INTERVIEW with the Chairman and the CEO

Building for the long term: starting the next chapter of Cellnex's equity story

Tobías Martinez, CEO

In a much more challenging macroeconomic environment, what is your assessment of Cellnex's performance in 2022? And how are you progressing towards your financial objectives and integrating your most recent acquisitions?

TOBÍAS MARTÍNEZ: 2022 was a step change for the company. Despite the economic uncertainty, we met our guidance for the year by consolidating our growth throughout Europe. This progress has reaffirmed our maxim of “building for the long term”, placing us in a good position to attain our 2025 objectives.

We focused on integrating the acquisitions we made in previous years, which have enabled us to become Europe's telecommunications infrastructure leader with more than 130,000 sites in 12 countries. The completion and integration of the acquisition of Hutchison's assets in the United Kingdom was particularly significant in this regard.

The more complex and demanding macroeconomic environment, particularly higher interest rates, also led us to reposition our financial priorities. We have made a commitment to obtain an investment grade rating from Standard & Poor’s (S&P) in the next 24 months, adding to the investment grade rating we already hold with Fitch. This has a significant impact on our capital allocation priorities.

BERTRAND KAN: After a long period of minimal inflation, in 2022 it increased significantly in most of our markets. Cellnex has very long-term contracts, most of which include CPI adjustments to pass on a significant part of any inflation to its customers. While this has served us well, we have also had to manage our costs carefully, as they too have been subject to inflationary pressure. Rising energy costs in particular have proved difficult for many businesses and have also affected Cellnex and its customers. As a provider of tower infrastructure to telecoms operators and other customers, fortunately our business is not the most energy-intensive. Financing costs have been increasing across the board and have affected Cellnex, although we locked in fixed rates for most of our borrowing for the foreseeable future, which limits the impact of rising interest rates on our financial performance. All in all, we are pleased to have met our financial guidance despite these macro pressures.

You achieved revenue growth despite the necessary divestments in France and the UK. To what extent do these operations affect your future projections?

TOBÍAS MARTÍNEZ: We are very pleased with the acquisitions of Hivory in France and Hutchison’s towers in the UK. In both cases, the competition authorities’ approvals were subject to divestment of certain towers. In France, in accordance with the established deadlines, we are in the process of divesting up to 3,200 sites. In the United Kingdom we have already sold approximately 1,100 sites. Cellnex is very successful in both of these markets and the two businesses are a key part of our tower portfolio. We had anticipated these divestment requirements and managed to sell these towers to other operators at a fair price, so these transactions have not negatively affected the 2022 results, and nor do they have any significant impact on the projections of the company.

What would you say were the main drivers of these results?

TOBÍAS MARTÍNEZ: Geographical expansion, as we already mentioned, has been the main driver in the +40% increase in our key financial metrics. In addition, we have enjoyed significant organic growth of between five and six percent, making for a balanced growth profile.

Since you listed on the stock market in 2015, you have completed around 40 acquisitions to become a European leader in telecommunications infrastructure. Why have you made fewer acquisitions in 2022 and what are your expectations for future deals?

BERTRAND KAN: Several factors have affected our interest in additional acquisitions. Firstly, after our IPO we focused early on the sector, at a time when there was less competition for tower portfolios and purchase valuations were more attractive. This allowed us to gain critical mass through acquisitions and become the main independent tower operator in Europe. In recent years, it has become more challenging to make further acquisitions that fit our well-established long-term investment criteria. Secondly, with increasing interest rates, it became harder to finance acquisitions under attractive terms. Finally, after high levels of activity during the past years, we expect fewer attractive tower assets to be available. In Europe, a large part of the M&A opportunities, especially the transformational ones, have been executed, at least for the foreseeable future.

The time has therefore come to open a new chapter in your equity story. What does it consist of?

BERTRAND KAN: As Tobias already mentioned, in November we made an important announcement that we were refocusing our strategy from growth through acquisition to integrating, growing and optimising the potential of all the businesses that we have acquired in the past few years. In more challenging financial times, it is important to reduce risk and allocate capital more prudently. As such, we intend to prioritise the use of our cash flow to reduce debt and obtain our second investment-grade debt rating, from S&P. We are also continuing to progress towards the financial targets that we have established for 2025.

TOBÍAS MARTÍNEZ: The combination of macro and sector-related factors propels us into this new chapter in which the company will be more focused on managing the income statement through organic growth and adjacent businesses. Our priority is to manage the balance sheet in a more conservative way and to steadfastly follow our commitment to an investment grade rating that will allow a gradual deleveraging.

