



***Annual General Meeting***

***6 May 2022***

***Statement from the Chairman***

***Florentino Pérez***

## Introduction

Good morning shareholders, and welcome to this 2022 Annual General Meeting. It is a pleasure to see you again after two years in which we were forced to hold our meeting virtually. This is further confirmation that we are in the final phase of the pandemic; a pandemic that has reminded us, as a company, of the importance of the values we share and that have helped us to overcome difficulties. The countless expressions of solidarity from the community, the professional commitment of millions of workers — especially in the healthcare sector —, and the national and international collaboration that has allowed us to have an effective general vaccination system in record time are remarkable.

I would like to begin my remarks by briefly reviewing the milestones that have marked the Group's performance in 2021 and that will determine the future of ACS in the coming years.

- First, as you are aware, the ACS Group obtained the highest net profit in its history, reaching EUR 3,045 million, driven by the capital gains generated with the sale of the Industrial business to the French group Vinci, a transaction that I will describe further later on. This marks the beginning of a new phase that will include a series of changes aimed at improving profitability, reinforcing financial soundness, consolidating our leadership position and increasing the competitiveness of the ACS Group.
- The funds obtained by this transaction, which amount to EUR 5 billion, will allow us to make the strategic changes that we have planned and that focus on:
  - ✓ Increasing the weight of the Group's concession activities by investing in new infrastructure concession projects, either through Iridium or Abertis.

We will also allocate part of these funds to developing renewable energy concession projects through the creation of a joint venture with Vinci to develop the pipeline of renewable energy projects that the Industrial Services area has around the world.

- ✓ We also plan to simplify the Group's corporate structure; an example of this is the recent takeover bid by Hochtief for the 21.4% non-controlling interest in CIMIC, which was then delisted from the stock exchange.
- It is also well known that an efficient, dynamic and well-managed organisation is the basis for value creation, and the recent decisions taken, along with the changes recently made to our

corporate governance, are designed to reinforce this. I will go into further detail on these changes later.

- Lastly, I would also like to point out the important steps towards sustainability that have been taken by the Group, which goes beyond regulatory requirements or the demands of our stakeholders. ACS's new 2025 Sustainability Master Plan positions us as a global benchmark in our sector.

## **2021 RESULTS**

I will now summarise the Group's operational and financial performance in 2021, taking into account that operational figures do not include the Industrial Services business sold last December.

### **1. Consolidated profit**

Sales remained virtually stable on a like-for-like basis compared to the previous year, reaching EUR 27,837 million at the end of 2021. Production gradually improved in the main regions where the Group operates, with growth in the second half of the year at 8.8% compared to the first half, consolidating the trend towards recovery after the recession caused by the pandemic.

Operating profit grew by more than 15% compared to the previous year, mainly supported by the recovery of Abertis, which contributed EUR 145 million to ACS's EBITDA in 2021.

EBITDA, therefore, amounted to EUR 1,598 million, up 16% on 2020, and EBIT reached EUR 1,084 million, which is an increase on 15%.

The main areas of activity showed an improvement compared to 2020, enabling the Group's ordinary net profit in 2021 to reach EUR 720 million, up 33% on the previous year.

- Construction generated an ordinary net profit of EUR 273 million, up 3.8% on the previous year, driven by the recovery of CIMIC.
- Concessions generated EUR 167 million in net profit, of which EUR 117 million correspond to Abertis.
- Services posted a net profit of EUR 29 million, growing by 65.4% following the effects of the pandemic in 2020.

- The Industrial Services area, in its last year as part of the ACS Group, generated ordinary net profit of EUR 328 million.

The sale of the Industrial Services area allowed reported net profit to reach EUR 3,045 million. This figure includes the one-off impacts from the sale of the Industrial Services area and other non-recurring profit during the year.

Specifically, the net capital gains on the sale of Industrial Services amounted to EUR 2,909 million, after eliminating the tax credits we had on our balance sheet without this giving rise to any cash outflow. With the sale of the Industrial Services business, the decision was made to write off these tax credits for accounting purposes, even though they will remain in force indefinitely from a tax point of view.

Other non-recurring profit or loss includes the provisions related to the re-assessment of operating risks amounting to EUR 479 million and the losses incurred by Hochtief due to the unfavourable arbitration in Chile, which amounted to EUR 102 million.

