

Report from Board on delegation capital increase

Junta '19
General de Accionistas
Annual Shareholders' Meeting

**REPORT PRESENTED BY THE BOARD OF DIRECTORS OF CELLNEX TELECOM, S.A. IN
RELATION TO THE PROPOSAL CONCERNING ITEM ELEVEN ON THE AGENDA OF THE
GENERAL SHAREHOLDERS' MEETING OF THE COMPANY CONVENED FOR 8 MAY 2019, AT
THE FIRST SUMMONING, AND FOR 9 MAY 2019 AT THE SECOND SUMMONING**

1. PURPOSE OF THE REPORT

The present report is issued in accordance with the provisions of Articles 286, 297.1.b) and 506 of Spanish Royal Legislative Decree 1/2010 of 2 July, approving the revised text of the Law on Corporations (the “**Law on Corporations**”) to justify the proposed agreement submitted for the approval of the Ordinary General Shareholders’ Meeting of Cellnex Telecom, S.A. (“**Cellnex**” or the “**Company**”) under item eleven on the Agenda, concerning the delegation to the Board of Directors of the power to increase share capital without prior consultation with the Board, within the period set for such purpose and for the maximum amount provided for in the Law on Corporations, with or without pre-emptive subscription rights, thus rewording the article of the Company By-laws on share capital.

2. JUSTIFICATION OF THE PROPOSAL

In accordance with the provisions of article 297.1.b) of the Law on Corporations, the General Shareholders’ Meeting, with the requirements set out for the amendment of the By-laws, may delegate to the Board of Directors the power to resolve, on one or several occasions, the increase in share capital up to a certain figure, at the time and to the amount it may decide upon, without previously consulting the General Meeting.

These capital increases may not under any circumstances exceed half of the capital of the Company at the time of the authorization and must be carried out by means of monetary contributions within a maximum period of five years from the date of approval of the resolution by the General Meeting.

At the same time, as set forth in Article 286 of the Law on Corporations in relation to Articles 296.1 and 297.1, the directors must draft a written report justifying the proposal.

The Board of Directors considers of great interest to the Company the opportunity to dispose of the delegated authorizations and powers permitted by current corporate law, with the capacity to set all terms and conditions of capital increases, as well as to determine the investors and markets to which such increases are directed, in order at all times to be in a position to harness the necessary funds for the best management of corporate interests.

The purpose of the delegation is to provide the Cellnex Board of Directors with the room for manoeuvre and the responsiveness demanded by the competitive environment in which it operates, in which often the success of a particular transaction or a strategic initiative depends on the ability to carry it out with agility and speed, and without the delays and costs that are inevitably involved in a new call to and performance of a general meeting.

Hence, the delegation provided in Article 297.1.b) of the Law on Corporations provides the Board of Directors with the necessary powers to carry out one or more capital increases, attending to the interests of the Company and responding with greater agility to the financial needs that may arise in the future.

For this purpose, the proposal consisting of the delegation to the Board of Directors of the powers to agree the increase in the capital of the Company by an amount not greater than half of the existing share capital on the date of delegation is presented to the General Shareholders’ Meeting (i.e., capital increases may not, altogether, exceed the figure of 37,334,131.625 euros nominal amount).

In addition, in accordance with the provisions of Article 506 of the Law on Corporations, when the General Meeting delegates to the Directors the power to increase the share capital in accordance with the provisions of Article 297.1.b) referred to above, it can also grant to them the power to exclude pre-emptive subscription rights in connection with the capital increases that are the object of the delegation, provided the interests of the Company so require.

In this sense, it is noted that delegation to the Board of Directors to increase the share capital contained in the proposal to which this report refers also includes, in accordance with the provisions of Article 506 of the Law on Corporations, the attribution to the directors of the powers to exclude, whether in whole or in part, shareholders' pre-emptive subscription rights, where applicable, when the interests of the Company so require, all of the above under the terms of Article 506.

The Cellnex Board of Directors considers that the exclusion of pre-emptive subscription rights, according to the circumstances of the market at any time, may, on the one hand, be suitable for reaching the goal pursued with this proposal, that is, to provide the Company's Board of Directors with the opportunity to harness the necessary funds for the improved management of its corporate interests; on the other hand, it may constitute a necessary measure from the point of view of corporate interest.

In view of the circumstances of uncertainty and volatility to which the capital markets are subject, and unlike what would happen if the capital increase were conducted with pre-emptive subscription rights, the exclusion of said right would allow to the Company, firstly, to obtain the necessary resources in the shortest possible time frame, and, secondly, to uptake said funds in the most efficient manner possible, in such a way that the effective placement of the extension period is shortened and the chances of success increase.

To take advantage of the opportunities that arise in the market, it is essential to act with agility and speed. In this sense, carrying out a transaction acknowledging pre-emptive subscription rights would significantly increase the complexity of the transaction, as well as lead to increased costs in time and money.

The previous circumstances greatly restrict the flexibility and responsiveness of the Board of Directors of the Company to take advantage of the opportunities offered by the market. This flexibility and responsiveness are useful in view of the changing circumstances of the markets and, in particular, in certain situations of credit limitations. For this reason, it is advisable for the Board of Directors of the Company to have the necessary means to be able to opt at any time for the various sources of funding available in order to obtain the most advantageous financial conditions.

