# RESULTS REPORT

ANNUAL RESULTS
DECEMBER 2021

# DURO FELGUERA

## Results Report
## December 2021

## 1. Main figures and milestones for the period

| | 2021 | 2020 (*) |
|---|---|---|
| **Sales** | 84,468 | 133,143 |
| **EBITDA** | (9,129) | (138,860) |
| **EBIT** | (16,822) | (144,309) |
| **Net result of the parent company** | 22,614 | (171,643) |
| **Net debt** | (81,930) | (70,427) |
| **Order intake** | 175,116 | 78,635 |
| **Backlog** | 335,614 | 268,063 |

In thousands of Euros

(*) Figures for the purpose of comparison

2021 was a very important year for Duro Felguera. On 9 March the Cabinet Meeting agreed the authorization for Duro Felguera of the Solvency Support Fund for Strategic Companies, for an amount of 120 million Euros. This operation, together with the agreement to refinance the financial liabilities signed on 29 November 2021 with the banking syndicate and the financial support granted by the Principality of Asturias through the Regional Promotion Company for 6 million Euros on 27 December 2021, have enabled the Company to strengthen its financial and equity position. In addition, the financing contract includes the establishment of a revolving bond line for 80 million Euros with 70% CESCE coverage. As a result of this refinancing operation, the Company has recorded an extraordinary positive financial result of 37 million Euros net of the costs associated with the refinancing operation, enabling it to reach a profit after tax (PAT) of 22.6 million Euros in 2021.

In terms of order intake, we could highlight the award of a project in the Netherlands for 100 million Euros, consisting of the refurbishment and repair of the facilities of an industrial customer. This enabled the Company to reach a total order intake of 175.1 million Euros in 2021, 123% higher than in 2020.

As for the delivery of projects in the pipeline, it is worth mentioning that the 1500 MW power project in Djelfa (Algeria) was reactivated in 2021, under a framework agreement with the customer with very positive expectations for a successful completion of the project. Likewise, in the Iernut project (Romania), the Group is still involved in the negotiation process with the client. In January 2022 a proposal for the reactivation of the project, the recovery of the escrow account and the acknowledgement by the client of the project cost overruns was presented, in order to successfully complete this 430 MW power project.

In addition, in 2021, settlement agreements positive for the Group's interests were reached on certain projects, successfully ending lengthy and costly arbitration processes. In particular, the Group reached an agreement with General Electric to close the arbitration in relation to the CVO project with no impact on results, and similarly, an agreement was reached with Stoneway Capital Corporation and Araucaria Energy S.A. in relation to the Luján and Matheu projects in Argentina, which led to the collection of USD 10 million in 2021. In addition, several active litigation negotiations are currently ongoing and are expected to be concluded successfully.

The process of attracting a private investor is still active and such an incorporation would allow, in addition to strengthening the financial and/or equity position, for the accelerated implementation of the viability plan. To date, non-binding offers have been received from potential investors and expressions of interest in the Group are still being received and are being assessed.

As regards the level of activity in 2021, despite the progress made in vaccination programmes worldwide to mitigate the effects of the health crisis, the recovery has been uneven in the different countries in which the Group operates, and activity has still been affected by restrictions on mobility in certain countries, generating slowdowns in the pace of delivery of certain projects. In addition, the Group's activity in 2021 was slowed down by the delay in the closing and subscription of the restructuring operation with FASEE and the financial institutions, which prevented the availability of funds and the line of bonds until practically the end of the year. As a result, sales for the year amounted to 84.5 million Euros, a decrease of 37% compared to 2020.

The EBITDA was -9.1 million Euros, compared to -138.9 million in 2020. The 2020 EBITDA reflects the significant impact that Covid-19 had on the Group and which generated the application for temporary public financial aid under the FASEE. A structural cost reduction plan was implemented in 2021 and there are specific targets for further reductions in 2022, on which work is already underway.

The contract backlog at the end of the period amounted to EUR 335.6 million, of which 92% corresponds to international projects.

As of 31 December 2021, the Group's gross financial debt, which includes the amount of public financial support from the FASEE and the Principality of Asturias, totalled 170.5 million Euros. This amount also includes 5 million Euros relating to class "A" bonds and 10.9 million Euros relating to class "C" bonds, which in no case will involve cash outflows for the Group. Cash and cash equivalents as of 31 December 2021 amounted to 89 million Euros, with a net financial debt of 81.5 million Euros.