Based on these results, we ask your approval today to pay out a dividend equal to EUR 2 per share. As customary in recent years, this dividend is paid in the form of a flexible dividend, where you can choose whether to receive it in cash or in ACS shares.

## **2. International diversification**

The sale of the Industrial Services area strengthens ACS's weight in the strategic markets where the Group holds a leadership position. Total sales amount to EUR 27,837 million, of which the United States accounts for 53%, Australia for 19%, Spain for 11%, the rest of Europe for 7% and Canada for 6%, while the rest of the world accounts for only 4% of our sales.

Sales in the United States were affected by the depreciation of the US dollar. The performance over the last few months confirms this market's recovery with a more dynamic second half of 2021, growing by 4.9% compared to the first half.

CIMIC's construction and services activities grew by 15.3% following the volume of new projects awarded in the past few quarters and those that were restarted after being shut down during the pandemic.

Sales in Europe performed well in 2021, with production recovering after successive waves of the pandemic. Specifically, Spain grew by 3.6%, Germany by 8% and the UK by 31%.

The portfolio at the end of 2021 amounted to EUR 67,262 million, up 11.3% on 2020, with a similar distribution to sales. I think it is important to note that approximately 97% of our portfolio comes from developed economies: the United States represents 45% of our portfolio, Canada 4%; Australia 29%; and Europe 18%; and within Europe, Spain represents 8%, with the remaining 10% distributed mainly between Germany, the United Kingdom and Poland.

The positive trend in trading, with all markets recovering to pre-pandemic levels, brought the level of the portfolio to record highs, thus confirming the growth trend of recent years, only interrupted by the impact of COVID-19 in 2020.

### **3. Cash generation**

The strong operating results were reflected in solid cash generation from operations. In 2021, the ACS Group generated gross profit from operations of EUR 1,073 million, up 75% on the previous year on a like-for-like basis, with 70% generated by the Construction and Services business and 30% by the Concessions business, mainly Abertis.

After taking away operating investments and changes in working capital, net cash flows from operations amounted to EUR 558 million, up 50% on 2020.

I would also like to highlight that the Group allocated EUR 879 million to return the capital contributions of both our shareholders and the minority shareholders of CIMIC and Hochtief. Specifically, EUR 488 million correspond to the payment of ACS dividends, equal to EUR 1.72 per share; EUR 204 million to the purchase of treasury shares; and EUR 187 million to the remuneration of minority shareholders.

For this year we propose a dividend of EUR 2 per share, which we expect will be maintained in the coming years.

The positive operating performance of the businesses and the funds obtained from the sale of Industrial Services, which amounted to EUR 4,980 million, enabled us to close the year with a net cash position of EUR 2,009 million, compared to net debt of EUR 2,679 million at the beginning of 2021.

### **4. Business performance**

I will now analyse the performance of each of our Group's business areas.

## ***Construction***

The Construction business accounts for 93% of our sales; it includes the execution of all manner of civil construction and building projects, and the provision of services for infrastructure, through the Dragados and Hochtief business groups.

The companies that make up the Construction area operate under a decentralised structure, which allows for specialisation and allows them to complement each other and take on larger and more complex projects.

The Construction area's sales in 2021 reached EUR 25,879 million, of which 95% came from the United States, Canada, Australia, Spain and Germany. These are developed markets with the potential for growth that offer a stable framework in operational, financial and legal terms, and where the Group already has a consolidated leadership position.

Sales in North America, which reached EUR 16,391 million in 2021, were marked by the consequences of the pandemic and the negative impact of the depreciation of the US dollar. Around 75% of production comes from Turner's non-residential building activities. Turner, the first construction company in the United States, developed a significant part of the country's social infrastructure since its creation in 1902: hospitals, sports and cultural centres, airports, universities and educational centres, skyscrapers and commercial facilities, and a long list of representative institutional and social buildings.

The remaining activities in the region are civil construction projects carried out by Dragados USA and Flatiron, a subsidiary of Hochtief. These projects include roads, bridges, railways, ports, harbours, dams and other civil infrastructure projects, from the east coast to the west coast of the United States and also in Canada. The large construction projects that define us as a Group include the high-speed rail in California, the I-595 in Florida, the Gordie Howe Bridge connecting Detroit to Windsor, or the Toronto light rail in Canada.

