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Speech by Cristina Ruiz

General Shareholders' Meeting 2020

Speech by Cristina Ruiz, Minsait's chief executive officer

Opening and Introduction

Good morning shareholders. It's also an honor for me to address you for the first time as Chief Executive Officer of Indra, together with Ignacio Mataix, with the main responsibility for Minsait, the Information Technologies and Digital Transformation division.

In the 2020 financial year, on the occasion of this Meeting, both Ignacio and I would like to give a special mention to each and every one of our professionals who, in highly difficult situations and in times of great uncertainty and concern, have facilitated the continuity of our activity and contributed to the maintenance of essential services for society throughout the year, undoubtedly one of the most difficult ones in our history.

Many of the critical and essential activities to ensure the smooth running of the country have been supported by the work of Indra's professionals, at times in very difficult conditions.

Since the beginning of the pandemic, we've mobilized ourselves to launch new support services for the healthcare systems of several autonomous regions, redefine our BPO lines to support Spanish banks in the Official Credit Institute (ICO in Spanish) loan lines and develop new digital applications to enable us to provide the online service for our clients. I believe that, together, we've contributed to the sustainability of our customers and society at a very difficult time, and that's something we can be proud of.

I'll now move on to assess the 2020 results for Minsait, a division which has logically been highly influenced by COVID-19.0

- The contracts received fell by -1% in 2020 in local currency (-7% in reported terms), which, under the circumstances in which the commercial activity unfolded due to COVID-19 and the negative impact on global demand, can be regarded as a good result in comparison with 2019
- The Minsait division's income in 2020 remained stable in local currency and fell by -4.5% in reported terms due to the sharp devaluation of the currencies in Latin America
- In keeping with our strategy of changing the business mix, the contribution of digital services amounted to 506 million euros in 2020 (26% of Minsait's sales), representing growth of +11% compared to 2019, partly driven by the inorganic contribution of the SIA company
- Moving on to analyze the evolution of Minsait's profitability, it should be highlighted that the Operating Margin in 2020 stood at 69 million euros, compared with 97 million euros in 2019, a figure equivalent to a margin of 3.6% in 2020 compared with 4.8% in 2019
- This downward turn can be explained by the loss of operating leverage as a result of the decline in sales, the increased pressure on prices among our customers and the higher costs of a workforce that was sized at the beginning of the year with a period of sales growth in mind
- The recovery of business profitability began in the fourth quarter of the year thanks to the impact of the COVID-19 Action Plan, with a significant improvement in the Operating Margin, which totaled +7.5% compared to the figure of +5.8% in the same period of 2019
- The reported EBIT for Minsait in 2020 stood at -88 million euros, a figure that includes all the negative impacts of COVID-19 and the cost of the efficiency plan measures that were implemented. If we exclude the effects of the efficiency plan, Minsait's EBIT would have totaled 39 million euros

To conclude this assessment of the year, despite the negative impact of COVID-19, we're beginning to discern the end of the pandemic on the horizon; some sectors and geographical areas are showing signs of recovery and we're already seeing the positive results of the actions undertaken during the most difficult moments of the crisis.

The implications of the COVID-19 crisis for our clients have been and remain very tangible. Virtually all the sectors that interest us have suffered the consequences of the pandemic.

We've experienced the downturn in profitability of the banks and insurance companies, the crisis of demand in the energy companies, the interruptions of the supply chains of certain industries, the unprecedented impact on the tourist sector and airlines and the delays in the investments of the Public Authorities, which have had to focus mainly on managing the health crisis.

As the results we've just gone through show, our IT business has displayed remarkable resilience compared to the other sectors hardest hit by COVID-19.

Some of these consequences are now beginning to subside and, in our case, unlike other industries, the recovery of the economy and the acceleration of technological needs are providing business opportunities for Minsait which we're in a position to capitalize on.

Because, as I mentioned before, alongside the crisis and difficulties, new opportunities are also appearing, and they're basically digital.