The Group's average workforce was reduced from 1,173 employees as of 31 December 2020 to 1,067 employees as of 31 December 2021.

From a financial point of view, as of 31 December 2021, despite the parent company's negative equity amounting to 137,504,000 Euros, it is not in a situation of dissolution:

Firstly, because the participating loans are considered as equity for the mercantile purposes of capital reduction and liquidation of companies. As of 31 December 2021, the amount of all participation loans subscribed under the refinancing agreement totalled 129 million Euros (100 million Euros corresponding to the FASEE and 23 million Euros to the financial institutions, and the 6 million Euros corresponding to the Principality of Asturias Regional Promotion Company). In addition, in December 2021 and as contemplated in the public financing contract, the company requested FASEE to convert the ordinary loan for an amount of 20 million euros into a participation loan in accordance with the financing agreement signed with the FASEE, which is currently pending approval. Once it is approved, the total amount of the participation loan will be 149 million Euros.

Secondly, and based on Royal Legislative Decree 27/2021, concerning procedural and organizational measures to deal with COVID-19, it is established that for the sole purpose of determining the existence of the cause for dissolution, the losses of the financial years 2020 and 2021 will not be taken into consideration.

With the aforementioned amounts of participation loans subscribed by the Group and not taking into account the losses corresponding to 2020 for the amount of 171,172 thousand Euros in accordance with the aforementioned Royal Legislative Decree 27/2021, the net equity of the Parent Company for mercantile purposes is 162,668,000 Euros, as shown in the following table:

(In thousands of euros)

| | |
|---|---|
| **Parent company equity 31-Dec-2021** | **-137,504** |
| Participation loan FASEE (*) | 100,000 |
| Participation loan SRP | 6,000 |
| Participation loan Banks | 23,000 |
| Corresponding losses 2020 parent company | 171,172 |
| **Equity of parent company 31-Dec-2021 (*)** | **162,668** |

(*) This amount will be increased by 20,000 Euros due to the conversion of the ordinary loan into a participation loan, requested from FASEE in Dec-21 and which is being processed at the date of preparation of these consolidated accounts.

On 30 April, José Jaime Argüelles Álvarez was appointed Chief Executive Officer. Two new Board Members also joined the Group on the same date, following the signing of the temporary public financing agreement against the FASEE, representing the Group.

In January 2022, a new organisation was defined, focused on five business lines: Conventional Energy, Industrial Plants (Mining & Handling, Oil & Gas, Pressure Vessel Manufacturing, Complex Industrial Plants), Services, Renewable Energies and Smart Systems, thus strengthening specialization and project orientation in both traditional and innovative businesses, such as renewable energies, energy storage, hydrogen and smart systems.

The reactivation of the worldwide post-Covid economy, high liquidity in the market and the support of European and international funds are allowing the revitalization of industrial projects in many countries.

The Group's vision for the future is focused on:

- Strengthening Duro Felguera's traditional businesses, historically profitable and stable.
- Boosting its activity with a focus on the renewable energy, energy storage and digitization sectors, in line with the energy transition and digital transformation.

Duro Felguera boasts excellent references in different sectors that will allow the Company to take advantage of these market dynamics in a positive way. In addition, the Group has signed collaboration agreements with technologists and other companies in the sector to enable it to generate greater activity.

## 2. P&L Account

| P&L Account | 2021 | 2020 (*) |
|---|---|---|
| **Total net sales** | **84,468** | **133,143** |
| **EBITDA** | **(9,129)** | **(138,860)** |
| **EBIT** | **(16,822)** | **(144,309)** |
| Financial result | 37,205 | (10,121) |
| Participation in (loss)/profit of affiliates | (784) | (14,426) |
| **Profit before tax** | **19,599** | **(168,856)** |
| Tax on earnings | (468) | (3,129) |
| Results from projects interrupted | 3,536 | - |
| **FY profit** | **(22,667)** | **(171,723)** |
| Minority interests | 53 | (80) |
| **Net profit of the parent company** | **22,614** | **(171,643)** |