The North American portfolio closed the year with EUR 32,985 million, up 11.4% on the previous year. The main awards in 2021 include the following:

- The Yale Physical Sciences and Engineering Building in New Haven for EUR 306 million.
- The widening and upgrading of I-95 in North Carolina for EUR 243 million.
- The new terminal at San Diego airport for EUR 188 million.

- The design and construction of an 11-mile corridor on the I-10 highway in Arizona for EUR 152 million.
- The construction of a secondary school in Queens, New York, for EUR 149 million.
- The modernisation of the Anderson Dam in California for EUR 134 million.
- The construction of the new Austin State Hospital in Texas for EUR 93 million.

The following projects recently built in the region are noteworthy of mention:

- The expansion and renovation of the Javits Center in Manhattan, the busiest convention centre in the United States, and the Harvard Science and Engineering complex in Massachusetts, both projects carried out by Turner.
- The Rodanthe Bridge, in the environmentally sensitive area of the Outer Banks off the coast of North Carolina, where Flatiron has developed several innovative technologies that provide better protection for flora and fauna.
- The EchoWater project in Sacramento, California, carried out by Dragados. This is an ambitious plan that represents one of the largest public works projects in the history of California's state capital. The facility treats and recycles wastewater collected in Sacramento County and returns it to the natural environment in accordance with the most demanding specifications imposed by California State regulations.

Accordingly, CIMIC's sales reached EUR 6,137 million, up 12.9% thanks to the recovery of the Australian market after the delays due to the pandemic. CIMIC operates in Australia and selected countries in the Pacific region. Over the past 15 years, CIMIC has played a major role in the development of interconnection infrastructure in Australia's main cities. West Connex, for example, is Australia's largest road project, connecting western and south-western Sydney with the city, airport and harbour via a 33 km highway.

At 2021 year-end CIMIC's backlog stood at EUR 21,248 million, growing by 10.3% on a like-for-like basis, thanks to the important contracts awarded in the period, which most notably include the following:

- The construction and operation of two tunnels in Melbourne for EUR 2,465 million.
- The development of the first phase of the M6 highway in Sydney for EUR 1,234 million.

- The CopperString 2.0 project for the construction of the high-voltage transmission network in Queensland for EUR 1,092 million.
- The operation and maintenance of the New South Wales regional rail network for 10 years for EUR 958 million.
- The design and construction of 9.8 km of tunnels and excavations for subway stations in Sydney and the Western Sydney Airport Station for EUR 857 million.

Lastly, in Europe we operate through Dragados and Hochtief. Sales in 2021 reached EUR 3,110 million, up 3.3% in 2020 as a result of the positive performance in the main countries where we operate: Spain, Germany and the UK.

The portfolio in Europe stood at EUR 9,343 million at the end of 2021, up 12.2% year-on-year. The main awards in the period include the following:

- The design and construction of the new high-speed railway station in Birmingham, UK, for EUR 313 million.
- The extension of line D of the Prague subway for EUR 137 million.
- The construction of an Amazon logistics warehouse in Asturias for EUR 124 million.
- The refurbishment and modernisation of the new Colon Towers in Madrid for EUR 78 million.
- The construction of the new Amalia quay at the port of Rotterdam for EUR 67 million.

The Construction backlog at the end of 2021 showed excellent overall performance and stood at EUR 64,379 million, the highest in recent years, with growth of 11.5%.

As a result of the positive outlook for our main markets, spurred by the infrastructure investment plans announced by the corresponding governments, together with the high project backlog achieved in recent quarters, we are confident that the Construction business will perform well in 2022, with growth of more than 5%.

### ***Concessions***

The ACS Group is one of the world leaders in concessions, covering the entire value chain of the business, from the promotion, development and construction of greenfield infrastructures,



through Iridium, to the brownfield operation carried out through Abertis, a world leader in toll road management.

As you know, Abertis is one of the leading international operators in toll road management, in which our Group currently has a 50% holding (30% direct and 20% indirect through Hochtief).

