DOMINION

H1 2024 results analysis

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1. Introduction

1.1. Context

Macroeconomic conditions have been characterized by a series of events and trends that have impacted financial markets, presenting investors and companies with an uncertain and challenging landscape. In terms of economic growth, mixed signals have been observed in different regions of the world, along with a slight easing of inflationary pressures that haven't fully subsided, and geopolitical events in a year marked by numerous elections in countries where DOMINION operates. In light of these scenarios, the company is well-positioned thanks to its geographic and business diversification.

The phenomena currently having the most impact on operations and results are related to rising interest rates and currency movements. In this context, major central banks have started to lower interest rates, although the pace seems to be slow and cautious.

The results DOMINION presents for the first semester of the year show that activity continues to develop positively, focusing on the company's strategic priority areas. The Services segment is experiencing strong growth in revenue and profitability by concentrating on the most tractionable and profitable activities and eliminating less profitable ones (cutting non-organic sales). Meanwhile, the Projects segment is moderating its activity by temporarily delaying some revenue, which is expected to materialize in the coming months.

From a capital allocation perspective, DOMINION is in an investment phase for strategic transformation as outlined in the Plan through 2026, focusing on business simplification and the deployment of the renewable energy pipeline. While the plan includes both investments and divestments during the period, several disbursements were concentrated in the first half of 2024, which can be offset by counterbalancing operations throughout the plan.

Profitability in the first half of the year already shows the initial benefits of this strategic transformation, achieving high levels of operating margins and recurrence, resulting from the company's distinct positioning.

Looking ahead to the second half of the year, a stronger semester is expected, with lower investment needs, envisioning a 2024 in line with the overall strategic plan guidelines.

1.2. Inorganic and non-recurrent effects

Inorganic effects:

The inorganic effect in the quarter was € -19.0m (€ -9.4m in Q2).

On the one hand, the additional turnover contributed by Gesthidro (2 months), as its acquisition took place at the end of February 2023.

On the other hand, the B2B2C business was restructured in the third quarter of 2023 in order to maintain or improve its profitability levels. The decision to divest physical points of sale led to a reduction in the sale of devices and therefore to an inorganic decrease in turnover for the entire half year.

Disbursements for corporate operations:

During the first half of the year, payment commitments acquired in the form of earn outs were met:

- in January, €67m was paid out, corresponding to the purchase of INCUS' shareholding position in the renewable energy business, agreed at the end of 2022.

- Earn-out payments of approximately € 9.2 million were also addressed, corresponding to Bygging India (acquisition 2019) and other environmental services companies.

Other payment commitments:

On 26 March, the company purchased 2.6 million of its own shares in order to be acquired by the management team, within the framework of a plan designed by the company for the participation of its main executives in DOMINION's share capital (purchase of shares executed by the management team in June 2024). This purchase involved the disbursement of €11.7 million.

The liquidity contract represents an additional €0.5m cash outflow in the first half of the year.

2. Financial-economic information

2.1. Turnover

(Millons of €)	H1 2023	%	H1 2024
Turnover	570.9	+0.1%	571.4

DOMINION closed the first half of the year with a turnover of 571 million euros.

While overall turnover was virtually flat (+0.1%), organic growth was +4.7%, in line with the guidance set out in the strategic plan.

Inorganic growth was -3.3%, and is the result of the reduction of certain non-strategic activities that entail lower device sales following the decision to close shops in the second half of FY2023.

The FOREX effect for the first half was negative -1.2%.

2.2. Operating margins

(Millons of €)	H1 2023	%	H1 2024
Turnover	570.9	+0.1%	571.4
Contribution Margin	84.8	+0.3%	85.1

Operating margins were slightly higher than in the same period of 2023, maintaining the same levels of profitability over sales.

And they grew compared to the margin reported in the first quarter (14.9% of revenues in 6m2024 vs. 14.7% of revenues in 1Q2024), despite the lower weight of the Projects segment in the mix of activities (see point 3).

