



Interview with the President and the CEO

Long-term partnership, the way to grow

2020 was marked by historic health, social and economic disruption, caused by COVID-19. These circumstances forced everybody to take a giant step forward in digital communications as a basic tool not only for business, but also for social relationships. How would you summarise the effects of the pandemic on Cellnex?

BERTRAND KAN COVID-19 has marked the lives of individuals and companies with devastating consequences in loss of life as well as jobs, businesses and social activity. We have been fortunate as the telecommunications sector, and specifically infrastructure, has bolstered the resilience of society in general and businesses in particular, playing a key role in mitigating the effects of the crisis. By and large, operators of networks and infrastructure have managed to ramp up capacity, benefiting from heavy investments in recent years in an unprecedented roll-out of networks. Fibre-optic connections and high-speed mobile technologies enabled the exponential increases in data consumption that occurred. This connectivity has facilitated personal and professional proximity in a historic period of isolation. Cellnex has benefited from and contributed to this digital transformation, much of which is likely to stay.

TOBIAS MARTINEZ We have stood by our customers to allow them, in turn, to provide their services to users around the clock, reinventing network control activity from one day to the next. In Spain, for example, we went from having two large control centres in Madrid and Barcelona to operating with 200 small nodes distributed in the homes of the staff responsible for ensuring network operation. We radically transformed the way we work while ensuring continuity of service at pre-pandemic standards.

The radio and television signal transport and control service has also been particularly critical for the population during the pandemic, with record-breaking audience ratings because of the desire for information.

While our growth operations have not only been unaffected, but have increased, we have noticed a certain slowdown in some day-to-day processes due to difficulties associated with lockdowns. There have been occasional delays in obtaining permits and some postponements, as was the case of the second digital dividend or the spectrum auction. However, we have exceeded the goals we set for ourselves at the beginning of the year, including reviewing the guideline when we released our half-year results.

What key indicators would you highlight from the financial year?

TM As I was saying, we improved our forecasts during the year and were able to close the year with growth of 55 percent in revenue, 72 percent in EBITDA and 75 percent in recurring cash flow generation. This result reflects the significant increase in the company's perimeter, which responds to the growth dynamics of 2019, just as we will see some of the operations reflected in 2021 and in 2022 such as the agreement with CK Hutchison in six countries, announced in 2020. But, apart from the expansion, we have managed to keep our organic growth ratio at around 5.5 percent, therefore we have had a good financial year in terms of results.

Since your IPO we have heard you talk about consolidating acquisitions, but your M&A activity is nothing short of frenetic ...

TM Obviously we have not abandoned our growth objective. But I would like to make it clear that, in our model, consolidation itself creates inorganic opportunities. We have repeated many times that we are not a financial investor and we stand by our role as an industrial partner. Our long-term relationships with our customers end up driving our own growth dynamics in M&A. Many purchasing operations are based on our strategic relationship with them. In fact, more than half of the €25 billion that we have invested in the five years since the IPO has been in projects to consolidate our relationship with customers who ask us to partner with them. These investments allow us to grow in new markets and also to expand in others where we are already present.

BK We had an early start in 2020 by announcing the acquisition of OMTEL in Portugal with a new partner and geographical market on the 2nd of January. We returned to consolidate our position in the country in April with the acquisition of NOS Towering from Portuguese mobile operator NOS. In the summer we completed the acquisition of Arqiva's telecoms tower business in the United Kingdom. In addition to these acquisitions, we have also continued to invest in our customer relationships, as Tobias already mentioned, including the agreement with Bouygues in February to provide fibre-optic connectivity in France, the €800 million investment in Poland with Iliad and, last but not least, the largest acquisition in our short history, the purchase of the European towers of CK Hutchison Holdings in six countries, in a €10 billion transaction.

TM These last three operations reflect our industrial vision very well since they are based directly on the relationship of trust with customers based on their experience in recent years and looking to partner with us to manage their infrastructures in the markets in which they operate. This strengthens us as a strategic element and partner in their value chain.

For example, our relationship with Hutchinson started one month before the IPO in 2015, when we acquired 7,500 Wind sites in Italy shortly before the integration into WindTre. The service provision over these five and a half years has therefore led Hutchinson to negotiate exclusively with us for a global cooperation project in these six European markets we were referring to.

Within this alliance, we have balanced consolidation in three countries where we were already present - Italy, the United Kingdom and Ireland - with opening businesses in three new markets - Austria, Denmark and Sweden - with the help of a strategic partner that has become our biggest customer.

What would you say were the most important milestones of this year with regard to your diversification and innovation policies?

TM In geographical terms, we continued to diversify by markets. At the close of 2019 we were operating in seven countries and now, one year later, we are on track for twelve, a very important milestone in diversification of both markets and customer base.

