

# Integrated Annual Report

Summary · Key data



# 2017

We connect people



# A European project

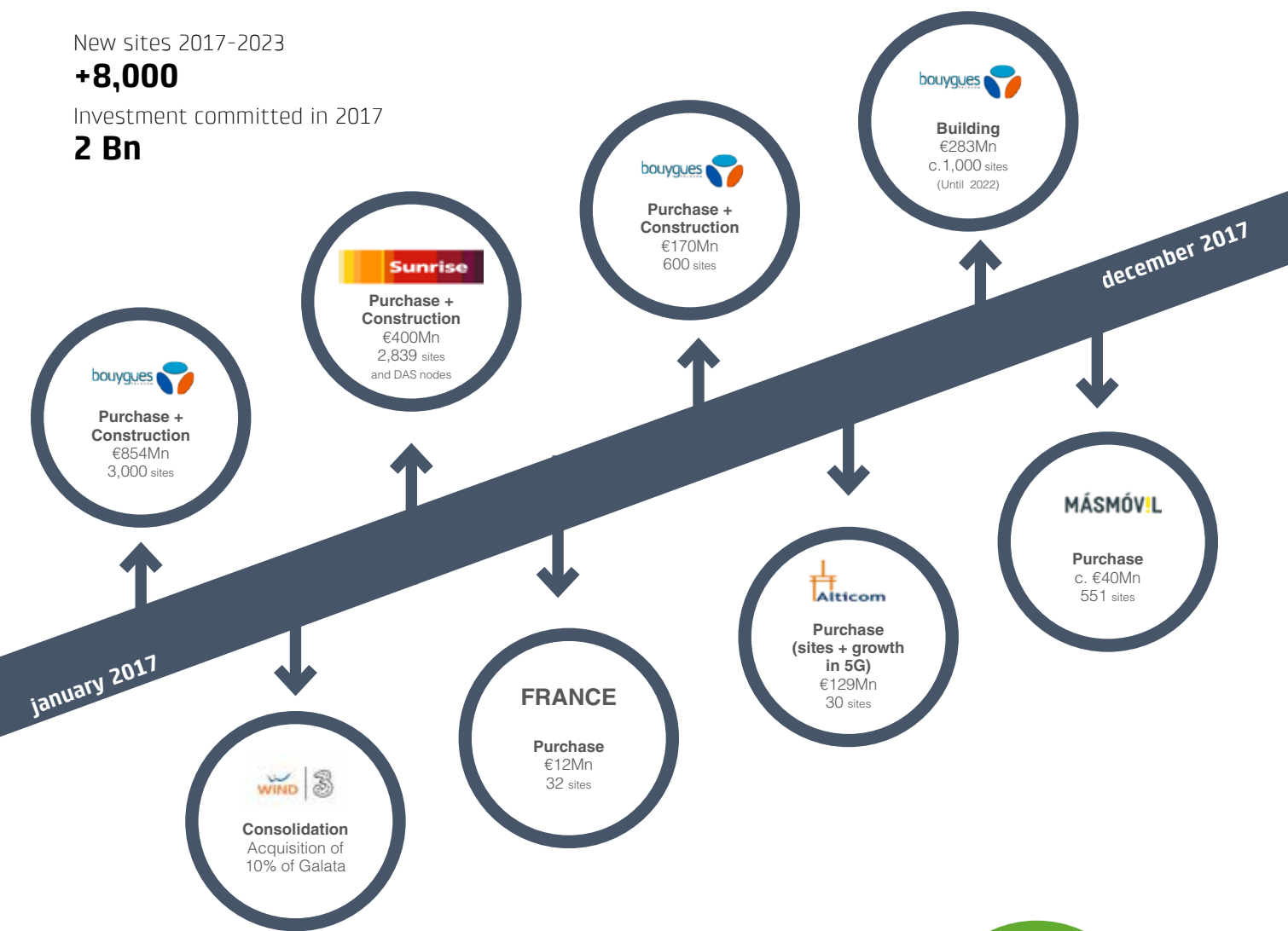
## Sustained growth

New sites 2017-2023

**+8,000**

Investment committed in 2017

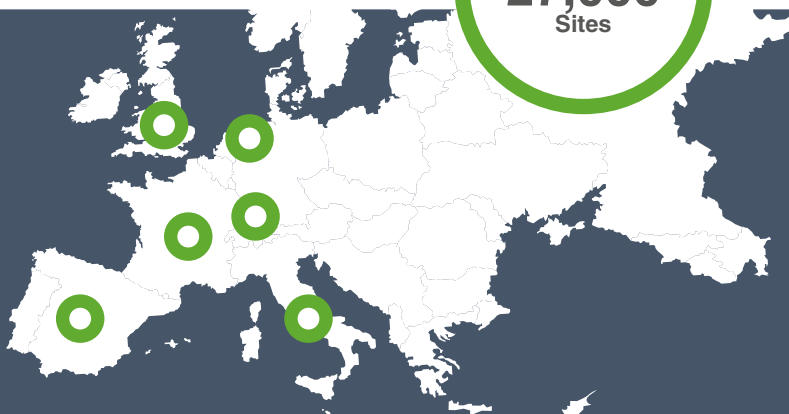
**2 Bn**



Total  
**27,000**  
Sites

### Number of sites

ITALY: 9,411  
 SPAIN: 8,133  
 FRANCE: 5,400  
 SWITZERLAND: 2,839  
 NETHERLANDS: 796  
 UNITED KINGDOM: 588





# Interview with the President and CEO

## Consolidation, growth, innovation

**What main vectors marked Cellnex's activity in this 2017 financial year? What would be the big headlines of the year?**

**Francisco Reynés:** I would highlight the continuity and consolidation of the process of building Cellnex's European project that has led us in the two and a half years since the IPO to close more than 12 transactions in six countries with an overall investment of €3.3 billion, increasing the number of sites in Spain from 7,000 to practically 27,000 in Spain, Italy, France, Holland, Switzerland and the United Kingdom. Similarly, the capacity of the management team to know how to find the balance between growth marked by intensity and speed and ensuring the like-for-like business management.

**Tobias Martinez:** I would add that the diversification of the company's business profile has been a key element. Communications infrastructure services now account for 60% of the group's revenues, when they were no more than 24% just three years ago. We have also diversified our revenues by geographical markets; 