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people



2018

Integrated Annual Report

Summary. Key data

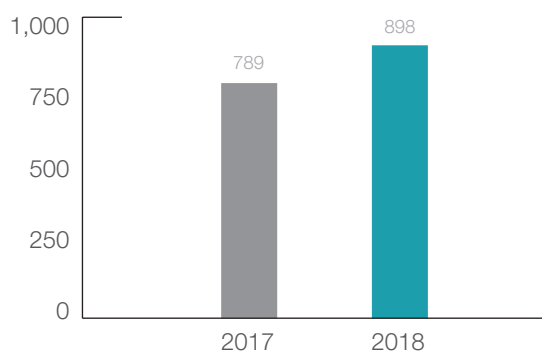
cellnex 

# Main indicators

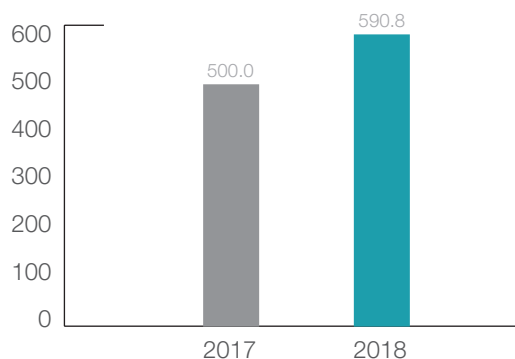
## Business development 2018



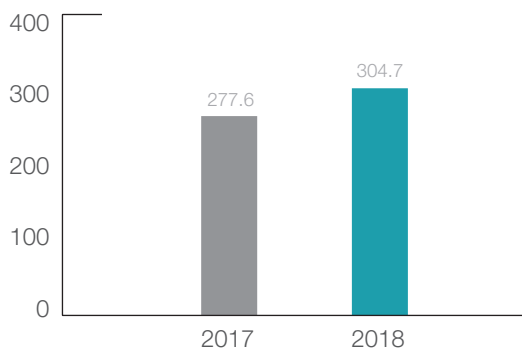
REVENUE (€M)\* (1)



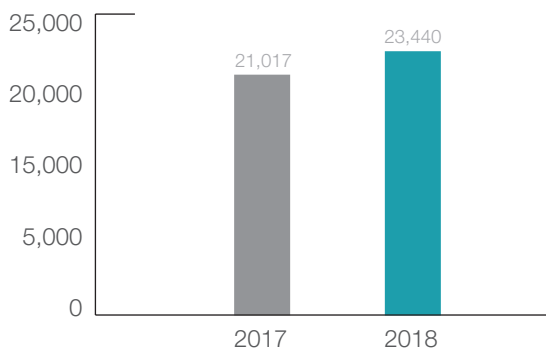
ADJUSTED EBITDA (€M)\*



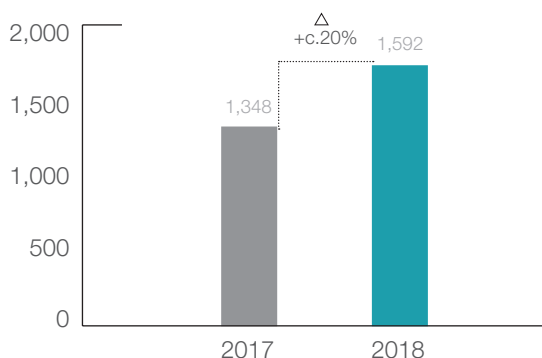
RECURRING LEVERAGED FREE CASH FLOW (€M)\*



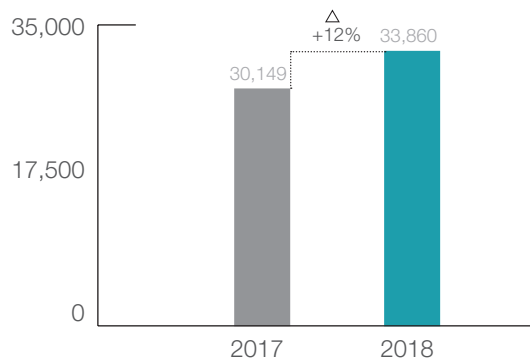
SITES \*



DEVELOPMENT OF DAS NODES (2)



DEVELOPMENT OF PoPs (TOTAL) (3)



(1) Operating income, which discounts certain impacts that do not involve cash movements (such as advances paid to customers). See section "Financial and operational figures" of the 2018 Cellnex Integrated Annual Report.

