Junta General de Accionistas
Annual Shareholders' Meeting

Board of Directors' Report on the resolution to issue convertible bonds approved by the Board of Directors on 27 July 2023

cellnex

SUMMARY OF THE REPORT ISSUED BY THE BOARD OF DIRECTORS OF CELLNEX TELECOM, S.A. ON 27 JULY 2023 IN RELATION TO THE RESOLUTION TO ISSUE CONVERTIBLE INTO AND/OR EXCHANGEABLE BONDS, EXCLUDING PRE-EMPTIVE SUBSCRIPTION RIGHTS, PURSUANT TO THE AUTHORISATION GRANTED BY THE GENERAL SHAREHOLDERS' MEETING HELD ON 1 JUNE 2023 UNDER ITEM ELEVEN OF THE AGENDA

The report (the "**Report**") is issued by the Board of Directors of Cellnex Telecom, S.A. ("**Cellnex**" or the "**Company**"), in compliance with the provisions set out in articles 414, 417, 510 and 511 and 286 in relation to article 297.1.b) of the consolidated text of the Spanish Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July (the "**Spanish Companies Act**" or "**LSC**") in connection with the resolution to issue bonds convertible into and/or exchangeable for shares of Cellnex, for a maximum nominal amount of up to €1,000,000,000, excluding pre-emptive subscription rights and the relevant share capital increase (the "**Issue**"), which the Board of Directors of the Company proposes to adopt on this date, pursuant to the delegation granted by the General Shareholders' Meeting held on 1 June 2023 (on second call) under item eleven of the agenda (the "**Delegation Resolution**").

<u>Rationale for the Issue</u>

The Board of Directors has resolved to carry out the Issue for a maximum nominal amount of up to €1,000 million, through an accelerated bookbuilding offering addressed exclusively to qualified investors.

In the current complex and uncertain economic and financial climate, the Board of Directors' objective with the Issue is to take advantage of the opportunity to continue to raise resources that are an alternative to bank financing in the capital markets, while providing the Company with sufficient funds to meet its general corporate needs and those arising from its growth, as well as to enable (should the Company so decide) the performance of potential liability management operations for its refinancing.

In this regard, it has been considered that there is certain potential interest among qualified investors for the subscription of bonds convertible into and/or exchangeable for shares of the Company, which in turn might be of interest for the Company due to the following reasons:

(i) A new issue of convertible and/or exchangeable bonds would allow the Company to keep the diversity of its funding sources as investors in convertible into and/or exchangeable bonds provide a different and alternative source of funding to banks, equity investors and fixed income investors, thereby also gaining financial independence;

(ii) Convertible into and/or exchangeable bonds have the advantage over conventional financing (i.e. bank debt and plain vanilla bonds) that their explicit cost is usually lower as the coupon is generally lower because it reflects the value of the investors' share option vis-à-vis the Company;

(iii) In the event that investors exercise their conversion right during the life of the Issue and it is decided to meet conversion requests by delivering newly issued shares, the Company's financial leverage will be reduced while its capitalisation is increased, strengthening its equity as a result; and

(iv) Finally, as opposed to a share issue, convertible and/or exchangeable bonds are an instrument that allows sufficient flexibility to be converted in accordance with the procedure set out in the terms and conditions without any dilution to shareholders in the meantime.

The potential interest detected in the issuance of the Bonds would require this transaction to be carried out rapidly, in order to avoid exposure to volatility. Based on the experience obtained as a result of the issuances of convertible bonds carried out by the Company in the past, an accelerated bookbuilding offering is the most suitable mechanism for implementing the issue; and thus the exclusion of pre-emptive subscription rights is needed.

In view of the favourable financing conditions in the markets for this type of security and the potential interest among qualified investors, verified by the success of the convertible bond issuances carried out by the Company in the past, it is considered appropriate to take advantage of this opportunity for the reasons set out above.