42% of revenues already come from outside Spain, a figure that would be 52% if we annualise the effect of all the acquisitions that we made during the year. We have also expanded and diversified our customer base, which gives us greater strength and resilience in our flows.

**We already mentioned this back in 2016, but is there a limit to this growth?**

**TM:** The limit does not seem to be so much in the consolidation potential that the European market offers for an infrastructure operator like Cellnex - with almost 300,000 towers and sites - and with a clear trend among the sector stakeholders to outsource their voice and data transmission networks; but rather in our capacity to properly manage the integration of these assets, ensure their management and design appropriate and competitive financing structures for the company.

**Cellnex is a listed company. One year ago, shares closed a 2016 financial year that did not seem to reflect the strong growth of the company in the various markets in which it operates. However, Cellnex's stock market performance in 2017 has been radically different. How would you rate the financial year from the stock point of view?**

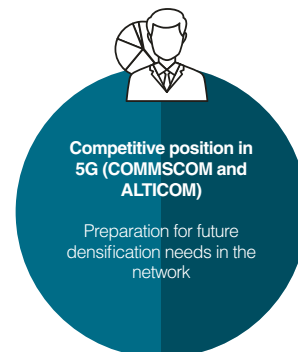
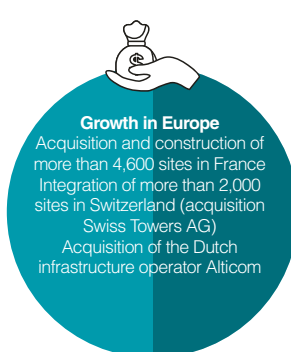
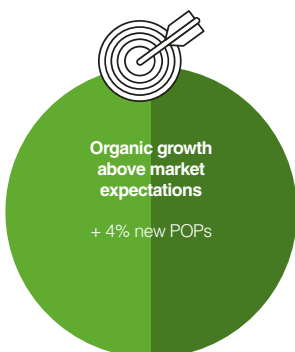
**FR:** We can describe Cellnex's year on the stock market as excellent; the progression of our shares has led the IBEX 35 in terms of revaluation, standing at 56% compared to the close of 2016 and 53% compared to the initial flotation price of €14 in May 2015.

