set up a payments committee, which operates weekly.

Set out below is the Group's net cash position at 31 December 2022 and comparative data:

	€ thousand	
	2022	2021
Borrowings (Note 20)	(144,048)	(154,485)
Less: Cash and cash equivalents (Note 14)	24,097	88,542
Net cash/(debt) position	(119,951)	(65,943)
Undrawn credit lines (Note 20)	-	-
Total liquidity surplus/(shortfall)	(119,951)	(65,943)

The Group's financial debt at 31 December 2022 included aid from FASEE and debt renegotiated with financial institutions in the form of profit participating and ordinary loans, but not the value of convertible bonds.

The Group also had €20,117 thousand of deposits under "Current financial assets" in the statement of financial position as at 31 December 2022 as security for execution of its projects due to the lack of bank guarantees. Of this amount, €16,147 thousand relates to an escrow account in Romania called by the end customer treated as a receivable based on the Group's expectations regarding recovery (Note 10). In addition, a sum of €1,289 thousand was subject to restrictions because it had been designated as security in litigation with third parties, with the restrictions remaining in place until judgement is rendered or an out-of-court settlement is made (2021: €1,228 thousand).

In relation to the agreement with its banks, the Group must comply with two ratios on a half-yearly basis (i.e., leverage and interest coverage). The first assessment period was the 12 months ended 30 June 2022 and the second assessment period the 12 months ended 31 December 2022.

The leverage ratio, understood as gross financial debt divided by operating profit/(loss) adjusted for depreciation and amortisation, and impairment and losses on assets, as defined in the financing agreement of 29 November 2021, which is not the same as EBITDA considered by the Duro Felguera Group as an alternative performance measure, calculated based on the latest 12 months, must be below 7.76.

On 21 June 2022, the Group requested a waiver from the banking syndicate on compliance with the ratios at 30 June 2022. This waiver was granted on 28 July 2022. On 15 December 2022, the Group requested a waiver from the banking syndicate on compliance with the ratios at 31 December 2022 due to ongoing negotiations over certain projects and as non-compliance with these financial obligations would be a cause of breach regulated in clause 27 of the contract. The Group received a response to its request in writing on 30 December 2022, with grant of the waiver by the financial institutions effective as of 31 December 2022. Therefore, at the date of authorisation for issue it was not in a situation of non-compliance. After approval of a new viability plan in April, the Group is confident that it will comply with the ratios at 31 December 2023.

The table below analyses the Group's financial liabilities grouped based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual cash flows discounted:

At 31 December 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Loans and finance lease liabilities (Note 20)	8,178	7,029	79,005	49,836
Convertible bonds (Note 20.a)	-	-	-	11,852
Trade and other payables (Note 21)	125,712	-	-	-

d) Climate change risks

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

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

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

- Political and legal risks, meaning the risk of political or regulatory bodies taking action, perhaps to limit the factors causing climate change or to promote measures to adapt to climate change, but which also affect the Group's activities, such as requirements to switch to clean energy sources or cut greenhouse gas emissions generated directly or indirectly by the Group's activity, or actions to promote sustainable practices in land use and development. The consideration of gas and

nuclear as clean energy and therefore their transitional inclusion in the ESG taxonomy could have a significant impact on the Group's business opportunities.
Closely related to these regulatory issues, there is also likely to be an increase in legal or litigation risks due to climate-related issues.

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

At its meeting of 18 January 2022, the parent company's Board of Directors agreed to set up a Sustainability Committee as a specialised body tasked with supervising compliance with the Group's environmental, social and corporate governance policies and rules, as well as internal codes of conduct.

- Market risk, meaning the risk of changes and imbalances in the supply and demand for certain raw materials, products and services, potentially compromising the Group's supply chain.

- Technological risk, relating to technological innovations that emerge or are championed as part of the transition process, and the resulting replacement of old systems with these new technologies.

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

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

- Resilience and responsiveness to climate change and the challenges it poses, not only ecological but also regulatory, and for which the Group will be better prepared.

- Enhanced market position, thanks to a more sustainable, resilient and energy-efficient product design, and improved reputation, aligned with the demands of an increasingly sustainability-conscious society.

- Better terms of borrowing when undertaking sustainable projects, with significant reductions in interest rates, coupled with higher credit ratings for bond issues.

- Broader and more diversified spectrum of investors in the Group , including funds and investors who look at the sustainability and responsible business performance of their investees or through inclusion in sustainability-focused indices and portfolios.

- Global trend towards clean energy sources, leading to increased energy efficiency, reduced costs and improved storage capacity.

- The search for greater efficiency in the management of the Group's resources and waste, enabling it to reduce operating costs.

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

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

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

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

3.2. Capital risk management

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

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

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

The interest-bearing loans and borrowings are subject to a range of mandatory prepayment clauses (Note 20).

4. Accounting estimates and judgements and fair value measurement

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

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

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

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

Estimated impairment losses on real estate assets

The Group receives independent valuations of its investment property, and the land and buildings it owns for the production centres and offices in Gijón (classified as property, plant and equipment) at least annually. It recognises impairment losses when the estimated fair value is less than carrying amount, in line with the accounting policy described in Note 2.9. The Group recognised an impairment loss of €7,521 thousand in the 2020 statement of profit or loss. The change in value in 2021 and 2022 was immaterial. The fair value estimate of those assets was categorised within Level 2 of the fair value hierarchy.

The estimate of fair value, as described in Note 2.9, was performed by an expert in compliance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC). The sales comparison method was used for the appraisal of most of the assets except for two, where the dynamic residual method was chosen because of the lack of reliable comparables.

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

- 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.

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 one of the assets valued under the dynamic residual method was 7.5%

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 6 and 7.

Estimate of recoverable amount of the assets of Duro Felguera Calderería Pesada

In 2022, the Group engaged independent appraisals of its buildings, constructions and machinery, and technical installations of Duro Felguera Calderería Pesada located at the Gijón production plant (classified as property, plant and equipment) at an alternative to a value-in-use calculation.

It recognised impairment losses where the estimated fair value was less than carrying amount, in line with the accounting policy described in Note 2.9.

The estimate of fair value, as described in Note 2.9, was performed by an expert in compliance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC). The sales comparison approach was used with an adjustment for the marketing cost. To determine the fair value of the identified assets, quoted prices on the most significant active markets were used as a basis in each case. Where the active markets are not relevant or it is considered that there is no active market for the identified assets, the following was used:

- 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

The Group estimated that the recoverable amount of Duro Felguera Calderería Pesada's assets, calculated by both the net realisable value taken from the independent expert appraisal and the value-in-use calculation, exceeded cost.

This subsidiary's assets are located on a concession for the use of public space granted by the Gijón Port Authority, which runs until 2033 after extension of the arrangement granted by the Port Authority in December 2021.

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

Group management determines the estimated useful lives and related depreciation and amortisation expenses for its property, plant and equipment, and intangible assets. The useful lives of the assets are estimated in relation to the period in which the assets will generate economic benefits. The useful lives considered by the Group are disclosed in Notes 2.5, 2.6 and 2.7.

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

3. The fair value of certain financial instruments

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

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

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2022:

	€ thousand			
	Level 1	Level 2	Level 3	Total
Assets				
Financial instruments at fair value through other comprehensive income:				
Equity instruments (non-current assets)	1	-	7,822	7,823
Equity instruments (current assets)	-	-	5,320	5,320
Total assets	1	-	13,142	13,143

	€ thousand			
	Level 1	Level 2	Level 3	Total
Liabilities				
Convertible bonds (Note 20)	-	11,852	-	11,852
Total liabilities	-	11,852	-	11,852

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2021:

	€ thousand			
	Level 1	Level 2	Level 3	Total
Assets				
Financial instruments at fair value through other comprehensive income:				
Equity instruments (non-current assets)	1	-	8,159	8,160
Equity instruments (current assets)	-	-	5,320	5,320
Total assets	1	-	13,479	13,480

	€ thousand			
	Level 1	Level 2	Level 3	Total
Liabilities				
Convertible bonds	-	15,987	-	15,987
Total liabilities	-	15,987	-	15,987

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

The fair value of financial assets and liabilities that are not traded in an active market is determined by using observable market inputs (Level 2), e.g., convertible bonds, or valuation techniques (Level 3), e.g., the equity interests in Ausenco, Ltd and Epicom, S.A.

In 2021, the Group classified as a financial instrument classified as a current asset at fair value the retained interest in Epicom, S.A. after the disposal of a 40% stake and the grant of a purchase option on the remaining 60% exercisable in a period of two years and subsequently extended until 31 December 2023 (Note 37). Fair value was determined using the price of the call option

granted to the third-party acquirer as that price was consistent with the price at which 40% of the company was sold in the financial period and as the company was complying with its business plan, leaving the option in the money.

At 31 December 2022 and 2021, the amount recognised under non-current assets related in full to the equity interest in Ausenco, Ltd. Given the limited amount of updated information available to the Group on this investment, the Group measured the investment based on an assessment of the likely trend in value taking the latest available appraisal carried out in March 2020 by an independent expert based on the performance of comparable listed companies from December 2020 to December 2022, complemented by an assessment of potential impairment based on the trend in value to December 2022 and obtained in the latest audited financial statements for 2021 to verify alignment with trends of listed peers. The Group engaged an independent expert to perform this assessment. A series of listed companies in the same industry operating in the geographical areas of Australia, Canada, the US and Europe were selected. Their revenue, EBITDA and market capitalisations were analysed to determine an outlook for the trend in Ausenco, Ltd's valuation, adjusted with audited financial information of the company as at 31 December 2021. Based on the exercise performed, the Group considers that there are no indications of impairment, rather that there has been a recovery in value. As the underlying carrying amount of the investment according to the 2021 audited financial statements is below the amount recognised, the amount recognised in 2021 was maintained.

The method and main assumptions used to measure convertible bonds are disclosed in Note 20.a.

4. Calculation of provisions

Warranty claims

The Group provides warranties of between one and two years for its projects, mainly in the turnkey project business line. Management estimates the related provision for future warranty claims based on its experience and the degree of complexity of the product, its experience with respect to the customer's quality expectations, and the country risk of the country where the project is carried out. The amount of the provision for warranties at 31 December 2022 stood at €5,006 thousand.

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

Litigation

The Group sets aside, based on the estimates of its internal and external legal advisors, sufficient provisions to cover the forecast outflows of cash which may arise from litigation with the various social agents for the amounts claimed, discounted where they are expected to exceed one year. The Group's provisions and contingent liabilities at 31 December 2022 are disclosed in Notes 9, 23, 29 and 33. Due to the complexities involved in these proceedings, there is a high level of uncertainty regarding the probability and outcome of rulings and the quantification of the potential financial consequences.

Actuarial liabilities

The Group has obligations with current and former employees for length-of-service awards, coal vouchers and other commitments, which require the use of actuarial valuations to calculate the amounts. The liabilities for these employee obligations recognised at year-end and the main assumptions used in the measurement, for which the Group engaged an independent expert, are disclosed in Note 23.

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

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

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

   Revenue from variable consideration, claims and disputes

   The Group did not recognise revenue from contract modifications/claims or disputes that were not approved by the customer or that had not been measured, except the variable consideration from the Aconcagua project to the extent that it is highly probable that a significant reversal in the amount will not occur, with an expert report confirming compliance with the parameters set out in the contract that support its accrual (Note 11), and a €6 million claim from the Djelfa project customer following formal acceptance, by signing a protocol, of that amount by the customer, which is still pending formalisation in an addendum to the contract (Note 33).

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

   Regarding recognised deferred tax assets, as explained in Note 2.17 deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In this respect, considering the Group's financial performance in recent years, it recognised assets up to the amount of the deferred tax liabilities recognised.

   For the recoverability of non-resident income and other taxes levied in other countries, the Group recognises the corresponding impairments when they are not directly recoverable or when there are no projects in the pipeline in the country where they have been levied to allow them to be recovered. The Group did not recognise any allowance for impairment for these receivables.

7. Impairment of receivables

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

In accordance with the policy described in Note 2.11 and in compliance with IFRS 9, the Group estimates the amount of the impairment loss based on expected credit losses.

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

5. Segment information

The Board of Directors is the chief operating decision-maker. Management has been defining operating segments based on the financial information reviewed by the Board of Directors and used to make strategic decisions. However segment reporting changed in January 2022 following the redefinition of the business lines on which the Group operates in execution of the viability plan.

This new structure centres on five business lines (Conventional Energy, Industrial Plants, Specialised Services, Renewable Energies and Smart Systems), thus enhancing the Company's expertise and project orientation in both traditional and innovative businesses, such as renewable energies, energy storage, hydrogen and smart systems.

Conventional energy

Duro Felguera undertakes EPC projects or integrations through all phases of the process for power plants, ranging from gas turbine power facilities to conventional thermal power plants, and including cogeneration plants, renewable energy facilities, biomass plants and waste-to-energy plants. It also carries out projects to improve the environment and increase the efficiency of existing plants.

Industrial Plants

The Industrial Plants business line includes Mining & Handling, Oil & Gas, Heavy Boiler-making and projects at industrial complexes

- Mining & Handling: Duro Felguera is a leading player in the construction of mineral processing and bulk handling facilities as well as port loading and unloading terminals. It is involved in all phases of the project: feasibility studies, basic design, detailed engineering, procurement, construction, commissioning, and the eventual operation and maintenance of the facility.

- Oil & Gas: Duro Felguera executes EPC and integration facilities for the Oil & Gas sector. It is highly specialised in the engineering and construction of storage projects for hydrocarbons, liquefied gases and other petrochemical products thanks to the extensive experience amassed in this field by its subsidiary Felguera IHI.

- Manufacturing of capital goods: Duro Felguera has its own workshops for the manufacture of capital goods, through subsidiary company DF Calderería Pesada. It is specialised in the manufacture of large and thick pressure vessels and special materials and alloys for the oil & gas, petrochemical and nuclear industries. The Group is an international benchmark in this field.

- Industrial plants/sites: EPC/integration projects for the engineering and construction of industrial plants.

Specialised Services

This business unit performs various services related to the assembly, commissioning and operation and maintenance of energy and industrial facilities. It has immense expertise and experience and has built up a significant presence in the national and international markets. It comprises subsidiary companies DF Operaciones y Montajes and DF Mompresa.

Renewables

This segment focuses on the development, integration, construction and promotion of photovoltaic facilities, securing the relevant EPC and O&M contracts. This segment would also include industrial onshore wind, energy storage and green hydrogen.

Smart Systems

This business line's aim is to have a more comprehensive product and service offering in existing segments, while expanding businesses and promoting new growth drivers. Duro Felguera grouped Felguera TI (focused on cybersecurity and digitalisation) and Logistics Systems (execution of heavy-duty warehouse automation projects):

The information reviewed by the Board of Directors does not include information on segment assets and liabilities or capital expenditure, as this is not considered relevant for decision-making at segment level. Rather, assets and liabilities are assessed from an overall perspective.

Comparative information in the statement of profit or loss for the 12 months ended 31 December 2021 for segment information was restated as explained previously to facilitate comparison.

Segment information provided to the Board of Directors for the segments for which financial information is reported for the years ended 31 December 2022 and 2021 is as follows:

Segment information provided to the Board of Directors for reported segments for the year ended 31 December 2022 is as follows:

	€ thousand							
	Conventional Energy	Industrial Plants	Specialised Services	Renewables	Smart Systems	Other	Inter-group transactions	GROUP
Revenue from external customers (Note 24)	6,557	53,008	53,315	190	2,690	1,425	-	117,185
Inter-segment revenue	943	899	2,447	23	371	8,767	(13,450)	-
Total revenue	7,500	53,907	55,762	213	3,061	10,192	(13,450)	117,185
Losses on, impairment of and changes in trade provisions	19,111	5,125	10	-	-	-	-	24,246
Interest income (Note 28)	5	367	1,501	-	-	884	(1,015)	1,742
Interest expense (Note 28)	-	(81)	(99)	-	(1)	(11,141)	6,880	(4,442)
Change in fair value of financial instruments (Note 28)	-	-	-	-	-	4,136	-	4,136
EBITDA	16,761	8,760	(5,015)	304	240	(16,791)	-	4,259
Profit/(loss) before tax	22,437	7,088	(3,759)	304	230	(19,331)	-	6,969

Segment information for the year ended 31 December 2021 is as follows:

	€ thousand							
	Conventional Energy	Industrial Plants	Specialised Services	Renewables	Smart Systems	Other	Inter-group transactions	GROUP
Revenue from external customers (Note 24)	(586)	46,437	35,138	-	2,810	669	-	84,468
Inter-segment revenue	770	641	7,821	-	336	8,370	(17,938)	-
Total revenue	184	47,078	42,959	-	3,146	9,039	(17,938)	84,468
Losses on, impairment of and changes in trade provisions	7,537	760	2,567	-	(8)	86	-	10,942
Interest income (Note 28)	15	248	913	-	-	41,861	(4,162)	38,875
Interest expense (Note 28)	(1,056)	(85)	(284)	(1)	(4)	(7,150)	4,162	(4,418)
Change in fair value of financial instruments (Note 28)	-	-	-	-	-	-	-	-
EBITDA	(7,999)	6,860	(243)	(380)	339	(7,706)	-	(9,129)
Profit/(loss) before tax	(9,871)	4,611	282	(381)	327	24,631	-	19,599

The amounts included under "Other" relate to income and/or expenses related to companies not allocated to any business area, which are mainly corporate activities.

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

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

	€ thousand	
	2022	2021
Operating profit/(loss)	(6,648)	(16,822)
Amortisation and depreciation (Notes 6.7 and 8)	5,025	5,121
Impairment and gains/(losses) on disposal of property, plant and equipment	415	(567)
Exchange differences (Note 28)	5,467	3,139
EBITDA	4,259	(9,129)

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

	€ thousand			
Geographical area	2022	%	2021	%
- Spain	32,634	27.85%	37,049	43.86%
- Latin America	9,311	7.95%	3,642	4.31%
- Europe	43,229	36.89%	27,415	32.46%
- Africa and the Middle East	22,601	19.29%	12,725	15.06%
- Asia Pacific	1,712	1.46%	1,280	1.52%
- Other	7,698	6.56%	2,357	2.79%
Total	117,185	100%	84,468	100%

At 31 December 2022, segment sales to a single customer representing over 10% of the Group's revenue amounted to €16.3 million in the Netherlands for the Specialised Services segment (2021: €11.37 million in Algeria, €8.4 million in Bulgaria and €3.4 million in Croatia for the Manufacturing segment and €12.3 million in Spain for the Services segment in Industrial Plants).

