



# General Shareholders' Meeting 2022

CEO's speech

Good morning Shareholders.

It is an honor for me to address you as CEO of Indra. This year's General Meeting is taking place under normal health conditions with regard to the pandemic, unlike the Meetings of the last two years. I thank you for your attendance, both those who are here today and those who are following us online.

I would like to begin my speech by thanking Cristina Ruiz and Javier Lázaro, who for personal reasons have decided to take on new professional challenges. Both have made an excellent contribution to the company's transformation in recent years. On a personal note, I'd like to thank Cristina in particular for the work we've done together over the last few months as joint CEOs.

I would also like to congratulate and welcome Luis Abril to the table as the new Executive Director and the new person responsible for leading Minsait. I am convinced that together, and with the splendid team that surrounds us, we will continue to lead Indra's growth within the framework of the Strategic Plan.

It is also a pleasure, in terms of strengthening the team, to welcome Borja García Alarcón to the company as Indra's new Chief Financial Officer, whose appointment was approved today by the Board, and to whom I wish every success in his new responsibilities.

Finally, I would like to thank the trust that the Board placed in me last April with my unanimous appointment as the company's CEO and I would especially like to thank Indra's team of professionals for the incredible effort made in 2021 that has made it possible to rebound and exceed expectations above and beyond the 2019 numbers.

I will now proceed to the assessment of the Group's results in 2021, and conclude with our reflection on the main actions and priorities for Indra and its Minsait business, Aerospace & Defense, and Mobility.

- It has been an extraordinary year in terms of results, considering that we are still in 2021 in a post-COVID recovery context for many of our customers and businesses.
- Indra achieved all-time highs in its portfolio, revenues and free cash flow in 2021, far exceeding 2021 targets.
- One positive factor was undoubtedly the evolution of the portfolio, which stands at a record high, having reached 5,459 million euros in 2021, a figure that represents a growth of +4% in reported terms.
  - The Transportation and Defense division's portfolio amounted to 3,859 million, up 6% compared to 2020, of which 2,441 million was in the Defense and Security market.
  - Minsait's portfolio amounted to 1.6 billion, up 1% in reported terms (3% in local currency)
  - The portfolio to sales ratio stands at 1.61 (compared to 1.72 in 2020) and continues to be an indicator of the excellent health of our future business
- Net contracting in 2021 decreased by -3% in local currency and -4% in reported terms.
  - It should be recalled that we are comparing 2021 with the extraordinary contracting figure of 2020 in the Defense and Security market, both in Spain (in multi-year projects such as the F110 Frigates, 8x8 vehicles, NH90 helicopters and the Chinook simulator upgrade) and in Europe (with the Eurofighter MK1 radar) and in Asia and the Middle East.
  - Contracting at Minsait in 2021 grew 8% in local currency (6% reported), driven by growth in all verticals. The double-digit growth recorded in Energy&Industry was remarkable, driven by Europe (mainly in the Italian subsidiary) and the strong performance of our Industry business in Spain.
- Revenue in 2021 grew 13% in local currency and record highs were achieved in both Transportation & Defense and Minsait, with double-digit growth versus 2020 in both divisions, clearly outperforming pre-pandemic 2019 levels.
  - In Defense, Indra's best vertical in terms of profitability, we achieved 22% revenue growth, notching record highs thanks to major projects in Asia and the Middle East (Azerbaijan and Saudi Arabia), Spain (LANZA 3D radars and the aforementioned national projects) and Europe (Eurofighter and FCAS), ensuring excellent prospects for the coming years.