Details of the Bonds Issue

- Type of Issue. The Bonds will be directly issued by the Company and will be convertible into newly-issued Company shares or, at the Company's sole and absolute discretion, exchangeable for existing Company shares. Likewise, it may also be contemplated that Cellnex delivers cash instead of shares to bondholders exercising their conversion rights.

  The Bonds will constitute unsecured and unsubordinated obligations of the Company.

  The net proceeds of the Issue will be used to refinance bonds convertible into and/or exchangeable for shares of the Company maturing on 16 January 2026 (ISIN code XS1750026186), admitted to trading on the open market (*Freiverkehr*) of the Frankfurt Stock Exchange (the "**Freiverkehr**") (the "**2026 Bonds**"), in the context of the offer for their repurchase which Cellnex expects to carry out concurrently with the Issue (the "**Buyback**"), as well as for general corporate purposes in case the net proceeds exceed the amount of the Repurchase.

  The Issue will be conditional upon receipt in the context of the Buyback of indications of interest from holders of 2026 Bonds representing at least 50% of the outstanding nominal balance of the 2026 Bond issue. The Company may at any time waive such condition.

- Issue Amount. Up to 1,000 million euros. The final amount will be fixed upon completion of the accelerated bookbuilding process, and taking into account the condition to which the Issue is subject regarding the acceptance of the Buyback. The possibility of an incomplete subscription of the Issue is expressly provided for.

- Face value and issue price. The Bonds will have a face value of €100,000 per Bond and will not be issued at a price lower than 100% of their face value.

- Subscription and disbursement. The Bonds will be subscribed and disbursed on the date or during the period that is determined to that end.

  The bonds will be offered exclusively to qualified investors.

  The accelerated bookbuilding process for the Issue and the Buyback one are independent of each other. The allotment of the bonds to qualified investors will not be dependent on the expressions of interest to sell expressed by holders of 2026 Bonds in the Buyback, although holders of 2026 Bonds participating in the Buyback may, at the discretion of the Company, receive preference in the allotment of the Bonds.

- Interest. The Bonds will bear interest at a fixed annual rate not to exceed 2.5%, calculated by reference to the face value of the Bonds, payable in arrears. The interest rate will be fixed at a later date, either prior to the announcement of the Issue or after the completion of the accelerated bookbuilding process.

- Redemption.

  Ordinary

  The redemption of the Bonds will take place within a maximum term of 12 years.

  The ordinary final redemption date will be set upon conclusion of the accelerated bookbuilding process. At the final redemption date, any Bonds that have not been converted or exchanged, redeemed or cancelled at that point will be redeemed either for an amount equal to their face value or for an amount equal to their face value plus a premium, which would be set upon conclusion of the accelerated bookbuilding process (in which case, the amount to be redeemed at maturity – face value plus premium – will not exceed 115% of such face value).

Early redemption at the Company's option

The terms and conditions of the Issue may set out events in which the Company can opt to redeem the Bonds early. For instance, these may include redemption events at the Company's option that are linked to a certain increase in the Company's share market price.

Early redemption at the bondholder's option

The bondholders may request the early redemption of the Bonds in the events that are established in the terms and conditions of the Issue, which may include events of default (such as cross-default of other obligations by the Company and/or certain subsidiaries).

- <u>Basis and method for conversion</u>. The Bonds will be voluntarily convertible into newly-issued Company shares or exchangeable for existing Company shares (which decision will be taken at the sole and absolute discretion of the Company), when the bondholders exercise their conversion rights. Likewise, it may also be contemplated that Cellnex delivers cash instead of shares to bondholders exercising their conversion rights.

  - *Conversion Period*: at any time during the term of the Bonds, notwithstanding the possibility of establishing a period starting as of the issue date during which conversion is not permitted and that the conversion period might conclude prior to the final redemption date or the early redemption date in the event of early redemption at the Company's option.