6. Property, plant and equipment

Reconciliation of carrying amount of property, plant and equipment at the beginning and end of the period:

	€ thousand					
	Land and buildings	Technical installations and machinery	Other installations, equipment and furniture	Construction in progress and advances	Other property, plant, and equipment	Total
Balance at 1 January 2021	17,472	9,248	3,339	555	959	31,573
Cost	31,437	35,396	12,440	555	10,217	90,045
Accumulated depreciation	(11,236)	(25,903)	(8,988)	-	(9,257)	(55,384)
Impairment losses	(2,729)	(245)	(113)	-	(1)	(3,088)
Carrying amount	17,472	9,248	3,339	555	959	31,573
Additions	1,059	1	20	-	99	1,179
Decreases	(584)	(37)	(523)	(552)	(215)	(1,911)
Other movements	(17)	4	3	-	(9)	(19)
Depreciation allowance	(692)	(1,351)	(412)	-	(203)	(2,658)
Elimination of depreciation	68	23	246	-	209	546
Other depreciation movements	(5)	(2)	(13)	-	(8)	(28)
Impairment losses	365	-	10	-	1	376
Balance at 31 December 2021	17,666	7,886	2,670	3	833	29,058
Cost	31,895	35,364	11,940	3	10,092	89,294
Accumulated depreciation	(11,865)	(27,233)	(9,167)	-	(9,259)	(57,524)
Impairment losses	(2,364)	(245)	(103)	-	-	(2,712)
Carrying amount	17,666	7,886	2,670	3	833	29,058
Balance at 1 January 2022	17,666	7,886	2,670	3	833	29,058
Cost	31,895	35,364	11,940	3	10,092	89,294
Accumulated depreciation	(11,865)	(27,233)	(9,167)	-	(9,259)	(57,524)
Impairment losses	(2,364)	(245)	(103)	-	-	(2,712)
Carrying amount	17,666	7,886	2,670	3	833	29,058
Additions	-	55	312	-	127	494
Decreases	-	(547)	(13)	-	(317)	(877)
Other movements	4	(2)	12	(3)	56	67
Depreciation allowance	(679)	(1,185)	(385)	-	(254)	(2,503)
Elimination of depreciation	-	540	1	-	225	766
Other depreciation movements	(3)	3	(21)	-	(35)	(56)
Impairment losses	-	-	-	-	-	-
Balance at 31 December 2022	16,988	6,750	2,576	-	635	26,949
Cost	31,899	34,870	12,250	-	9,959	88,978
Accumulated depreciation	(12,547)	(27,875)	(9,571)		(9,324)	(59,317)
Impairment losses	(2,364)	(245)	(103)	-	-	(2,712)
Carrying amount	16,988	6,750	2,576	-	635	26,949

The main changes in 2021 related to the sale of shares representing 40% of the share capital of Epicom, S.A. (Note 2.2.e).

a) Property, plant and equipment under construction

There were no significant additions in 2022 and 2021.

b) Self-constructed property, plant and equipment

In 2022 and 2021, the Group did not capitalise any labour costs or sundry supplies for self-constructed property, plant and equipment.

c) Property, plant and equipment subject to guarantees

At 31 December 2022, there were items of property, plant and equipment amounting to €2,958 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 (2021: €3,224 thousand).

d) Insurance

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

e) Operating leases

The consolidated statement of profit or loss also included operating lease expenses under "Operating expenses" relating mainly to leased machinery and assembly equipment for €3,502 thousand (2021: €1,755 thousand).

f) Subsidised assets

The net carrying amount of subsidised assets at 31 December 2022 was €14,762 thousand (2021: €15,685 thousand).

g) Fully depreciated assets

At 31 December 2022, there were fully depreciated assets still in use amounting to €38,444 thousand (2021: €26,938 thousand).

h) Service concession arrangement (El Tallerón)

The Group holds a concession for the use of public space granted by the Gijón Port Authority, with annual rent of €114 thousand. The concession ends in September 2033 after the Gijón Port Authority, at its meeting held on 17 December 2021, agreed to extend the concession term by 10 years.

The carrying amount of property, plant and equipment in use on the land whose right of use is linked to the concession arrangement in the port of Gijón at year-end 2022 was approximately €8,938 thousand (2021: €10,389 thousand), of which €1,536 thousand corresponds to buildings. Under the terms of the arrangement, the related land, works and facilities will be returned to the government in 2033. The concession holder may withdraw elements not covered by the arrangement and that are not permanently attached to the property and would not cause any damage or deterioration.

These assets are depreciated over the original term of the concession, with their useful life increased prospectively after the extension.

i) Right-of-use assets

Property, plant and equipment includes net assets, according to their nature, with a net carrying amount at 31 December 2022 of €1,102 thousand (2021: €1,237 thousand) following the recognition of operating leases according to IFRS 16. This item also includes the underlying assets related to finance leases. The accounting criteria for finance leases is the same as under the previous IAS 17.

j) Impairment losses

As described in Notes 2.9 and 4, an independent expert was engaged to value the land and buildings in order to determine whether there were any indications of impairment. Based on the appraisals made in 2020, impairment of €2,843 thousand was recognised in the 2020 statement of profit since the fair value of the assets was below carrying amount. In 2022, the appraisal made by an independent expert did not give rise to the recognition of any additional impairment losses on the Group's land and buildings.

7. Investment properties

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

	€ thousand		
	Land	Buildings	Total
Balance at 1 January 2021	16,457	5,776	22,233
Cost	21,112	18,438	39,550
Accumulated depreciation	-	(11,099)	(11,099)
Impairment losses	(4,655)	(1,563)	(6,218)
Carrying amount	16,457	5,776	22,233
Decreases	-	-	-
Depreciation allowance	-	(353)	(353)
Elimination of depreciation	-	-	-
Impairment losses	-	(27)	(27)
Reversal of impairment losses	195	68	263
Balance at 31 December 2021	16,652	5,464	22,116
Cost	21,112	18,438	39,550
Accumulated depreciation	-	(11,452)	(11,452)
Impairment losses	(4,460)	(1,522)	(5,982)
Carrying amount	16,652	5,464	22,116
Decreases	(2,504)	(2,711)	(5,215)
Depreciation allowance	-	(354)	(354)
Elimination of depreciation	-	1,338	1,338
Impairment losses	-	-	-
Reversal of impairment losses	344	216	560
Balance at 31 December 2022	14,492	3,953	18,445
Cost	18,608	15,727	34,335
Accumulated depreciation	-	(10,468)	(10,468)
Impairment losses	(4,116)	(1,306)	(5,422)
Carrying amount	14,492	3,953	18,445

The main changes in 2022 related to the sale of 10 registered properties of the office building owned by the Group facing calle Marqués de Santa Cruz and calle Santa Susana in Oviedo to the lessee. The transaction was completed on 30 December 2022 in a notarised lease settlement with the

recognition and joint settlement of the liquid, due and payable liabilities between the two parties and the payment in lieu of the real properties. The selling price was valued at €3 million. The properties sold had a net carrying amount of €3.3 million.

Investment properties in 2022 included mainly land in the municipalities of Langreo and Oviedo (Asturias), of which €0.8 million (2021: €0.8 million) corresponded to plots zoned as rural estates located in various areas of the Langreo municipality, €8.2 million (2021: €8.2 million) to industrial plots and developable land, and €5.1 million (2021: €8.4 million) to buildings in Gijón, Oviedo and La Felguera.

As described in Notes 2.9 and 4, management engaged an independent expert to value the land and buildings comprising investment properties in order to determine whether there were any indications of impairment.

The appraisals by an independent expert valuer did not give rise to the recognition of any additional impairment losses on the Group's land and buildings. In 2021, the appraisal made by an independent expert gave rise to the reversal of a previously recognised impairment loss of €263 thousand.

At year-end 2022, the fair value of the Group's investment properties, as appraised by the independent expert valuer, amounted to €27,213 thousand (2021: €30,319 thousand).

a) Investment properties subject to guarantees

At 31 December 2022, there were items of investment properties amounting to €12,390 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 (2021: €12,482 thousand).

8. Intangible assets

The breakdown of items in 2022 composing "Intangible assets" by internally generated and other intangible assets is as follows:

	€ thousand					
	Goodwill	Development	Computer software	Construction in progress and advances	Other assets	Total
Balance at 1 January 2021	3,286	1,927	6,505	-	-	11,718
Cost	3,286	8,182	21,411	-	-	32,879
Accumulated amortisation	-	(6,255)	(14,906)	-	-	(21,161)
Carrying amount	3,286	1,927	6,505	-	-	11,718
Additions	-	673	3	-	-	676
Decreases	(3,286)	(3,327)	(3)	-	-	(6,616)
Transfers and other movements	-	(601)	-	-	-	(601)
Amortisation allowance	-	(151)	(1,958)	-	-	(2,109)
Elimination of amortisation	-	2,313	3	-	-	2,316
Balance at 31 December 2021	-	834	4,550	-	-	5,384
Cost	-	4,927	21,411	-	-	26,338
Accumulated amortisation	-	(4,093)	(16,861)	-	-	(20,954)
Carrying amount	-	834	4,550	-	-	5,384
Balance at 1 January 2022	-	834	4,550	-	-	5,384
Cost	-	4,927	21,411	-	-	26,338
Accumulated amortisation	-	(4,093)	(16,861)	-	-	(20,954)
Carrying amount	-	834	4,550	-	-	5,384
Additions	-	-	-	-	-	-
Decreases	-	-	-	-	-	-
Transfers and other movements	-	-	-	-	-	-
Amortisation allowance	-	(214)	(1,954)	-	-	(2,168)
Elimination of amortisation	-	-	-	-	-	-
Balance at 31 December 2022	-	620	2,596	-	-	3,216
Cost	-	4,927	21,411	-	-	26,338
Accumulated amortisation	-	(4,307)	(18,815)	-	-	(23,122)
Carrying amount	-	620	2,596	-	-	3,216

The main changes in 2021 related to the sale of shares representing 40% of the share capital of Epicom, S.A. (see Note 2.2.e).

a) Fully amortised assets

At 31 December 2022, there were fully amortised assets still in use amounting to €9,691 thousand (2021: €9,690 thousand).

b) Self-constructed intangible assets

In 2022, the Group did not capitalise labour and sundry materials costs for self-constructed intangible assets (2021: €72 thousand) under "Self-constructed assets".

c) Goodwill

At 31 December 2022, the Group did not recognise any goodwill in intangible assets (2021: €0 thousand following the derecognition of €3,286 thousand from the removal of Epicom, S.A. from the Group's scope).

d) Development expenditure

Capitalised development expenditure at 31 December 2022 relate to the following projects:

	€ thousand			
	Cost	Accumulated amortisation	Impairment	Carrying amount
Study into the manufacture of large-size equipment	673	(169)	-	504
Mock-up of Hydroprocessing Reactor	240	(192)	-	48
Improvement to welding processes – time optimisation	138	(83)	-	55
Design and development of sludge collectors	20	(20)	-	-
Other projects	3,856	(3,843)	-	13
	4,927	(4,307)	-	620

9. Investments accounted for using the equity method

	€ thousand	
	2022	2021
Opening balance at 1 January	20	20
Decreases	-	-
Share of profit/(loss)	5,699	(784)
Transfers	(5,699)	784
Closing balance at 31 December	20	20

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

Name	Country of incorporation	€ thousand				% ownership interest
		Assets	Liabilities	Revenue	Profit /(loss)	
2022						
• Zoreda Internacional S.A.	Spain	N/A	N/A	N/A	N/A	40%
• Sociedad de Servicios Energéticos Iberoamericanos S.A.	Colombia	(*)	(*)	(*)	(*)	(*)
• Dunor Energía, S.A.P.I. de C.V.	Mexico	26,898	75,022	-	5,219	50%
2021						
• Zoreda Internacional S.A.	Spain	N/A	N/A	N/A	N/A	40%
• Sociedad de Servicios Energéticos Iberoamericanos S.A.	Colombia	(*)	(*)	(*)	(*)	(*)
• Dunor Energía, S.A.P.I. de C.V.	Mexico	7,920	48,325	-	(1,568)	50%

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

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

Dunor Energía, S.A.P.I. de C.V.

On 26 August 2020 Dunor, lodged an application for arbitration against CFE with the London Court of International Arbitration ("LCIA"), claiming 100% of the principal of USD 27.05 million. CFE then filed a reply to the lawsuit, limiting its counterclaim to issues relating to minor deficiencies and guarantee claims, as well as a 2019 power purchase and sale claim. In accordance with the procedural timetable for the arbitration proceedings, on 23 August 2021 DUNOR filed its reply to the counterclaim in due course, seeking USD 27.1 million. CFE submitted its rejoinder to the arbitration claim and reply to the counterclaim on 27 October 2021, after being granted a 20-day extension. Finally, on 12 December 2021, DUNOR filed the rejoinder to the counterclaim. The arbitration proceedings were heard during the week of 10 January 2022. At the end of 2021, the simultaneous submission of pleadings and costs was pending. Once submitted, the arbitration proceedings would be effectively completed, thus enabling the tribunal to review the case and formulate the award. The parties submitted their respective pleadings and costs, after which the arbitration proceedings were effectively completed, pending review by the tribunal, which formulated its award on 26 September 2022 whereby it:

1. Declared that CFE has breached the construction contract;
2. Ordered CFE to Dunor USD 20.76 million (plus tax);
3. Ordered CFE to pay post-award interest;
4. Rejected CFE's counterclaim, citing lack of jurisdiction; and
5. Ruled that each party must bear its own legal costs and 50% of the LCIA/tribunal costs.

The award also stipulates payment of a further USD 1.1 million once Dunor provides proof of payment of the amount to subcontractors.

In the opinion of internal and external legal advisors, were CFE to seek annulment of the award (not notified to Dunor), the chances of it succeeding are remote.

Therefore, as at 31 December 2022, the Group re-estimated the provision for risks for potential liabilities arising from the Empalme project, since it considered that as at 31 December 2022 the criteria of IAS 37 for recognising a provision were not met. As a result, it recognised income of €5,699

from reversal of the provision under "Share of profit/(loss) of companies accounted for using the equity method" (Note 23).

10. Financial instruments

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

	€ thousand		
31 December 2022	Amortised cost	Fair value through OCI	TOTAL
On-balance sheet assets			
- Equity instruments	-	7,822	7,822
- Non-current financial assets	42	-	42
Total classified in non-current assets	42	7,822	7,864
- Equity instruments	-	5,320	5,320
- Trade and other receivables (Note 11) (*)	91,783	-	91,783
- Deposits	20,117	-	20,117
- Other current assets	4,596	-	4,596
Total classified in current assets	116,496	5,320	121,816
Total	116,538	13,142	129,680

	€ thousand		
31 December 2021	Amortised cost	Fair value through OCI	TOTAL
On-balance sheet assets			
- Equity instruments	-	8,159	8,159
- Non-current financial assets	41	-	41
Total classified in non-current assets	41	8,159	8,200
- Equity instruments	-	5,320	5,320
- Trade and other receivables (Note 11) (*)	72,805	-	72,805
- Deposits	23,042	-	23,042
- Other current assets	3,978	-	3,978
Total classified in current assets	99,825	5,320	105,145
Total	99,866	13,479	113,345

(*) Does not include tax receivables and current tax assets since they do not meet the criteria for definition as a financial asset.

At 31 December 2022 and 2021, equity instruments included mainly the ownership interests in Ausenco, Ltd., recognised in non-current assets, and Epicom, S.A. recognised in current assets taking into consideration the call option granted on the shares.

The Group had €20.1 million of deposits and escrow accounts, of which €16.1 million related to the Iernut project in Romania, with enforcement of the security deposit for execution of the project due to the lack of guarantees and after notifying the customer of the termination of the contract in June 2021. The Group held negotiations following the contract termination, which resulted in the signing of a letter of internet on 31 December 2022 regarding modification of the contract. This ended the dispute and confirmed resumption of the project. For the modification of the contract with the customer to resume the contract to become effective it must comply with the conditions precedent outlined in Note 2.1.1. Compliance is considered to be highly probable.

31 December 2022	€ thousand		
	Fair value through profit or loss	Debts and payables (amortised cost)	TOTAL
On-balance sheet liabilities			
- Bank borrowings (Note 20)	-	13,242	13,242
- Finance lease liabilities (Note 20)	-	1,122	1,122
- Class A and C convertible bonds (Note 20)	11,852	-	11,852
- Government assistance (Note 20)	-	126,000	126,000
- Other financial liabilities (Note 20)	-	3,684	3,684
- Trade and other payables (Note 21) (*)	-	125,712	125,712
Total	11,852	269,760	281,612

31 December 2021	€ thousand		
	Fair value through profit or loss	Debts and payables (amortised cost)	TOTAL
On-balance sheet liabilities			
- Bank borrowings (Note 20)	-	23,056	23,056
- Finance lease liabilities (Note 20)	-	1,241	1,241
- Class A and C convertible bonds (Note 20)	15,987	-	15,987
- Government assistance (Note 20)	-	126,000	126,000
- Other financial liabilities	-	4,187	4,187
- Trade and other payables (Note 21) (*)	-	151,792	151,792
Total	15,987	306,276	322,263

(*) Does not include tax payables and current tax liabilities since they do not meet the criteria for definition as a financial liability.

11. Trade and other receivables

	€ thousand	
	2022	2021
Trade receivables	153,522	130,951
Less: Allowance for expected credit losses (Note 2.11.)	(91,061)	(90,258)
Completed work pending certification (*)	24,200	27,053
Trade and other receivables (*)	5,019	4,829
Personnel	103	230
Other taxes receivable (Note 22)	26,345	27,170
Total	118,128	99,975
Less: Non-current portion: Other receivables	-	-
Current portion	118,128	99,975

(*) Amounts net of the allowance for expected credit losses (Note 2.11)

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

a) Trade receivables and completed work pending certification

At 31 December 2022, in addition to receivables provisioned, receivables amounting to €34,866 thousand had fallen due (2021: €31,730 thousand).