- On the other hand, revenues from the Transport & Traffic business grew (+4% in local currency) despite global air traffic reaching only 60% of pre-pandemic levels. Relevant contracts in Eurocontrol, Kuwait or South Korea are already showing vigorous signs of recovery in the sector.
- It is also worth highlighting the significant progress in Transport projects of special difficulty and risk (with the completion of the capex in the Mecca-Medina project and very significant collections in the Saudi Arabian projects). It is also worth mentioning the achievement of important projects in the USA and the commissioning of the T-Mobilitat project, which now covers the demand of 60% of the travelers in the city of Barcelona
- Minsait's revenue rose by +13% in local currency (+11% in reported), with strong growth in Public Authorities and Healthcare (+28% in local currency), thanks to increased activity with Spanish administrations, our Italian subsidiary, and the Elections business. The Energy and Industry verticals also experienced solid growth of +13% in local currency due to the inorganic contribution of Smart Paper, an Italian BPO company acquired this year, and increased activity in Italy, Brazil and Spain (especially in the Industry sector). Financial Services grew +7% in local currency and Telecom & Media rose +5%.
- A negative factor in the year's results was the evolution of exchange rates, which subtracted EUR -41 million from 2021 revenues due to the depreciation of Latin American currencies.
- Organic revenues in 2021 (excluding SmartPaper's inorganic contribution and the exchange rate effect) increased by +11% in both divisions combined, showing a vigorous pace of growth in the fundamentals of our businesses.
- Another sign of the positive evolution of the business mix is the 15% growth of Minsait's digital business, which now accounts for 27% of Minsait's total sales
- Reported EBITDA in 2021 stood at €349 million, compared with €77 million in 2020, a year with a significant impact from the provisions of the COVID action plan.
- Reported EBIT reached €256 M, which is 16% above 2019, and 31% above the last five years, figures that reflect profitable and sustained growth.
- EBIT margin in 2021 reached 7.5%, compared to -1.1% in 2020, and exceeding the 2019 level (6.9%)
  - Of particular note is the improvement in Minsait's EBIT margin to +4.9%, up from 2% in 2020, which is an all-time high and reflects the success of the efficiency plans and the change in mix towards digital and higher value activities.
  - It is also noteworthy that the improvement in T&D's EBIT margin, which amounted to +11.2%, was achieved in a context of global supply chain difficulties (with the consequent impact on costs and procurement lead times) and despite some revenue recognition still suffering from the effect of COVID restrictions in certain countries.
- Net income totaled €143 million in 2021 compared to €65 million recorded in 2020.
- Free cash flow (FCF) in 2021 was €289 M, an all-time high and substantially above the previous record of €186 M in 2017, and well beyond the 2021 target of over €140 M. This cash generation figure already takes into account the negative effects of the workforce transformation plans, the cash inflow from the sale of the San Fernando de Henares facilities and the collection on delayed projects from the Transportation & Defense division, as well as advances on certain one-off projects.
- Net Debt was reduced to €240 million, its lowest level in the last 10 years, compared to €481 million in December 2020, bringing the Net Debt/EBITDA ratio down to just 0.8x compared to 2.5x in December 2020.
- The excellent business performance and the sustained improvement of our financial situation allowed us to announce the payment of a dividend of €0.15 per share in July 2022, after seven years without shareholder remuneration.

In summary, 2021 has been a year of excellent results, despite the difficulties and some effects of the pandemic that still affect us. Our performance has enabled us to meet the targets we committed to our investors for the year. Targets that we have revised upwards on two occasions during the year and that we have ended up comfortably surpassing.

As you can see, the results of both Transportation & Defense and Minsait show the good commercial moment we are experiencing and which we are taking advantage of. They also stand out for the improvement in operating margins and profitability, which already far exceed those achieved before the pandemic.

It should be noted that we are halfway through our current Strategic Plan, 2021-2023. And I am pleased to say that we are satisfactorily meeting the objectives set therein, both financial and strategic.