2.3. EBITDA

(Millons of €)	H1 2023	%	H1 2024
Turnover	570.9	+0.1%	571.4
Contribution Margin	84.8	+0.3%	85.1
EBITDA	71.2	+0.3%	71.3
% EBITDA on Turnover	12.5%		12.5%

EBITDA reached €71.3m, 0.3% higher than the previous year, with EBITDA over sales of 12.5%, thus maintaining historically high levels of profitability.

2.4. Depreciation & Amortization

(Millons of €)	H1 2023	%	H1 2024
Turnover	570.9	+0.1%	571.4
Contribution Margin	84.8	+0.3%	85.1
EBITDA	71.2	+0.3%	71.3
% EBITDA on Turnover	12.5%		12.5%
Amortization	-31.1		-30.7

Depreciation and amortization remained stable, with a small reduction of €0.4m mainly linked to the IFRS 16 effect.

2.5. Financial expenses

(Millons of €)	H1 2023	%	H1 2024
Turnover	570.9	+0.1%	571.4
Contribution Margin	84.8	+0.3%	85.1
EBITDA	71.2	+0.3%	71.3
% EBITDA on Turnover	12.5%		12.5%
Amortization	-31.1		-30.7
EBIT	40.1	+1.3%	40.6
% EBIT on Turnover	7.0%		7.1%
Financial Result	-15.9		-20.5

The financial result for the first half of 2024 was € -20.5m.

This result includes net financial profit-expense, exchange rate differences, fair value changes and income from companies accounted for using the equity method.

There is a net increase of € 6.8 million in financial profits- expenses, as a result of the current interest rate environment and an increase in the debt position due to the financing of the renewable projects portfolio and the payment commitments foreseen for the year 2024, which have been concentrated during the first half of the year.

On the other hand, exchange rate differences are in favour of this half year result compared to the same period of 2023.

2.6. Net profit

(Millons of €)	H1 2023	%	H1 2024
Turnover	570.9	+0.1%	571.4
Contribution Margin	84.8	+0.3%	85.1
EBITDA	71.2	+0.3%	71.3
% EBITDA on Turnover	12.5%		12.5%
Amortization	-31.1		-30.7
EBIT	40.1	+1.3%	40.6
% EBIT on Turnover	7.0%		7.1%
Financial Result	-15.9		-20.5
EBT	24.2		20.1
Taxes	-0.4		1.4
Minorities	-0.0		-1.0
Comparable Net Income	23.7	-13.7%	20.5
% Result on Turnover	4.2%		3.6%
Discontinued	-0.4		-4.2
Attributable Net Income	23.3	-30.1%	16.3

Comparable Net Profit': refers to attributable net profit before discontinued operations.

DOMINION achieved an attributable net profit of EUR 16.3 million. This result includes:

- A higher financial expense due to the interest rate environment and expected payment commitments for 2024 (mainly concentrated in the first quarter).
- A lower corporate income tax expense, due to the application of tax losses and temporary differences.
- A negative result from discontinued operations. Discontinued operations include the result of the Danish tall metal structures company, Steelcon, and the own financial expenses of the Cerritos wind farm in Mexico.

2.7. Main movements of Balance Sheets items

(Millons of €)	DECEMBER 2023	JUNE 2024
Fixed Assets	516.1	513.9
Infrastructure Assets	138.4	147.9
IFRS16	38.3	44.2
Net Working Capital (8)	(205.0)	(164.4)
Total Net Assets	487.8	541.7
Net Equity	316.0	312.3
Net Financial Debt (5) Ex-Infra	(45.4)	72.6
Net Financial Debt (5) Infrastructures	120.3	125.5
IFR16 Debt	33.4	37.7
Others	63.5	(6.5)
Total Net Equity and Liabilities	487.8	541.7