The ageing analysis of these receivables is as follows:

	€ thousand	
	2022	2021
Up to 3 months	7,902	7,384
Between 3 and 6 months	8,639	358
Between 6 months and 1 year	6,185	3,197
More than 1 year	12,140	20,791
	34,866	31,730

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

The movement in completed work pending certification was as follows:

	€ thousand	
	2022	2021
Opening balance at 1 January	27,053	22,645
Completed work pending certification and invoiced the previous year	(11,096)	(5,563)
Changes due to exchange rates and other	246	373
Impairment of completed work pending certification	-	(2,278)
Change of project progress (Revenue – Billings)	7,997	11,876
Closing balance at 31 December	24,200	27,053

At 31 December 2022, the amount of completed work pending certification over 12 months past due was €44,112 thousand, of which provisions had been recognised for €27,471 thousand (Note 2.11.).

Breakdown by project of completed work pending certification over 12 months past due at 31 December 2022:

	€ thousand		
	Completed work pending certification	Impairment	Net amount
> 1 year			
Termocentro	16,490	(16,490)	-
CVO	6,161	(6,161)	-
Tuticorin	2,292	(2,292)	-
Aconcagua	8,237	-	8,237
Petacalco Green	4,130	-	4,130
Pressure vessel manufacturing	5,428	(2,018)	3,410
Other	1,374	(510)	864
Total > 1 year	44,112	(27,471)	16,641
Other completed work pending certification	7,559	-	7,559
	51,671	(27,471)	24,200

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

- Termocentro (Venezuela)

At 31 December 2022, the Group had a past-due balance including completed construction work pending certification net of provisions, in connection with the Termocentro project in progress, of €14,983 thousand (2021: €15,112 thousand). No amounts related to this project were received between February 2017 and the date of authorisation for issue of these consolidated financial statements.

In the light of the country'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 Group considered that the reduction in recovery rate to around 15% was warranted. As a result, the Group has kept an allowance for 85% of the entire outstanding balances, including the amount of completed work pending certification and the provision for the withholding to be applied to the customer.

Under the terms of the agreement signed with the customer, at 31 December 2022 interest amounting to €64,761 thousand had accrued to the Group (2021: €60,928 thousand) which had not been recognised and was considered as contingent assets.

- Tuticorin (India)

Regarding the Tuticorin project, the customer filed for insolvency proceedings in 2020. Therefore, although it had received a ruling in its favour, the Group, based on legal opinions illustrating the difficulties collecting the amounts owed because of the company's insolvency and how the proceedings unfolded in the latter part of 2020, recognised an impairment loss for the full amount of unpaid invoices, completed work pending certification, and the guarantees called. There was no change in this situation in 2021 and 2022.

- Aconcagua

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

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

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

Nevertheless, considering the technical results provided in the lawsuit and performance tests showing higher amounts than the guaranteed amounts, the Group considers it objective both technically and legally, and it is highly probable that there will be no reversal of the amount recognised. It also considered an EPC consultancy report containing an analysis with a technical and contractual opinion and an external legal opinion determining that "DF has contractual, legal and technical grounds showing that ERSA misinterpreted the agreement and that DF is entitled to receive the performance bonus. Therefore, based on the information available, the results of the performance test and the wording of the agreement, it is highly likely that DF will obtain the performance bonus".

The amount receivable for this project at year-end and shown on the Group's statement of financial position at 31 December 2022 was €11.6 million, of which €6 million related to the performance bonus and the remainder to other milestones in the contract.

b) Trade and other receivables

"Trade and other receivables" consists mainly of the following items:

	€ thousand	
	2022	2021
Liquidation of Carrington (*)	3,429	3,620
Other receivables	1,590	1,209
	5,019	4,829

(*) Net of expected-loss allowance based on the estimate of the liquidator in the UK (Carrington) case.

c) Allowance for expected credit losses

Reconciliation of provisions for impairment of receivables:

	€ thousand			
	Trade receivables	Completed work pending certification	Other receivables	Total
Balance at 1 January 2022	90,258	27,841	10,739	128,838
Allowance for impairment of receivables	210	-	-	210
Unused amounts reversed	(372)	-	(2,714)	(3,086)
Utilised	-	-	-	-
Transfers	-	-	-	-
Exchange differences	965	(48)	233	1,150
Balance at 31 December 2022	91,061	27,793	8,258	127,112

On 5 January 2022, the Group entered into an agreement with LNG Group Panamá whereby it undertook to satisfy the outstanding amount according to a payment schedule. As at 31 December 2022, LNG had not complied with the latest commitment, although it did express its intention to settle the debt as quickly as possible. The Group decided to derecognise from the provision of €2,714 thousand the amounts received and receivable. It kept an allowance for expected losses according to IFRS 9 for the amount receivable.

d) Foreign currency balances

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

	€ thousand	
	2022	2021
Euro	101,347	66,280
US dollar	3,596	10,746
Argentine peso	2	537
Indian rupee	1,936	2,738
Algerian dinar	2,056	8,137
Mexican peso	100	1,791
Chilean peso	3,064	5,969
Peruvian nuevo sol	-	1,326
United Arab Emirates dirham	3,952	5
Brazilian real	126	2
Canadian dollar	-	1
Kuwaiti dinar	341	345
Costa Rican colón	-	953
Pound sterling	-	165
Colombian peso	1,595	846
Other currencies	13	134
	118,128	99,975

12. Derivative financial instruments and hedging activities

The Group arranges exchange insurance for projects involving different collection and payment currencies, but did not have any exchange insurance in effect at 31 December 2022 and 2021.

13. Inventories

	€ thousand	
	2022	2021
Production materials and supplies	1,560	1,344
Work in progress	-	194
Advances to suppliers	3,648	5,454
	5,208	6,992
Less: Impairment losses	(502)	(561)
	4,706	6,431

Production materials and supplies are mostly consumed within the year.

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

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

14. Cash and cash equivalents

	€ thousand	
	2022	2021
Cash and banks	23,846	88,408
Short-term bank deposits and promissory notes	251	134
Cash and cash equivalents (excluding bank overdrafts)	24,097	88,542

Short-term bank deposits relate to investments of cash surpluses maturing within three months (2021: €134 thousand related to a deposit in Indian rupees (INR) at an EIR of 5.75%).

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

	€ thousand	
	2022	2021
Euro	21,690	86,213
US dollar	1,503	1,294
Romanian leu	256	11
Canadian dollar	38	42
Brazilian real	64	34
Argentine peso	11	71
Algerian dinar	1	8
United Arab Emirates dirham	8	158
Mexican peso	26	8
Colombian peso	207	193
Indian rupee	174	337
Peruvian nuevo sol	81	96
Chilean peso	6	5
Other currencies	32	72
	24,097	88,542

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

15. Capital and share premium

a) Capital

Share capital at 31 December 2022 was represented by 4,800 million fully subscribed and paid shares in book-entry form with a par value of €0.01 each.

At the end of the reporting period, the following shareholders held an interest equal to or greater than 3% in the parent company's share capital:

Shareholder	Ownership (%) direct and indirect	
	2022	2021
UBS Switzerland AG (*)	3.95%	4.02%
Morgan Stanley and Co International PLC (*)	2.71%	2.97%
TSK Electrónica y Electricidad, S.A.	3.12%	3.12%

(*) Depositaries of securities held by others

b) Share premium

The Corporate Enterprises Act (Ley de Sociedades de Capital) expressly permits the use of the share premium account balance to increase capital and establishes no specific restrictions as to its use.

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

c) Treasury shares

At 31 December 2022 and 2021, the parent company did not hold any treasury shares.

d) Convertible bonds

As explained in Note 20, the Class A Convertible Bonds were modified as a result of the refinancing agreement reached with banks on 29 November 2021 and the commitments with FASEE and reclassified to financial liabilities.

e) Equity attributable to equity holders of the Parent

From an equity standpoint, the parent company did not fall within any of the grounds for dissolution at 31 December 2022, despite having negative equity of €143,906 thousand:

Firstly, because profit participating loans are treated as equity for company law purposes with respect to capital reductions and liquidations. As at 31 December 2022, the amount of all profit participating loans agreed under the refinancing agreement was €113 million (€100 million with FASEE and €13 million with banks). Not included are the €6 million related to the loan from la Sociedad Regional de Promoción del Principado de Asturias ("SRP") since novation of the agreement could not be completed by the date of preparation of these financial statements.

Secondly, according to RDL 20/2022 of 27 December 2022 on measures to address the economic and social consequences of the war in Ukraine and to support the reconstruction of the island of La Palma and other situations of vulnerability, it was stipulated that 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, approved by Royal Legislative Decree 1/2010, of 2 July, losses reported in 2020 and 2021 and until the end of the reporting period beginning in 2024, shall not be taken into consideration. If, excluding losses in 2020 and 2021 as explained above, the result for the 2022, 2023 or 2024 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.

Considering the above profit participating loans arranged by the Group and without counting the loss of €171,172 thousand reported in 2020, as allowed under RDL 20/2022, the parent company's equity for company law purposes amounts to €140,266 thousand, as shown in the following table:

(€ thousand)	
Equity of the parent company at 31 December 2021	(143,906)
Profit participating loan, FASEE	100,000
Profit participating loan, banks	13,000
Loss in 2020 attributable to the parent	171,172
Equity of the parent for company law purposes at 31 December 2021 (*)	140,266

(*) This amount could increase by €6,000 thousand for the €6,000 thousand loan from SRP when the novation of the loan agreement is signed.

16. Share-based payments

No share delivery plan was agreed in 2022 or 2021.

17. Reserves and valuation adjustments

a) Reserves

Breakdown of reserves at 31 December 2022 and 2021:

	€ thousand	
	2022	2021
Other parent company reserves	(153,045)	(174,042)
Consolidation reserves in the parent	293,735	287,544
Consolidation reserves in subsidiaries	(203,536)	(199,296)
Reserves in jointly controlled entities and associates	(20,146)	(19,363)
	(82,992)	(105,157)

Legal reserve

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

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

Consolidation reserves

These reserves comprise mainly consolidation adjustments made by the parent company for the elimination of impairment losses on fully consolidated investees and the elimination of provisions for liabilities on those investments, for €294 million.

b) Valuation adjustments

Valuation adjustments at year-end 2022 and 2021 related primarily to:

	€ thousand	
	2022	2021
Exchange differences on intergroup loans	(103,012)	(73,235)
Translation differences	31,101	10,039
Financial assets at fair value through OCI	2,529	2,529
	(69,382)	(60,667)

The breakdown by company at year-end 2022 and 2021 of exchange differences on intergroup loans, which according to IAS form part of the net investment, is as follows:

	€ thousand	
Company	2022	2021
Duro Felguera Argentina, S.A.	(97,389)	(67,624)
Felguera Gruas India Private Limited	(1,303)	(1,291)
Other	(4,320)	(4,320)
	(103,012)	(73,235)

A breakdown of cumulative translation differences by company at year-end 2022 and 2021 is as follows:

Company	€ thousand 2022	2021
Duro Felguera, S.A.		
- Dubai branch	(3,942)	(291)
- India branch	543	535
- Algeria branch	1,623	4,315
- Peru branch	1,137	1,456
- Romania branch	(403)	(386)
- Egypt branch	(367)	(367)
- Mexico branch	243	580
Felguera IHI, S.A.		
- Costa Rica branch	(333)	(417)
- Peru branch	346	320
- Bolivia branch	50	27
- Colombia branch	(52)	(661)
Felguera Tecnologías de la Información, S.A.	(4)	2
Equipamientos Construcciones y Montajes, S.A. de C.V.	140	(726)
Turbogeneradores del Perú, S.A.C.	(196)	(165)
Duro Felguera Argentina, S.A.	42,405	13,653
PT Duro Felguera Indonesia	193	193
Felguera Diavaz Proyecto México S.A. de C.V.	2	2
Duro Felguera Do Brasil Desenvolvimiento de Projectos Ltda.	(3,850)	(3,536)
Duro Felguera Saudí LLC	11	11
DF USA, LLC	40	40
Dunor Energía S.A.P.I. de C.V.	(1,318)	(99)
DF Canada Ltd	23	15
Felguera Gruas India Private Limited	(7,319)	(7,403)
Felguera IHI Canadá INC	(9)	(9)
Proyectos e Ingeniería Pycor, S.A. de C.V.	(100)	(109)
Duro Felguera Chile	2,409	3,189
Mopre Montajes de Precisión de Venezuela, S.A.	(171)	(171)
	31,101	10,039

18. Distribution of profit/(loss) and dividends

The proposed distribution of the 2022 profit of the parent company to be submitted for approval at the Annual General Meeting is as follows:

	€ thousand
Basis of distribution	
Profit (loss) attributable to the parent	685
Distribution	
Prior periods' losses	685

No interim dividends were paid in 2022 or 2021.

There are restrictions on dividend distributions linked to the new refinancing agreements with the banks, FASEE and SRP, as in the 2018 refinancing agreement.

19. Non-controlling interests

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

	€ thousand	
	2022	2021
Opening balance at 1 January	531	477
Profit/(loss) for the year	112	53
Other movements	(4)	1
Closing balance at 31 December	639	531

The distribution by company is as follows:

	€ thousand	
Company	2022	2021
Felguera Tecnologías de la Información, S.A.	674	566
Felguera-Diavaz Proyectos México, S.A. de C.V.	(23)	(23)
DF Saudí	(12)	(12)
	639	531

20. Financial liabilities

	€ thousand	
	2022	2021
Non-current		
Convertible bonds	11,852	15,987
Bank borrowings	13,178	13,000
Finance lease liabilities	932	1,079
Other financial liabilities	121,760	128,019
	147,722	158,085
Current		
Bank borrowings	64	10,056
Finance lease liabilities	190	163
Other financial liabilities	7,924	2,168
	8,178	12,387
Total financial liabilities	155,900	170,472

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

	€ thousand	
	2022	2021
Euro	155,900	170,472
US dollars	-	-
	155,900	170,472

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

	€ thousand	
	2022	2021
Between 1 and 2 years	7,029	662
Between 2 and 5 years	79,005	135,181
More than 5 years	61,688	22,242
	147,722	158,085

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

	€ thousand				
	2021	Cash flows	Other movements	Reclassifications	2022
Non-current bank borrowings	13,000	-	178	-	13,178
Current bank borrowings	10,056	(10,343)	351	-	64
Total liabilities arising from financing activities	23,056	(10,343)	529	-	13,242

a) Convertible bonds

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

Class A Convertible Bonds:

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

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

Class A Convertible Bonds gave holders a right to newly issued shares representing 6% of the Company's share capital after the conversion of all the Class A Convertible Bonds. According to this

paragraph, the maximum number of ordinary shares that would be issued as a result of the exercise of conversion rights on all of the bonds would be determined at each conversion window in accordance with the following formula:

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

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

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

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

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

a) Capital increase through the capitalisation of reserves, profits or issue premium of newly issued ordinary shares, or the redistribution of the par value of ordinary shares through a stock split, a reverse split, or a capital increase or reduction;

b) Issuances of shares or other securities to shareholders via the grant of subscription or purchase rights;

c) Issuances of shares and other securities without rights;

d) Spin-offs, capital distributions and sale of equity interests.

When it entered into the refinancing agreement in 2018, the Group concluded that the Class A Convertible Bonds were an equity instrument.

On 29 November 2021, the parent company entered into a refinancing and/or restructuring agreement covering its financial liabilities with all of the entities comprising its syndicate of banks, modifying the terms and conditions applicable to the bonds to:

- Extend the final maturity date to that of the sixth anniversary of completion of the refinancing agreement entered into on 29 November 2021.
- Modify the ordinary conversion windows so that the holders of the Class A Convertible Bonds can exercise their conversion right during a period of time immediately following the end of each calendar quarter (i.e., 31 March, 30 June, 30 September and 31 December), as well as other adjustments in keeping with the terms and conditions of the refinancing agreement.
- These modifications were agreed at the General Shareholders' Meeting held on 30 June 2021.

Since the parent company has undertaken to sell shares to a private investor in the capital, as set out in the financing agreement with FASEE, in compliance with the viability plan, there is no commitment that would prevent a change in the issuer's share capital except resolutions adopted after exercise of the Right of Conversion of the Bondholders, this means that the Class A Bonds cannot be recorded as an equity instrument because they do not meet the fixed-for-fixed conversion requirement. As a result, in 2021, an amount of €5,207 thousand corresponding to the value of the Class A Bonds was recognised as a financial liability corresponding to fair value at 29 November 2021. Remeasurement by an independent expert as at 31 December 2022 indicated that Class A Bonds were worth €3,742 thousand.

Class B Convertible Bonds:

In the 2018 refinancing, this item included the total nominal amount of the 14,227,267,955 Class B Convertible Bonds of €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 parent company

currently outstanding. The maximum duration was five years from the effective date of the 2018 refinancing.

Class B Convertible Bonds gave holders the right to receive a number of newly issued shares whose amount, calculated in terms of the volume weighted average price of ordinary shares during the six months immediately prior to the start of each conversion window, equal to 30% of the amount by which the Issuer's average stock market capitalisation exceeded the Minimum Capitalisation Amount (€215 million). However, Class B Convertible Bonds could not, in any case, after full conversion result in the delivery to their holders of newly issued Ordinary Shares representing more than 29% of the parent 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 parent company's ordinary shares by the (ii) volume weighted average price (VWAP) of the parent company's shares over the six months immediately prior to the related conversion window, would have to exceed a minimum threshold (€236 million), as explained in Note 20 to the 2018 financial statements.

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

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

The Group concluded that the Class B Convertible Bonds were debt instruments (financial liability) given the following circumstances:

- They did not contain a contractual obligation to deliver cash or another financial asset since the bonds, at final maturity, unless they were converted previously, would be redeemed and the claim represented by the bonds released and extinguished.

- The instrument was only settled in the Issuer's own equity instruments, but in this case the amount of own instruments was variable, contingent on:

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

    - Second, if this threshold were exceeded, the number of shares to be issued will depend directly on the Group's market capitalisation (measured as the Issuer's number of ordinary shares multiplied by the volume weighted average price of an ordinary share in the six months immediately prior to the start of each conversion window) at each conversion window and, therefore, depended on the weighted average (quoted) price of the shares on the continuous market during the observation period.

However, given the fact that the number of shares to be issued was variable implied the existence of a separable embedded derivative, the Group elected the alternative of not separating the embedded derivative and classifying the entire instrument at fair value through profit or loss.

In accordance with the opinion issued by an independent expert on 25 January 2021, these bonds were valued at €0.

