

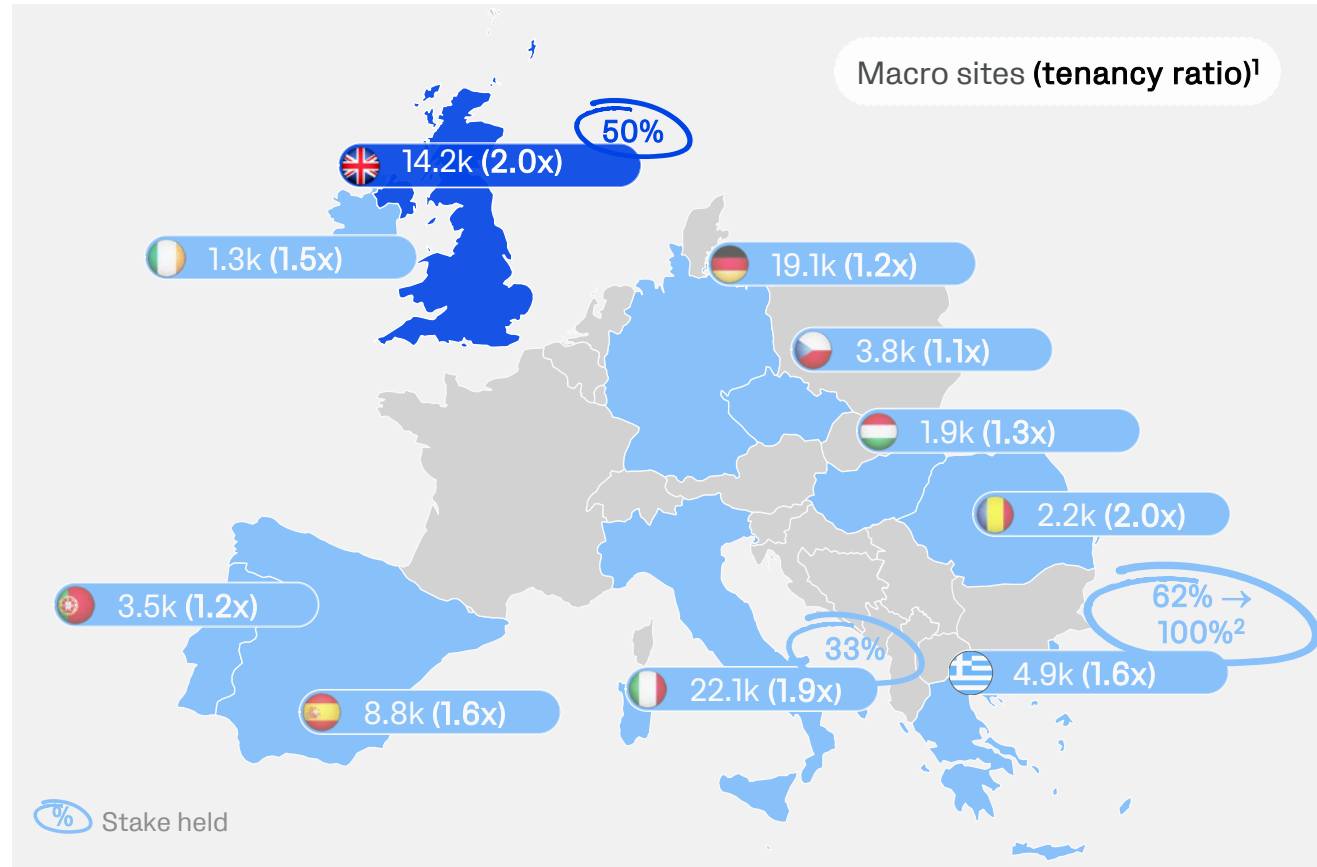
# Growing Vantage Towers in the UK

Commercialisation of Cornerstone agreed

11 January 2021



# Strengthening our leadership position in European towers



## Commercialising Cornerstone

- ✓ #1 UK tower operator<sup>3</sup>
- ✓ 2 strong anchor tenants with network sharing partnership
- ✓ A preferred supplier for new sites to both Vodafone and TEF UK