We already met Fitch's investment grade rating requirements, and last November S&P upgraded Cellnex's rating outlook from "stable" to "positive", just one notch away from investment grade status, which we expect to achieve within 24 months. This announcement, which will involve reducing our debt-to-EBITDA ratio from eight times at the starting point in November 2021 to seven times or less, has already had a clear effect on our bond yields.

We are going to place greater emphasis on the efficiencies, economies of scale and synergies achieved in these years of strong growth. We aim to focus more on the balance sheet and managing the income statement with a focus on consolidation and organic growth, with no significant M&A transactions planned for the foreseeable future.

To what extent have your financing costs increased? What is your current debt structure? Availability of funds?

TOBÍAS MARTÍNEZ: Our financing costs have risen due to the combined effect of an increase in our outstanding debt in 2022 and our larger geographical footprint, as well as a marginal increase in the average cost of financing. In terms of funding availability, following the finalisation of the CK Hutchison acquisition in the United Kingdom, we currently have liquidity of EUR 4.5 billion and our net debt stands at EUR 16.9 billion. 77 percent of the costs of this debt is at a fixed rate.

We have a strong long-term financial position, with a revenue backlog of EUR 110 billion. With the forecast cash flow generation, and without entering into new investment projects, we could pay down all our debt by 2034. From a financial perspective, that would probably not be the optimal funding strategy for us, but it gives an indication of the strength of our financial position.

And could this scenario open the door to a medium-term change in the shareholder remuneration policy? Do you plan to increase the dividend or set up a share buyback programme as you strengthen your balance sheet?

BERTRAND KAN: In the short term, before achieving the investment-grade rating from S&P, we do not foresee a significant change to the Shareholder Remuneration Policy. We have not yet set out our remuneration policy after that point, but will do so in due course. We expect to have more cash flow available for distribution and we could consider an increase in dividends and/or share buybacks at that time.

An important part of your new strategy is focused on the transformation towards the "Augmented Towerco" model with which you intend to add more value through provision of other tower-related services to your customers. What potential do you see in this line of business?

BERTRAND KAN: The Augmented Towerco model can be an important driver of our organic growth. We have been exploring and developing potentially significant projects in telecoms infrastructure over the past few years, including active equipment, fibre-to-the-tower, edge computing, security and emergency networks, private 5G networks for industrial customers and IoT environments. As a neutral operator, we are well-positioned to manage such connectivity infrastructure and we see significant growth opportunities in this market. These activities are often related to customers with whom we have close relationships, so we have a chance to provide greater industrial support to their projects.

One example of this is our work with Polkomtel in Poland, for whom we manage the antenna, transceiver and other active equipment of the network. In future, there may be opportunities to offer similar services to Play, our other anchor tenant in Poland.

It looks like the talent environment in your sector is also going through an inflationary period. How are you dealing with this shortage of STEM qualified professionals? How do you foster innovation, learning, empowerment, purpose and pride of belonging among your engineers?

TOBÍAS MARTÍNEZ: It is true that throughout Europe many sectors, including telecommunications, are facing talent shortages. Managing this situation proactively is an essential task for any company today; keeping an eye on employee turnover, and rolling out policies that attract, foster and, above all, develop professionals as part of a broader project or mission that they can stand behind.

To achieve this, we continue our recruitment outreach through initiatives to help foster STEM careers, with a special emphasis on gender diversity, through support programmes in which the Cellnex Foundation is also taking part.

Within the organisation we have always attached great importance to developing opportunities and upskilling, which is a natural feature of a sector marked by continuous technological evolution —and in some cases disruption— that requires ongoing development of knowledge and skills. We strive to offer a work environment that encourages our people to take initiative and improve our impact, quality, efficiency and success. In addition, we invest a great deal of time and effort in raising the social role that Cellnex plays in the communities and markets in which we are active and in which we seek to attract local talent. We believe that these are key ingredients of long-term success in offering our employees interesting and rewarding careers.

Indeed, various studies have shown that this young talent which companies are striving to attract is diverse, flexible and takes an interest in the sense of purpose and social contribution of companies.

BERTRAND KAN: We are fortunate in that we play a key role in providing the infrastructure for communications services that affect and enhance almost every aspect of people’s lives. In doing so, we have a unique opportunity to close digital gaps in geographical, economic, diversity or generational respects and to foster opportunities for social growth. From the outset this has helped to create a strong sense of purpose among our employees that extends beyond financial considerations. We take pride in operating our business in a responsible manner, for which we have clearly defined our ESG (Environment, Social and Governance) commitments that are audited regularly by recognised external parties. We hope that all these initiatives resonate with some of the interests and priorities of young professionals.

You continue to be a sector benchmark in sustainability. What were the main objectives achieved throughout this year? How has the second year of your Master Plan to 2025 gone?