On 29 November 2021, the parent company, under the scope of the refinancing and/or restructuring agreement covering its financial liabilities with all of the entities comprising its syndicate of banks, agreed to the fully fledged cancellation of 14,227,267,955 unsecured Class B Bonds with a unit nominal value of €0.01 convertible into new-issue ordinary shares of the parent.

Since this debt instrument was already recognised in the Group's 2020 financial statements at an amount of €0, the cancellation by the banks of this right did not have any impact on these financial statements.

Class C Convertible Bonds:

On 29 November 2021 (the effective date of the 2021 refinancing), the Group entered into a new refinancing agreement covering its financial liabilities with all of the entities comprises its syndicate of banks, contemplating:

- Convert a portion - fifty-two million euros (€52,000,000) parent- of the syndicated loan into bonds convertible into ordinary newly issued shares of the parent company (the Class C Convertible Bonds), in a debt-to-equity swap, to be issued by Duro Felguera on the agreed terms and conditions.

The total nominal amount of the 51,999,997 Class C Convertibles Bonds is €51,999,997.00, with a nominal amount of €1.00 each, convertible into newly issued shares of the Issuer of the same class and series as the ordinary shares of the parent company currently outstanding. The maximum duration is six years from the effective date of the 2021 refinancing.

Class C Convertible Bonds give holders a right to newly issued shares representing 13% of the parent company's share capital after the conversion of all the Class C Convertible Bonds. According to this paragraph, the maximum number of ordinary shares to be issued as a result of the exercise of conversion rights on all of the bonds will be determined at each conversion window in accordance with the following formula:

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

$$N * \frac{13\%}{1 - 13\%}$$

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

The Conversion Price (Cp) is calculated at each conversion window as:

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

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

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

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

a) Capital increase through the capitalisation of reserves, profits or issue premium of newly issued ordinary shares, or the redistribution of the par value of ordinary shares through a stock split, a reverse split, or a capital increase or reduction;

b) Issuances of shares or other securities to shareholders via the grant of subscription or purchase rights;

c) Issuances of shares and other securities without rights;

d) Spin-offs, capital distributions and sale of equity interests.

Remeasurement by an independent expert as at 31 December 2022 indicated that Class C Bonds were worth €8,110 thousand.

b) Bank loans

The syndicated loan arising from the refinancing agreement signed on 21 June 2018 between the parent company and the main financial creditors amounted to €85 million, broken down by bank as follows

Bank	Amount (€)	Share
Banco Bilbao Vizcaya Argentaria, S.A.	2,806,000	3.30117647%
Banco Cooperativos Español, S.A.	3,195,000	3.75882353%
Banco Sabadell, S.A.	7,348,000	8.64470588%
Banco Santander, S.A.	38,623,000	45.43882353%
Caixabank, S.A.	25,037,000	29.45529412%
Unicaja Banco, S.A.	7,991,000	9.40117647%
	85,000,000	100.00000000%

This was a 5-year loan with a 2-year grace period bearing interest at the Euribor rate +2% from years 1 to 3, and Euribor +3% from years 3 to 5. The repayment schedule for the syndicated loan included repayment of €15 million in 2021, €20 million in 2022 and €50 million in 2023.

The syndicated financing agreement included corporate guarantees from several Group companies, a pledge on corporate bank accounts, a pledge or obligation to pledge rights to receivables from lawsuits and litigation related to certain projects.

In the first half of 2020, the Group classified the €85 million syndicated loan as current since it was subject to early repayment and no waiver for breach of the gross financial debt/EBITDA ratio at 30 June 2020 had been given.

On 29 November 2021, the Group entered into a refinancing agreement covering its financial liabilities with all of the entities comprising its syndicate of banks. That agreement contemplates the repayment, restructuring and conversion of the financial liabilities, on behalf of the parent company Duro Felguera, S.A., as single borrower, under the following terms:

- Repay €7.5 million of the syndicated loan, as follows:

Participating creditor	Repayment percent (%)	Repayment amount (€)
Banco Santander, S.A.	47.5	3,562,064.45
Caixabank, S.A.	23.1	1,734,032.01
Banco de Sabadell, S.A.	10.6	792,332.06
Banco Bilbao Vizcaya Argentaria, S.A.	6.1	458,263.80
Banco Cooperativo Español, S.A.	1.2	91,652.76
Unicaja Banco, S.A.	11.5	861,654.92
Total	100	7,500,000.00

- Modification of €25.5 million of the syndicated loan in order to convert it into a profit participating loan in the same amount payable by the parent company, to be divided into two tranches: a first tranche (PPL1) of €20 million; and a second tranche (PPL2) of €5.5 million as follows:

Original lender	PPL1		PPL2	
	Amount (€)	Participation (%)	Amount (€)	Participation (%)
Banco Santander, S.A.	8,232,642.00	41.16321	2,489,451.39	45.26275254545455
Caixabank, S.A.	5,780,482.57	28.90241285	1,609,501.07	29.26365581818182
Banco de Sabadell, S.A.	3,132,701.71	15.66350855	531,691.44	9, 66711709090909
Banco Bilbao Vizcaya Argentaria, S.A.	807,465.32	4.0373266	194,868.02	3.54305490909091
Banco Cooperativo Español, S.A.	371,023.34	1.8551167	192,629.14	3.502348
Unicaja Banco, S.A.	1,675,685.06	8.3784253	481,858.94	8.76107163636364
Total	20,000,000	100.00	5,500,000	100.00

On 30 December 2021, the Group repaid €2.5 million of the PPL1 tranche and in 2022 two payments of €5 million each at their maturities on 30 March and 30 October 2022. As at 31 December 2022, the outstanding amount repayable of the PPL1 was €7.5 million, which will be paid according to the following schedule:

- 29 November 2024: €6,428,571.43
- 29 November 2025: €1,071,428.56

The PPL2 will be repaid in full on 29 November 2027.

The applicable interest rate will be the IBOR (set on 1 January each year by the European Commission) plus a spread, as follows:

- +2.5% up to the first year from the date of the refinancing agreement.
- +3.5% from the second to the third year from the date of the refinancing agreement.
- +5% from the fourth to the fifth year from the date of the refinancing agreement.
- +7% for periods after the fifth year from the date of the refinancing agreement.

Where EBITDA is positive, those loans will also earn a participating component of 1% of the Company's EBITDA each financial period, which will be distributed on a pro-rata basis between the PPL1 and the PPL2.

The profit participating loans are treated as equity for company law purposes with respect to capital reductions and liquidations.

According to the refinancing agreement, the Group must comply with the following leverage ratios (gross financial debt/EBITDA):

Date	Leverage ratio
31 December 2022 and 30 June 2023	7.76x
31 December 2023 and 30 June 2024	6.10x
31 December 2024 and 30 June 2025	2.71x
31 December 2025 and 30 June 2026	1.72x
31 December 2026 and 30 June 2027	1.13x
31 December 2027	0.68x

The Group is also subject to compliance with the following interest coverage ratios (EBITDA/interest expense):

Date	Interest coverage ratio
31 December 2022 and 30 June 2023	3.96x
31 December 2023 and 30 June 2024	4.19x
31 December 2024 and 30 June 2025	5.20x
31 December 2025 and 30 June 2026	10.28x
31 December 2026 and 30 June 2027	14.91x
31 December 2027	25.77x

- Convert a portion - €52 million parent- of the syndicated loan into bonds convertible into ordinary newly issued shares of the parent company (the Class C Convertible Bonds), in a debt-to-equity swap, to be issued by Duro Felguera on the agreed terms, as follows:

Participating creditor	Percentage (%)	Amount (€)
Banco Santander, S.A.	46.81%	24,338,842.16
Caixabank, S.A.	30.60%	15,912,984.36
Banco de Sabadell, S.A.	5.56%	2,891,274.79
Banco Bilbao Vizcaya Argentaria, S.A.	2.59%	1,345,402.85
Banco Cooperativo Español, S.A.	4.88%	2,539,694.76
Unicaja Banco, S.A.	9.56%	4,971,801.08
Total	100%	52,000,000.00

As explained in Note 3.1.c, on 30 December 2022, the banks participating in the syndicated loan facility granted the Group a waiver for compliance with financial ratios with effect on 31 December 2022.

The syndicated financing agreement includes a first ranking personal guarantee from several Group companies, a pledge on corporate bank accounts, a pledge on shares of several Group companies and receivables from lawsuits and litigation related to certain projects.

The Refinancing Agreement received court approval on 2 February 2022, in accordance with article 605.1 of the Insolvency Act.

On 29 November 2021 the Group repaid the financial liability arising from enforcement of the guarantee on 50% of Dunor Energía S.A.P.I de C.V.'s financial debt of €3,535,970.81, owed by Duro Felguera S.A. as a necessary condition for the financial restructuring agreed with the banks.

Guarantee facility tranche:

As part of the refinancing process of the financial liabilities, the Group arranged a revolving guarantee facility with the syndicate of banks for up to €80 million, divided into four tranches:

- A first tranche of €30 million, available as of the date of signing of the refinancing agreement.
- A second tranche of €10 million, available as of 31 December 2021 after repayment of €2.5 million by the Group on that date.
- A third tranche of €20 million available as of 30 March 2022 provided the Group makes the scheduled repayment of €5 million by that date.
  A fourth tranche of €20 million available as of 30 March 2022 provided the Group makes the scheduled repayment of €5 million by that date.

This guarantee facility, which is 70%-backed by CESCE, is not revolving and matures in November 2026. As at 31 December 2022, the Group had drawn down €14.6 million from the facility to guarantee projects in the backlog, leaving an available balance of €65.4 million.

The Group must also comply with certain reporting requirements under the restructuring, while there are also certain restrictions, except in specific cases, to investment, asset disposals, dividend distributions and payments, the grant of financing, withdrawal of cash earmarked for projects, etc. The contract includes that customary mandatory prepayment clauses upon occurrence of certain events related to default on payment, insolvency or open insolvency proceedings for Group companies, cross default of obligations related to financing outlined in the temporary government aid or convertible bonds, the occurrence of a material adverse effect, breach of financial obligations (e.g. the ratios indicated above), etc. The parent company's directors consider that as at the date of authorisation for issue of the consolidated financial statements, there was no cause triggering early maturity of this financing.

Under the Group's refinancing agreement, the Group undertook to grant the follow pledges; a pledge on shares and pledges on stakes in subsidiaries included in the scope as outlined in the agreement; the pledge on bank accounts; and the pledge on rights to receivables from claims; and lastly the pledge on rights to receivables derived from purchase and sale agreements. There is also a pledge on deposits for guarantees drawn down on the guarantee facility until their cancellation.

c) Finance lease liabilities

This item includes the present value of the remaining lease payments, excluding leases of low-value assets and short-term leases, in line with IFRS 16. It considered the presented value of the payments on the lease of offices in Madrid and the concession awarded by the Gijón Port Authority (Note 6.h).

d) Other financial liabilities

"Other financial liabilities" includes primarily:

- Solvency Support Fund for Strategic Companies (FASEE):

The Group signed a temporary public financial aid agreement from FASEE for €120 million, with the parent company, Duro Felguera, S.A., as recipient of the entire amount of the funds.

- Regional government of Asturias:

The Group signed a temporary public financial aid agreement with the Asturias regional government's development company, Sociedad Regional de Promoción del Principado de Asturias, S.A. ("SRP") for €6 million classified under current liabilities until the signing of the novation agreement, with the parent company, Duro Felguera S.A, as the sole borrower and recipient of the funds.

Also included are updated debts with official bodies resulting from the loans received from "CDTI", "MINER", "Ministry of Industry, Tourism and Trade", "PROFIT", "FIT" and "FICYT", which do not bear any explicit interest.

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

The FASEE and SRP financing are both profit participating, for €100 million and €6 million, respectively. Remuneration for the participation comprises a variable portion that is permanent and a variable portion that is participating. The permanent variable rate is the IBOR plus an increasing annual spread from 2.5% to 9.5%, while the participating variable portion is 1% of consolidated annual EBITDA and only accrues if the amount is positive. The ordinary loan carries a fixed 2% rate. Interest periods are one year. Maturities are the fourth, fifth, sixth and seventh anniversary from the closing date of the financing, for different amounts. Upon request from the beneficiaries, the fund may approve the conversion of the ordinary loan into a profit participating loan where needed to avoid grounds for dissolution. The financing agreement provides for situations of full or partial early repayment, in which case the Fund may, but would not be required to, terminate the contract. The prepayment clauses tied to future events related with lawsuit and arbitration settlements, tax inspections, material adverse effects and non-permitted changes of control, among others. The parent company's directors, with the assistance of internal and external tax and legal advisors, have evaluated the probability of occurrence of those prepayment events, factoring in the uncertainty associated with the final outcome of all those processes, and estimate that they will not affect execution of the viability plan. The parent company's directors consider that as at the date of authorisation for issue of the consolidated financial statements, there was no cause triggering early prepayment of this temporary public financial aid. In 2023, as explained in Note 37, approval was given to delay the FASEE loan repayment schedule.

In compliance with the payable to FASEE, there are personal guarantees and collateral, as stipulated in the financing agreement. Specifically, these are guarantees of the bank accounts into which the financing is deposited and pledges on receivables arising from the Group's legal or arbitration claims or certain older receivables, e.g., from Termocentro.

21. Trade and other payables

	€ thousand	
	2022	2021
Suppliers	71,457	102,016
Amounts due to related parties (Note 34)	17	17
Other payables	2,542	5,982
Personnel (salaries payable)	4,260	4,197
Current tax liabilities	780	209
Other taxes payable (Note 22)	10,495	7,707
Advances received for contract work	47,436	39,581
	136,987	159,709
Non-current portion	-	-
	136,987	159,709

Regarding "Advances received for contract work", in 2022 contract revenue was realised on 41% of the previous year-end balance (2021: 40%), with the remainder related to changes in the stage of project completion, in foreign exchange rates, and others.

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

	€ thousand	
	2022	2021
Euro	88,847	102,378
Algerian dinar	17,123	31,917
US dollar	7,943	9,414
Mexican peso	3,566	616
Indian rupee	1,102	2,916
Argentine peso	1,606	2,172
Romanian new leu	13,732	4,033
Peruvian nuevo sol	3	264
Australian dollar	-	37
United Arab Emirates dirham	1,388	3,378
Kuwaiti dinar	-	1,246
Chilean peso	505	454
Brazilian real	123	55
Canadian dollar	2	23
Pound sterling	40	226
Colombian peso	964	483
Other	43	97
	136,987	159,709

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

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

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

	Days	
	2022	2021
Average supplier payment period	516	509
Ratio of transactions paid	351	313
Ratio of transactions outstanding	758	795

	€ thousand	
	2022	2021
Total payments made	79,939	60,428
Total payments outstanding	54,459	41,345

	2022	
	Units	%
Invoices paid within the legally stipulated deadline	4,509	
Percentage of total invoices paid		42.34%

	2022	
	€ thousand	%
Invoices paid within the legally stipulated deadline	39,628	
Percentage of total invoices paid		56.72%

Excluding the Djelfa project, which resumed at the end of 2021 but, due to the diplomatic disputes with Algeria execution has been delayed, the average supplier payment period would be 397 days.

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

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

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

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

At 31 December 2022, the Group had past-due balances with suppliers amounting to €52,603 thousand for services, works or supplies related mainly to projects, of 42% corresponded to the Djelfa project, which was halted on 22 March 2020 but resumed towards the end of 2021 after a protocol for action was signed with the customer. However, in March 2022, the pace of execution was slower than expected because of political tensions between Spain and Algeria.

Of the total amount of past-due balances at year-end, 22% were the subject of litigation and/or arbitration.

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

22. Taxes receivable and payable and deferred taxes

a) Taxes receivable and payable

The main taxes receivable and payable are as follows:

	€ thousand	
	2022	2021
Taxes receivable		
Value added tax (*)	8,082	12,381
Value added tax (outside Spain)	16,705	13,222
Prepaid taxes, income tax of other countries and non-resident withholdings	459	425
Other	1,099	1,142
	26,345	27,170
Taxes payable		
Value added tax	(944)	(5,075)
Value added tax (outside Spain)	(6,699)	-
Social Security payables	(1,208)	(1,045)
Other	(256)	(364)
Personal income tax withholdings	(1,375)	(1,221)
Other taxes	(13)	(2)
	(10,495)	(7,707)

(*) 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 29 under an agreement dated 11 October 2018.

b) Deferred taxes

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

	€ thousand	
	2022	2021
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	8,197	11,663
Deferred tax assets to be recovered within 12 months	2,440	1,911
	10,637	13,574
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	(10,775)	(13,403)
Deferred tax liabilities to be recovered within 12 months	(2,561)	(1,872)
	(13,336)	(15,275)
Net amount	(2,699)	(1,701)

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

	€ thousand	
	2022	2021
Opening balance at 1 January	(1,701)	(33)
(Charge)/credit to income statement (Note 29)	(952)	(637)
Adjustment / Decreases	-	-
(Charge)/credit to reserves	(46)	(1,031)
Closing balance at 31 December	(2,699)	(1,701)

Reconciliation of deferred tax assets and liabilities in the year:

	€ thousand		
Deferred tax assets	Tax losses	Other	Total
At 1 January 2021	17,473	5,608	23,081
(Charge)/Credit to profit or loss	(8,468)	(653)	(9,121)
Decreases	-	-	-
Charge/(Credit) to equity	-	(386)	(386)
At 31 December 2021	9,005	4,569	13,574
(Charge)/Credit to profit or loss	(2,014)	(473)	(2,487)
Decreases	-	-	-
Charge/(Credit) to equity	-	(450)	(450)
At 31 December 2022	6,991	3,646	10,637

	€ thousand			
Deferred tax liabilities	Capital gains and asset revaluations	Class C Bonds	Other	Total
At 1 January 2021	1,966	17,465	3,683	23,114
Charge/(Credit) to profit or loss	-	(8,460)	(24)	(8,484)
Decreases	-	-	-	-
Charge/(Credit) to equity	714	-	(69)	645
At 31 December 2021	2,680	9,005	3,590	15,275
Charge/(Credit) to profit or loss	-	(2,014)	479	(1,535)
Decreases	-	-	-	-
Charge/(Credit) to equity	(345)	-	(59)	(404)
At 31 December 2022	2,335	6,991	4,010	13,336

The Group recognised a deferred tax liability for the accounting income related to conversion of the Class C Convertible Bonds under the refinancing agreement due to the tax deferred of the accounting income recognised in application of article 11.13 of Spanish Law 27/2014, of 27 November, on corporate income tax (the "Corporate Income Tax law"). To the extent that this tax income, since it arises from a write-off agreed with financial creditors, may be offset with the tax losses with no limitation whatsoever, the Group recognised a deferred tax asset for the same amount. For the purposes of presentation, the Group presents the net position of deferred tax assets and deferred tax liabilities when the standard requires in its statement of financial position.