## V T Adding scale and scope to Vantage Towers

- ✓ 82k<sup>4</sup> macro sites
- ✓ A leader in 9 of our 10 markets<sup>3</sup>
- ✓ €742m of FY20PF aggregated Adj. EBITDAaL<sup>5</sup>

**Source** Site numbers and tenancy ratio as of 30-Sep-20, companies reporting, TowerXchange, broker reports

**Notes**

- 1 Please refer to p.20 for definition of macro sites and tenancy ratio
- 2 Vantage Towers has a call option to acquire the remaining 38%
- 3 Based on number of macro sites; latest available for other operators including announced acquisitions
- 4 Vantage Towers incl. 100% of INWIT and Cornerstone macro sites
- 5 Includes 50% of Cornerstone's Adj. FY20PF Adj. EBITDAaL, please refer to p.14 for a reconciliation of adjusted to reported FY20PF Adj. EBITDAaL. In addition, please refer to basis of preparation and definitions on p.19-20. Based on average EUR / GBP exchange rate of 0.89402 over twelve months ended 31-Mar-20

# Commercialising the UK tower infrastructure leader



Cornerstone has agreed long-term MSAs with Vodafone and TEF UK who will continue their network sharing partnership on its grid

Macro sites	14.2k
Market share <sup>1</sup>	41%
Market position <sup>1</sup>	1 <sup>st</sup>
Tenancy ratio	2.0x
Active sharing	vodafone O <sub>2</sub>
Anchor tenants' mobile market share <sup>2</sup>	53%

- Commercialisation of Cornerstone and contribution of Vodafone's 50% co-controlling shareholding into Vantage Towers
  - Commercialisation effective from 1 January 2021
  - Contribution during January 2021
- Continuation of **network sharing partnership** between two strong mobile network operators, Vodafone and TEF UK
- MSA term: **8+8+8+8 years**
- New build commitment for **~1,200 new macro sites** by FY25 and **~1,950 new passive tenancies** on existing macro sites in urban areas by FY24
- £111m Adj. FY20PF Adj. EBITDAaL<sup>3</sup>** (100% basis)

**Source** Company information as of 30-Sep-20 excl. financial data, financial data as of 31-Mar-20; Fitch Solutions; broker research; company reporting

**Notes**

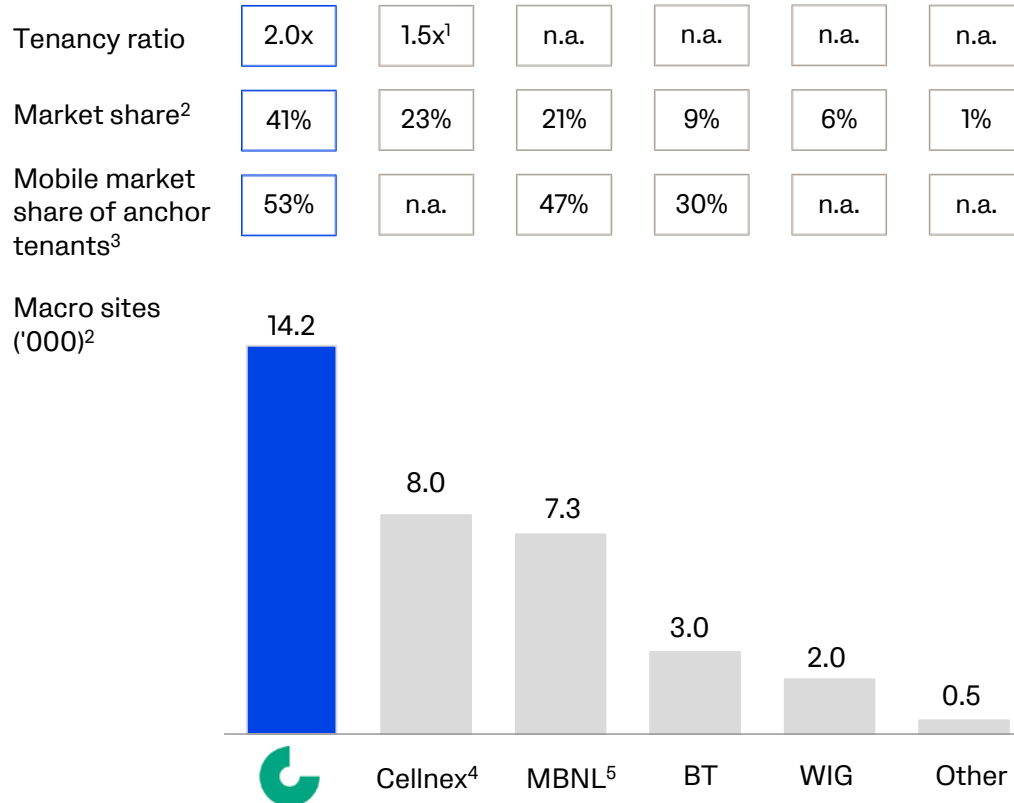
<sup>1</sup> Based on number of macro sites; Cellnex pro forma for CK Hutchison acquisition