BERTRAND KAN: We are pleased to be meeting the objectives set in the Master Plan. Among these, we continue to make strong progress towards reducing emissions related to our business and and are on track to reach carbon neutrality by 2035 and net-zero by 2050.

We performed a double materiality analysis during the second half of the year, assessing the company's impact on our surroundings and reviewing how certain factors (such as financial or macroeconomic tensions) impact our activity. The analysis involved all our key stakeholders in order to understand the valuechain factors that have the greatest material impact. Based on the results of this analysis, we will update the actions of the Master Plan during the first half of 2023. Once again, environmental management and climate change, people and talent, the value chain (suppliers and supplies) and the energy transition will constitute the key elements of this ESG Master Plan review.

Have these sustainability and good governance efforts been endorsed in any way?

TOBÍAS MARTÍNEZ: Fortunately, more and more companies are focusing a significant part of their efforts on sustainability. For us it is essential to achieve, disseminate and assess these objectives. We are therefore very satisfied with the ratings awarded us by the sustainability indices.

Our activity is also evaluated and rated by the main sustainability ratings such as the Corporate Sustainability Assessment from S&P Global, in which our company has continued to improve and consolidate its leading position among telecommunications operators for yet another year, being able to break as Industry Mover into the 2023 Sustainability Yearbook; CDP, which at the end of the year confirmed our inclusion in the exclusive Climate Change ‘A List’; or Sustainalytics, FTSE4Good, MSCI and Bloomberg GEI indices in which we have also continued to strengthen our rating.

I would also underline our continued commitment to remaining attached to the United Nations Global Compact as well as its Principles. The same is true of our adherence to the Code of good tax practices of the Spanish tax Authority, or our condition as a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD). All of these reflect our intention to align with the gold standards that measure and guide our practices in the various functional areas.

Bertrand Kan, Chairman

How do you rate the second year of the Cellnex Foundation? To what extent does it complement your social commitment?

TOBÍAS MARTÍNEZ: It is an absolutely complementary element. In addition to reinforcing our commitment to connectivity as an element of cohesion, it responds to the firm desire to go one step further in contributing to a better-connected and socially inclusive environment as part of a comprehensive initiative that embodies the company's ESG commitment. Through the Foundation we bring technology closer to the people, to promote effective connectivity that helps to reduce the digital, social and territorial divides.

As an example, in 2022 we launched the second edition of Cellnex Bridge, our start-ups accelerator that aims to reduce the digital divide through connectivity. We have broadened the scope and duration of the support period for companies. Similarly, we have expanded the Youth Challenge volunteer programme to five countries to help reduce school drop-out rates and improve employability among young people at risk of exclusion, and we have reinforced corporate volunteer programmes which already involve the participation of over 200 Cellnex professionals.

Listen to the full interview podcast

Watch the full interview video

Financial key highlights

1	**On track to meet the “Next Chapter” targets**	• FCF trending to neutral by the end of 2023 • Committed to securing BBB- by S&P (by 2024 the latest) and maintaining BBB- by Fitch, with organic growth generation and efficiencies plan on track • Cellnex to assess opportunities to open the capital of our subsidiaries to crystallize value • Executive remuneration structure adjusted and consistent with new capital allocation framework
2	**Strong organic growth and financial performance**	• +6% new PoPs vs. FY 2021 and strong progress on BTS programs • Revenues €3,499Mn, +38% vs. FY 2021 • Adjusted EBITDA €2,630Mn, +37% vs. FY 2021 • 2022-2025 efficiency plan on track, with l-f-l Opex performance significantly below inflation • RLFCF €1,368Mn, +39% vs. FY 2021
3	**2022 – another year of delivery**	• New entrants generating organic growth: Iliad in Italy and Digi in Portugal • Key contracts renewed: Telefónica extended for a 30-year period and RTVE for another 5 years • Successful integrations: CK Hutchison UK deal and remedies closed and France remedies processes on track • Progress on ESG: included in Sustainalytics’ 2023 Top-Rated ESG Companies List
4	**Building solid foundations for the future**	• Fully funded and hedged: c.€4.5Bn liquidity, c.77% debt fixed, with average interest rate in 2023 expected to be in line vs. 2022 despite current conditions • 2025 outlook reiterated – all operational and financial metrics on track • Cellnex has always listened to all its stakeholders and will remain disciplined, nimble and committed to its public targets