Abertis has nearly 8,000 kilometres of high-capacity, high-quality roads in 16 countries across Europe, America and Asia; it is the leading national toll road operator in Spain, Chile and Brazil; and it also has a significant presence in France, Italy, Mexico, the United States, Puerto Rico and Argentina.

In 2021, Abertis has practically recovered its pre-pandemic levels of activity, with average daily traffic growing by 21% compared to the previous year. In addition, the inclusion of new toll roads in 2020, with the acquisitions from the Mexican company RCO (Red de Carreteras de Occidente) and the US Elizabeth River Crossings in Hampton Roads (Virginia), allowed Abertis to generate revenue of EUR 4,854 million, up 20% on the previous year, and an EBITDA of EUR 3,351 million, up 28% on 2020.

Another positive development is the agreement reached with the Chilean government to extend the central highway concession for 20 months and, in return, to build a tunnel that will improve mobility in one of the most congested areas of Santiago, with a planned investment of over EUR 300 million.

Iridium, which made a net profit of EUR 50 million, is involved in a total of 48 concessions, representing an aggregate investment of EUR 31,500 million, of which 44% are roads and highways and 50% are subways and railways. Around 63% of this investment is located in the United States and Canada across 16 projects, while Europe accounts for 25% of this investment with 13 road and highway projects, 4 railway and subway projects, and 13 projects involving public services and facilities, hospitals, car parks and transportation hubs.

This concession portfolio continued to be managed in 2021 with the commissioning of certain projects, progress in the construction of others, refinancing, rotation of certain assets, and general management. All this was carried out against the backdrop of some degree of uncertainty in view of the developments in the health crisis caused by COVID-19 and the consolidation of the recovery in 2021.

## ***Services***

Clece, a very important company for the ACS Group, is one that we are especially proud of because of the social and welfare work it has always carried out, regardless of any situations or setbacks that may arise. Clece contributes to creating a fairer society wherever it works.

With a track record of almost 30 years, Clece has become one of the leading multi-service companies in Spain, with a growing presence in Portugal and the United Kingdom.

Clece is a key player in and driver behind the social aspect of the 2025 Sustainability Master Plan. The company has more than 77,000 employees, which are its main asset, with nearly 10,000 coming from vulnerable groups, people with disabilities, victims of gender-based violence or the long-term unemployed.

Clece showed excellent performance in 2021 at a global level, with growth of 5.7% over last year's sales figure, especially in international markets where activity was consolidated and sales increased by 18%. Operating margins returned to normal after the impact of the pandemic, during which Clece played a key role, once again demonstrating its vocation for service and solidarity and its focus on people; it contributed, through its activities, to covering the needs arising from the health crisis at its worst moment.

In 2021, the British subsidiary Clece Care Services acquired Perfect Care and Starcare, companies that specialise in caring for dependent individuals, assisting a total of 8,500 users from 80 locations throughout the United Kingdom thanks to the work of its more than 4,500 professionals.

The backlog of the Services area in 2021 amounted to EUR 2,883 million, posting growth of 6.7%. Specifically, Clece was awarded numerous contracts for cleaning services worth EUR 378 million, and a further EUR 324 million in home care contracts in both Spain and the UK. Also noteworthy is the new contracting of the care service for people with reduced mobility in Madrid and Andalusia, and the renewal of this service in Catalonia and the Balearic Islands, for EUR 161 million.

## **CORPORATE STRATEGY**

I have always said that throughout our history we have been a Group capable of evolving and transforming, adapting to changes in a global economic environment to continue creating value for our shareholders and for society at large.

Recent strategic decisions are the result of our adaptation to a more demanding industry environment, which requires a concentration of resources and effort in construction and concessions activities. These are activities in which we maintain a leadership position in developed markets; we have the appropriate experience and competitive capabilities; and we foresee growing demand that will offer many investment opportunities.

These two activities — construction and concessions — are closely linked and highly complementary both from an operational and capital allocation point of view. Their importance in economic and social development, and their impact on territorial cohesion and future growth in the most advanced countries, make them essential tools for the creation and distribution of wealth.

### **Sale of Industrial Services**

I now turn to the sale of the Industrial Services business. As you know, last December the ACS Group closed the sale of the Industrial Services area to the French group Vinci. This is the most important strategic milestone in recent years in terms of its scope and implications for the future of our Group.