- We continue to strengthen, both at Minsait and T&D, our positioning in key clients and projects for our future. While maintaining our position in strategic projects such as the Eurofighter (with the award of contracts such as Germany's EFA Quadriga) and strengthening our position with Minsait's key customers, we have also won new flagship projects.
- Some examples to highlight in this regard are the award of the digital transformation of Eurocontrol's Network Manager, the testing and validation services for the systems of the European Justice and Home Affairs Agency eu-LISA, or our continued achievements in Energy, Industry, the elections business lines or in Payment Methods.
- We also began to realize our excellent positioning as the main player in the digital transformation and cybersecurity of companies and public authorities in Spain, with two projects from the European NextGen funds, which will soon be followed by others.
- We have effectively mitigated the impacts of the latest phases of the pandemic, which have resulted in delays in revenue recognition and supply chain difficulties. We have demonstrated in this scenario the high degree of resilience of our operations.
- We are a knowledge-intensive company and therefore everything related to talent is strategic for us. In a complicated context for the recruitment and retention of professionals, we are deploying numerous initiatives to strengthen our employer brand and offer the best professional environment for top technological talent.
- We have made decisive progress in our workforce transformation plan and the adaptation of our work models, which we will continue with a real estate efficiency plan (mainly focused on Minsait)
- We are immersed in a corporate transformation plan to improve efficiency, bring people closer to the business and improve flexibility to respond to the dynamic and changing market we face
- We have continued our acquisition strategy to strengthen our technological and digital capabilities, with the acquisition of 6 companies that bring us market and knowledge in strategic areas for us such as Cybersecurity, payment methods and digital marketing.
- We continue to be leaders in innovation. With 293 million euros invested in RDI in 2021, Indra is among the Spanish companies that most invest in innovation in its sector in Europe: 8.6% of its sales. And within H2020, the European R&D Framework Program, Indra has been the Spanish company with the highest economic return obtained in its sector and the second at European level. The company plays a leading role in some of the most innovative Spanish and European initiatives that will design future next-generation technologies for the various sectors.
- Finally, I would like to highlight once again Indra's excellent performance in the ESG area, which places us as one of the most internationally recognized companies in our sector in environmental, social and corporate governance matters. Among other awards, this year Indra has achieved the best overall score in the Software&Services industry in the Dow Jones Sustainability World Index, and has been rated by S&P for the second consecutive year as "Gold Class" with the best score among companies in the IT services sector. We have also become part of the group of "leading" companies in the fight against Climate Change according to the CDP (Carbon Disclosure Project) index.
- Such results highlight the efforts is making to place sustainability at the center of our strategy, to contribute through technology to meeting the challenges of sustainable development set out in the 2030 Agenda, to facilitate the transition towards a low carbon economy.

We therefore face 2022 with the best prospects, especially in terms of demand, which continues to be driven by the geopolitical situation, the acceleration of technological and digital needs, and the gradual economic recovery, albeit plagued by uncertainties in many of the regions where we operate.

- In particular, the change in perception towards Defense, especially in Europe with commitments to an investment growth not seen in recent years, places us in a market with a very positive outlook. This is a trend that we have been observing for some years now, rooted in growing geopolitical instability. But there is no doubt that the war in Ukraine, which we all regret, has dramatically accelerated the trend towards taking Europe's defense more seriously, while the role of NATO, having undergone years of criticism, is taking on newfound strength and attracting new countries wishing to join.
- This greatly reinforces our position as a major European company in the field of systems definition and integration, at a time when systems are absolutely critical for the execution of operations, and in response to Europe's growing concern for strategic sovereignty. At Indra, as you know, we have been committed to innovation in European projects since the preparatory actions of the European Defense Fund and we are leaders in mission systems, sensors and integration of complex capabilities. It is time to re-launch R&D investments to develop the technological capabilities that the systems of the future will require and also to modernize our industrial footprint.

In this sense, Indra is prepared to lead the systems projects that will undoubtedly be launched under the protection of increased funding in Defense and consolidate its position as the leading partner in Europe in European collaborative projects.

- Air traffic is recovering and all stakeholders anticipate an earlier than expected return to post-COVID normality, so the investments in airport modernization and expansions that were put on hold at the time will be getting underway, as well as the renewed drive for mobility for which Indra is prepared as it has excellent national and international references.

We are world leaders in air traffic systems. It is a market that will not stop growing, but new ways of managing airspace will be needed, as well as satellite space, where we will also see saturation in the future. Our capabilities are more than proven in airspaces as crowded as those in the northern European corridor.

- On the other hand, we continue to be immersed in a process of technological acceleration and digitalization in which Minsait is competing successfully and effectively. It is a transversal phenomenon, which not only affects the sectors most related to IT, but also penetrates more and more deeply into more traditional sectors such as Transport and Defense, in which Indra is already a reference as a partner of FCAS and, more recently, with the award of the iNM contract.
- The four accelerators of Minsait's 2021-2023 Strategic Plan (Phygital, Payments, Cloud Data and Cyber) are the conceptual framework and the key to continue driving the evolution towards a business of the highest value, growth and return. Minsait has a defined product positioning strategy and a strategic and operational plan. Many of these businesses are linked to major strategic alliances with other global benchmark technology companies with whom we share great opportunities.
- We also have a solid financial position, following the deleveraging of recent years, to accelerate the inorganic growth of our activities, always focused on profitable growth and the acquisition of key capabilities to strengthen our position in customers, segments and the regions selected in our strategic plan.