(2) DAS: Distributed Antenna System.

(3) PoPs: Points of Presence

\*Previous financial years are not included since the information was not restated under IFRS 16

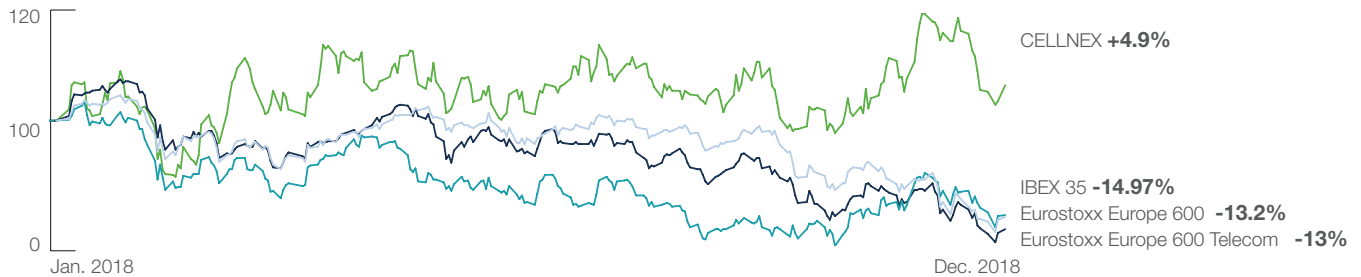


# Main indicators

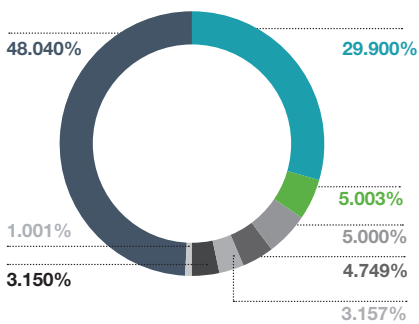
## Key indicators



### PERFORMANCE OF CELLNEX SHARES

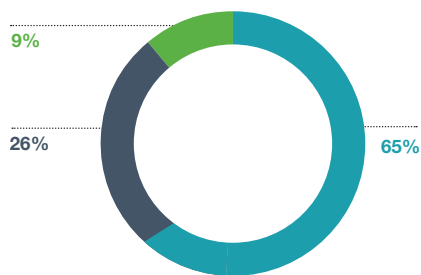


### SHAREHOLDER STRUCTURE



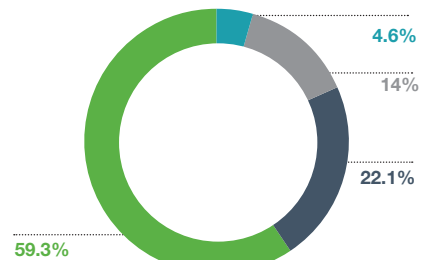
- Connect S.p.A
- Threadneedle asset Management
- Criteria
- Blackrock
- Canada Pension Plan Investment
- Permian Investment Partners
- 40 North Latitude
- Other shareholders

### CONTRIBUTION IN INCOME 2018



- Infrastructure services for mobile telecommunications operators
- Broadcasting infrastructures
- Other network services

### TYPE OF INVESTMENT



- Investment in maintenance
- Investment in expansion
- Investment in expansion (build to suit)
- Inorganic investment

### KEY INDICATORS AND CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS



## Interview with the Chairman and CEO

Marco Patuano, Chairman  
Tobias Martínez, CEO

# Growth in Europe and roll-out of the 5G ecosystem

### What were the key elements that marked financial year 2018 for the Group?

**Marco Patuano (MP):** A key aspect in this financial year that we are closing was the reconfiguration of the Group's shareholder structure following the divestment of Abertis and the entry of ConneCT, with a 29.9% stake, as the company's main shareholder. This also had implications for corporate governance. I will come back to this later. As far as the day-to-day running of the company is concerned, I would underline the solidity of Cellnex and that of the management team which is able to align objectives with results, and to strike a balance between managing growth - in 2018 we incorporated 2,500 new sites - while maintaining the focus on like-for-like business management.