NFD total 198 M€

- Fixed Assets: slightly lower (-2M€) compared to the same period of 2023, as a result of higher depreciation levels than the CAPEX invested in the period.
- Infrastructure assets: increased (+€6m) as a result of the development of the pipeline during the first half of the year with no divestments.
- Net Working Capital: there was a €40m variation in working capital (investment). This investment in working capital is part of the investments necessary to carry out the strategic transformation envisaged in the 2023-26 Plan, which includes the simplification of the company. Among these transformations, the reduction of the B2B2C business after its restructuring during the third quarter of 2023, entails the elimination of the working capital associated with it, as it is a business whose nature (longer payment term than collection) naturally generates negative working capital.
- Equity: incorporates the profit for the half year (+17.3M€), the recording of the dividend (-14.6M€), paid on 9 July (after the half year end), a reduction in translation differences (-3M€) and movements in treasury shares (-2.3M€).
- Net Financial Debt: DOMINION closes the first half of 2024 with an increase of +123M€ in net financial debt. The following table explains the 'bridge' of this evolution:

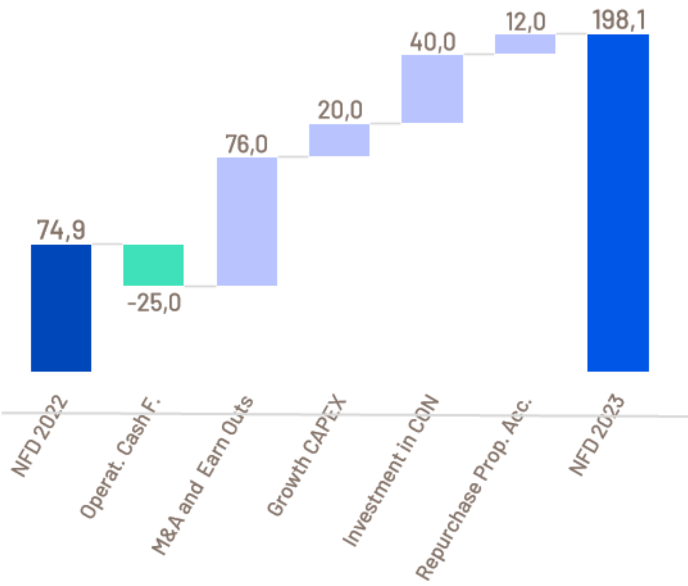
- Operating free cash flow generation of €25M.

- Corporate operations for a total of €76M, due to the payment of earn outs from previous years, in accordance with the payment commitments set out in point 1 of this document.

- Expansion or growth investments. In addition to the maintenance or recurring CAPEX, the company allocated €20m to the expansion of its businesses, specifically the development of its renewable infrastructure pipeline and the expansion of its mobile device leasing business.

- Strategic transformation investments of €40m. The reduction of the B2B2C business following its restructuring during the third quarter of 2023, entails the elimination of the working capital associated with it.

- Share buyback: a total of €12m has been invested in the repurchase of own shares, in order to complete a long-term incentive programme for the company's management team.



2.8. Extending and improving financial conditions

During the second quarter of the year, a new syndicated loan for an amount of € 295 million was signed.

This new loan consists of a loan tranche (€155m) comprising a tranche in EUR and a tranche in USD and a credit line for a maximum amount of €140m.

The signing of this syndicated loan replaces the two previous syndicated loans (for an amount of €178m), grouping all the financing under the same clauses and improving its conditions in terms of amount, price and term. It is a 5-year term loan which, under the current conditions, has a cost of Euribor 6 months + 1.40% for the loan in EUR and SOFR + 1.85% for the loan in USD.

3. Business segment highlights

3.1. Sustainable Services

	H1 2023		H1 2024
Turnover	393,2€	+2.1%	401.4M€
CM (4)	46,1€	+7,9%	49.7 M€

Sustainable Services posted a turnover of €401.4m in the first half, up 2.1% year-on-year.

The organic growth of this segment is particularly noteworthy, standing at +7.9%, demonstrating the strength and recurrence of the services, which have historically grown at a good pace and notably in the last quarter.

The inorganic effect for the period is fully concentrated in this business segment; Gesthidro (+€0.6m) and the inorganic/one-off effect of lower device sales following the restructuring of the B2B2C business (-€19.6m). It should be noted that the lower sales in the devices business do not have a significant impact on the margin.