There are also difficulties and elements that force us to remain alert.

- It is essential for us that the FCAS program makes adequate progress, that the necessary agreements are reached for its development with the definitive signing of Phase 1B and that Spain's leading role in the program is maintained.
- We are a knowledge-intensive company, and therefore everything related to recruiting and retaining talent is fundamental to us. We need to continue working on all things related to employer branding and the attractiveness of our brands to young professionals.
- As we have already been experiencing, we will have to carefully manage the impact of inflation on our cost increases, and especially on personnel costs, which account for a very significant percentage of our costs, especially at Minsait.
- Finally, we are exposed to ongoing disruptions in global supply chains, which have impacted our projects in two ways: a cost overrun on materials that will increase pressure on our margins in the coming years, and a lengthening of lead times, in some cases leading to delays in our deliveries to customers.

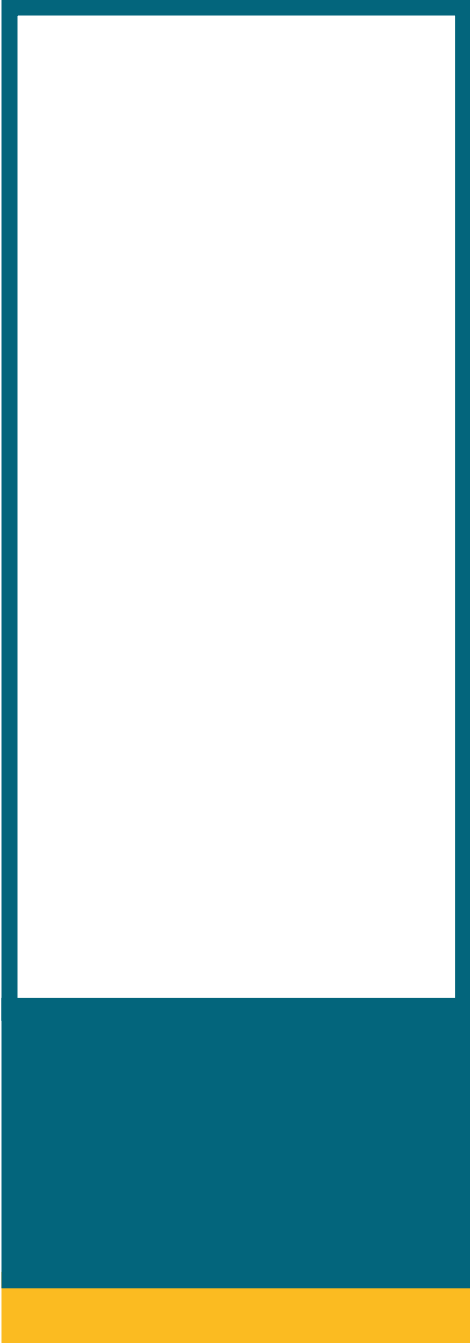
To face these challenges, we have taken a series of measures, such as the integration of the Purchasing and Supply Chain areas in a single management with an end-to-end vision of the procurement process, the strengthening of program purchases and agreements with medium-term suppliers, the development of the Design-to-Cost initiative, and the upcoming implementation of a new radar production system, which will reduce the current Time-to-Market by less than half.

I am now nearing the end of my speech,

The transformation carried out in recent years will help us to meet all these challenges. Many of the actions that we will have to undertake in this new stage will respond to these new challenges, a consequence of the growing investment in defense, the transversalization of aeronautics, space and mobility activities and the digitalization of our customers and products, which, even with the difficulties of managing increasingly scarce talent, will afford us great opportunities. Considering all the elements and the work done, I believe we can be optimistic about our future.

Dear Shareholders, now that my speech is coming to an end, allow me to remark upon the high degree of motivation and commitment we have with regard to Indra's future and express our gratitude for the faith you place in our leadership of this great company.

Thank you very much.



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