**Tobias Martinez (TM):** In terms of organic growth, we continue to display very solid indicators in the region of a 5% increase in the amount of equipment deployed at our sites, and an increase of 3% in customers per site. Furthermore, consolidated data continues to reflect double-digit growth in revenues with c.15% and in EBITDA with +c.20%, which indicate how the company's portfolio continues to grow.

### In relation to inorganic growth we might think that 2018 marked a pause in Cellnex's growth operations. Is that the case?

**TM:** In 2018 the company continued to develop the agreements reached with our customers in terms of integrating sites and new roll-outs. Cumulative investments this past year also stood at c.600 million; so the company is still expanding its asset base. Therefore I would not talk about a pause so much as a consolidation of our growth. It is worth mentioning the figure of € 3.5Bn in investments in growth from 2015 to the close of 2018.

There are fewer growth projects in 2018, although these are very significant from a strategic point of view, such as the incorporation of the XOC fibre optic network or the new agreement with Bouygues Telecom that reinforces our strategic relationship with the French operator while it also positions us in a key segment for the future roll-out of 5G.

**MP:** In Europe we will see continued outsourcing of assets by operators while we will also progressively see greater sharing of certain elements of the communications networks associated with the roll-out of 5G. In this regard, Europe is clearly a market rich with opportunities for Cellnex.

### You have repeatedly mentioned the company's growth strategy. In terms of financing, there is a limit to growth with recourse to debt. What kind of instruments are available to the company to accompany this growth?

**TM:** The company has a disposable liquidity of €1.5 billion when combining undrawn debt with cash and banks. This provides us some leeway to react quickly to any opportunities that the market can offer. That said, Cellnex has to keep its accounts well balanced and on the basis of this set of parameters, the company defines the most suitable financing strategy at any given time for growth.


**MP:** Cellnex has taken full advantage of the favourable conditions on the debt markets during the last few years to invest more than €3.5 billion from its own balance sheet without needing to resort to shareholders.

Cellnex has already resorted to scenarios such as working together with other financial partners to undertake certain projects or issuing convertible bonds, and we cannot rule out the possibility that the transformational profile of one or more operations could lead at some stage to a capital increase.


### Chairman, you foresaw that one key element in the financial year would be the change in the shareholding structure and consequently in the corporate governance of Cellnex. What would you underline within this process?

**MP:** Cellnex's new shareholder structure following the divestment of Abertis and the entry of ConneCT - with Edizione, Adia and GiC as shareholders -, provides us a situation that we can define as one of consolidation and stability.

I would like to underscore two messages that are consistent with Cellnex's strategy: Firstly, Cellnex is an industrial project with the capacity and the will to build long-term partnerships with its customers in the various markets in which it operates. Secondly, Cellnex is a growth project whose medium and long-term perspectives, and the criteria by which they must be governed, are shared by the Board of Directors and by the company's management team. As a reference shareholder, ConneCT has explicitly stated its commitment to Cellnex's industrial and growth strategy as well as committing the resources that may be necessary to accompany that strategy.



Tobias Martinez



Marco Patuano

In relation to Corporate Governance, the incorporation of ConnecT has led to a reorganisation of the Board of Directors that has also allowed us to align Cellnex with best practices in good governance.

On the one hand, I would highlight the increase in Board members from 10 to 12, reinforcing the independence of the Board itself by incorporating 2 new female independent directors, which, in terms of diversity, takes us to a female representation of 33%, and the separation of roles between a non-executive chairman and a CEO as the company's top executive.

I should add that the company has a Vice-President elected from among the independent directors and a Coordinating Director who is also independent.

**In 2017, Cellnex shares had the highest revaluation on the Ibex35, at 56%. In 2018 the company's shares continued to be among the top-performing stock on the selective index. How do you value this?**

**TM:** It is clear that the valuation is necessarily positive when we are talking about a revaluation of +5% in the financial year with a differential of +20% in relation to the IBEX5. And if we compare the situation to May 2015, when the company went public, the revaluation now exceeds 75%. I also believe that the perception of consolidation and stability of the shareholding structure of the company and of the commitment of the new shareholders to Cellnex's industrial project, to which the president also referred, is quite remarkable.