The contribution margin was 12.4%, the highest level of profitability in recent years and 70 bps higher than in the same period of 2023, thanks to the focus on businesses with higher profitability (Environmental Services) and the decline in activities with low or zero margins, such as the sale of mobile devices or services with lower added value.

Of note in the first half of 2024 was the excellent performance, both in execution and profitability, of the telecommunications business, both in Latin America and in Europe (Germany).

The segment's significant growth and the lower performance of the 360º Projects segment increased its weight in terms of revenues (71% vs. 70% 6M2023) and contribution margin (62% vs. 57% 6M2023), consolidating the recurrence of the business.

3.2. 360º Projects

	H1 2023		H1 2024
Turnover	171.0€	-4.6%	**163.2M€**
CM (4)	34.1€	-9.9%	**30.8M€**

360º Projects achieved a turnover of €163.2, which represents an organic reduction of 2.7% of turnover. In addition, there was an exchange rate impact of -1.9%.

This slowdown in the segment's turnover has two different effects.

On the one hand, there are several dynamics that delay the implementation of renewable infrastructure projects:

- A transition period during which the weight of execution is being shifted from Latin America (Dominican Republic) to Europe.
- The electoral periods in the Dominican Republic and Mexico during the second quarter and the consequent electoral campaigns prior to the elections have left several of the project closure and connection processes on hold.
- DOMINION's decision to postpone the start of execution in Europe, in order to match investments as closely as possible with the formalisation of the divestment agreements.

These are therefore two transition quarters for renewable projects, whose activity levels are expected to recover in the second half of the year.

On the other hand, projects related to industrial and social infrastructures maintained stable and growing levels of activity, with some qualitatively outstanding milestones such as the first DPC in Chile or the completion of the definition work on a hydroelectric plant project, also in Latin America. In addition, very positive progress was made on an electricity distribution network project nearing completion.

New order intake and consumption during the period brought the backlog to €601m at the end of the half year.

At the contribution margin level, project margins remain high at 18.8%, well above the strategic guidance of 15%.

3.3. Stakes in Infrastructures

Status	Project	Location	Technology	MWp	Ownership
In generation	**Santa Rosa**	**Argentina**	**Biomass**	**18**	**100% (Global C.)**
	Santa Rosa	**Ecuador**	**Photovoltaic**	**4**	**100% (Global C.)**
	Valdorros	**España**	**Photovoltaic**	**4**	**100% (Global C.)**
	El Soco	**Dominican Republic**	**Photovoltaic**	**79**	**50% (Equity Method)**
Held for sale	Cerritos	México	Wind	66	100% (C. Global)
In construction	LATAM		Photovoltaic	281	Equity Method
	EUROPE		Photovoltaic	83	Global C.
In the pipeline	EUROPE y LATAM		Photovoltaic	2, 841	Global C.

Status	Project	Location	Typology	Ownership
In operation	**Antofagasta**	**Chile**	**Hospital**	**15% (Equity Method)**
In construction	Buin Paine	Chile	Hospital	10% (Equity Method)

The stakes in Infrastructures segment closed the first half with revenues of Euro 6.9 million and contributed Euro 4.6 million of EBITDA to the traditional business, derived from 100% owned infrastructures and generation, similar to the first half of 2023.

The infrastructures 'in construction', executed during 2023 in the Dominican Republic, are in the process of connection and, therefore, entry into COD and generation, a prior step for the divestment of 50% of each of them. The first of these, La Victoria, with an installed capacity of 65 MWp, was inaugurated in June.

The Cerritos wind farm is progressing with connection and testing procedures prior to its definitive connection scheduled for Q3 and its subsequent complete divestment.

4. Other information

4.1. Shareholder structure

The significant shareholders at the end of the first quarter of 2024 are as follows:

Holder	Percentaje
ACEK Desarrollo y Gestión Industrial S.L.	15.2%
Mikel Barandiaran Landin (CEO)	5.8%
Antonio María Pradera Jauregui (Presidente)	5.7%
Indumenta Pueri S.L.	5.6%
Corporación Financiera Alba	5.6%
Elidoza Promoción de Empresas	5.6%
Mahindra & Mahindra	4.2%

This represents a free float of 51%.