"Other" includes deferred tax assets amounting to €3,646 thousand (2021: €4,569 thousand) related mainly to warranties, holidays, risks and charges, and project losses.

c) Unrecognised deferred tax assets

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

Unrecognised deferred tax assets at 31 December 2022 of the Spanish tax group are as follows:

	2022		2021	
	Base	Tax charge	Base	Tax charge
Tax losses	136,475	34,119	134,564	33,641
Deductions	-	5,273	-	5,034
Losses of foreign operations	113,547	28,387	117,815	29,454
Losses of subsidiaries	419,422	104,856	406,831	101,708
Other	74,665	18,666	83,071	20,768
	744,109	191,300	742,281	190,603

There is no time limit in Spain for recognising the carry forward of tax losses or deductible temporary differences. The deadlines for applying tax credits, mainly for R&D&I expenditure, are 18 years.

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

	2022		2021	
	Base	Tax charge	Base	Tax charge
Peru	621	183	199	59
Brazil	4,690	1,595	3,912	1,330
Argentina	4,126	1,238	42,656	12,797
Chile	25,850	6,979	21,724	5,865
	35,287	9,995	68,491	20,051

The tax bases from Argentina and Peru may be applied up to 5 and 4 years, respectively, from the year in which they arise. Tax bases from Brazil and Chile may be applied without any timing limit. Management did not consider recognising these tax bases at the end of the year since a reliable estimate could not be made of the timing of their recovery.

23. Provisions for other liabilities and charges

The breakdown of this item in the consolidated statement of position as at 31 December 2022 and 2021, irrespective of the current/non-current classification, is as follows:

	€ thousand	
	2022	2021
Provisions for pensions and similar obligations	1,260	1,218
Other pension funds	1,260	1,218
Provisions for contingent liabilities and commitments	75,405	93,500
Provisions for contingent liabilities	75,405	93,500
	76,665	94,718

Reconciliation of changes in "Provisions":

	€ thousand			
	Pensions and similar obligations	Provisions for completion of works and other trade provisions	Other provisions	Total
Balance at 1 January 2022	1,218	86,509	6,991	94,718
Provisions charged to profit or loss:				
Arising during the year	407	2,533	3,907	6,847
Reversals credited to profit or loss:				
Unused amounts reversed	(248)	(26,812)	(1,376)	(28,436)
Payments or amounts used:				
Payments of pensions	(134)	-	-	(134)
Other payments	-	(514)	(423)	(937)
Other movements	17	4,497	93	4,607
Balance at 31 December 2022	1,260	66,213	9,192	76,665

Changes in 2022 related primarily to provisions for completion of works and other trade provisions, as follows:

<u>Provisions for completion of works and other trade provisions</u>

- Provisions recognised included mainly termination of the Bellara contract in Algeria for €0.7 million after provisional acceptance of the project in 2022.

- The most significant reversals were reversals of warranty provisions for the Naftan project, of €2.5 million, the reversal of unused provisions for the Termocandelaria project for project losses materialising with execution of the project, of €2.7 million, reversals of provisions for the Jebel Ali project following the payment agreements reached with suppliers, for €9.4 million, and the cancellation of the provision for the termination of the Iernut project, for €2.7 million, after negotiations with the Romanian customer concluded successfully.

  The provision for liabilities on the Empalme project was also cancelled, for €6.3 million, following the arbitration award, which was favourable to the Dunor's interests, reflected in the consolidated statement of profit or loss under "Share of profit/(loss) of associates (Note 9).

- Other payments, which include mainly payments made by the Company in respect of employee

benefit obligations and the conclusion of cases involving employees.

- Other movements, which includes mainly the amounts of transfers and adjustments for exchange differences in provisions recognised in foreign currency.

Other provisions

- Provisions for occupational risks and risks subject to legal proceedings and other matters. These are primarily for the outstanding amount for implementing the collective redundancy plan described in Notes 2.18.c) and 25, for €3.6 million.

a) Pensions and similar obligations

	€ thousand	
	2022	2021
Non-current obligations		
Coal vouchers	226	88
Other obligations with employees	1,034	1,130
	1,260	1,218

Annual provisions for coal vouchers and other employee obligations are calculated based on actuarial studies described in Note 2.18.

To measure these obligations, the Group applied its best estimates based on an actuarial study performed by an independent third party in which the following assumptions have been applied: mortality table PERM/F 2020 and an annual interest rate of 3.75% p.a. (2021: 0.79% p.a.) and increases in consumer prices of 1% p.a. (2021: 1%).

Coal vouchers (Note 2.18.a)

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

	€ thousand		
	Serving personnel	Retired personnel	Total
At 1 January 2021	-	100	100
Arising during the year	-	-	-
Payments	-	-	-
Unused amounts reversed	-	(12)	(12)
At 31 December 2021	-	88	88
Arising during the year	-	138	138
Payments	-	-	-
Unused amounts reversed	-	-	-
At 31 December 2022	-	226	226

Other obligations with employees (Note 2.18.b)

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

	€ thousand
At 1 January 2021	1,255
Provisions charged to profit or loss	133
Utilised	(240)
Surplus	(29)
Transfers	11
At 31 December 2021	1,130
Provisions charged to profit or loss	270
Utilised	(134)
Surplus	(247)
Transfers	15
At 31 December 2022	1,034

b) Provision for completion of works and other trade provisions

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

	€ thousand	
	2022	2021
Provisions for warranties	5,006	8,358
Provisions for onerous contracts	5,131	7,186
Provision for project completion	2,431	63,227
Provisions for other risks and liabilities	53,645	7,738
	66,213	86,509

Provisions for onerous contracts includes mainly a provision of €4.0 million related to the Djelfa project and a provision of €0.4 million related to the Termocandelaria project.

The amount of the provision for other risks and liabilities covers, among other amounts, the estimate of losses on termination of the Jebel Ali Power Station project (Note 33), previously recognised under the provision for project completion.

Other provisions

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

	Other provisions	
	€ thousand	Estimated schedule
Litigation with suppliers	3,312	Between 6 and 12 months
Liabilities and charges due to labour disputes	5,339	Between 3 and 24 months
Liabilities and charges due to legal proceedings	541	Between 6 months and 3 years
	9,192	

Transfers to and reversals of provisions for other liabilities and charges are included in "Other operating expenses" in the statement of profit or loss (Note 26).

	€ thousand	
	2022	2021
Analysis of total provisions:		
– Non-current	1,271	7,499
– Current	75,394	87,219
	76,665	94,718

24. Revenue

a) Revenue

The breakdown of revenue by activity is as follows:

	€ thousand	
	2022	2021
Energy	6,557	(586)
Industrial Plants	53,008	46,437
Specialised Services	53,315	35,138
Renewables	190	-
Smart Systems	2,690	2,810
Other	1,425	669
Revenue	117,185	84,468

"Other" includes the revenue generated by companies not assigned to a specific business activity, mainly industrial control, for €1,000 thousand (2021: €669 thousand).

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

	€ thousand	
	2022	2021
Euro	94,656	67,008
Algerian dinar	4,339	965
US dollar	16,994	14,066
Argentine peso	-	92
Peruvian nuevo sol	18	251
Kuwaiti dinar	-	963
Chilean peso	162	168
Colombian peso	-	853
Mexican peso	359	102
Brazilian real	657	-
Other currencies	-	-
	117,185	84,468

b) Foreign currency balances and transactions

The amounts of foreign currency transactions are as follows:

	€ thousand	
	2022	2021
Sales	22,529	17,460
Purchases	(11,471)	(2,830)
Services received	(5,989)	(13,414)

25. Employee benefits expense

The breakdown of this item in the accompanying consolidated statement of profit or loss for 2022 and 2021 is as follows:

	€ thousand	
	2022	2021
Salaries and wages	(52,316)	(43,618)
Termination benefits	(4,960)	(28)
Social security costs	(14,853)	(13,586)
Other employee benefits expenses	(409)	(546)
	(72,538)	(57,778)

On 7 January 2021, the Group applied the furlough scheme based on productive needs provided for in Royal Decree Law 30/2020 and Royal Decree Law 8/2020 of 17 March, on urgent and extraordinary measures to cope with the economic and social impact of Covid-19, commenced. The scheme affects Duro Felguera, S.A. (DFSA), DF Operaciones y Montajes, S.A.U. (DFOM), DF Mompresa, S.A.U. (MOMPRESA), Felguera IHI, S.A.U. (FIHI) and Duro Felguera Oil & Gas, S.A.U. Application of the scheme was extended a first time on 31 May 2021 and again on 14 October 2021, both times by agreement with union representatives. The furlough had a duration of 14 months (until 28 February 2022) and affected a total of 778 workers, with an upper limit of 400 workers per month. The furlough scheme produced savings in 2021 of €2,415 thousand, while the impact in 2022 was negligible.

Termination benefits includes the estimate considered most likely as at the date of authorisation for issue of these consolidated financial statements of the cost of implementing the workforce reduction plan explained in Note 2.18.c).

26. Supplies and other operating expenses

a) Cost of sales

The breakdown of this item in the accompanying consolidated statement of profit or loss for 2022 and 2021 is as follows:

	€ thousand	
	2022	2021
Consumption of goods for resale and raw materials	(29,344)	(4,624)
Subcontracted work	(13,643)	(18,768)
Write-down of merchandise, raw materials and other supplies	(502)	(561)
	(43,489)	(23,953)

b) Other operating expenses

The breakdown of this item in the accompanying consolidated statement of profit or loss for 2022 and 2021 is as follows:

	€ thousand	
	2022	2021
Leases	(4,087)	(2,391)
Repairs and maintenance	(1,451)	(1,756)
Independent professional services	(9,478)	(9,382)
Transportation	(528)	(727)
Insurance premiums	(2,076)	(2,146)
Banking and similar services	(3,123)	(2,474)
Advertising	(116)	(119)
Utilities	(1,677)	(1,126)
Other services	(5,442)	(5,830)
External services	(27,978)	(25,951)
Taxes	(1,545)	(1,233)
Losses, impairment and changes in trade provisions (Notes 11 and 23)	24,247	10,942
	(5,276)	(16,242)

27. Other income/(expense)

	€ thousand	
	2022	2021
Other income/(expense)	2,044	542
	2,044	542

28. Net finance income/(cost)

	€ thousand	
	2020	2021
Finance income from:		
– Financial interest/dividends	1,742	68
– Finance income net of restructuring (Note 22)	-	37,037
– Gain of purchasing power due to hyperinflation (Note 2.4.d)	1,014	1,770
	2,756	38,875
Finance expense and similar costs	(4,442)	(4,418)
Change in fair value of financial instruments	4,135	-
Net foreign exchange difference	5,467	3,139
Impairment/(reversal of impairment) of financial instruments	2	(391)
Total net finance income/(cost)	7,918	37,205

Financial interest includes €1,736 thousand from dividends received in 2022 on the parent company's ownership interest in Ausenco, Ltd (Notes 4.3 and 10).

The gain of purchasing power due to hyperinflation reflects the impact of inflation on the monetary items held by the Group in Argentina after the country's classification as a hyperinflationary economy (Note 2.4 d).

The change in the fair value of financial instruments, of €4,135 thousand, related to the remeasurement by an independent expert on 31 December 2022 of the value of the Class A and Class C Convertible Bonds, which resulted in income of €1,465 thousand and €2,670 thousand, respectively (Notes 4.3, 10 and 20.a).

29. Income tax

Duro Felguera, S.A. and the Spanish subsidiaries in which it directly or indirectly holds an interest of over 75% pay income tax under the consolidated tax scheme.

Under the special tax consolidation system, the tax group reporting the taxable income is treated as single taxpayer for all purposes.

However, each consolidated 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.

a) Reconciliation

	€ thousand	
	2022	2021
Current tax	(73)	(26)
Foreign taxes	(884)	(1,100)
Adjustments to current tax in respect of prior years	58	1,295
Adjustments to deferred tax in respect of prior years (Note 22)	-	-
Current year deferred tax (Note 22)	(952)	(637)
Other	-	-
	(1,851)	(468)

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

	€ thousand	
	2022	2021
Consolidated profit before tax	6,969	19,599
Tax at 25%	(1,742)	(4,900)
Inter-group/branch adjustments and eliminations	4,889	(1,071)
Other permanent differences	(578)	(7,119)
Adjustment in respect of prior years	58	1,295
Foreign taxes	(884)	(1,100)
Recognition of previously unused tax losses	-	15,292
Unrecognised tax losses, tax group	(1,571)	(3,180)
Unrecognised tax losses, non-tax group	(1,795)	-
Other	(228)	315
Tax charge/(refund)	(1,851)	(468)

The effective tax rate was 25.00% (2021: 25.00%).

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

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 2018 and thereafter for the tax group, and 2018 and thereafter for the rest of the Spanish subsidiaries.

- Value added tax: 2011 and 2012 for Duro Felguera, S.A. and 2019 and thereafter for Duro Felguera, S.A. and the rest of the Spanish subsidiaries.

- Income tax (earned income; professional fees and investment income) for Duro Felguera, S.A.: 2011, 2012 and 2014, and 2019 and thereafter for Duro Felguera, S.A. and the rest of the Spanish subsidiaries.

- Other taxes: last four years.

Because of the audit of Tax Group 22/1978, the parent of which is Duro Felguera, S.A., in respect of corporate income tax for 2010 to 2012, and in respect of other taxes for 2011 to 2012, the following settlement agreements were received:

- Settlement agreement whereby Duro Felguera, S.A. must pay €123 million in corporate income tax. The settlement is based primarily on the taxation authorities' disagreement over the Group's use of the exemption of foreign income obtained by temporary joint ventures operating abroad. An appeal against the settlement agreement was lodged with the Central Economic Administrative Court (TEAC), which was rejected in May of 2021. An appeal against this ruling was filed with the Spanish National Court (Audiencia Nacional), for which a ruling has yet to be issued.

- Settlement agreement for VAT whereby Duro Felguera, S.A. must pay €3.1 million. An administrative appeal was filed with the TEAC against this agreement, which was partially upheld. An appeal has been filed with the National Court, for which a ruling has yet to be issued.

- Settlement agreement in respect of income tax - related party transactions requiring Duro Felguera, S.A. to pay €0.4 million. A tax appeal against that agreement was filed, but dismissed. An administrative appeal was filed with the National Court, for which a ruling has yet to be issued.

- Agreement to resolve sanctioning proceedings against UTE TERMOCENTRO for €23.04 million. The sanction imposed is based on the authorities' disagreement over the taxable income charged by UTE Termocentro to its members. A tax appeal against that agreement was filed, but dismissed. An administrative appeal was filed with the National Court, for which a ruling has yet to be issued. The National Court is expected to uphold the Group's arguments, as the TEAC recently annulled the penalty imposed for the same reasons for the 2013-2014 period since the sanctioned conduct is not stipulated in law according to the criteria outlined in the ruling of 23 November 2022.

- Settlement agreement of personal income tax on behalf of UTE TERMOCENTRO for €0.7 million in addition to an agreement for resolution of the penalty proceedings for €0.4 million. Appeals were filed with the TEAC against both agreements, but were dismissed. An administrative appeal was filed with the National Court, for which a ruling has yet to be issued.

For all applications made for judicial review by the National Court, the statement of claims and conclusions have already been filed. Only a date for a vote and ruling are pending.

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 a ruling in its favour.

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. The National Court confirmed this criterion in a recent ruling handed down on 27 January 2023.

To date, the Group has not made any payments related to these proceedings. The Company, alongside its application to the National Court for judicial review, sought injunctive relief in the form of suspension of the debt, which was granted for all proceedings.

In March 2018, an audit of the tax group commenced in respect of income tax for 2013 and 2014 and of all other taxes for the periods from 04/2014 to 12/2014. As a result of these tax audits, the following settlement agreements were received:

- Settlement agreement ordering UTE TERMOCENTRO to pay personal income tax withholding of €0.245 million. Although the Company decided to settle the debt within the voluntary period, in February 2020 it filed a tax appeal against the settlement agreement before the TEAC, for which a ruling has yet to be issued.
- Agreement for resolution of sanctioning proceedings for personal income tax against UTE TERMOCENTRO, requiring payment of €0.152 million, for which an appeal against the assessment was lodged with the TEAC.
- Settlement agreement whereby Duro Felguera, S.A. must pay €30 million in corporate income tax. The Company filed a tax appeal against the settlement agreement before the TEAC, but was notified on 4 April 2023 that it had been rejected. By law, the Company has two months to submit an application for appeal against the ruling with the National Court, which it will do, along with a request for injunctive relief in the form of a total waiver of guarantees.
- Agreement to resolve sanctioning proceedings against UTE TERMOCENTRO with respect to income tax for €5.6 million. The sanction imposed is based on the authorities' disagreement over the taxable income charged by UTE Termocentro to its members. The sanction was annulled by the TEAC on 23 January 2023 since the sanctioned conduct is not stipulated in law according to the criteria outlined in the rule of 23 November 2022.

These tax assessments are provisional, since the inspection has been partially suspended in relation to the part affected by the criminal preliminary ruling per Order of 27 February 2019, issued by Central Examining Court 2. In any event, the part affected by this criminal preliminary ruling in financial years 2013 and 2014 is of only minor significance, and so we do not expect any significant changes to be made to the tax settlement agreements arising from this circumstance.

Since the thrust of the dispute, as with the previous inspection, lies in the Group's application of the exemption for foreign-earned income obtained by the temporary joint ventures operating abroad, and specifically by UTE TERMOCENTRO, the Company’s opinion and that of its external tax advisors is that the arguments in its defence are sufficiently strong to expect a ruling in its favour. Therefore, no liability was recognised in this connection.

Duro Felguera Do Brasil is also being audited for income tax for 2012 and 2015, which it has appealed. The potential tax liability is estimated at €46 million Brazilian reais (approximately €8,165 thousand). In the opinion of the parent company's directors and external tax advisors, it is unlikely that the amounts will have to be paid.