**Investors, analysts and stakeholders in general are paying increasing attention to compliance with ESG (environment, social responsibility, governance) criteria by companies. What is Cellnex's approach to these criteria and how important are they for the company?**

**MP:** These are factors that we have internalised in our policies and in the day-to-day running of the company. We act responsibly, taking on board the values and principles of transparency, savoir faire, commitment to innovation and talent, and to sustainability tools within the company's industrial project. Cellnex has been reporting to the market in accordance with the international framework standards for the Integrated Annual Report, which attaches the same importance and relevance to the consolidation and treatment of financial and non-financial information. In 2017 the company had the non-financial information chapter audited by an independent external auditor.

We make public commitments, which we renew each year, such as Cellnex's participation in the United Nations Global Compact and its Principles. Likewise, as part of our CR, we have identified five of the Sustainable Development Goals (SDGs) to which the company can contribute.

Cellnex is part of indexes such as FTSE4GOOD, CDP (Carbon Disclosure Project), Sustainalytics and "Standard Ethics".

**TM:** I would only add that the company is making progress in relation to the 2016-2020 CR Master Plan. Three years into the five-year plan, we have initiated 90% of the planned lines of action - compared to the 82% at the close of 2017 and 70% of the actions have already been executed compared to 52% from the previous year.

I would point to two elements marking this financial year 2018: the progressive expansion of the perimeter of non-financial reporting and the analysis of materiality executed in it.

**Cellnex is focused on growth in Europe. What would be your vision of the telecommunications market in the European Union in the medium and long term?**

**MP:** The telecommunications market and the sector in Euro will show dynamism in the short and medium term, based essentially on two vectors: the expectations of consolidation and concentration that may materialise and the roll-out of the networks and infrastructures associated with 5G.

**TM:** It is important to be able to present ourselves as a strategic partner to our clients by offering them the most integrated solutions possible for the deployment of their infrastructures. That is why we are working in three main areas: know-how in the field of Small Cells and Distributed Antenna Systems (DAS) that will play a determining role in the necessary densification of transmission equipment, as well as in coverage of closed high footfall spaces; ensuring fibre optic connectivity to different telecommunication sites, fibre backhauling, or fibre optic antenna (FTTA); and the data processing capacity distributed in the network, known as Edge Computing. In all these areas we are looking forward to new opportunities and projects in Europe.

**MP:** At Cellnex we have a road map with a clear definition of the priorities that should mark the company's development over the next four or five years: continued growth in Europe and support for the roll-out of 5G, both technologically and actively involving ourselves in the process of defining regulatory frameworks.

One key milestone in 2018 was the European Parliament's approval of the European Electronic Communications Code (EECC), which highlights the role that neutral operators can play in accelerating the roll-out of 5G by facilitating and strengthening infrastructure-sharing schemes between various different operators.