  - *Conversion Price*: ("**Conversion Price**") will be set upon conclusion of the accelerated bookbuilding process, although said price will be subject to certain adjustments in the circumstances that are established in the terms and conditions of the Issue. In this regard, the Conversion Price of the Bonds will be determined taking into account:

    - (i) the market price of the Company's shares, determined on the basis of the volume weighted average price (VWAP) of the shares on the Spanish Stock Exchanges in the period running from the announcement of the Issue, which is expected to take place prior to the opening of the market, and either the moment at which the price is set or at market's close; or (ii) the sale price of Cellnex's shares in a concurrent placement of shares in the market through an accelerated bookbuilding process carried out by the financial institutions responsible for the placement, on behalf of subscribers of the Bonds who wish to hedge the market risk arising from their position as holders of the Bonds through such sale (the price calculated in any of the ways described above, the "**Reference Price**"); and

    - a conversion premium over the Reference Price to be established following the analysis of the investment proposals received by the financial institutions responsible for placement during the accelerated bookbuilding process and that will allow the price to be adjusted to the maximum degree possible in line with market expectations. The conversion premium will be of between 40% and 85% of the Reference Price.

    According to Articles 59.2 and 415.2 of the Spanish Companies Act, the Conversion Price thus determined may in no case result in the shares being issued in the conversion for less a rate less than their face value.

  - *Conversion ratio*: the number of ordinary Company shares to be delivered to the bondholders who exercise their conversion right will be determined by dividing the nominal amount of the Bonds by the Conversion Price in force on the date of conversion. Fractions will be dealt with in accordance with the terms and conditions of the Issue.

  - *Anti-dilution mechanism*: anti-dilution mechanisms will be established on the Conversion Price in accordance with normal market practice in this type of transaction.

  - *Other adjustments to the Conversion Price*: the terms and conditions of the Issue may also include mechanisms to protect bondholders against changes of control or payments of dividends that may take the form of adjustments to the Conversion Price in accordance with standard market practice for this kind of transactions. The provisions of the preceding paragraph regarding the impossibility of reducing the Conversion Price below the face value of the Company's shares at the time of the conversion or exchange shall be applicable to such adjustments.

- Form of representation. The Bonds will constitute a single series and will be represented by physical certificates, initially in the form of a single global certificate.

- Guarantees. By virtue of the principle of universal asset liability, the Company shall be liable for its obligations under the Bonds with all of its present and future assets. The Bonds shall not be secured by any security interest in assets or rights of the Company, nor by any personal guarantee of any third party. However, the terms and conditions of the Issue may include negative pledge provisions in accordance with the standard terms for this kind of transactions.

- Listing. An application will be made for the bonds to be admitted to trading on any regulated market, multilateral trading facility or other organised market, such as, inter alia, the Freiverkehr or the *Vienna MTF*. Bonds shall also be required to be included in the relevant clearing and settlement systems for the effective clearing and settlement of secondary market transactions in them by their holders

  Likewise, an application will be made for the shares issued as a result of the exercise of the conversion rights under the Bonds to be admitted to trading on the Spanish Stock Exchanges through the Spanish automated trading system (*Sistema de Interconexión Bursátil - Mercado Continuo*).

- Applicable law. The Issue will be subject to Spanish law (*legislación común española*) with regard to (i) its legal nature and ranking in terms of priority of claims, and (ii) the capacity of the Company and the corresponding corporate resolutions. The terms and conditions of the Bonds (including non-contractual obligations) will be governed and interpreted in accordance with English law.

- Share capital increase. The Company's share capital shall be increased by the maximum amount necessary to meet conversion requests of the Bonds by bondholders (in the event it is decided not to deliver existing shares or cash).

Rationale for the exclusion of pre-emptive subscription rights

An issue of convertible bonds through an accelerated bookbuilding offering is considered the most suitable manner to achieve the goals described, as well as aligned with the corporate interest. The exclusion of pre-emptive subscription rights is required in order to address the issue to qualified investors.

