



***Annual General Meeting***

***10 May 2024***

*Speech of the Chief Executive Officer*

***Mr. Juan Santamaría Cases***

## **INTRODUCTION**

Good morning and thank you for joining us at ACS's 2024 Annual General Meeting.

I would like to begin my talk by thanking all of ACS's shareholders for their confidence and support. Our aim is to involve you in an exciting project, with unique opportunities to lead our Group along a path of growth, innovation, sustainability and profitability.

The video we saw at the beginning shows this vision of the Group: we are building the future. This is possible thanks to a multicultural, multidisciplinary and highly talented and committed team that is integrated into large companies, many of them over a hundred years old, that promote, in an efficient and collaborative way, a common mission.

I would like to thank all of these professionals who are part of the ACS Group, along with their family members, for their efforts and dedication; without them we could not continue to be a global leader in infrastructure development and create value for our shareholders.

## **STRATEGY**

We are striving to move in this direction every day, through a well-defined strategy based on three fundamental pillars:

1. First, to consolidate our market positioning by significantly reducing the Group's risk profile through collaborative contract models.
2. Second, to diversify our growth into next-generation infrastructure markets, especially in the high-tech, digitalisation, energy transition and sustainable mobility segments, strengthening our foothold in key developed markets and expanding our engineering and supply chain capabilities.
3. And last but not least, to invest in infrastructure assets, both in projects for traditional motorways or social facilities, and in next-generation projects, whether data centres, renewable energies or sustainable mobility projects. I will refer to these projects later.

All of this without interrupting our progress in the simplification of structures, the optimisation of processes and systems, and the extraction of Group operational and financial synergies that will allow us to become even more agile and profitable.

At the last Annual General Meeting, we introduced our Group vision for the coming years. Today we can start to speak about results. In recent years:

- We have increased our current pipeline of infrastructure projects to EUR 75 billion from EUR 63 billion in 2021, for 9.1% average annual growth. Specifically, in next-generation markets this growth stands at 16.3%, as we have been awarded more than EUR 33 billion in two years, with EUR 13 billion corresponding to high-tech and digitalisation infrastructure related developing artificial intelligence.
- Second, we have made progress toward attaining our objective of reducing the inherent risk of the project portfolio by entering into more contracts with a lower risk profile. In particular, over the last two years we have increased the percentage of low-risk contracts to 85% of the total portfolio. We have achieved this not only by introducing new collaborative contract models, but also by raising the awareness and securing the commitment of all Group companies to reducing risk through a selective project policy.

In addition, we have established a single General Risks Division that supervises and monitors managing the risks of the different businesses, setting clear guidelines and objectives throughout the organisation.

- Third, we have met our financial targets for 2023 with excellent results.
  - o Sales exceeded EUR 35.7 billion, an increase of more than 10% on a like-for-like basis, i.e. adjusted for exchange rates.
  - o Moreover, we obtained EBITDA of EUR 1.909 billion, improving our operating margins compared with the previous year.
  - o As a result, we generated an operating cash flow of more than EUR 2.2 billion, on the back of excellent management of working capital and a strong contribution from the concession activity through dividends.
  - o In addition, we ended the year with net profit of EUR 780 million, for a 16.7% year-on-year increase, thanks to strong operations performance and value creation through the rotation of concession assets.

I will examine the year's results in greater detail shortly.

- Fourth, we have made strategic acquisitions of such companies as Novopro, Prudentia and Minsol that have allowed us to strengthen our engineering capabilities, particularly in processing critical minerals. Just a few days ago, we also announced the acquisition of an additional 10% stake in Thiess for AUD 320 million, thereby raising our ownership interest to 60%. Thiess is a highly profitable business, backed by long-term, low-risk contracts that provide stable cash flows and profits. This operation strengthens our geographic diversification and our strategy in the area of minerals critical for the energy transition.

We have also strengthened our supply and logistics chain through SourceBlue, which has set up its first hub in Asia so as to expand its customer base and support developing industrial projects of the Group's companies in the region.