In any case, if, in exercising these powers, the Board were to decide to exclude pre-emptive subscription rights in connection with a capital increase that it may decide to carry out under the delegation granted by the General Meeting, it shall issue, at the time of agreeing to the increase, a report detailing the reasons of corporate interest that justify such measure, which will be the object of the correlative report by the accounts auditor referred to in Article 308 of the Law on Corporations. Both reports will be made available to the shareholders and reported to the first General Meeting to be held after the capital increase, in accordance with the provisions of Article 506 of the Law on Corporations.

Also, although neither the Law on Corporations nor the Company By-laws restrict the capacity of the General Shareholders' Meeting to delegate to the Board of Directors the power to exclude pre-emptive subscription rights within the maximum amount of 50% of the share capital at the time of authorization, the Board of Directors has considered it appropriate, in line with the international recommendations of good practice in the market and the Recommendation 5 of the Code of Good Governance of listed companies approved by the Spanish National Securities Market Commission in

2015, to limit said power to a maximum of 10% of share capital at the time of authorization (i.e. 7,466,826.325 euros).

For all of the above, the Board of Directors believes that this proposal is justified and meets the needs that Cellnex, as a listed company, may have to face in the future.

Finally, the powers to be attributed to the Board of Directors in the event that the proposed agreement is adopted, will be with express right to substitution, thus reinforcing the purpose of providing the Board with the ability to give a rapid, agile response to the transactions with which it is presented.

This authorization would replace and would render ineffective in the undrawn part the Resolution Seven adopted by the General Shareholders' Meeting of the Company on 31 May 2018.

3. PROPOSED AGREEMENT FOR SUBMISSION TO THE GENERAL MEETING

The full text of the proposal that is submitted to the Ordinary General Shareholders' Meeting is as follows:

Delegate to the Board of Directors of the Company, in accordance with Article 297.1.b) of the Law on Corporations, the authority to increase share capital, without previously consulting the Annual General Shareholders' Meeting, within the deadline set for such purpose and for a maximum limited amount provided for in the Law on Corporations, with or without pre-emptive subscription rights, thus rewording Article 5 of the Company By-laws concerning share capital, in compliance with the following conditions:

1. Authorized capital, amount and term: the Board of Directors is empowered, as broadly as required in Law, so that, in accordance with Article 297.1. b) of the Law on Corporations, it may increase share capital, without previously consulting the Annual General Shareholders' Meeting, on one or more occasions and at any time, within the period of five years from the conclusion of this Meeting, to an amount corresponding to half of the share capital at the time of authorization (i.e. 37,334,131.625 euros of nominal value), through the issuance of new shares, ordinary or otherwise, in accordance with the applicable legal requirements - with or without share premium- the consideration of the newly issued shares consisting of cash contributions.
2. Scope of delegation: the Board of Directors may set all terms and conditions of capital increases and the characteristics of the shares as well as determine the investors and markets to which the capital increases are intended and the placement procedure to be followed, freely offer the new shares not subscribed to in the pre-emptive subscription period, and, in the case of incomplete subscription, establish that the capital increase be rendered null or that the capital be increased solely by the amount of the subscriptions made and reword the article of the by-laws relating to share capital.

The Board of Directors may designate the person or persons, whether directors or not, who are to execute any of the agreements adopted in application of this authorization and, in particular, the closing of the capital increase.

3. Rights of the new shares, issue rate and consideration of the increase: the new shares issued on the occasion of the capital increase or increases agreed upon under the present delegation shall be ordinary shares equal in rights to existing shares (except for dividends already declared and pending payment at the time of issuance), that will be issued at the rate of their nominal value or with the share premium determined, when applicable. The consideration of the newly issued shares shall necessarily consist of cash contributions.

4. Exclusion of pre-emptive subscription right: in accordance with the provisions of Article 506 of the Law on Corporations, the Board of Directors is expressly granted the power to exclude, in whole or in part, the right to pre-emptive subscription in respect of all or any of the issues It agrees to carry out by virtue of this authorization, although this power will be limited to capital increases carried out under the present delegation, as well as to those increases that are carried out within the scope of the authorization provided in item twelve on the Agenda, up to an amount equivalent to 10% of the capital of the Company at the date that this decision comes into effect (i.e. 7,466,826.325 euros of nominal value).

In accordance with applicable law, the Board of Directors may make use of the authority granted to it pursuant to the provisions of the preceding paragraph when the interests of the Company so require, and provided that the nominal value of the shares to be issued, plus the share premium, if any, corresponds to the fair value of the shares of the Company resulting from the report that, at the request of the Board of Directors, must be drawn up by an independent expert, appointed for this purpose by the Companies Registrar on each occasion that use of the powers of exclusion of the right to pre-emptive subscription rights conferred in the present paragraph.

5. Request for admission: the Board of Directors is empowered to apply for admission to trading, and their exclusion, in the organized domestic or foreign secondary markets, of all shares that may be issued or, in the case of a change in the nominal value of those already issued, their exclusion and new admission, in compliance with the applicable regulations regarding trading, maintenance of and exclusion from trading.
6. Power of substitution: the Board of Directors is authorized so that, in turn, it may delegate in favour of any of the members of the Board of Directors or any other person, whether or not a member of said body, the delegated powers referred to in this agreement.

It should be noted that the shareholders have been provided with the corresponding explanatory directors' report of the motion of delegation to increase share capital.

Finally, there is a motion to render ineffective in the undrawn part Resolution Seven adopted by the General Shareholders' Meeting of the Company on 31 May 2018, under which the Board of Directors of the Company was authorized to increase share capital.

Madrid, 4 April 2019