- Our clients will have to develop their relationship models with consumers by digitizing their sales channels and personalizing their products and services through the exploitation of data and artificial intelligence
- They'll also have to evolve their production models by introducing robotization and sensorization into their production lines
- They must protect their critical infrastructures and their clients' data, a task in which cybersecurity is vital

To cover all these needs, Minsait has the very best digital capabilities and a solid business model that will undoubtedly enable it to continue along the path towards growth and improved profitability.

Therefore, having analyzed the 2020 results, I'd like to share with you my vision of the trends that are affecting our business and identify the strategic lines of action for Minsait

- Digital capabilities remain a critical factor in our strategy. The new scenario will bring profound structural changes and our clients are demanding digital solutions with an extremely high transformational speed
- Consequently, digitalisation is going to speed up dramatically in all the sectors, both as a source of efficiency and as a tool for business transformation. Our offer and product strategy will respond to and seek to anticipate this trend
- Scale remains key when it comes to maintaining innovative capacity and operating leverage within a context of fierce competition in terms of prices. It's therefore essential to continue to focus on growth
- The concentration of value on product and digital development is becoming more accentuated, as opposed to the legacy activities of integration and services, which are growing less and with lower returns. Therefore, many of the actions we've undertaken, ones that we'll continue to promote, are intended to continue the evolution of Minsait's change of mix towards businesses with greater value
- Finally, there's a growing geographical polarization between the most developed economies, with the United States at the forefront, and the regions with less demand for innovation and a lower capacity for technological investment. It's vital for us to keep an eye on these developments and continue to gradually improve our penetration in the most attractive markets

Consequently, it's crucial to make progress in three core areas in order to recover and consolidate Minsait's path towards growth and improve its profitability:

1. Accelerating top-line growth through the high-growth product range and prioritizing the geographical areas with the greatest value, focusing our sales efforts on what we call acceleration vectors, such as cybersecurity, phygital (the digitalisation of the physical world), the cloud, data analytics and payment methods.
2. Continuing to develop our operating model, consolidating and furthering our productivity improvement plans and working on a new delivery and production model which takes full advantage of the potential for cross-cooperation in the use of resources and the standardization of the product range.
3. Continuing to identify opportunities for inorganic growth so as to complement the digital or optimization-related capabilities of our portfolio of businesses and geographical areas to ensure the continuous improvement of our profitability.

In conclusion

Throughout this period of major disruption, we must remain proactive in staying very close to our customers in order to understand their needs and decide how we must evolve and transform ourselves in this new competitive environment.

We must also anticipate technological disruption, which requires us to constantly update and expand our skill set and product range while remaining attractive to the best digital talent, to which we must offer an excellent working environment where it can develop and grow in professional terms. In short, we must ensure that our professionals provide the best response today to guarantee our customers' tomorrow.

At the same time, so as to guarantee our competitiveness, we must also continue to focus on our productivity, which has suffered from the impact of the crisis and the downturn in our income.

I believe that, thanks to the profound transformation of recent years, Minsait is ready to continue with the evolution of its product range towards digital and high-value activities. Based on our undeniable strengths, we'll be able to increase profitably, generate high-quality employment and capitalize on the opportunities created by the technological environment and the recovery and resilience plans, in which we hope to play a leading role.

Finally, to conclude, and on behalf of the other two CEOs, we believe that the company's two businesses are embarking on this new phase with solid foundations that will enable them to continue and further their strategy of growth and profitability; there are excellent prospects for success in reinforcing our leadership in the technological fields we compete in, in a scenario in which the pandemic is fortunately being left behind.

Our initial challenge is to comply with the guidance for 2021 announced to our investors. We hope to obtain:

- More than 3,200 million euros in income at a constant exchange rate
- An EBIT of over 200 million euros
- And a Free Cash Flow of more than 120 million euros in 2021, before the outflow resulting from the workforce transformation plans

Finally, dear Shareholders, now that my speech is coming to an end, allow me to highlight the high degree of motivation and commitment we have with regard to Indra's future and express our gratitude for your trust in our leadership of this great company.

Thank you very much.

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