- In the area of infrastructure, we have made much progress. As for Abertis, together with our partner Mundys – with which we have renewed our shareholder agreement – we are boosting this company's growth. Hence, we have promoted investment by Abertis in the new concession assets recently acquired in the United States and Puerto Rico, and we have strengthened its capital structure in order for it to continue broadening its portfolio with the opportunities that are under review.
- Abertis, a unique value creation platform in the transport infrastructure concessions market, is highly diversified and has attractive growth plans. Its operating track record, solid financial position and proven international experience with assets not only in Spain but also in France, Italy, the United States, Puerto Rico, Mexico, Brazil, Chile, Argentina and India place it a unique position to expand its project portfolio by broadening existing assets and making new investments in stable markets.
- Our investment efforts are also focused on bolstering our infrastructure development platform and branching out into high-growth markets. In the last year, through our companies Iridium as well as Pacific in Australia and Hochtief PPP in Germany, we have invested over EUR 200 million in developing infrastructure projects, mainly data processing centres, renewable energy assets and sustainable mobility infrastructure. By way of example:
  - ✓ Data centre development, construction, operation and maintenance, in particular a 50MW centre in Alcalá de Henares and three 2MW centres in Germany.
  - ✓ Two renewable energy projects in Australia with a combined capacity of 500MW, to wit, the Glenrowan and Hopeland solar plants, the latter with battery energy storage systems.
  - ✓ The project awarded by Germany's Ministry of Transport to develop, operate and maintain an EV fast charging network in the north and north-east of the country, with more than 850 charging points.

In addition, we have taken positions in leading companies in the new sustainable mobility sectors such as Skyports, a supplier of infrastructure for the advanced air mobility industry, primarily vertiports, and Glydeways, a developer of infrastructure and technology in dedicated lanes for on-demand autonomous vehicles.

Dear Shareholder:

Just two years ago, the ACS share opened at EUR 23.64. By yesterday's close it had risen to EUR 38.96, or 65%, compared with 36% for the IBEX, offering an average annual return of 38% compared with 21% for the Ibex with dividends. Clearly, the market is beginning to recognise the results we are delivering and the Group's strategic direction, which combines growth potential with value.

On 17 April, we held a very important event in Madrid: the ACS Group's first Capital Markets Day, at which we brought together the top representatives of our companies located around the world, allowing them to share our strategy and business plan, highlight the value of the companies they manage and speak of the future – a promising future for all of us. I believe that we succeeded in highlighting our leadership in the global infrastructure sector.

Our operational and financial targets for the coming years allow us to combine attractive and sustainable shareholder remuneration with long-term value creation, underpinned by investment in new infrastructure projects.

Our 2026 targets are ambitious yet realistic because we have the right strategy for achieving them. Specifically, in the coming three years we expect to reach:

- 9% average annual sales growth, to bring our revenue to a range of from EUR 43 billion to EUR 48 billion;
- 14% average annual net profit growth (excluding non-recurring profits), to reach a range of from EUR 850 million to EUR 1 billion;
- Net operating cash flow generation of between EUR 3.3 billion and EUR 4 billion, for an average annual growth rate of 16%.

We will focus on segments that offer high value added and that in addition will promote a further reduction in the overall risk profile and on collaborative contracting of our traditional business. Also, we will improve the profitability of our operations, reducing the volatilities and uncertainties that traditional contract models expose us to.

All of this is aimed at further stabilising the generation of cash. Together with potential divestments, we expect this cash to provide the Group with between EUR 5 billion and EUR 7 billion of financial capacity with which to maintain its attractive shareholder remuneration and to finance emerging strategic investment opportunities. Because of our leading position in the infrastructure sector and our in-depth knowledge of the industry and the markets, we can afford to be selective and take advantage of the best opportunities for continuing to create shareholder value.