# Management model

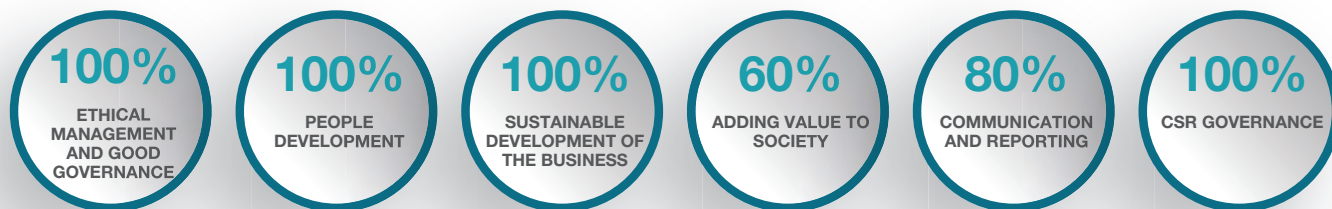
## Strategy and corporate governance



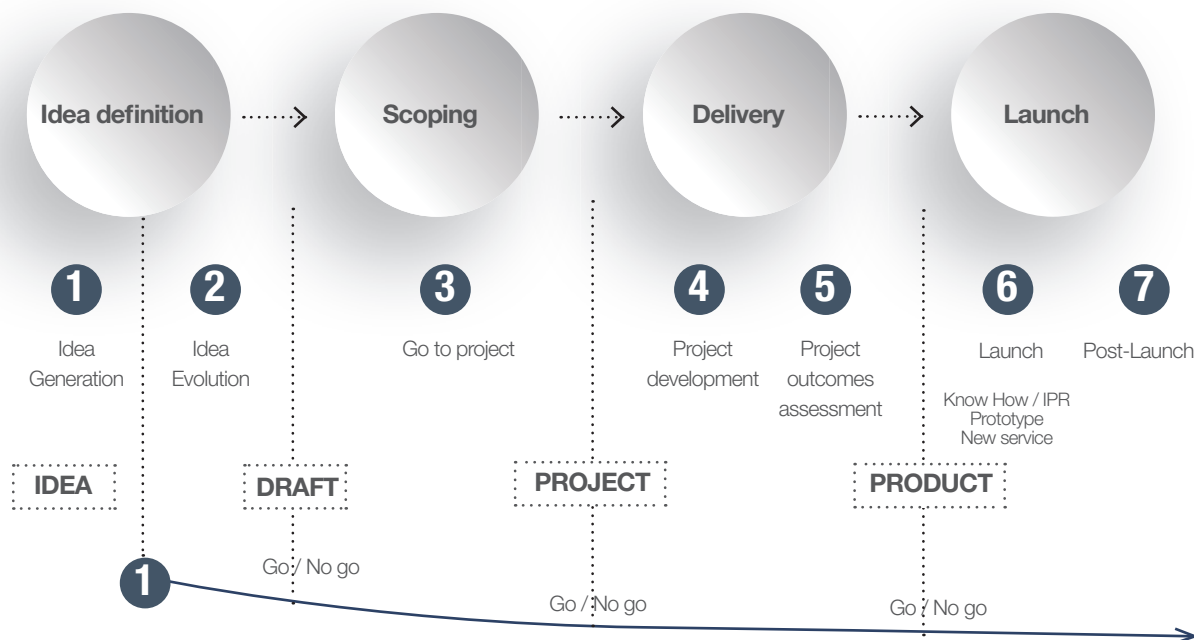
### BOARD OF DIRECTORS



### DEGREE OF PROGRESS OF THE PLAN. PERFORMANCE LINES AND GOALS STARTED



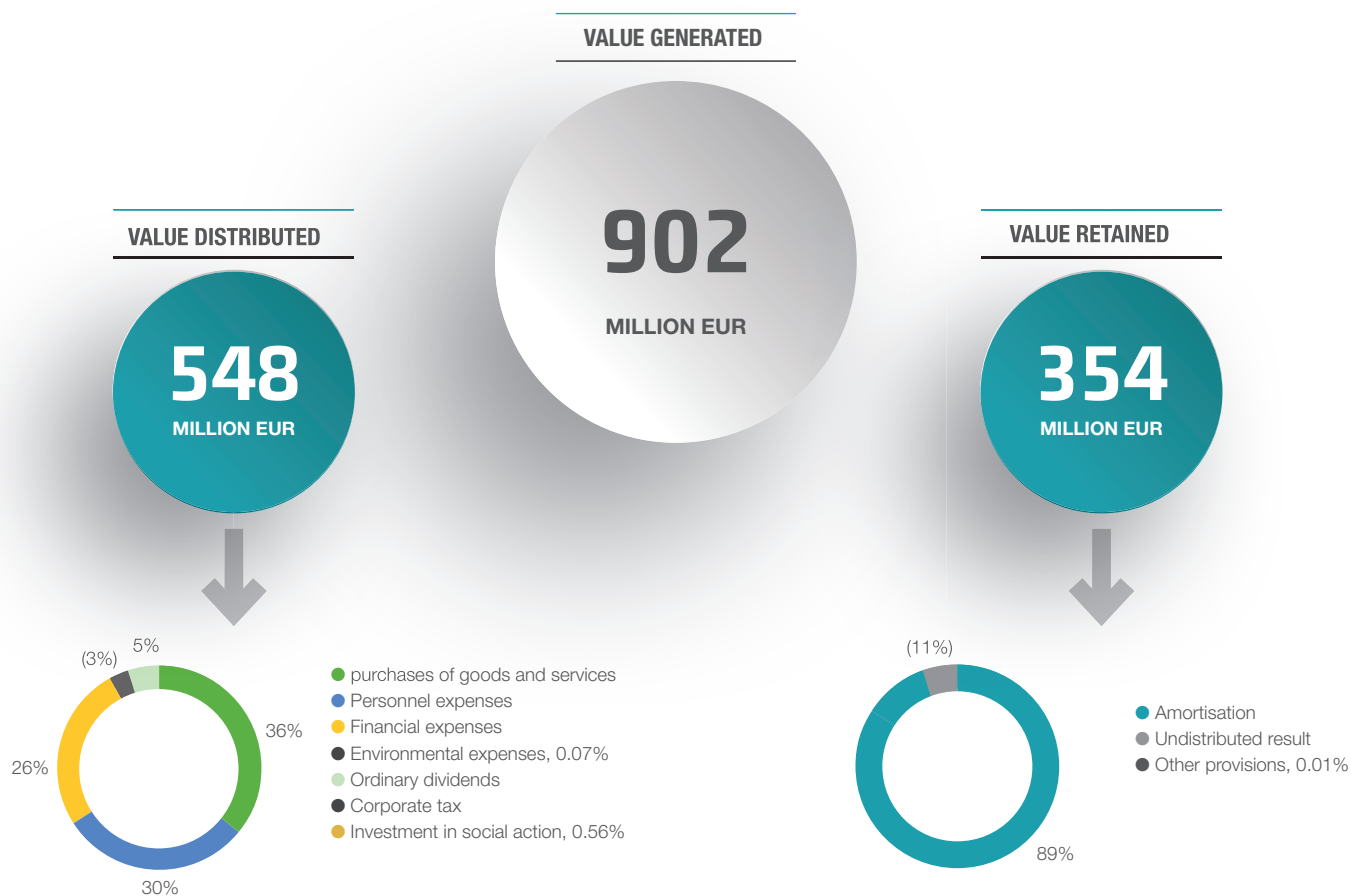
### CELLNEX TELECOM INNOVATION CYCLE





# Value creation

## Value generated and distributed

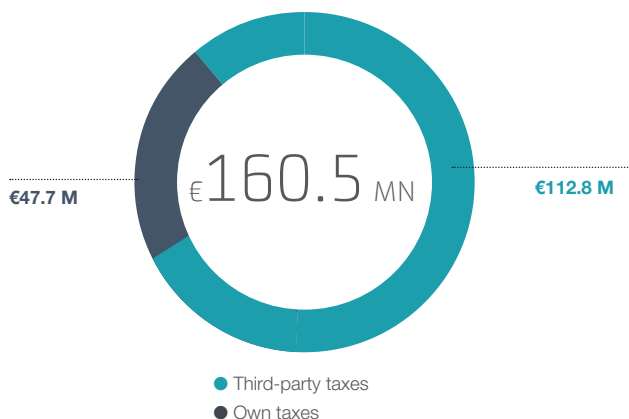