**TM:** In 2017, the market has factored in the increase in the company's perimeter and the stability, recurrence and visibility of the flows that this growth entails; one fact certifying this is the portfolio of already contracted sales of over € 16 billion, equivalent to practically 20 years of turnover taking the close of 2017 as the benchmark. These figures point to the industrial value of Cellnex, a model with long-term vision and potential.

**In line with the opportunities that the market in Europe continues to offer and the confidence the Cellnex model inspires in both investors and your customers, what is the company's strategy to continue financing this growth?**

**TM:** At the end of 2017 Cellnex had a very competitive debt structure in terms of maturity (6 years average life) and average debt costs (2.4%); furthermore, combining cash and banks and immediate access to debt not drawn down, the company has access to liquidity of around € 1.4 billion. (€ 2 billion in January 2018 after the issue of the company's first convertible bond on 8 January to the tune of € 600 million, which took the average cost of the debt drawn down and not drawn down to 1.9% and raised the half-life to 6.4 years).

## Vision of 2017





We have expanded and diversified our base, giving us greater solidity and resilience in our flows.

We therefore have a solid balance sheet allowing us to face growth based on our own capacity to draw on debt, without excluding collaborative scenarios with other partners or other alternatives which may be considered according to the type of growth operations that the company could consider.

**And regarding the business, what were the main figures for the year in terms of income, EBITDA, profits, etc.?**

**TM:** In 2017, the company's revenues grew 12% to € 789 million and adjusted EBITDA stood at € 355 million, up 22%, in line with the objectives we had set for ourselves. The net result closed at € 33 million. In the case of the net result, the effect of the higher amortisations (27% vs. 2016) and financial costs (48% vs. 2016) associated with the intense growth of the group and the consequent expansion of the perimeter. In terms of organic growth, the company remains in line with the 4% target that we set ourselves.

**Governance is key for all companies, but especially listed ones like Cellnex that are also part of the selective IBEX 35. What would you highlight in 2017 in terms of corporate governance and responsibility, transparency, diversity...?**

**FR:** From the standpoint of corporate governance, enlarging the board from 9 to 10 members, which allowed us to reinforce the independence of the Board by incorporating a new independent director, taking the number of independent directors to five out of ten, while also moving forward in terms of complying with gender diversity recommendations. And a second aspect, the appointment of Bertrand Boudewijn Kan, chair of the Audit and Control Committee, as the company's Vice-President.

**TM:** As regards our stakeholders, I would especially point to the holding of the company's first "Capital Markets Day" at which we had the chance to share with Cellnex shareholders, investors and analysts the progress that Cellnex has made 30 months after its debut on the markets and to view some of the main challenges linked both to the continuity of the expansion drive in Europe and to vital elements for the development of the business in the medium and long term, such as the future roll-out of 5G.

Also the 2017 incorporation by Cellnex into the FTSE4Good and Standard Ethics indices acknowledging the company's practices and its international standardisation.

Turning to the level of concrete progress of our 2016-2020 Corporate Responsibility Master Plan, 82% of the lines of action structuring the Plan are already under way (vs. 76% in 2016) and 52% of the planned actions have been achieved (vs. 34% the previous year).

**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?**

**TM:** The sector in Europe is very much conditioned by the narrowing of the margins within which large network access operators operate. It is a very competitive market in which companies have to ensure an offer of content and services that is attractive to their end customers and maximise efficiencies and synergies from the cost perspective. We expect this process of progressive outsourcing in infrastructure management to maintain its impetus and to continue in the coming years, particularly when the roll-out of new infrastructure associated with 5G will also play an important role in the medium term as a growth vector. The special characteristics of 5G, which is 1,000 times faster than 3G and decreases the latency or response time of applications to one millisecond - 100 times less than 4G -, will determine the densification of the current networks. It is therefore conceivable that the infrastructure and network sharing schemes, using the services provided by neutral operators such as Cellnex Telecom, will continue to generate significant development expectations in the medium and long-term.