Environmental	Social	Governance
The ESG strategy is reinforced in 2022 with the update of the 2023-2025 Environment and Climate Change strategy, which has been redefined to reduce, offset and neutralize environmental and climate impacts in Cellnex's value chain	Purpose and values redefined conducting a bottom-up exercise	Double Materiality analysis carried out aligned and in advance to the Corporate Sustainability Reporting Directive.
Committed to achieve carbon neutrality by 2035 and net-zero by 2050	Cellnex has increased its visibility to be known as great employers: Employer Branding Strategy created.	Diverse balance in the Board of Directors with 55% of women directors, 73% of independent directors and 7 nationalities represented in the Board
Green energy targets achieved in 2022 within the Energy Transition Plan	Progress on social targets, being recognized externally: Included in Bloomberg Gender Equality Index 2023 and in the 2023 Sustainability Yearbook of S&P Global as Industry Mover (y-o-y improvement of +15p in the social dimension)	The new corporate website was launched to make it more accessible, multi-country, multi-language and multi-device
Natural Capital analysis to assess the impacts, dependencies, risks and opportunities carried out	Employee Engagement survey assessed periodically in all Cellnex Group	Improved the overall score in the sustainability ratings
Climate Change Adaptation Plan developed	Human Rights Policy updated and publication of the first report on Human Rights Due Diligence Assessment in 2022	The Board of Directors and Executive Committee received an ad hoc training course on ESG
Implementation of the environmental and emission reduction requirements under the company's new procurement risk management model	Supplier Risk Management model defined to integrate risks and ESG in the homologation, selection and evaluation of suppliers	Expanded the scope of the Global Integrated Management System to more Business Units
Update the Life Assessment Cycle Project through the Eco-design project	The Cellnex Foundation has launched the second edition of Cellnex Bridge, a programme with the aim of continuously supporting startups with a high social impact through technology and connectivity	2022 Annual Corporate Governance Report has been prepared in free format for the first time

E

Growing with a long-term sustainable environmental approach

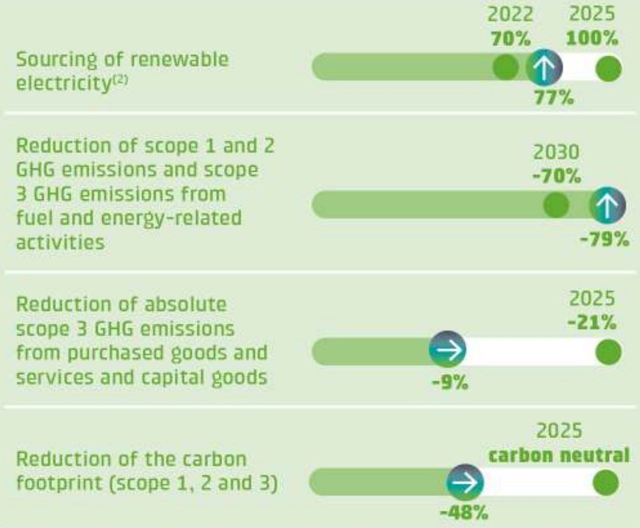
S

Boosting our talent, being diverse and inclusive

G

Showing what we are, acting with integrity

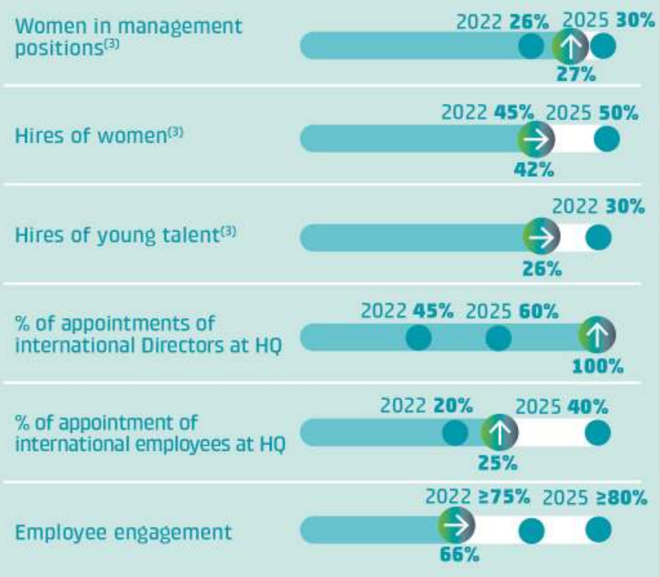
CLIMATE CHANGE (1)



(1) KPIs reported on an annual basis (Q4). Compared to the base year FY20 verified by an external certified entity.

(2) Electricity target (Scope 2) refer to the energy directly managed by Cellnex. Data calculated according to SBT and GHG Protocol methodology applied to the financial perimeter. Intake due to M&A will be included not longer than 3 years after the integration's year according to FY20 perimeter.

PEOPLE



(3) According to FY20 perimeter, excluding Edzcom. Intake due to M&A will be included after 3 years after the integration's year.

CORPORATE GOVERNANCE