Lastly, at Capital Markets Day we announced the unification and simplification of our financial reporting system in line with the Group's Strategic Plan. With this

new structure, we will unlock the value of our companies, in keeping with the operational and market reality of the different business units, which we have divided into three main areas:

- Comprehensive Solutions, which comprises high value-added services in such industries as digital and technology, energy transition, biopharma, healthcare, education and sustainable mobility. Our services in this area include engineering, project management, logistics and supply chain services. Comprehensive Solutions' 2023 pre-tax profit accounted for 65% of that of the Group, and includes Turner, a leader in the U.S., and CIMIC, a leader in the Asia Pacific. Given the importance of these two large companies, each of them will report independently.
- Infrastructure, which will comprise our greenfield-project development companies such as Iridium in North America, Europe and Latin America; Pacific in the Asia Pacific; and Hochtief PPP in Europe. This area will also include Abertis, the largest international toll road operator.

The Infrastructure area accounted for 20% of the Group's pre-tax profit in 2023. It is expected to provide stable revenues and long-term value creation opportunities in the future by investing in new projects.

- The third segment is Engineering and Construction. We at the ACS Group are known worldwide for our large construction and civil engineering projects. What makes us stand out is our operational excellence, international experience and technical expertise. This business area is composed of Dragados, Flatiron and Hochtief Europe. In 2023 it accounted for 15% of consolidated pre-tax profit.

We have grouped the remaining activities, mainly services, real estate and energy assets, together with the Group's corporations.

This new way of reporting speaks to the operational integration of our businesses and of our structure for managing them. We intend make each segment more visible to the market and increase the alignment with our strategic and operational priorities. In addition, we have unified the reporting systems both at HOCHTIEF and at Group level so as to facilitate the monitoring and comparison of financial information.

## **2023 RESULTS**

I would now like to summarise the results for financial year 2023 according to this new structure:

- The ACS Group achieved sales of EUR 35.738 billion, a 6.3% year-on-year increase.

- Turner accounted for EUR 16.185 billion, with 6.5% growth in local currency;
  - CIMIC reached EUR 8.1 billion, up 19.7% in Australian dollars;
  - Engineering and Construction contributed EUR 8.903 billion, for a 7.8% increase; and
  - Infrastructure accounted for EUR 187 million;
  - The remaining businesses contributed EUR 2.364 billion, mainly from our Clece services activity.
- EBITDA stood at EUR 1.909 billion, for 9.2% growth, and EBIT rose to EUR 1.326 billion, for a 19.9% year-on-year increase.
  - Pre-tax profit, excluding non-recurring profits, amounted to EUR 944 million, including: EUR 416 million from Turner, EUR 302 million from CIMIC, EUR 227 million from Infrastructure, EUR 164 million from Engineering and Construction. Finance costs and structure expenses had a negative impact of EUR 165 million.
  - In addition, net attributable profit amounted to EUR 780 million, up 16.7%, with the following breakdown:
    - EUR 295 million from Turner;
    - EUR 266 million from CIMIC;
    - EUR 225 million from Infrastructure, of which EUR 200 million relates to the Abertis contribution;
    - EUR 155 million in Engineering and Construction;
    - EUR 42 million relates to structural expenses and financial costs and the results of the Group's other activities, including the capital gain on the sale of Highway SH-288; and
    - EUR 119 million relates to the Hochtief Group's non-controlling interests.
  - Net cash flow from the transactions amounted to EUR 1.054 billion. These funds were mainly used to remunerate ACS shareholders and the Group's minority shareholders, in the amount of EUR 632 million, and for strategic investments, in particular the increase in the stake in Hochtief, in which we invested EUR 462 million, and for the investment in next-generation infrastructures in the amount of EUR 226 million.
  - As for divestments, 33% of Ventia in Australia was sold for EUR 417 million.
  - Therefore, the net cash position at year-end stood at EUR 400 million.