Francisco Reynés: President May 2015 - March 2018  
Tobias Martinez: President and CEO since March 2018

**CAPITAL MARKETS DAY**  
Cellnex organises the first Capital Market Day for investors

**From hosting to full network service (From MLA to MSA)**  
New paradigm in the towers sector in Europe

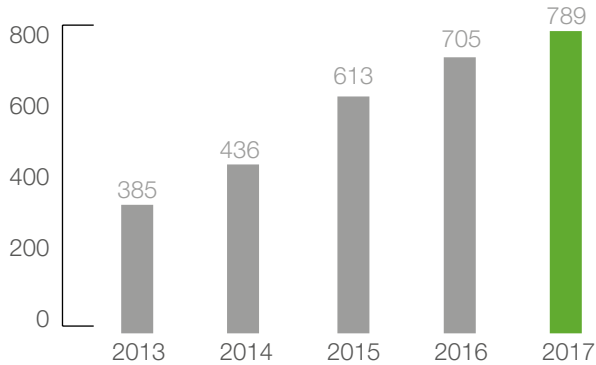
**New organisational design**  
Creation of the Integration and Processes Directorate

**Sustainability indices**  
Cellnex joins the "Standard Ethics" with a rating of "EE-" ("adequate") and the FTSE4GOOD sustainability indices

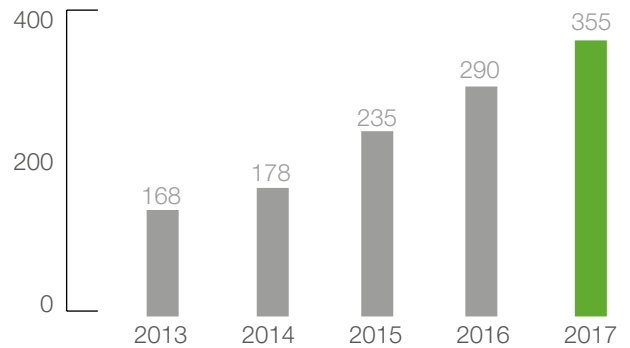
# Key indicators

## Business development 2017

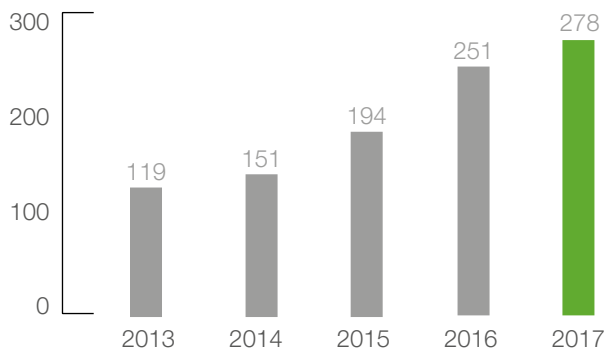
Income (€mn) <sup>(1)</sup>



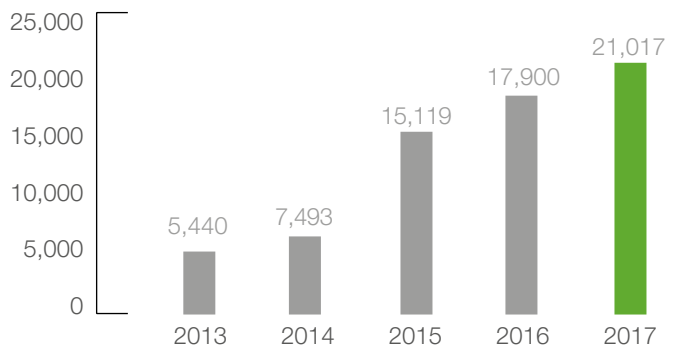
Adjusted EBITDA (€mn)



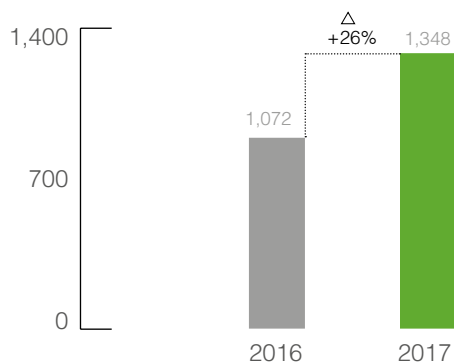
Free recurring leveraged cash flow (€mn)