### TAX CONTRIBUTION

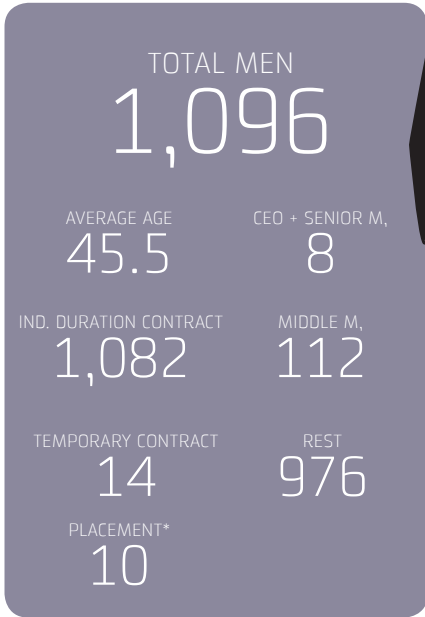
	Own taxes <sup>(1)</sup>	Total Taxes third party <sup>(2)</sup>	Total
Spain	24.1	68.1	92.2
Italy	17.6	30.9	48.5
France	0.3	0.8	1.1
Netherlands	0.8	8.4	9.2
United Kingdom	1.2	1.8	3.0
Switzerland	3.7	2.8	6.5
<b>Total</b>	<b>47.7</b>	<b>112.8</b>	<b>160.5</b>