30. Earnings per share

a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the parent by the weighted average number of ordinary shares in issue during the year (Note 15).

	2022	2021
Profit/(loss) attributable to the parent (€ thousand)	5,006	22,614
Weighted average number of ordinary shares in issue (thousand)	96,000	96,000
Basic earnings/(loss) per share (€)	0.05	0.24

b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. At 31 December 2021, the Group considered as dilutive potential shares those resulting from a potential conversion of Class A Convertible Bonds into 6,127,660 new shares by virtue of the contractually established exchange ratio following the reverse split described in Note 15 (previously 306,382,979 new shares)). At the closing date of these consolidated financial statements, conversion of the Class B Convertible Bonds (Note 20 a) was considered remote. In 2022, it considered conversion of the Class A and C Convertible Bonds, calculating the weighted average number of potential ordinary shares outstanding in the year.

	2022	2021
Profit/(loss) attributable to the parent (€ thousand)	5,006	22,614
Weighted average number of ordinary shares in issue (thousand)	116,472	104,288
Basic earnings/(loss) per share (€)	0.04	0.22

31. Dividends per share

No dividend was paid in 2022 or 2021.

32. Statement of cash flows

The consolidated statement of cash flows was prepared in accordance with IAS 7. It was not impacted by fluctuations in the exchange rates of the currencies in which the Group operates vis-à-vis the euro. The relevant classifications were made to correctly show the changes due to consolidations and deconsolidations. Key highlights for each of the main sections of the consolidated statement of cash flows are as follows:

a) Operating activities

	€ thousand	
	2022	2021
Profit/(loss) for the year before tax	6,969	23,135
Adjustments for:		
Amortisation and depreciation (Notes 6, 7 and 8)	5,025	5,120
Impairment	(559)	(611)
Changes in provisions	(14,411)	(10,288)
Grants released to profit or loss	(242)	(242)
(Gains)/losses on derecognition and disposal of assets	973	44
Gains/(losses) from derecognition and disposal of financial instruments (Note 9)	(4,135)	-
Finance income (Note 28)	(2,756)	(1,838)
Finance costs (note 28)	4,442	4,419
Exchange differences (Note 28)	(5,467)	-
Finance income, net of restructuring (Note 28)	-	(37,037)
Gain/(loss) on loss of control of subsidiaries	-	(3,009)
Share of profit/(loss) of companies accounted for using equity method	(5,703)	-
Other income and expenses	-	(72)
	(22,833)	(43,514)
Working capital changes		
Inventories	1,222	(1,980)
Trade and other receivables	(18,436)	8,169
Other current assets	171	-
Trade and other payables	(25,967)	(35,972)
Other current liabilities	93	(4,635)
Other non-current assets and liabilities	-	856
	(42,827)	(33,562)
Other cash flows from operating activities		
Interest paid	(3,433)	(10,110)
Interest received	874	68
Income tax (paid) / received	(245)	(720)
	(2,804)	(10,762)
Net cash flows used in operating activities	(61,495)	(64,703)

b) Cash flows from/(used in) investing activities

	€ thousand	
	2022	2021
Payments for investments		
Property, plant and equipment, intangible assets and investment properties	(494)	(508)
Other financial assets (*)	(3,835)	(339)
	(4,329)	(847)
Proceeds from sale of investments		
Property, plant and equipment, intangible assets and investment properties	3,000	-
Other financial assets	9,883	16,121
	12,883	16,121
Other cash flows from investing activities		
Interest received	-	-
Loss of control, Epicom (Note 2.2.e))	-	(903)
	-	(903)
Net cash flows used in investing activities	8,554	14,371

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

c) Financing activities

	€ thousand	
	2022	2021
Proceeds from and payments for financial liability instruments		
Issue	-	126,000
Redemption and repayment	(11,504)	(12,022)
	(11,504)	113,978
Net cash flows from/(used in) financing activities	(11,504)	113,978

33. Contingencies

The Group has contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business, from which it does not expect any material liabilities to arise.

At 31 December 2022 and 2021, the Group had extended the following bank guarantees:

	€ thousand	
	2022	2021
Guarantees provided in sales contracts in progress	229,124	225,880
Other	1,371	1,267
	230,495	227,147

In addition, as explained in Notes 6, 7 and 20, the Group has pledged certain assets as collateral to third parties, including its syndicated bank creditors and FASEE, Spain's support fund for strategic businesses, which granted the financing described in Note 20. This collateral includes pledges over specific properties, over shares in specified subsidiaries, over potential receivables arising from a range of claims, and over bank accounts. Certain project contracts signed by Group subsidiaries with customers are backed with the corporate guarantee of the Group's parent company to ensure compliance with the commercial terms agreed upon.

The Group has also received bonds and other guarantees from third parties for execution of its projects amounting to €12,701 thousand.

Group management considers that the provisions for risks of tax assessments (Note 29), litigation, arbitration and claims are reasonably covered by the provisions recognised in these consolidated financial statements at 31 December 2022, 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

The deadline for investigating the case, which had been extended until July 2022, was again extended until 28 July 2023, without prejudice to any further six-month extensions that the court may agree upon in accordance with the status of the investigation.

It is not possible to determine the probability or extent of the potential consequences, which will depend on the outcome of the criminal proceedings. However, based on an internal investigation conducted and the opinion of our external advisors, the probability of an outcome against the Group's interests is considered remote. As at 31 December 2022 and 2021, the Group did not recognise any provision in this connection.

National Markets and Competition Commission (CNMC)

In Case S/DC/612/17 instituted by the CNMC against various companies operating in the industrial assembly and maintenance services market, including DF Operaciones y Montajes, S.A., a ruling was delivered on 1 October 2019 declaring the existence of an infringement and imposing penalties upon 19 companies, including DF Operaciones y Montajes, S.A. and, subsidiarily, Duro Felguera, S.A., such penalty amounting to €1,323 thousand, and prohibiting those companies from dealing with public sector companies for an as-yet unspecified scope and duration.

On 26 March 2021, DF Operaciones y Montajes, S.A. and Duro Felguera, S.A. submitted a statement of claim. and the proceedings continued until the statement of conclusions was presented on 4 May 2022. The proceedings are now awaiting a ruling.

To cover this risk, the Group recognised a provision of €0.5 million, which in the opinion of its directors and advisors is considered sufficient.

Contingencies and project claims

As is customary in its industry, the Group is involved in certain legal and arbitration disputes as part of the process of completing projects with customers and suppliers in which it may be the plaintiff or defendant, often with counter suits for equally material amounts. At the end of each reporting period, the Group assesses the estimated amounts required to settle liabilities for arbitration and/or current,

probable or certain litigation in progress, the exact amount of which cannot yet be fully determined or the date of payment of which is uncertain, as it depends on fulfilment of certain conditions, recognising the related provisions, where necessary, unless they cannot be quantified, in which case they are disclosed. It also assesses those that must be disclosed since they are considered contingent liabilities; i.e. possible obligations arising from past events, and whose existence will be confirmed by the occurrence or non-occurrence of one or more events not wholly within the control of the Group.

An in-depth assessment was performed on project claims, after which provisions were recognised at the amounts considered probable (Note 23). No material liabilities are expected to arise other than those already provisioned that could have a material adverse effect. The main lawsuits by amount which the Group considers probable or possible that a ruling will be issued for or against it as plaintiff or defendant are described below. In the opinion of the parent company's directors and legal advisors, the potential impact on the Group of the remaining claims would not be material:

1) Recope

To date, the Group has two appeals for judicial review under way against Recope. The first seeks a declaration of Recope's financial liability and/or the financial imbalance caused to the Group by changes in the scope, substantial modifications, delays and distortion of the two contracts (one for the construction of four spheres and the other for three tanks) being carried out by the Group for this customer. It also sought to overturn the administrative acts by which the customer disputed the claims filed by the Group in administrative proceedings at the time. The claim was expanded to declare that the suspension of contract and eviction ordered by RECOPE are illegal, as well as the execution of works included within the scope of the contract. An oral hearing and public trial are scheduled for 6 January 2025.

The second proceeding seeks a statement in a ruling on the right to extend the deadline for contract execution and the right to execute and complete the outstanding works due to delays and, in general, events caused by RECOPE that were not attributable to the Group. It also seeks to declare null and void the contractual termination proceedings brought by RECOPE. Finally, it also seeks a declaration of serious breach of contract and material illegality of RECOPE's conduct for executing work on commissioning one of the tasks by itself before the contract was formally terminated. Oral and public hearings are scheduled for 1 and 5 April 2024.

In relation to the proceedings filed by the Group before the courts of Costa Rica against Recope's dismissal of the claim to restore the economic and financial balance under the Contracts, on 24 November 2021 the Court was notified of the Judicial Expert Opinion.

This expert evidence provides strong support for the position held by the Group, proving that RECOPE failed to honour the terms of the contract, thus causing the Group to incur cost overruns due to over-stay on site and additional works, among other issues, all of which produced a significant economic-financial imbalance in the contract that warrants compensation for the Group.

The customer notified the Group that it had initiated an administrative proceeding to terminate the contracts on 27 February 2023 and was seeking €85 million in damages and fines between the two contracts. It also requested realisation of the guarantees. Guarantees in force were provided with a counter-guarantee by a Spanish bank for €12 million. DF filed the pertinent appeals and applications for reversal within the legal deadlines, and requested injunctive relief to prevent enforcement or realisation of the guarantees provided.

In the opinion of the directors and internal and external legal advisors, the proceedings are likely to result in a final administrative ruling of contract termination. However, based on the opinion of its external advisors, the Group considers that there is a high probability that the injunctive relief will be granted, thus rendering without effect the contractual termination and/or realisation of the guarantees, so no risk would arise for the Group.

2) Jebel Ali Power Station Project

In June 2022, DEWA requested that its lawsuit against the Group, in which it is claiming 1,082,705,150.80 AED (approximately €275 million), be resumed. On 8 August 2022, the Group filed its statement of defence and its own claim against DEWA, seeking payment of AED 603,886,977.74 (approximately €165 million). Both lawsuits are with the Dubai courts and in a very preliminary stage, so the final outcome is uncertain.

According to the local proceeding, an independent expert committee was appointed to assess the technical aspects being disputed. The expert committee submitted its report to the court on 17 April 2023. The majority opinion grants DF an extension of 309 days as the contract was unduly terminated and excludes application of damages. However, the minority opinion grants an extension of 108 days and argues that DEWA was within its right to legally terminate the contract because of a further delay in the project. DF's right to receive approximately €4.1 million in compensation for unpaid certified work was accepted unanimously. The final report is a recommendation, intended to provide guidance and information to the court in exercising its judicial discretion.

Regarding the lawsuit between DF, DEWA and DIB in the Gijón courts, DIB is claims payment from DF of AED 52,456,104.94, USD 3,399,989.98 and €24,247,877.20, while DF is seeking a ruling (i) that DEWA's realisation of the guarantees for €47.8 million was unlawful, (ii) that DF has no obligation pay any amount, and (iii) that DIB and DEWA reimburse DF for the amounts unduly collected (approximately €8.7 million). The total claim for guarantees is the net of amounts withdrawn by DIB from Duro Felguera's accounts of €39 million plus interest, as appropriate. A preliminary hearing was held, in which the applications submitted by Duro Felguera were accepted for processing, with a trial date set for 20 June 2023. Since as at the reporting date the evidence admitted in the proceedings had not yet been produced, the trial will most likely be postponed.

The parent company's directors and its internal and external advisors made the estimate they considered most reasonable taking account of the project's specific circumstances, on the basis of which it considered it necessary to recognise a related provision. Estimate of risk: it would be premature to estimate risk. Given the status of the proceedings and considering that guarantees have already been realised and collected, it is difficult to make a reliable estimate of the financial outcome for the claims by DEWA. Accordingly, there is uncertainty as to the probability related to the judgement and the final amount that may arise from part of the claim. Therefore, the Group maintained the provision recognised in previous periods for this situation, although it has reversed the provision for progress billings receivable for €4.1 million.

3) Djelfa

To date, the project is still being executed after it resumed towards the end of 2021 following the signing of a memorandum of understanding with the customer. Therefore, suppliers have joined the project, and withholdings have been released by the customer and have been used to pay project suppliers so that the project can move forward. Since March 2022, the pace of execution was slower than expected because of political tensions between Spain and Algeria, DF and the customer are still negotiating an agreement that would extend the delivery period and end the economic claims for cost overruns in executing the project. Their hope is that a satisfactory result will be achieved soon.

4) Aconcagua

Visits were conducted from 23 May to 3 July 2022 in Santiago de Chile. The award, with cross-claims between the parties (DF is claiming USD 30 million from the customer and the customer is seeking a higher amount in the counterclaim, depending on whether bad faith can be proven), was initially expected to be handed down in the first half of 2023. However, at a meeting held on 16 March 2023, the deadline for the award was pushed back to 31 August 2023. The guarantees have expired and the arbitration court has not requested that they be extended.

The Group recognised a receivable of €11.7 million in the consolidated statement of financial position, of which €6 million related to the contractual right to a Performance Bonus for complying with the performance tests relating to energy production above the guaranteed amounts (Performance Guarantees) described in the contract, supported by the technical report of an external expert. Another part related to a security bond, which also accrued. The plant has been in operation since 2019 and not had any incidents. Due to the dispute over the claim filed by the Group, the statement of preliminary acceptance was not obtained.

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, therefore, duly accredited in the case of performance and the remainder for the contract in force between the parties as it relates exclusively to the amount stipulated in the contract.

5) Iernut

Romgaz's Board of Directors, at a meeting held on 29 March 2023, agreed to sign: 1) the settlement or settlement agreement of the original contract signed between Romgaz and the DF/Romelectro consortium and 2) the contract entered into between Romgaz and DF for the completion of works on the Iernut combined cycle plant. These agreements were signed at the end of March and beginning of April.

Effectiveness of the agreements is subject to: i) approval of the transaction by Romgaz shareholders in general meeting, ii) approval by DF's Board of Directors and iii) legal approval of Romelectro's insolvency proceedings. These approvals are expected to be given within 45 days as of 31 March 2023. Work could resume immediately after compliance with the conditions precedent.

6) Petacalco/EAN

There are receivables from Greenfield on the Petacalco project in Mexico. Preliminary acceptance was obtained in 2019 and stipulates compliance of the milestone. However, payment requires evidence of payments to subcontractors and the amounts owed, which are recorded in the document at USD 3 million; i.e., the amount recognised in the consolidated statement of financial position. Authorisation for payment is pending because of the lawsuit filed by EAN in which it claims USD 11 million from Duro Felguera Group for cost overruns due to scope modifications. The contract between EAN and Equipamiento, Construccion y Montaje SA de CV (ECM) stipulates that any disputes must be resolved via arbitration. After an internal assessment and taking external advice, the Group considered unjustified the claims for additional work made by EAN due to a lack of contractual support.

34. Related party transactions

The following transactions were carried out with related parties:

a) Sale of goods and services

	€ thousand	
	2022	2021
Sale of goods and services:		
- Associates	1,137	349
- Related parties	659	125
	1,796	474

b) Compensation and other benefits paid to the Board of Directors of the parent and Senior Management

Board of Directors

The breakdown of the remuneration accrued by members of the parent company's Board of Directors for their membership of the Board of Directors, by item, in 2022 and 2021 is as follows:

Remuneration item:	€ thousand 2022	2021
Remuneration for membership of the board and/or board committees	429	366
Salaries	435	412
Other	29	6
	893	784

Directors did not receive any other benefits.

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

It should be noted that the parent company, following the signing on 31 March 2021 of the Management Agreements with the Spanish Solvency Support Fund for Strategic Companies (FASEE), is subject to Article 6.1. f) of Order PCM/679/2020, of 23 July, publishing the Resolution of the Council of Ministers of 21 July 2020, on the terms of reference of the Solvency Support Fund for Strategic Companies (Official State Gazette of 24 July 2020). The article states that until such time as 75% of the Financial Support granted through equity instruments or through hybrid equity instruments is repaid, the remuneration of the members of the board of directors, of the administrators, or of those holding supreme corporate responsibility at the Beneficiaries, may not exceed the fixed part of their remuneration in force at the close of the 2019 financial year.

The remuneration pertaining to the directors appointed by the FASEE is integrated into the Public Treasury, in accordance with Article 2.3 of Royal Decree-Law 25/2020 of 3 July, on urgent measures to support economic reactivation and employment.

There are no contractual obligations of any kind with current and/or former directors.

The parent company paid €467 thousand on a director liability insurance policy in 2022.

Senior management

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

The breakdown of the remuneration accrued by members of senior management, excluding members of the Board of Directors, in 2022 and 2021 is as follows:

	2022	2021
Total remuneration paid to senior executives (€ thousand)	2,112	958
No. of senior executives at 31 December	7	5
Average remuneration (€ thousand)	232	192

This amount includes €1,109 thousand (2021: €0) received by six individuals who are no longer members of senior management since they had left the Group as at the date of authorisation for issue of these financial statements.

Remuneration accrued in 2022 by senior management included, in addition to salaries and wages, other in-kind remuneration amounting to €18 thousand and termination benefits of €37.5 thousand. The average number of senior managers in 2022 was nine.

c) Dividends and other benefits

	€ thousand	
	2022	2021
Dividends and other benefits distributed:		
- Significant shareholders (Note 15)	-	-
	-	-

d) Year-end balances arising from sales/purchases of goods/services

	€ thousand	
	2022	2021
Receivables from related parties:		
- Associates	338	-
- Related parties	-	-
	338	-
Payables to related parties (Note 21):		
- Associates	17	17
- Related parties	-	-
	17	17

e) Loans to related parties

	€ thousand	
	2022	2021
Opening balance at 1 January	-	-
Additions	-	-
Loan repayments received	-	-
Other movements	-	-
Closing balance at 31 December	-	-

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

In compliance with their duty to avoid conflicts of interest with the Group, 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.

The parent company's directors have no issue to disclose regarding article 229 of the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010 of 2 July.