In thousands of Euros

(*) Figures for the purpose of comparison

## 3. Consolidated Balance Sheet

| Balance Sheet | 2021 | 2020 |
|---|---|---|
| Intangible assets | 5,384 | 11,718 |
| Material assets | 27,821 | 30,738 |
| Investment in assets | 22,116 | 22,233 |
| Rights of use on leased assets | 1,237 | 835 |
| Investment by equity method | 20 | 20 |
| Long-term financial investment | 8,200 | 5,458 |
| **Non-Current Assets** | **64,778** | **71,002** |
| Stock | 6,431 | 6,710 |
| Commercial debtors, other accounts receivable | 99,975 | 103,925 |
| Other current assets | 32,340 | 39,940 |
| Cash and other equivalent assets | 88,542 | 24,896 |
| **Current Assets** | **227,288** | **175,471** |
| **TOTAL ASSETS** | **292,066** | **246,473** |
| Net worth of parent company | (138,410) | (147,274) |
| Minority interests | 531 | 477 |
| **Net Worth** | **(137,879)** | **(146,797)** |
| **Deferred income** | **3,340** | **3,578** |
| Long-term provisions | 7,499 | 6,551 |
| Long-term debt | 158,085 | 3,770 |
| Other non-current liabilities | 1,701 | 33 |
| **Non-current liabilities** | **167,285** | **10,354** |
| Short-term provisions | 87,219 | 97,249 |
| Short-term debt | 12,387 | 91,553 |
| Commercial creditors & other accounts payable | 159,709 | 190,536 |
| Other current liabilities | 5 | - |
| **Current Liabilities** | **259,320** | **379,338** |
| **TOTAL NET WORTH AND LIABILITIES** | **292,066** | **246,473** |

In thousands of Euros

**Net Treasury Position**

| December – 2021 | **Current** | **Non-current** | **TOTAL** |
|---|---|---|---|
| Gross financial debt | (12,387) | (158,085) | (170,472) |
| Cash and equivalent | | | 88,542 |
| Net Treasury Position | | | (81,930) |

In thousands of Euros

## 4. Inside information and other relevant information for the period

- On 11 January 2022, Duro Felguera announced a new organization to boost Company activity, with a focus on customers, profitability and ongoing improvement.
  This new organization is oriented towards five business lines (Conventional Energy, Industrial Plants, Services, Renewable Energies and Smart Systems), thus boosting specialization and project orientation in both traditional and innovative businesses, such as renewable energies, energy storage, hydrogen and smart systems.
  The industrial plants business line groups together Mining & Handling, Oil & Gas, Pressure Vessel manufacturing and projects in industrial complexes.
  The Services business line provides various services related to the specialized assembly, commissioning, and operation and maintenance of energy and industrial facilities.

  The new organisation, which combines the incorporation of new managers from internal promotion, will allow the Company to strengthen its focus on clients and the profitability of projects in order to meet the goals set by the Company in the Viability Plan approved by the Solvency Support Fund for Strategic Companies ("FASEE").

- Duro Felguera, through its subsidiary DF Operaciones y Montajes (DFOM), announced the award of a 100 million Euro contract with an industrial client in the Netherlands for the refurbishment and repair of its facilities. The scope of the project includes detailed engineering, supplies, mechanical, electrical and refractory assembly. The delivery period is one and a half years.

  With the award of this contract, dated 22 December 2021, the Company achieved the order intake target of 175 million Euros set in the viability plan for the year.

- At the meeting held on 18 January 2022, the Board of Directors resolved to set up a Sustainability Committee as a specialized committee to supervise compliance with the Company's environmental, social and corporate governance policies and rules, as well as the internal codes of conduct, in line with Recommendations 53 and 54 of the Code of Good Governance.

The setting up of this committee in turn required a slight amendment of the Regulations of the Board of Directors, since part of the functions now assigned to it were among those corresponding to the Audit, Risks and Compliance Committee, for which reason the Board of Directors also agreed at the same meeting to amend the Regulations of the Board of Directors.

At the same meeting, the Board of Directors also agreed to set the number of members of the Sustainability Committee at three (3), the composition being as follows:

Mr. Jordi Sevilla Segura (Chairman)
Mrs. Rosa Aza Conejo (Member)
Mr. José Julián Massa Gutiérrez del Álamo (Member)
Mr. Jesús Sanchez Lambás (Non-member Secretary)

- At the meeting of the Board of Directors held on 9 February 2022, with a favourable report from the Appointments and Compensation Committee, it was agreed to accept the resignation of the non-director Secretary, Mr. Bernardo Gutierrez de la Roza Pérez, for personal reasons, and to appoint Mr. Jesús Sánchez Lambás as the new non-director Secretary. He will perform the same duties on the Board of Directors' Committees.

## 5. Limited Responsibilities

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