## **PROJECT BACKLOG**

The ACS Group's project backlog reached EUR 73.538 billion at the end of 2023, on 9.5% growth, adjusted for the exchange rate. Developed economies represent

97% of our business. The United States, the ACS Group's largest market, accounted for 49% of the total backlog.

About 50% of new awards in 2023 came from next-generation infrastructure markets, such as energy transition, new sustainable mobility and digitalisation. Because of their collaborative or services nature, these projects also further encourage us to reduce risks.

Growth in digital infrastructures has been noteworthy. Data storage centres are witnessing rapid expansion driven by the continued growth of cloud computing and the exponential adoption of artificial intelligence.

Turner was awarded orders for several new data centres in the U.S. for USD 2.8 billion in 2023.

In early 2024, Meta selected Turner to build a data centre in the U.S. with a price tag of more than USD 800 million. Already in the first quarter of this year Turner has closed deals for the construction of data centres worth USD 2.2 billion.

CIMIC has also been awarded several data centre contracts in Hong Kong, the Philippines and Malaysia worth more than AUD 400 million. In Europe, the Group was awarded several such projects in Germany and the Netherlands.

In 2024, Turner plans to expand its European presence to serve its global high-tech clients, working with local ACS Group companies across the Continent. Turner has already identified USD 20 billion worth of advanced technology project opportunities in Europe.

Now I would like to turn to another growth market in which the Group is also strongly positioned: the energy transition.

In the United States, we are one of the largest contractors for EV battery megafactories through Turner, which won new orders worth USD 2.5 billion in 2023 and had an EV battery order backlog of USD 2 billion at the end of December.

In Australia, the government announced plans in late November of last year to finance 32 GW of renewable energy generation and storage capacity, for which heavy investment in transmission lines will be required. It also recently announced a major investment plan in green hydrogen.

CIMIC's services subsidiary, UGL, is another leader in high value-added engineering services and contracting backed by 125 years of experience. In 2023 it won important contracts relating to the energy transition:

- Special mention must also be made of the HumeLink West high-voltage electricity transmission project, which will significantly increase the capacity of the electricity grid in Australia's eastern states.



- In addition, the expansion of a battery energy storage system in Australia for Neoen, one of the world's leading renewable energy promoters. It was recently awarded a contract to build a 560MW battery energy storage system in Western Australia, which will be the country's largest battery plant.
- I would also like to highlight the engineering and construction of a lithium hydroxide plant in Australia and a nickel mining contract in Indonesia. Lithium and other metals, as you know, are essential for supporting the global energy transition. UGL has been awarded a AUD 300 million project in Western Australia for the provision of construction services for a lithium hydroxide plant.
- The infrastructure associated with sustainable mobility and smart cities is a long-term structural growth market. In North America, we have been selected as the lead contractor for a project in the San Francisco Bay Area with autonomous vehicles.
- In addition, the Calgary Green Line light rail project in Canada.
- And in Australia, we will develop the first large tunnel package of the Suburban Rail Loop East project for the government of Victoria in Australia.
- As part of the Canberra Metro consortium, we will finance, design, build and operate the next phase of Canberra's light rail network.

In healthcare, biopharma and education, the expansion of the Westchester Medical Center in New York; the Labore Kassel Research and Development Laboratory in Germany; a hospital in Orlando, Florida; and the new Bundaberg Hospital in Queensland, Australia, stand out.

Moreover, the Group is also well positioned in the defence sector, due to its background and experience. In fact, we have been awarded several projects in this sector, including:

- two buildings at an air base in Omaha, Nebraska, for the U.S. Department of Defense;
- the Pacific Fleet's new submarine maintenance and repair dry dock in Hawaii; and
- a contract to provide strategic advice, planning, supply management, operations and maintenance for the Australian Defence Force's fuel network.

We have also been awarded other singular projects, such as:

- The modernisation and renovation of two buildings at UN Headquarters in New York;
- The widening of US Highway 69 in Texas;

- Two exceptional sports facility projects: the new stadium of the Tennessee Titans in Nashville, and that of the NFL's Buffalo Bills in New York;
- And in Germany, Hochtief was awarded two concession projects for the construction and 30-year maintenance of environmentally sustainable public buildings in Frankfurt and Berlin.