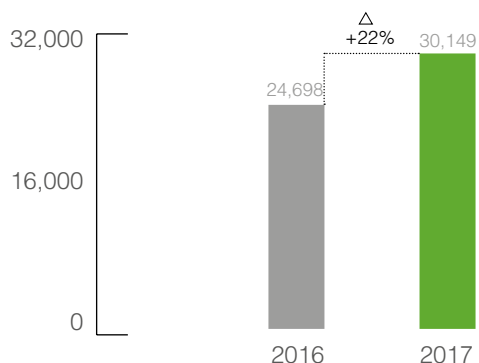
Sites



Development of DAS nodes <sup>(2)</sup>



Development of PoPs (total) <sup>(3)</sup>



(1) Operating income before adding back certain non-cash items (such as advances to customers). See caption "Financial and operating figures" in Cellnex Annual Integrated Report 2017.

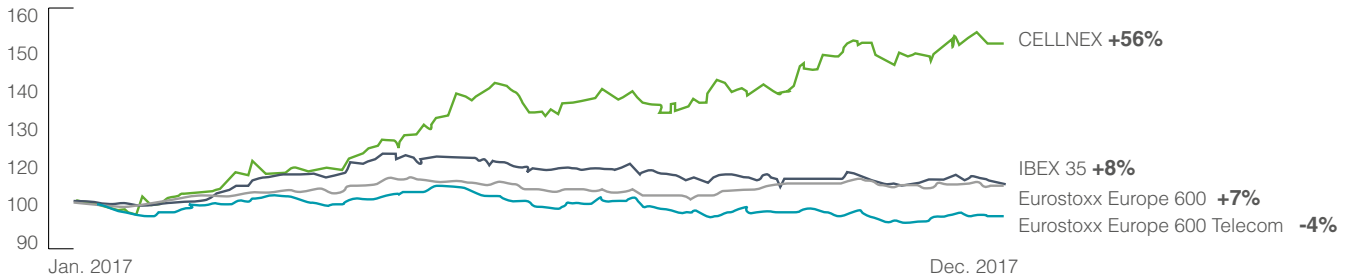
(2) DAS: Distributed Antenna System.

(3) PoPs: Points of Presence.

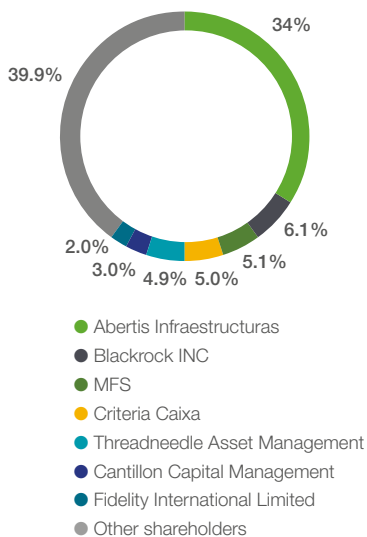
# Main indicators

## Key indicators

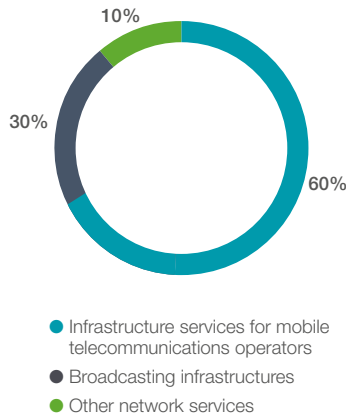
### Performance of Cellnex shares



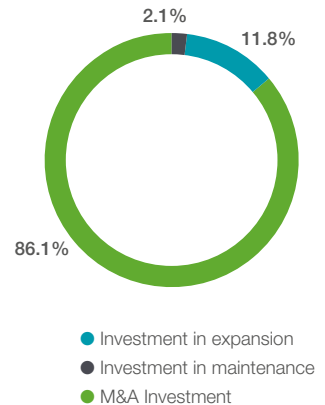
### Shareholder structure



### Contribution in income 2017



### Type of investment



### Key Indicators and contribution to Sustainable Development Goals

**1.55x**

Infrastructure sharing ratio



Verifying the carbon footprint of Cellnex Spain and Italy



Incorporation of a new female independent Director



**€1.7Mn**

in R&D+i Investment Projects



**92%**

customers satisfied with the service provided by Cellnex Spain



Drafting a Responsible and Proximity Purchasing Policy



Pilot project with third sector entities in an IoT connectivity project in social housing