35. Joint operations

The Group has interests with other companies is several joint operations. The following amounts represent the Group's share of the assets and liabilities, income and expenses of the joint operations:

	€ thousand	
	2022	2021
Assets:		
Non-current assets	-	-
Current assets	72,586	70,264
	72,586	70,264
Liabilities:		
Non-current liabilities	-	-
Current liabilities	(138,618)	(137,566)
	(138,618)	(137,566)
Net assets	(66,032)	(67,302)
Revenue	3,283	3,456
Expenses	(751)	(410)
Profit/(loss) after tax	2,532	3,046

36. Other information

a) Average number of Group employees by category

	2022 (excluding the furlough effect)	2022 (including the furlough effect)	2021 (excluding the furlough effect)	2021 (including the furlough effect)
Directors	1	1	1	1
Senior managers	9	9	5	5
Managers	29	29	18	18
Middle managers	113	112	111	105
Qualified staff	433	428	433	377
Support positions	68	67	69	61
Operators	639	639	430	429
	1,292	1,285	1,067	996

b) Number of men/ women by category

The distribution of Group employees by gender at the end of the reporting period is as follows:

	2022			2021		
	Men	Women	Total	Men	Women	Total
Directors	1	-	1	1	-	1
Senior managers	4	3	7	4	1	5
Managers	22	6	28	15	5	20
Middle managers	92	16	108	95	17	112
Qualified staff	317	82	399	328	104	432
Support positions	21	38	59	31	41	72
Operators	494	2	496	458	2	460
	951	147	1,098	932	170	1,102

At 31 December 2022, there were ten (10) employees with a disability of greater than 33% (2021: 9 employees), all men.

c) Environmental disclosures

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

d) Fees paid to the auditors and their group of companies or associates

In 2022 and 2021, the amounts payable to the auditor of the Group's consolidated financial statements, Deloitte, S.L., or to any company belonging to the same network in accordance with applicable law and regulations governing the auditing of accounts, were as follows:

- 2022 (€ thousand)

Description	Fees payable to the principal auditor or companies belonging to its network
Audit services	487
Non-audit services	91
Services required by applicable law and regulations	38
Other assurance services	17
Tax services	34
Other services	2
Total professional services	578

- 2021 (€ thousand)

Description	Fees payable to the principal auditor or companies belonging to its network
Audit services	466
Non-audit services	93
Services required by applicable law and regulations	67
Other assurance services	6
Tax services	18
Other services	2
Total professional services	559

37. Events after the reporting period

The following significant events occurred between 31 December 2022 and the date of authorisation for issue of these consolidated financial statements:

- On 21 February 2023, Duro Felguera Group disclosed to the Spanish National Securities Market Commission (CNMV) the signing of a memorandum of understanding ("MOU") with Grupo Promotor de Desarrollo e Infraestructura, S.A. de C.V. ("Grupo Prodi") and Mota-Engil México, S.A.P.I. de C.V. ("Mota-Engil México"). The objective of the MOU is to provide funds to Duro Felguera and bring in new industrial partners to Duro Felguera's shareholder structure with the specific purpose of ensuring Duro Felguera's long-term viability and sustainable growth. Approval of the MOU, once the legal and contractual conditions to which the transaction is subject are met, will mark a step forward in the search for an industrial partner, as stipulated in the agreement entered into with the Solvency Support Fund for Strategic Companies ("FASEE"), approved on 9 March 2021 and ratified on 23 November 2021, and which, after a thorough and rigorous process spearheaded by Duro Felguera's Board of Directors, was articulated in the binding MOU.

  The MOU includes a commitment by Grupo Prodi and Mota-Engil México to provide financial resources to Duro Felguera and strengthen its liquidity, in a transaction designed to ensure Duro Felguera's financial recovery and its sustainable growth. Grupo Prodi and Mota-Engil Mexico intend to become long-term industrial partners of Duro Felguera, acting in concert through a syndication agreement in which, in the event of failure to reach an agreement, decisions will be taken by Grupo Prodi. Both also expressly undertake to retain their shareholding in the Company for at least four years and both have stated that their current plans are to keep it indefinitely.

  Under the MOU, Grupo Prodi and Mota-Engil México undertake a joint commitment to provide two loans to the parent company for a total of €90 million (the "Loans"), broken down as follows: A loan of €40 million from Mota-Engil México and a loan of €50 million from Grupo Prodi. The loans will be disbursed in full prior to the application for a waiver on the obligation to launch a takeover bid, as stipulated in article 8 d) of Royal Decree 1066/2007, of 27 July, on the rules governing takeover bids, and used exclusively to execute Duro Felguera's business plan.

  Duro Felguera will repay the loans through a €90 million capital increase, which includes a debt-to-equity swap. This requires approval by the General Meeting. The capital increase will be divided into two agreements, both with the same issue price for the new shares:

  a. a first, with cash contributions and pre-emptive subscription rights in favour of current shareholders, for up to €40 million, with the proceeds earmarked specifically for reimbursement of the €40 million loan granted by Mota-Engil México.

  Pre-emptive subscription rights will be granted with a single round exclusively to Duro Felguera shareholders (and to those acquiring subscription rights on the market) and during the period legally established for this purpose.

  b. a second agreement, of up to €90 million plus interest accrued on the loans whereby a debt-to-equity swap will be carried out at maturity (first by Grupo Prodi for its €50 million loan and second by Mota-Engil México).

  The debt-to-equity swap of the Mota-Engil México loan will be for an amount equal to the difference between the amount of the Mota-Engil México loan and the interest accrued less the amount subscribed for by Duro Felguera shareholders in the first capital increase agreement.

  Taking an average share price of €0.7661, calculated as explained below, Grupo Prodi would acquire 31% of Duro Felguera's post-capital increase voting rights, while Mota-Engil México could acquire up to 24%, depending on subscription by current shareholders in the first agreement. Accordingly, Grupo Prodi and Mota-Engil México could acquire up to a maximum of

55% of the voting rights after the capital increase, with the two companies acting in concert through a syndication agreement.

Grupo Prodi, individually or together with Mota-Engil México, intends to submit an application to the CNMV for a waiver on the obligation to launch a takeover bid in accordance with the requirements outlined in article 8, d) of Royal Decree 1066/2007, as it understands that the circumstances provided for are met. A prior consultation was made to the CNMV regarding the requirements that the commission would impose. The aim was to anticipate and ensure that the company or companies would be in a position to comply without any incidents that could delay approval.

The debt-to-equity swap of the loans would only be carried out if this waiver were granted. Once the required authorisations, as explained below, are secured and the CNMV grants the waiver from the obligation to launch a takeover bid for Duro Felguera, subscription of a total capital increase by Duro Felguera for €90 million plus accrued interest will be guaranteed. If the debt-to-equity swap for the loans is not carried out, Duro Felguera will have to repay the respective loans to Grupo Prodi and Mota-Engil México.

The issue price of the new shares, which is the same for the two capital increase resolutions, was determined by reference to the parent company's average share price in the three months prior to the market close at the date immediately before the disclosure, i.e., €0.7661 per share (subject to final validation by the independent expert to make the procedure as objective as possible).

- On 22 February 2023, Duro Felguera's Board of Directors resolved to extend the deadline for SEPI to exercise its call option on the parent company's 60% equity interest in Epicom, S.A. until 31 December 2023.

- At its meeting of 7 March 2023, the Board of Directors resolved to call an Extraordinary General Shareholders' Meeting of the Company to be held on 12 April 2023 at 12:00p.m. on first call and on second call on 13 April 2023 at the same time, with the following agenda:

    - Approval of a share capital increase for a cash amount (par value plus share premium) of €39,837,200 through the issuance and circulation of 52,000,000 new ordinary shares of €0.05 par value each, plus a share premium of €0.7161, with an issue price of €0.7661 per share charged to cash contributions, and recognition of shareholders' pre-emptive subscription rights, with proceeds going to repay the company's debt with Mota-Engil México, S.A.P.I. de C.V.

    - Approval of a share capital increase for a cash amount (par value plus share premium) of up to €90,000,000 plus, if applicable, interest accrued up to the date of execution of this capital increase, through the issuance and circulation of up to 117,478,135 new ordinary shares plus, if applicable, any shares necessary for capitalisation of accrued interest payable, of €0.05 par value each plus a share premium of €0.7161; i.e., an issue price of €0.7661 per share. The capital increase will be carried out through a debt-to-equity swap arising from the loan agreements entered into by the company for €90 million. The full amount of the loan granted by Grupo Promotor de Desarrollo e Infraestructura, S.A. de C.V. and the amount of the loan agreement entered into with Mota-Engil México, S.A.P.I. de C.V. not repaid with proceeds from the first capital increase included in agenda item 1 will be converted into equity.

    - Ratification of the appointment of María Jesús Álvarez González as director.

    - Delegation of powers, with express powers of substitution, to implement, notarise and place on file the previous resolutions with the Companies Register.

- On 23 March 2023, the Company disclosed to the market an overview of the transaction and the main lines of initiative of the Company's business plan, along with the plans for the two capital increases to add two new industrial partners to its shareholder body. The transaction, as designed, marks a move from a stage of viability to one of growth and expansion, which will be extremely beneficial to Duro Felguera's shareholders, stakeholders and employees by:

    - Strengthening the Company's financial position.
    - Respecting minority shareholders' subscription rights.
    - Injecting €90 million of capital.
    - Bringing in renowned industrial shareholders.
    - Providing stability to the Company's shareholder body.
    - Enhancing the Company's image.

- On 5 April 2023, the Company announced that Spain's Council of Ministers had authorised the update of Duro Felguera Group's business plan after it received in 2021 €120 million of temporary financial assistance under the Solvency Support Fund for Strategic Companies (FASEE).

    This formal authorisation is part of the process for bringing in the industrial partners. The addition of the investors was a commitment undertaken by the Company with FASEE after receiving public aid.

- On 13 April 2023, at second call, DURO FELGUERA, S.A. held an Extraordinary General Shareholders' Meeting, with quorum exceeding 32% of share capital, at which qualified majorities of over 98% approved the four items on the Agenda:
    1.1. It approved the share capital increase through the issuance of 52,000,000 new shares of €0.05 par value and €0.7161 share premium each, with an issue price of €0.7661 with cash contributions and recognition of subscription rights, with proceeds going to repay the credit held by Mota-Engil Mexico, and delegating power in the Board of Directors to execute the resolutions.
    1.2. It approved a second share capital increase up to €90,000,000, plus interest, through the issuance of up to 117,478,135 new shares at the same issue price of €0.7661 through a debt-to-equity swap arising from the loan contracts entered into with Grupo Promotor de Desarrollo e Infraestructura (Prodi) and Mota-Engil Mexico that had not been reimbursed with the proceeds from the first capital increase, delegating power to execute this resolution in the Board of Directors.
    1.3. María Jesús Álvarez González's appointment as external director was ratified.
    1.4. The power to execute the resolutions was delegated in the Chairwoman and the Secretary.

- On 27 April 2023, the loans agreed in the MOU were notarised. They set out terms for repayment, including standard terms such as authorisation of foreign investment, authorisation of the transaction by Spain's competition authority (CNMC), authorisation of the debt and change of control by financial institutions, FASEE and SRP, and approval of modifications to the governance and management agreements by FASEE.

    At the date of reissue of these financial statements, the Group and investors are making progress in securing and applying for the various authorisations required to comply with the terms for disbursement by the syndicate and the investment terms (requirements to obtain the waiver on the obligation to launch a takeover bid) so that the financing transaction and subsequent debt-to-equity swap can be completed in 2023 within a period of six months. The directors are confident that the transaction will be completed successfully and that the funds will be disbursed imminently, in May 2023.

    Completion of the transaction under the terms envisaged in the Company's roadmap requires authorisation for the waiver on the obligation to launch a takeover bid by the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores or CNMV), as provided for in Royal Decree 1066/2007 on the rules governing takeover bids. Once the waiver is obtained and the remaining legal requirements are met, the capital increase will be carried

out. Authorisation is expected to be given since the parent company meets the requirements outlined in article 8 d) of Royal Decree 1066/2007, of 27 July, on the rules governing takeover bids, after justifying that:

(i) Duro Felguera, S.A.'s financial viability is in serious and imminent danger; and

(ii) the capital increase (particularly the debt-to-equity swap) is designed to ensure the Company's long-term financial recovery.

- Main changes relative to the figures considered in the condensed consolidated financial statements authorised for issue on 28 February 2023:

  - Decrease in revenue of €5.8 million due to the modification of the Iernut project contract described in Note 2.1.1 to the extent that the contracts signed have conditions precedent which, although they are expected to be complied with over the coming weeks, had not been as at the date of authorisation for issue of these annual financial statements.
  - Remeasurement of certain provisions for impairment of trade receivables and provisions for risks and liabilities, which resulted in the reversal of provisions for amounts of €4.1 million and €2 million, respectively, based on developments in the proceedings described in Note 33.

38. Additional note for English translation

The consolidated financial statements for the year ended 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS), the interpretations issued by the IFRS Interpretation Committee (IFRIC) and mercantile law applicable to companies reporting under EU-IFRS. Consequently, certain accounting practices applied by the Company may not conform with generally accepted principles in other countries.

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

DURO FELGUERA, S.A. AND SUBSIDIARIES

2022 Management Report

GENERAL PERFORMANCE

At the beginning of 2022, the Group unveiled a new organisation aimed at jump-starting activity. It is customer-centric, targets profitability and continuous improvement and is designed to deliver the viability plan approved by the Solvency Support Fund for Strategic Companies ("FASEE").

This new structure centres on five business lines (Conventional Energy, Industrial Plants, Services, Renewable Energies and Smart Systems), thus enhancing the Company's expertise and project orientation in both traditional and innovative businesses, such as renewable energies, energy storage, hydrogen and smart systems. The Industrial Plants business line includes Mining & Handling, Oil & Gas, Heavy Boiler-making and projects at industrial complexes. The Services business line performs various services related to the specialised assembly, commissioning, and operation and maintenance of energy and industrial facilities. Focusing on "green" energy and digital intelligence, the Group has a renewable energy division and a business line designed to offer an enhanced comprehensive range of artificial intelligence (AI) products and services.

In tandem with the change in the Group's organisation, war broke out in March 2022 between Russia and Ukraine, which had immediate impacts on the world's economy by causing energy prices to soar on the back of rising oil and gas prices. Russia is the world's second largest producer of crude oil, supplying roughly a quarter of oil consumed in Europe.

The situation with gas is similar, as Russia is also the world's second largest gas producer, behind the US, and owns the largest gas reserves. The EU relies heavily on Russian gas, which accounts for 45% of its gas purchases and 40% of its gas consumption. Russian gas cannot be easily replaced since 80% of imports are via pipeline and because the world's surplus capacity is limited.

Against this backdrop, the world economy faced a scenario of high inflation and rising interest rates, which led to increases in energy prices and consolidated inflation expectations, triggering disruptions in supply chains, pushing up commodity and raw material prices, and fostering uncertainty regarding agreements with suppliers and, as response by central banks, higher interest rates to keep inflation from rising further.

Widespread industrial supply chain disruptions were exacerbated by the economic sanctions imposed on Russia, with rising commodity prices pushing up prices in the supply chain. The biggest threat to the economy is a slowdown or halt to the global post-Covid economic recovery due to persistent inflation.

Therefore, during much of the year, Duro Felguera's activity was affected by the economic tensions generated, affecting its sectors of operations, causing geopolitical uncertainty and delaying decision-making over large industrial projects.

The Group saw order intake delayed during the year, although the trend improved considerably over the last few months of 2022. The delay in order intake caused by the war in Ukraine resulted in projects beginning to take longer to reach a level of progress, giving rise to a shift in timing of revenue, profit and cash generation. This trend also changed considerably towards the end of 2022, with order intake gathering momentum and enhancing the outlook for the backlog considerably.

Revenue rose 39% in 2022 to €117 million, driven primarily by higher sales in the Industrial Plants business segment.

The Group reported EBITDA for the year of €4.3 million, compared to an EBITDA loss of €9.1 million the year before. This, coupled with the marked change in trend in the over the past year, reflected the hard work done by the Group despite the challenging situation of the sector and enabled the Group to report a net profit attributable to equity holders of the parent for 2022 of €5.1 million.

Order intake for the year totalled €348.1 million, of which €21 million corresponds to Epicom, which is no longer included in the Group's scope of consolidation, compared to the year-earlier figure of €175.1 million; i.e., an increase of 99%. The order backlog at the end of the year stood at €556.5 million, of which 90% related to international projects. Of this amount, Epicom accounted for €16 million.

The Group had €120 million of net financial debt as at 31 December 2022, with €144.1 million of gross debt and €24.1 million of cash, as explained in Note 4 to the financial statements.

Average headcount for the Group went from 996 employees at 31 December 2021 to 1,292 employees at 31 December 2022.

The search for a private investor was completed in early 2023 with the public announcement that a binding memorandum of understanding ("MOU") had been signed on 21 February 2023 between Grupo Promotor de Desarrollo e Infraestructura, S.A. de C.V. ("Grupo Prodi"), Mota-Engil México, S.A.P.I. de C.V. ("Mota-Engil México") and Duro Felguera.

With the approval of the MOU, once the legal and contractual terms and conditions to which the transaction is subject are met, will mark the successful achievement of a key milestone in the roadmap initiated three years ago by the new Board of Directors to implement a definitive solution for Duro Felguera. The Group continues to execute its viability plan successfully and with the MOU the Board of Directors has managed to achieve the following objectives and commitments, as ratified by the General Meeting:

- Bring in two industrial partners, who will not only provide the necessary resources for Duro Felguera to carry out its operations normally and permanently overcome the extraordinary circumstances of the current crisis, but will also imply stability in the make-up of the shareholder body as industrial partners. This will open up opportunities for new industrial projects and contribute synergies for business expansion and Duro Felguera's growth internationally. Accordingly, the Group will have a strong and sound position in the market and become one of the leading operators in the sector.

The search for an industrial partner was part of the agreement entered into with the Solvency Support Fund for Strategic Companies ("FASEE"), approved on 9 March 2021 and ratified on 23 November 2021, and which, after a thorough and rigorous process spearheaded by Duro Felguera's Board of Directors, was articulated in the binding MOU.

- To protect current shareholders, who have stayed with the Company despite the adverse circumstances it has faced and which, thanks to this transaction, will be overcome, while at the same time creating value for their shares by generating solid and sound expectations for the future. The proposed structure of the transaction respects shareholders' pre-emptive subscription rights, enabling them to participate in the Company's recovery and growth by exercising these rights.

The Board of Directors expects the addition of industrial partners to its shareholder body to clearly benefit the Company and, in turn, all its shareholders.