(1) Includes taxes that are an effective cost to the company (basically includes payments of income tax, local taxes, miscellaneous taxes and employer's social security contributions).

(2) Includes taxes that do not affect the result but are collected by Cellnex on behalf of the tax administration or are paid in for third parties (basically includes net value added tax, deductions from employees and third parties, and employees' Social Security contributions).



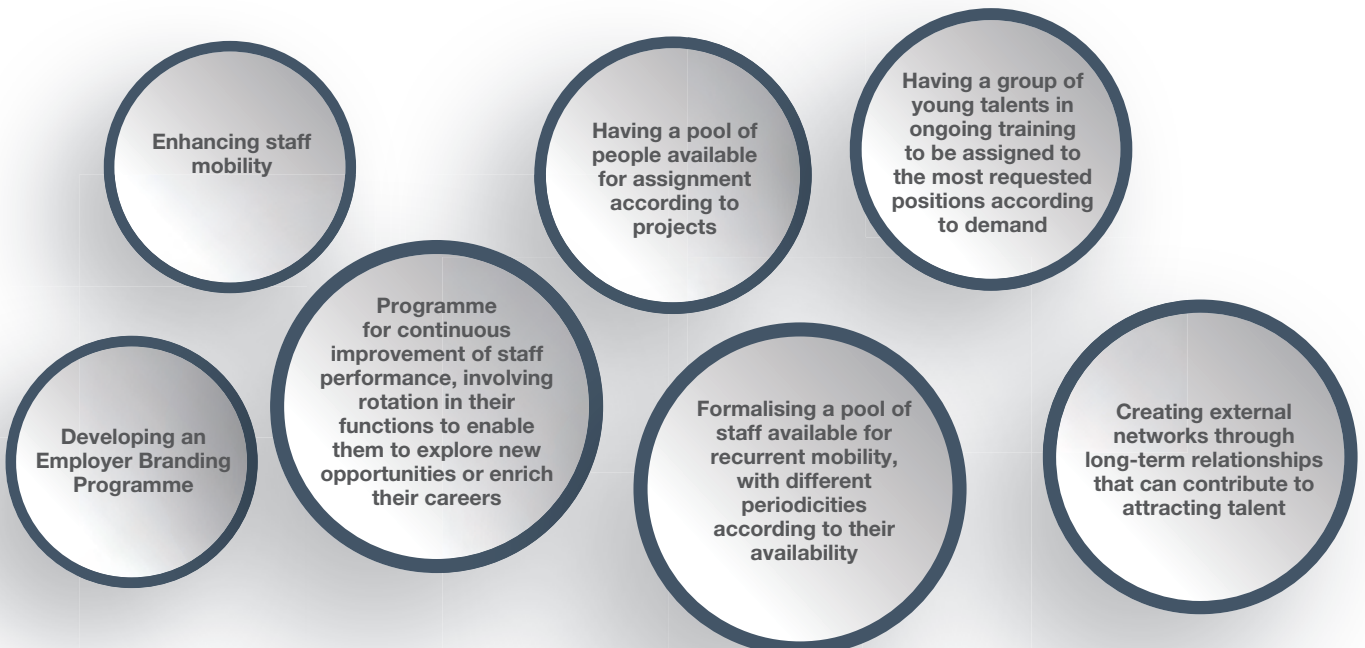
# Talent



(\*) Internship contracts are not counted in the final headcount

## RUEDA PROJECT

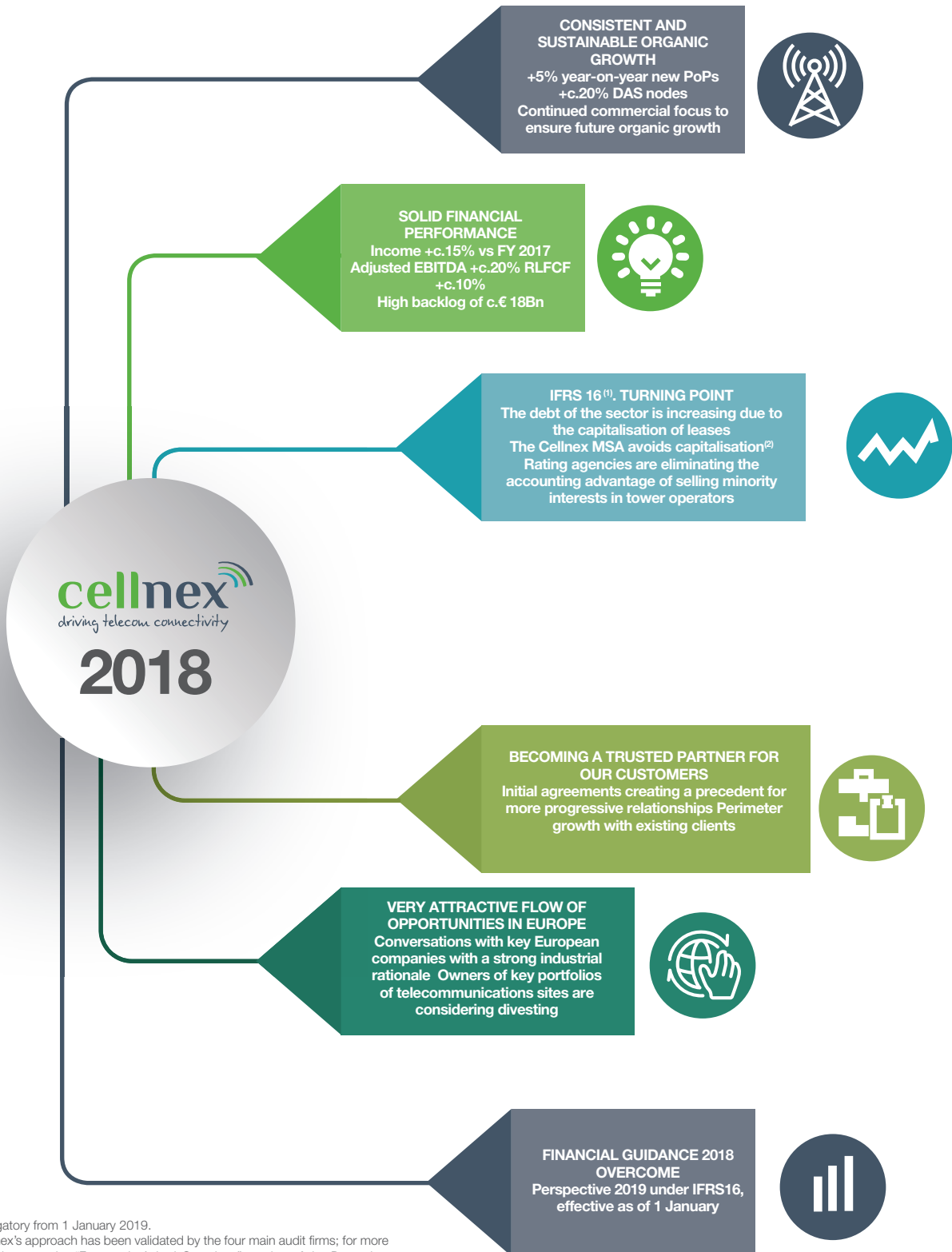
The Rueda Project was unveiled in late 2018 to boost and strengthen various aspects of the human resources area through action on a series of fronts:



(\*) 2019 will focus on developing each of these initiatives, while exploring new possibilities based on the results that are obtained.



# View of 2018



(1) Obligatory from 1 January 2019.  
(2) Cellnex's approach has been validated by the four main audit firms; for more information, see the "Frequently Asked Questions" section of the December 2018 Results (see on the Cellnex website).



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