Although you already know the details of the agreement, let me remind you of the main aspects, which represent a major strategic transformation of the ACS Group.

The total value of the transaction amounted to EUR 5,580 million:

- The Group received a total of EUR 4,980 million from the sale, with EUR 4,902 million received on 30 December last year at the signing of the transaction, and EUR 78 million received during the year in dividends.
- The agreement also includes the creation of a joint venture for the development of the renewables portfolio that ACS and VINCI will undertake in the coming years. This represents an important investment opportunity with a 49% interest in the company that will develop a portfolio of renewable energy assets of at least 15 GW during this decade, on which ACS has the right to receive payment for EUR 600 million, at a rate of EUR 40 million per GW generated.

We will allocate a portion of the funds obtained from the divestment to this project. This agreement is of major importance and allows us to further develop green energy projects and thus contribute to the fight against climate change.

The development platform has a high capacity for project funding from its partners. It is also important to highlight the dynamic nature of the renewable energy market at this time, which is driven both by the acceleration of the energy transition towards climate neutrality and by the need to seek out alternatives to oil and gas in the face of the current geopolitical tensions.

This dynamic nature is also underpinned by both private and public financing from the economic stimulus plans scheduled by the main countries to recover from the crisis caused by COVID-19.

I would also like to highlight the value of the assets we have, which include:

- A 25% interest in the PV plants under operation and development in Spain totalling 3 GW, with the other 75% being sold to GALP in 2020;
- Several wind farms in Latin America, with an installed capacity of more than 300 MW.
- 3 solar thermal plants with an installed capacity of 260 MW in Spain, the US and South Africa
- The pioneering 50 MW Kincardine offshore wind project in Scotland; and
- Several desalination plants, waste water treatment plants and gas facilities.

In short, this transaction has allowed us to realise the value of the Industrial Services business, for more than EUR 6,000 million, and to face the challenges of investment and growth with financial soundness to strengthen the infrastructure sector.

### **Investment in infrastructure concessions**

The main strategic objective is to reinvest the funds generated by the sale of the Industrial Services business in the development and operation of infrastructure concession assets; this will allow us to increase the weight of assets with more recurring cash flow, balancing the sources from which funds are generated between Construction and Concession activities and obtaining greater visibility as regards the Group's future results and dividends.

We are, therefore, going to use the two growth and investment levers at our disposal: Abertis for mature or brownfield projects and Iridium for new or greenfield projects, concentrating on the Group's strategic markets, which are North America, Australia and Europe, including Spain and Germany, where we are a sector benchmark.

We are currently looking at a number of managed toll road opportunities in the United States, which we expect will arise in the near future.

### **Simplification of the corporate structure**

As part of this new phase, we are also implementing plans to simplify the Group's corporate structure.

We have already taken the first step with Hochtief's recent takeover bid for the remaining 21.4% of CIMIC at a price of AUD 22 per share. With an investment of close to AUD 1,500 million (EUR 940 million), we are going to fully integrate CIMIC into the Hochtief organisation and promote its growth in a very attractive market with a promising future.

The next steps will be aimed at organising the businesses between ACS and Hochtief. We intend to group together in ACS our 50% interest in Abertis to concentrate resources on the development of Hochtief companies, such as Turner and CIMIC, which are leaders in their respective markets. This will allow us to offer better service, be more efficient and have greater transparency, which will undoubtedly have a positive impact on the value of both companies and, therefore, on their share price.

### **Changes in corporate governance**

Along this same line, we are making changes as regards corporate governance. The measures proposed at this Board meeting include:

- The appointment as independent director of María José García Beato, who has a law degree, is a State lawyer, was undersecretary of Justice in the Spanish Government and has extensive business experience in the banking sector, where she was general secretary and a member of the steering committee of Banco Sabadell; this appointment will strengthen the independence and diversity of the Board of Directors.
- The appointment of Juan Santamaría Cases as executive director who, if approved, will be appointed Chief Executive Officer of ACS. Juan Santamaría has spent his entire working career

with the ACS Group. After joining Dragados in 2002, he held various positions both in Spain and abroad, with destinations such as South Africa and the United States. In 2010 he was appointed General Manager of ACS Infrastructures Development, Iridium's subsidiary in North America. In 2013, he took over as Chairman and Chief Executive Officer of Iridium, our concession operator, until 2015 when he moved to Australia, where he held a number of positions with executive responsibilities in various CIMIC companies. He has been Chief Executive Officer of CIMIC since February 2020 and was appointed Executive Chairman in November 2020.