The main advantages of using this placement mechanism for an issuance are as follows:

- This is an agile and flexible mechanism, which significantly increases the Company's room for manoeuvre and its ability to react in order to take advantage of the right market moment. This mechanism allows the Company to take advantage of market "windows" and the current financial situation.
- This mechanism reduces the volatility risk that affects share market price, increasing the efficiency of the transaction as was shown within the context of the issuances of convertible bonds carried out by the Company in the past.
- An accelerated placement, which articulates a mechanism for setting the terms of the Issue through a procedure of prospecting demand in a very short period of time and among qualified investors, makes it possible to obtain the best financial conditions for the Issue.
- The transaction can be executed within 48 hours, which drastically reduces the volatility effect on the Company's shares.

- This transaction helps to avoid the risk of arbitrage that arises when an issue is announced without the terms being fixed in advance, as investors' activities between the announcement and the fixing of the terms influence the determination of the terms.
- The ABO placement method allows the offer to be address to qualified investors, including the holders of the 2026 Bonds who may wish to participate in the Buyback and subscribe the newly issued bonds, facilitating the selection of investors by the underwriters and the Company who, if they subsequently exercise their conversion rights, would contribute to the stability of the share capital.
- This process will allow the Company to keep increasing its presence on international markets, where the large amount of funds traded on these markets makes it possible to obtain a larger volume of funds in favourable terms.
- Finally, in terms of costs and expenses, the Issue entails lower costs than an issue with pre-emptive subscription rights, as costs and expenses are limited to those of the placement, legal expenses are reduced and advertising and marketing expenses are eliminated.

Moreover, should pre-emptive rights not be excluded, the Bonds may not be subscribed by shareholders (or acquirers of pre-emptive subscription rights) for the envisaged amount, which would make it necessary to carry out a further placement among investors in presumably worse terms, with negative operational and reputational effects.

In addition, convertible bonds are a type of securities not suitable for retail investors and the exclusion of pre-emptive rights is a standard market practice for this kind of transactions.

Furthermore, the Board considers that the exclusion of pre-emptive rights complies with the proportionality that must exist between advantages obtained for Cellnex and any disadvantages caused to shareholders whose expectations are diminished due to the dilution that an issuance of convertible bonds on a non-pre-emptive basis may entail (based on how the share price evolves), mainly due to the following reasons:

(a) The Bonds have a fixed conversion ratio and, as the Conversion Price will be determined on the basis of the Reference Price plus a premium above that Reference Price that will in turn be set through an accelerated bookbuilding process, shareholders will not experience any financial dilution insofar as the trading price of the Company’s shares does not reach at least the Conversion Price of the Bonds.

(b) In addition, the terms and conditions of the Issue provide for the possibility for the Company to redeem the bonds in the event that the value of the bonds calculated by reference to the listed price of Cellnex shares (Parity Value) exceeds such listed price by a certain percentage.

Finally, the method used to set the Conversion Price of the Bonds is the method that is customarily used for this type of transactions.

As a result, it can be concluded that an issue of convertible Bonds with the exclusion of pre-emptive rights and placed through an accelerated bookbuilding offering is the most suitable manner to achieve the goals listed above, as well as it is the method most aligned with the Company’s corporate interest. Furthermore, the exclusion of the pre-emptive rights is in accordance with due proportionality to the extent that such exclusion is sufficiently justified and offset by the advantages that the possibility of carrying out the Issue in the desired conditions provide to the Company and to the shareholders themselves. Therefore, due to the reasons outlined above, the Board of Directors considers that the financial terms of the Issue are reasonable, and that the conversion ratio (and its adjustment formulas) are suitable to compensate for a possible financial dilution of the shareholders.

<u>Auditors’ report</u>

In accordance with article 510 of the Spanish Companies Act, as the issue of shares necessary to complete the conversion of the Bonds will in no event reach 20% of Cellnex’s share capital, it is not necessary that this Report is accompanied by a report of an auditor other than the Cellnex’s auditor appointed by the Spanish Commercial Registry under the terms provided for in articles 414 and 417 of the Spanish Companies Act.

Madrid, 27 July 2023