# Management model

## Strategy and corporate governance

### Strategic challenges

**Transforming the company** from a national single-product company into an international and multi-product one through the challenge of adapting its:

- **Management processes**
- **Corporate governance**
- **Organisational culture**
- **Remodelling and strengthening teams**
- **Adopting a model for integration of new acquisitions**

**Maintaining the momentum towards internationalisation.** Consolidating positions in Europe in the countries in which Cellnex is present, and exploring new opportunities in other European markets, are the vectors of growth for Cellnex Telecom, by capitalising on the dynamics of mobile operators outsourcing networks.

**Combining growth and consolidation.**

Concluding new agreements with large and small telecommunications service operators for the provision of mobile broadband connectivity, broadcasting and “Internet of Things” projects. This should translate into sustained growth of the sharing ratio and the number of teams deployed at our network of sites.

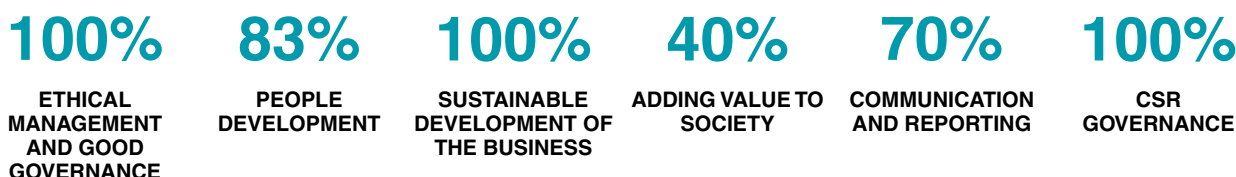
**Meeting expectations: maintaining investor confidence.**

The Cellnex IPO in 2015 was also a “pact” with the shareholders regarding the future performance of the company. Fulfilling this commitment means responding to all the challenges that lie ahead and earning the trust of our investor confidence in the Cellnex project.

### Governance structure



Degree of application of CSR Plan 2016-2020. Performance lines and goals started





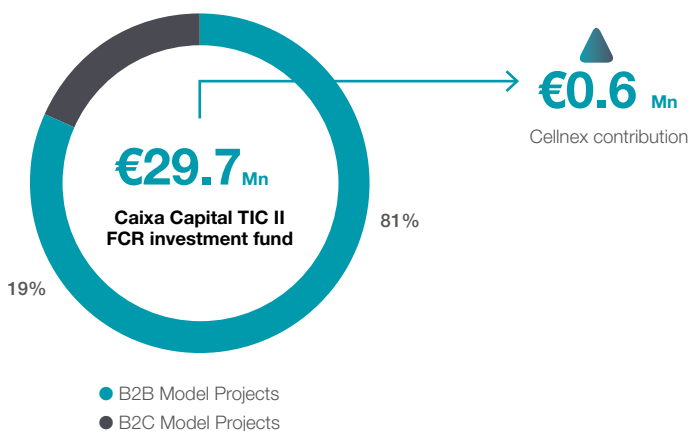
# Management model

## Talent and innovation

### Specific training programmes

<p><b>Leadership pathway</b></p>	<p>The aim of this course was to train the 27 new managers in the field of people management, acquiring skills and tools to foster leadership change.</p>
<p><b>Pathway for project managers</b></p>	<p>The programme, access to which depends on an assessment, consists of four modules:</p> <ul style="list-style-type: none"> <li>• Project management</li> <li>• Management and control of external resources</li> <li>• Personal effectiveness and own time management</li> <li>• Personal skills and competences</li> </ul> <p>Staff who complete the training can then access the Project Management Programme (PMP) official examination, which is an internationally recognised certificate that validates the competence to act as a project manager, leading and directing projects and teams. To help them to pass this exam, managers are provided with an exam preparation course involving not only face-to-face sessions but also allowing access to an online tool and a tutorial session to resolve their doubts and provide support in the final preparation of the official examination.</p>
<p><b>Pathways for in-house trainers</b></p>	<p>This project aims to prepare trainers for their role as Internal Trainers.</p>
<p><b>Languages</b></p>	<p>Language grants included in the Cellnex training grants programme.</p>

### Innovation and Entrepreneurship



Cellnex monitors the growth and maturation of innovative companies with a focus on ICT technologies and projects in digital and mobility environments.