There are operations such as the integration of Metrocall in the Madrid metropolitan transport system, for example, which combine diversification and innovation, by bolstering our commitment to connectivity in major transport networks, similar to the project we have in Italy for the Milan and Brescia underground networks, or more recently in the Netherlands for the country's rail network.

In general, from the innovation point of view, we have continued to bet on the 5G vector as an element that will revitalise the industry. We are developing capacities, know-how and technological knowledge to avail ourselves of the necessary skills to implement private or corporate indoor networks with interesting international pilot projects for managing operations ranging from a port in Bristol to those of a chemicals multinational in Spain. We will increasingly see how private 5G networks in industrial environments will boost not only their productivity, but also the roll-out of this technology.

Our innovative commitment also has a seed capital aspect in start-ups in activities that we consider to hold potential for our business area. This year we invested in companies that operate in two of the key complementary elements to the 5G infrastructure ecosystem: Long-Term Evolution (LTE) private networks and Edge Computing. We acquired the Finnish company Edzcom, which operates precisely in the field of private networks, and took part in an investment round of Nearby Computing.

In a difficult year for many listed companies, Cellnex has moved countercyclically with a share price appreciation of 38%. After raising a total of €3.7 billion in two rights issues in 2019, you closed the largest capital increase to date, a further €4 billion that was heavily oversubscribed in August 2020. How far can you go?

BK The timing of Cellnex' 2015 IPO was fortuitous as the European telecommunications market was ready for a restructuring of operators' balance sheets and the sale of tower assets. As a specialised tower operator, working closely with mobile operators, Cellnex was able to acquire and extend a portfolio of towers spanning 12 countries in these five years. Despite growing quickly, financial discipline has been key to our strategy; as long as we have value-creating opportunities to grow the business, we will raise the equity and debt required for that growth. We have been fortunate to enjoy the strong support of our shareholders and the capital markets in general for our strategy and hope to continue delivering strong results to them.

What can we expect from 2021? Will it be more challenging?

BK Our biggest wish for 2021 is to reach a turning point in the pandemic crisis. Accordingly, we hope that the world can recover a certain normality in social and work life. Cellnex will continue with its growth strategy, which may become more challenging as additional operators are entering the European market. We are optimistic about the continuing demand for tower infrastructure throughout Europe, a trend that has been fuelled further by the accelerating digital transformation. On the macro side, hopefully 2021 should be an inflection point for GDP, with significant growth following the constrained activity levels of 2020. We are optimistic that the general GDP and capital markets backdrop will remain positive for Cellnex business and strategy.

TM Our priority this year is the integration of growth projects, a fundamental success factor for us. In these few years, we have acquired extensive experience in the fluid interaction of teams to guarantee the expected return on investments.

As for the rest, and from the strict perspective of Cellnex' s dynamics, we hope that we will fare at least as well as we did in 2020 and that we can continue performing growth projects, although 2019 and 2020 will be a hard act to follow in terms of acquisitions.

The normalisation of economic and social activity will allow us to regain some traction in organic growth, taking into account that we managed to meet our objectives in 2020.

Values, sustainability and a sense of purpose seem to have become one of the company's hallmarks at a time when large investors are placing a high premium on corporate social responsibility. Can you summarise the year's activities in this area?

BK Indeed, we cannot see ESG (Environment, Social Responsibility and Governance) as something separate from the day-to-day management of the company. The Board is increasingly dedicating time and resources to ensure that Cellnex operates responsibly in every key respect. To this end, we have expanded the functions of the former appointments and remuneration committee, which now includes sustainability in its name, to monitor and propose policy with respect to ESG issues. We finalised our CSR 2016-2020 Master Plan with more than 90 percent of the strategic objectives covered and in December we approved the new plan for 2021-2025 with clearly defined actions, where relevant linked to the UN Sustainable Development Goals (SDGs).

Moreover, in the management structure we have set up an ESG Executive Committee that will coordinate and implement the defined actions. These include areas and functions ranging from talent management and equality, diversity and inclusion policies; and actions related to the environmental and climate change strategy in line with the objectives from the *Science Based Targets Initiative*. We are committed to finding ways to operate our business that are beneficial to both our shareholders and society as a whole.

TM This year that we are summarising has given us a unique opportunity to show this aspect of values and social commitment. In the Board, we approved the "*Cellnex's COVID-19 Relief Initiative*", a €10 million international pandemic aid fund. Half of the endowment was allocated to a health research project into cellular immunotherapy involving hospitals in France, Italy and Spain and which is showing very promising results not only for the treatment of COVID, but could also have possible applications in other immunological diseases and even for oncological therapies.

The second tranche of the endowment was allocated to social action projects with non-governmental organisations to help people and groups in vulnerable situations in the countries where we operate

In 2021 we will kick off *The Cellnex Foundation* to express awareness of the company's social impact. This will include projects to achieve such things as bridging the digital divide, either for social or territorial reasons, or betting on entrepreneurial talent or training and promoting STEM vocations, among other initiatives.