

PALANTIR TECHNOLOGIES INC.

Annual Letter

from the Chief Executive Officer

February 14, 2022

I.

Our existence has always been improbable.

We founded the company to build software for defense and intelligence agencies whose budgets were larger than the economies of some countries.

They had the personnel and the funding but not the software they needed to do their jobs. The incumbents that dominated the industry had tens of thousands of employees and essentially unlimited resources. We had about five people and an idea for a product.

Our business has changed since then. We have grown significantly over the past two decades and helped to create an entire category of software development, one whose full potential we believe is still becoming apparent.

The strength and continued survival of every large organization in the world requires the implementation of software platforms that are capable of enabling both technical and nontechnical workforces to model and make sense of the world in which we live.

Every large organization, in every industry and sector in the world, is becoming a software company, willingly or otherwise. There are no goods or services or government today without software.

As a result, the demand for software platforms that allow an institution to harness the productive capacity of its human capital and whose value persists and compounds over time has never been greater.

We have built those platforms, as well as the hundreds of component products that make them work.

In the twentieth century, moats may have existed protecting the markets and profits of certain companies and industries from erosion by competition.

In this century, we believe that the only moat is software.

II.

Software is ubiquitous and essential.

Its underlying code is also completely and literally illegible to all but the smallest sliver of the population.

We believe that the construction of something lasting and substantial requires some degree of insulation and protection from the outside world.

Too much insulation, and the result risks being overly specific and ornate, of interest and value to its creator but nobody else. Too little, and the result is a product that the market thinks it wants but does not need.

Most software companies are either uninterested in producing or unable to produce products that address the fundamental needs of a large institution. The investment required is too high. The potential payoff is too uncertain.

As a result, the market builds products that lend themselves to commodification in the present. But such products do little over the long term to address the underlying challenges of the organizations they purport to serve.

The problems that we seek to address are not small.

The construction of a software platform that consists of hundreds of component parts for the purpose of metabolizing tens of thousands of tables of data, some of which have billions of rows each, presents enormous technical challenges.

And the effective adoption and implementation of such a platform, at an organization that may have dozens of separate divisions and hundreds of thousands of people, presents further challenges. The management of data across different countries and legal regimes adds additional complexity.

A commitment to the development and refinement of an idea over the long term is required in order to build something significant that is and will continue to be of value.

III.

A misalignment exists between the producers and consumers of software.

The software industry today has become an extractive enterprise.

Most of the largest consumer internet companies in Silicon Valley have built software products whose principal value is that they enable the efficient extraction and monetization of our personal information.

We are the product for sale—not the software, which itself is often thin. Most understand and have perhaps resigned themselves to the arrangement at this point. Our inner lives are for sale.

It is also increasingly clear that the value of such software, which is essentially parasitic and constructed for the purpose of monetizing a host, can be ephemeral and fragile.

The construction of a more efficient platform for the distribution of consumer advertising was never our ambition. And we have declined to build our business on the back of monetizing data that is not ours and that we do not own.

The decision led us to focus on the nature and value of the software itself that we are building, rather than what it consumes.

The distinction is significant and is the source of our alignment with our customers. The value that our software creates in the world is a result of the software itself—not the information or data of those who use it.

And that alignment is in turn the source of everything we have built.

IV.

We have views and defend them.

The decision to act on something even approximating principle or actual belief is a radical one in the corporate world, given the current tendency in public life to eliminate any possibility of provocation and consequently any opportunity for genuine discourse or original thought.

We will not back down from defending those who defend us.

The relationship between this country's governing elite and the military whose existence is a precondition for the power of the ruling class is unfortunately complex.

An increasing divergence exists between the interests of the American ruling class and those of the public. The governing elite simply does not bear the costs of our nation's defense.

We are not ambivalent about the side we have chosen when it comes to supporting the defense of the United States.

Everything we have accomplished, and everything we have built, has been made possible by the country in which our company was founded.

The extent of American outperformance in fostering a culture of productive insurgency when it comes to the construction and remaking of businesses is difficult to overstate.

We are witnessing firsthand the singular ability of American institutions to adapt to the restructuring of our economy as a result of the advance and adoption of enterprise software that has converted nominally nontechnical workforces across industries into engineers.

The recent and significant expansion of our business in the United States reflects the maturation and refinement of our software platforms but also the fundamental plasticity of this country's organizational culture.

V.

A commitment to the defense of a nation that rises above the ordinary gestures and theater of our present political life often requires difficult choices and tradeoffs.

We understand that all technology, including ours, is dangerous, and that software can be used as a weapon. Lives have been saved and taken as a result of the software products we have built.

There are risks. Most companies in Silicon Valley attempt to obscure or deny the existence of the exceedingly difficult questions that arise as a consequence of building novel forms of technology that enable defense and intelligence agencies to conduct their operations and target terrorists.

The technocratic elite in Silicon Valley may believe that most or all of the world's significant moral and political questions have been resolved, that

the divergent views of a broader public may be dismissed as inconvenient and unconsidered notes of dissent. We disagree.

The constraints that some of the largest technology companies in the world attempt to impose on our public discourse risk compromising their ability to remain disruptive, or else consign them to disrupt a world in which they alone live.

VI.

A fortunate union exists between our business and moral objectives.

Other companies engage in elaborate efforts to distract from the lack of social value their underlying businesses create.

But most attempts at such marketing are both ineffective and transparent. We believe the public is largely uninterested in such theater, from either its business or political leaders.

The American public may be forgiving of the instinctive self-regard and self-promotion of those in power, but only to the extent the underlying system and republic deliver results and advance the general interest.

We build software to ensure the survival of our most vital institutions.

And we succeed only if and when those institutions do.

A handwritten signature in black ink, appearing to read 'Alexander C. Karp', with a stylized, flowing script.

Alexander C. Karp
Chief Executive Officer & Co-Founder
Palantir Technologies Inc.