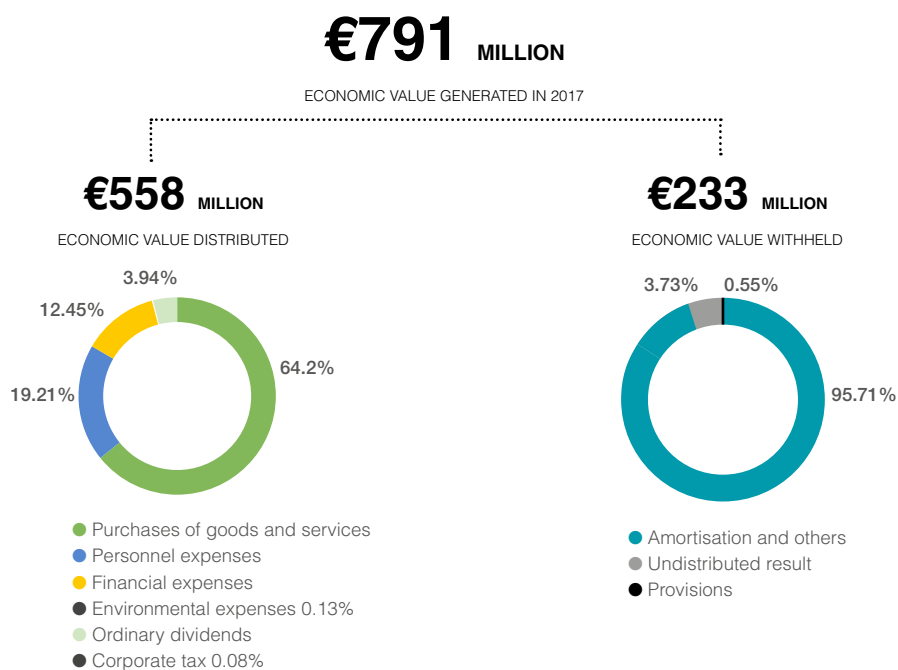




# Sustained value creation

## Value generated and distributed

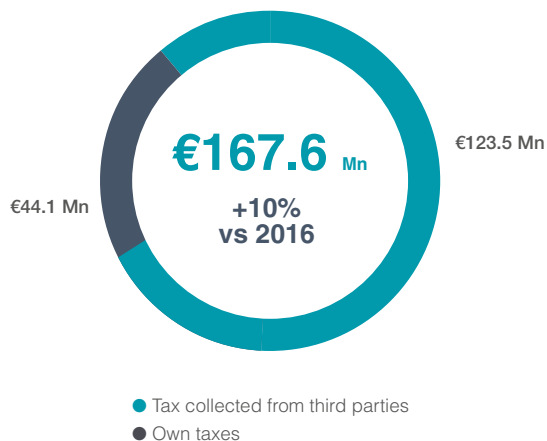
Value generated and distributed <sup>(1)</sup>



(1) Operating income, financial income and profit of companies accounted for using the equity method, of the consolidated income statement for the year ended 31 December 2017.

Tax contribution of Cellnex in 2017 (millions of euros)

	Own taxes <sup>(1)</sup>	Tax collected from third parties <sup>(2)</sup>	Total
Spain	27.7	78	105.7
Italy	11.4	33.5	44.9
France	0.03	-	0.03
Netherlands	1	7.3	8.3
United Kingdom	0.8	1.7	2.5
Switzerland	3.2	3	6.2
<b>Total</b>	<b>44.1</b>	<b>123.5</b>	<b>167.6</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).



Full report available in  
<http://informeanual2017.cellnextelecom.com/2017/en/>



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