## **SUSTAINABILITY**

As you can see, our corporate strategy is focused on value creation. Shared value, seeking sustainable, profitable growth for all stakeholders. To achieve this goal, one of the fundamental pillars of our strategy is our firm commitment to conducting all of our activities in a responsible – i.e. sustainable – manner.

As described by the Chairman, our commitment to sustainability is transversally integrated throughout our organisation and is part of our culture. Thus, the efforts and initiatives carried out over the years, in line with the objectives set out in our Sustainability Master Plan for 2025, have already resulted in important progress, such as reducing direct emissions by 30% in the last four years, increasing the number of women in management positions to 22.6% of the total, and improving the human rights assessment of our operations to above 83%.

These efforts have been recognised by the market, through the inclusion of our listed companies in globally recognised sustainability indices such as S&P's Dow Jones Sustainability Index and FTSE4Good, as well as the improvement in the assessments awarded through sustainability ratings such as MSCI or CDP.

In relation to sustainability, our strategy is focused on three areas:

- With respect to the environment, decarbonising our operations and protecting the environment and biodiversity, taking advantage of market opportunities in the areas of sustainable infrastructure, energy transition, digital and social infrastructure, among others.

For example, over the last year, energy transition projects have doubled, to a total of EUR 4,152 million.

- As for social matters, our top priority is the occupational health and safety of our employees and of our entire value chain. Consequently, ACS Group companies have strict measures to ensure that health and safety best practices are in place. In 2023, the Group allocated more than EUR 142 million to this area, devoting significant efforts to training and to applying new accident prevention technologies, such as aerial drones to identify dangerous situations or exoskeletons to minimise injuries. As a result of these efforts, we reduced our accident rates, both for our own employees and for our contractors, between 2022 and 2023. Similarly, the ACS Group's commitment to safety has earned it external recognition in the form of various awards to

Group companies and projects, including the Gordie Howe Bridge in Canada, which received the John M. Beck Safest Project award in Ontario for the third consecutive year, or the 2023 Construction Industry Safety Excellence Award that was given to Turner.

Another aspect of our commitment to human resources is the promotion of skilled, diverse talent, by acting responsibly to foster the improvement of life in the communities in which we operate. Effort and responsibility are at the heart of our success, in keeping with a corporate culture that promotes integrity, equal opportunity, respect and teamwork.

We are therefore proud to have been recognised by the prestigious Forbes magazine as the best company to work for in Spain, and number 277 in the world, based on surveys of more than 170,000 employees in 50 countries.

- Lastly, in Governance, the ACS Group is adapting its internal regulations in accordance with regulations and good practices in the sector, both in our own operations and all along our value chain.

## **CONCLUSION**

Allow me to conclude my remarks by highlighting the strengths that will allow us to continue to lead our sector. In other words, to focus on what makes us unique as a Group.

- First, I would like to highlight our geographic positioning in developed-market regions with a long-established and extensive local presence through long-standing companies in the infrastructure sector.
- Second, the scalability of our operations, thanks to the size of our companies and the possibility of operating jointly on projects, our capacity to meet a broad demand for the cross-selling of products and services, as well as the financial muscle that the Group brings to the table.
- Third, our capacity to gain a foothold in next-generation infrastructure markets along the entire value chain with a unique positioning in high technology and digitisation, energy transition and sustainable mobility.
- And, above all, the best talent – a united, cohesive team of outstanding professionals. I would like to take this opportunity to thank each and every one of the persons who are part of the Group for their commitment to excellence, which is so characteristic of our company. Thank you once again for making ACS the great group that we are.

I look forward to continuing to tell you next year about our progress on our Strategic Plan and to share with you the successes and achievements for which we endeavour every day.

Thank you very much.