The transaction, as described in Note 37, is designed to ensure Duro Felguera's long-term financial recovery. This will provide a significant boost to the Group and shore up a viability project in which the contribution of Duro Felguera's people, through their resilience and engagement, has been crucial. Duro Felguera boasts the capacity and expertise required to be competitive in each country or project in which it takes part, as long as it has an adequate and solid financial structure that enables it to win new contracts. Grupo Prodi's and Mota-Engil Mexico's stake in Duro Felguera will provide the necessary conditions to achieve this objective. As industrial partners, they will generate

commercial and technical synergies for Duro Felguera to make its activity more efficient, create greater value for shareholders, and improve and speed up the Group's forecast recovery and growth. Meanwhile, Group management is still looking at a variety of financial options to strengthen its financial position, which it expects will materialise over the coming months.

Order intake gained momentum toward the end of 2022 after the difficulties caused by the market and the geopolitical situation in the first months of the year. As at the date of authorisation for reissue of these consolidated financial statements, order intake in 2022 amounted to €348.1 million. This enabled Duro Felguera Group to easily exceed the order intake target in the viability plan, which was €276 million for the year.

BUSINESS OUTLOOK

The events occurring in 2022 make us relatively upbeat for 2023 due to the reactivation of the world economy post-Covid, high levels of market liquidity and the support of European and international funds, notably including the Plan REpowerEU and Next Generation EU funds, and the US Nearshoring programme, acting as a catalyst for the execution of industrial projects in many countries.

Meanwhile, the war in Ukraine accelerated the adoption of measures to reduce the consumption of gas and other fossil fuels, making it likely we will see additional investments to replace the dependence on energy and raw materials from Russia.

As a result, the Group's vision of the future is the same, focused on:

• Strengthening the core businesses of Duro Felguera, which have been historically profitable and stable.

• Stepping up activity in the renewable energy, energy storage and digitalisation sectors, aligned with the energy transition and ongoing digital transformation.

• Increasing business segments' operating profitability, margins and EBITDA through sustainable growth in sales.

To shore up its conventional businesses, the Group has a highly experienced and knowledgeable team and excellent customer references across the various lines; i.e., Conventional Energy, Industrial Plants (Industrial Complexes, Mining & Handling, Oil & Gas and Manufacturing) and Services.

As for driving the renewable energies business and digitalisation, the growth of the renewable energy sector opens up an opportunity for Duro Felguera. There is an urgent need for energy that does not run out and, above all, for a firm commitment to sustainability and climate change, and new "green" energy sources are viewed as the short- and long-term solution to this.

For Duro Felguera it is an opportunity for growth, as the renewable energy market is thriving and the outlook for the next few years is promising. The objective in this business segment is to become a relevant yet selective company, successfully combining development, integration, construction and operation with recurring business in the renewable energy sector in Spain, Latin America and other parts of the world.

MAIN RISKS AND UNCERTAINTIES

a) Market risk

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk on transactions in foreign currencies, mainly the US dollar (USD) - so in principle, depreciation in emerging countries would not have a direct impact on the project revenue - and to a lesser extent,

local currencies in emerging countries, the most important of which at present are the Argentine peso (ARP), Algerian dinar (DZD) and United Arab Emirates dirham (AED). Foreign currency risk arises when future commercial transactions or firm commitments, recognised assets and liabilities and net investments in foreign operations are denominated in a currency that is not the parent company's functional currency, i.e. the euro, which is also its presentation currency.

Foreign-currency denominated financial assets and liabilities and foreign currency transactions are disclosed in Note 24.b. Translation differences are disclosed in Note 17.

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

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

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

- Accordingly, a portion of costs is arranged in the contract's reference currency or in a currency with a high correlation to the reference currency, providing a natural hedge and reducing exposure to currency risk. However, the operating units are responsible for taking decisions on entering into hedges as circumstances warrant, which are reviewed and signed off on by the Treasury area and the Management Committee.

At 31 December 2022, 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 €150 thousand lower (2021: €138 thousand higher), whereas if it had strengthened by 5%, post-tax profit for the year would have been €135 thousand higher (2021: €125 thousand lower), mainly as a result of foreign exchange gains/losses on translation to USD of trade and other receivables, cash, suppliers and advances from customers, as well as the impact on the final outcome of projects of the amounts of future revenues and expenses in dollars, and the effect of the stage of completion at year end.

Meanwhile, if the euro had weakened by 5% against the DZD, with all other variables held constant, post-tax profit for the year would have been €1,636 thousand lower, whereas if it had strengthened by 5%, post-tax profit would have been €1,481 thousand higher, mainly as a result of exchange gains/(losses) on the translation to DZD of the receivable in the Algerian branch.

(ii) Price risk

Projects that last two or more years initially involve a contract price risk, due to the effect of the increase in costs to be contracted, particularly when operating in the international market in economies with high inflation rates. At other times, contract or related subcontract prices are denominated in stronger currencies (mainly USD) payable in local currency at the rate ruling on the collection date. These conditions are passed on to subcontractors.

Covid-19 already caused delays in project execution, invariably resulting in time overruns, so the Group had been reassessing its estimate of the total costs in the budgets used to calculate the stage of completion (Note 2.20) and the onerous contract provision. At present, the armed conflict between Russia and Ukraine is having immediate impacts on the world's economy by causing energy prices to soar on the back of rising oil and gas prices. The global economy is facing a scenario of high inflation, cause at first by the pandemic. However,

unfortunately, the war has sent energy prices spiralling and bolstered inflation expectations. Widespread industrial supply chain disruptions were exacerbated by the economic sanctions imposed on Russia, with rising commodity prices pushing up prices in the supply chain. The biggest threat to the economy is a slowdown or halt to the global post-Covid economic recovery due to persistent inflation. Against the current backdrop of uncertainty regarding the impacts of the war on Spain's and the world's economy, the Group has closely monitored the effects and drawn up action plans to minimise the related risks.

Although our contracts with customers do not contain express clauses regarding claims for price increases due to rises in the prices of materials, fuel, energy, etc., laws and/or jurisprudence could result in application of what we call the principle of "unpredictability", i.e., where execution of a contract becomes too onerous for one of the parties due to events that are supervening or extraordinary events and events that were unpredictable at the time of signing of the contract that could require authorisation for the revision of the terms and conditions so as to readjust the contract.

(iii) Cash flow and fair value interest rate risk

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

The Group's interest rate risk arises from non-current borrowings. There was a substantial modification of the terms of these borrowings at year-end 2021. Floating rate loans expose the Group to cash flow interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. 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 100 basis point shift would be an increase/decrease of €1,390 thousand (2021: €1,490 thousand).

b) Credit risk

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

- Assets arising from financial instruments and sundry balances included in cash and cash equivalents (Note 14).
- Trade and other receivable balances (Note 11).

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

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

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

The balance in trade receivables past due but not impaired at 31 December 2022 was €34,866 thousand (2021: €31,730 thousand).

The Group recognised an impairment loss on its financial assets of €127,370 thousand, which included the estimate of expected credit loss under IFRS 9 (Notes 2.11 and 11).

c) Liquidity risk

Prudent and austere management of liquidity risk entails maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, an objective of the Group's Treasury Department is to maintain flexibility in funding by negotiating drawdowns of the committed guarantee facilities in the financing agreements so it can continue financing its projects. Management also monitors the forecasts for the Group's liquidity reserves based on estimated cash flows on an ongoing basis. In 2020, it set up a payments committee, which operates weekly.

Set out below is the Group's net cash position at 31 December 2022 and comparative data:

	€ thousand	
	2022	2021
Borrowings and derivatives (Notes 12 and 20)	(144,048)	(154,485)
Less: Cash and cash equivalents (Note 14)	24,097	88,542
Net cash/(debt) position	(119,951)	(65,943)
Undrawn credit lines (Note 20)	-	-
Total liquidity surplus/(shortfall)	(119,951)	(65,943)

The Group's financial debt at 31 December 2022 included aid from FASEE and debt renegotiated with financial institutions in the form of profit participating and ordinary loans, but not the value of convertible bonds.

As at 31 December 2022, a sum of €1,289 thousand was subject to restrictions because it had been designated as security in litigation with third parties, with the restrictions remaining in place until judgement is rendered or an out-of-court settlement is made (2021: €1,228 thousand).

The Group also had €20,117 thousand of deposits under "Current financial assets" in the statement of financial position as at 31 December 2022 as security for execution of its projects due to the lack of bank guarantees. Of this amount, €16,147 thousand relates to an escrow account in Romania called by the end customer treated as a receivable based on the Group's expectations regarding recovery (Notes 10 and 33).

In relation to the agreement with its banks, the Group must comply with two ratios on a half-yearly basis (i.e., leverage and interest coverage). The first assessment period was the 12 months ended 30 June 2022 and the second assessment period the 12 months ended 31 December 2022.

The leverage ratio, understood as gross financial debt divided by operating profit/(loss) adjusted for depreciation and amortisation, and impairment and losses on assets, as defined in the financing agreement of 29 November 2021, which is not the same as EBITDA considered by the Duro Felguera Group as an alternative performance measure, calculated based on the latest 12 months, must be below 7.76.

On 21 June 2022, the Group requested a waiver from the banking syndicate on compliance with the ratios at 30 June 2022. This waiver was granted on 28 July 2022. On 15 December 2022, the Group requested a waiver from the banking syndicate on compliance with the ratios at 31 December 2022 due to ongoing negotiations over certain projects and as non-compliance with these financial obligations would be a cause of breach regulated in clause 27 of the contract. The Group received a response to its request in writing on 30 December 2022, with grant of the waiver by the financial

institutions effective as of 31 December 2022. Therefore, at the date of authorisation for issue it was not in a situation of non-compliance.

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

At 31 December 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Loans and finance lease liabilities (Note 20)	8,178	7,029	79,005	49,836
Convertible bonds (Note 20.a)	-	-	-	11,852
Trade and other payables (Note 21)	125,712	-	-	-

In any event, the financing obligations include certain prepayment clauses tied to future events related with lawsuit and arbitration settlements, tax inspections, material adverse effects and non-permitted changes of control, among others. The directors, with the assistance of internal and external tax and legal advisors, have evaluated the probability of occurrence of those prepayment events, factoring in the uncertainty associated with the final outcome of all those processes, and estimate that they will not affect execution of the viability plan (Notes 29, 33 and 37).

d) Climate change risks

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

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

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

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

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

At its meeting of 18 January 2022, the parent company's Board of Directors agreed to set up a Sustainability Committee as a specialised body tasked with supervising compliance with the Group's

environmental, social and corporate governance policies and rules, as well as internal codes of conduct.

• Market risk, meaning the risk of changes and imbalances in the supply and demand for certain raw materials, products and services, potentially compromising the Group's supply chain.

• Technological risk, relating to technological innovations that emerge or are championed as part of the transition process, and the resulting replacement of old systems with these new technologies.

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

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

• Resilience and responsiveness to climate change and the challenges it poses, not only ecological but also regulatory, and for which the company will be better prepared.

• Enhanced market position, thanks to a more sustainable, resilient and energy-efficient product design, and improved reputation, aligned with the demands of an increasingly sustainability-conscious society.

• Better terms of borrowing when undertaking sustainable projects, with significant reductions in interest rates, coupled with higher credit ratings for bond issues.

• Broader and more diversified spectrum of investors in the Group , including funds and investors who look at the sustainability and responsible business performance of their investees or through inclusion in sustainability-focused indices and portfolios.

• Global trend towards clean energy sources, leading to increased energy efficiency, reduced costs and improved storage capacity.

• The search for greater efficiency in the management of the Group's resources and waste, enabling it to reduce operating costs.

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

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2022 and 2021, the Group held no derivative financial instruments.

TREASURY SHARE TRANSACTIONS

At 31 December 2022 and 2021, the parent company did not hold any treasury shares.

RESEARCH AND DEVELOPMENT ACTIVITIES

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

Therefore, it is aware of the enormous global challenges we face and therefore views technological innovation as a differential factor that ultimately leads to sustainable solutions. Thus, the strategic lever we have chosen for our growth is technological development enabling us to undertake high added value projects, focusing on the renewable energy sector and new technologies (hydrogen, photovoltaic, wind and storage) and smart digital solutions through 4.0 enabling technologies.

In 2022, the CIDI (Centro de Investigación y Desarrollo), the new R&D centre, was created, to pursue three major objectives:

1. Develop the existing business lines through innovation to enhance the current value proposition.

2. Add new, technology intensive businesses to become more competitive and penetrate new market niches.

3. Drive DF's own necessary digitalisation (organisation, processes, operational efficiency).

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Between 31 December 2022 and the date of authorisation for issue of the consolidated management report, no events occurred that could result in any material change to the information presented other than those explained in Note 37 to the consolidated financial statements.

ALTERNATIVE PERFORMANCE MEASURES

An alternative performance measure (APM) is a financial measure, based on the financial statements or other supporting information used by the Group, of historical or future financial performance, financial position or cash flows other than measures defined or specified in the applicable accounting and financial reporting framework.

In the preparation of the annual financial information, the Board of Directors of Duro Felguera presents the following APMs, which it considers useful and appropriate for investors' decision-making and better understanding of business performance.

Performance measure	Definition
Revenue	Gross inflow of economic benefits arising from ordinary activities.
Order intake for the period	Volume of orders received during the period for which the Group has no doubt that they will be fulfilled.
Order backlog	Volume of orders received that will probably be recognised under "Revenue" in the consolidated statement of profit or loss. An order is considered to be part of the backlog only when the Group is certain that it will be fulfilled.
EBITDA	Operating profit/(loss) in the statement of profit or loss minus "Amortisation and depreciation" and "Impairment of property, plant and equipment" and plus exchange differences arising on operational transactions.
Net cash/debt	Cash and cash equivalents minus gross financial debt.
Equity for company law purposes.	Accounting equity plus profit participating loans.

Economic-financial indicators	€ thousand	
	2022	2021
Revenue	117,185	84,468
EBITDA	4,259	(9,129)
Order intake for the year (*)	348,053	175,116
Order backlog (**)	556,482	335,614
Profit/(loss) before tax	6,969	19,599
Net financial debt	(119,951)	(65,943)
Gross financial debt	(144,048)	(154,485)
Cash and cash equivalents	24,097	88,542
Equity attributable to the parent for company law purposes (1)	140,266	162,668

(1) Does not include losses for 2020 in accordance with RDL 20/2022.

(*) includes €22 million of order intake from Epicom (2021: €8.6 million)

(**) includes €16 million of order backlog from Epicom (2021: €6.6 million)

ANNUAL CORPORATE GOVERNANCE REPORT

The Annual Corporate Governance Report for 2022 is attached as an appendix and forms an integral part hereof, as provided in article 526 of the Corporate Enterprises Act.

ANNUAL REPORT ON DIRECTOR REMUNERATION

The Annual Report on Director Remuneration for 2022 is included as an appendix to this Management Report and forms an integral part of this document.

NON-FINANCIAL STATEMENT

Also included, in a separate section, is the literal text of the non-financial statement, which was prepared by the Board of Directors of Duro Felguera, S.A. and forms part of the 2022 consolidated management report. It is also available on the CNMV's website (www.cnmv.es) and the Company's website (www.durofelguera.com).

OTHER RELEVANT INFORMATION

Stock market data

The main stock-market data for the Group in 2022 and 2021 are as follows:

	2022	2021
Closing price	0.650	0.877
High (€)	1.113	1.500
Low (€)	0.500	0.614
Trading volume ('000 shares)	92,829	376,087
Cash (€ thousand)	76,484	381,679
Number of shares (x 1.000)	96,000	96,000
Market cap at year-end (€ thousand)	62,400	84,144

Source: Madrid Stock Exchange

DURO FELGUERA, S.A. AND SUBSIDIARIES

2022

AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS
MANAGEMENT REPORT

Gijón, 28 April 2023

Rosa Isabel Aza Conejo
Chairwoman

José Jaime Argüelles Álvarez
Chief Executive Officer

José Julián Massa Gutiérrez del Álamo
Director

Valeriano Gómez Sánchez
Director

Jordi Sevilla Segura
Director

César Hernández Blanco
Director

María Jesús Álvarez González
Director

APPROVAL OF THE BOARD OF DIRECTORS

Chairwoman Rosa Isabel Aza Conejo

Chief Executive Officer	José Jaime Argüelles Álvarez
Director	José Julián Massa Gutiérrez del Álamo
Director	Valeriano Gómez Sánchez
Director	Jordi Sevilla Segura
Director	César Hernández Blanco
Director	María Jesús Álvarez González
Non-director Secretary	Jesús Sánchez Lambás

Statement issued by Jesús Sánchez Lambás, Secretary to the Board of Directors, certifying that the directors have signed this document comprising the consolidated financial statements and consolidated management report of Duro Felguera, S.A. and subsidiaries for the year ended 31 December 2022, as authorised for issue by the Board of Directors of the Company at its meeting held today.

Gijón, 28 April 2023

Jesús Sánchez Lambás
Secretary, non-director

DURO FELGUERA, S.A. AND SUBSIDIARIES

STATEMENT OF RESPONSIBILITY OF THE ANNUAL FINANCIAL REPORT

The members of the Board of Directors of DURO FELGUERA, S.A. hereby state that, to the best of their knowledge, the separate financial statements of DURO FELGUERA, S.A. (statement of financial position, statement of profit or loss, statement of changes in equity, statement of cash flows and the notes thereto), as well as the consolidated financial statements including subsidiaries (statement of financial position, statement of profit or loss, statement of changes in equity, statement of cash flows and the notes thereto), for the financial year ended 31 December 2022, authorised for issue by the Board of Directors at its meeting held on 31 March 2023 and authorised for reissue on 28 April 2023, prepared in accordance with applicable accounting standards, present fairly the equity, financial position and results of DURO FELGUERA, S.A. and of the consolidated subsidiaries, taken as a whole, and that the management reports accompanying the separate and consolidated financial statements present fairly the business performance and position of DURO FELGUERA, S.A. and consolidated subsidiaries, taken as a whole, and a description of the main risks and uncertainties they face.

Gijón, 28 April 2023

Rosa Isabel Aza Conejo
Chairwoman

José Jaime Argüelles Álvarez
Chief Executive Officer

José Julián Massa Gutiérrez del Álamo
Director

Valeriano Gómez Sánchez
Director

Jordi Sevilla Segura
Director

César Hernández Blanco
Director

María Jesús Álvarez González
Director