His inclusion to the ACS Board will help us to face the new strategic challenge we are undertaking and we are sure that his contribution will be of great value to the Company as a whole.

- Setting the number of Board members at fifteen. This includes the resignation of Agustín Batuecas, a director of ACS since 1999 when we acquired Continental Auto, a transport company of which he was a significant shareholder, as he still is of ACS, and the resignation of Joan-David Grimà, a director since 2003 following the acquisition of the Dragados Group where he was a director. To both of them, on behalf of all ACS Board members, I would like to express my deepest gratitude for their work at the ACS Group for so many years.

This change to our governance bodies achieves greater alignment with international best practices regarding governance and sustainability.

## **SUSTAINABILITY**

The infrastructure construction and concessions sector is immersed in a process of transformation as it needs to adapt infrastructure to the risks arising from climate change and the decarbonisation of the economy; comply with greater regulatory requirements in terms of sustainability; and meet the growing demands placed on companies by stakeholders. Furthermore, digitalisation and the use of new technologies, materials and construction methods will contribute to the development of more sustainable, efficient and resilient infrastructure.

The ACS Group is in an advantageous position to face these challenges and opportunities thanks to its commitment to sustainability, which was formalised with the approval of the new 2025 Sustainability Master Plan in 2021; this plan sets the ACS Group's strategic priorities, lines of action and objectives.

The following strategic priorities will align all companies that form part of the ACS Group with the goal of promoting the global sustainability of infrastructures:

- First, to promote the global transition towards sustainable infrastructure, with the aim of achieving climate neutrality by 2045 and minimising the environmental impact of our activities;
- Second, to integrate specialised and diverse talent into our activities, which is key to economic and social development in the countries where we operate;
- And lastly, to be a benchmark in good business practices with governance committed to society.

The detailed objectives of the ACS Group's Sustainability Plan can be found in our Annual Report, but I would like to highlight some of our top priorities:

- Reduce greenhouse gas emissions, with the aim of achieving climate neutrality in our operations by 2045. We are, therefore, committed to reducing scope 1 emissions by 15% and scope 2 emissions by 30% by 2025 compared to 2019.
- Increase diversity in our workforce, especially in senior positions. In particular, we expect to increase the number of women in senior management positions across the Group by 25%.
- Promote training in governance, sustainability and compliance, with the aim of strengthening our corporate culture and that of our suppliers.

## **CONCLUSION**

We have completed a year of important changes, which strengthen our strategy of sustainable and profitable growth, and at the same time, we have paved the way for developments that allow us to look ahead to the challenges imposed by the changes in the infrastructure sector and the global economic situation.

We are repositioning ourselves towards a balanced model of sustainable development for our Group. We will continue to invest in infrastructure, prioritising the concessions area, while simplifying and improving our corporate and governance structure.

We will continue to align our interests with those of society and aim to be more efficient; be environmentally committed; strengthen our social function with greater safety, more diversity and better human resources; and continue to promote an ethically responsible business culture

that is compatible with the objectives of profitability and value creation that you all demand. This is what we are going to dedicate ourselves to, with our greatest efforts and enthusiasm for this great project that is ACS.

We are confident that once these initiatives take shape and can be seen, the capital markets will pick up on the fundamental value of our company and the ACS share price will return to the levels seen prior to the health and geopolitical crises that have caused the high volatility and significant share price devaluations over the last two years.

In fact, in 2021 the ACS share depreciated by 6.8%, including the dividend of EUR 1.72 per share paid during the year. Our objective is to maintain levels of profitability and efficiency that guarantee you, our shareholders, an adequate return on your investment, and that allow us to continue on the path of sustainable growth with the creation of value for society as a whole.

I would like to end my remarks by thanking the more than 122,000 people who work for the ACS Group, from engineers, architects, lawyers, economists and other university graduates; technicians, managers, operators and a long list of other professionals, with diverse origins and specialities, committed to our project to build a better future.

Thank you very much and I look forward to seeing you again at the next Annual General Meeting.