<sup>2</sup> Based on number of mobile subscribers as of 2019

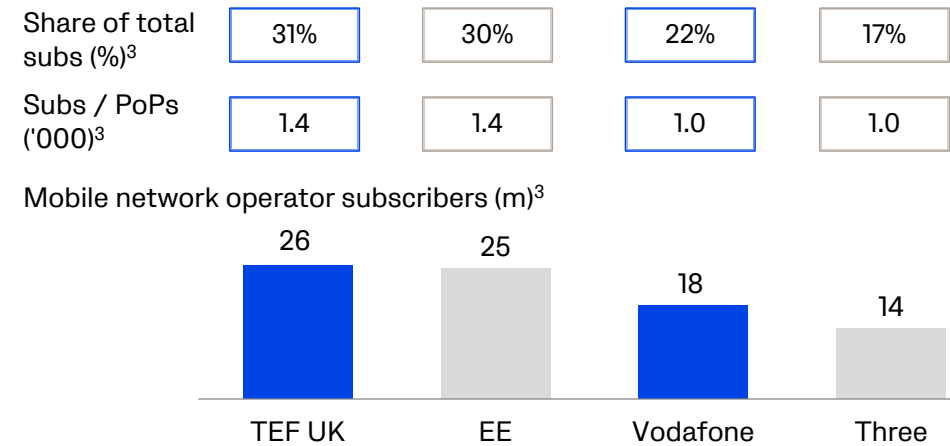
<sup>3</sup> €124m Adj. FY20PF Adj. EBITDAaL based on average EUR / GBP exchange rate of 0.89402 over twelve months ended 31-Mar-20. Adj. EBITDAaL presented on adjusted pro forma basis. Please refer to p.14 for a reconciliation of adjusted to reported pro forma Adj. EBITDAaL. In addition, please refer to basis of preparation and definitions on p.19-20

# #1 operator in the UK with two strong anchor tenants

## #1 tower operator in the UK



## Anchor tenant relationship with Vodafone and TEF UK



- ✓ 4 player market with 2 network sharing partnerships:
  - Vodafone and TEF UK on Cornerstone, EE and Three through MBNL<sup>5</sup>
- ✓ Network sharing between Vodafone and TEF UK means Cornerstone is a critical infrastructure provider to both mobile network operators, together representing >50% mobile market share
- ✓ Significant ground lease cost saving opportunity over the long term on existing and new sites under the Electronic Communications Code ("ECC")
  - Cornerstone will retain 30% of the net savings, providing additional capital to further the rollout of next-generation digital networks in the UK

Source Company information as of 30-Sep-20, company reporting, broker reports, Fitch Solutions

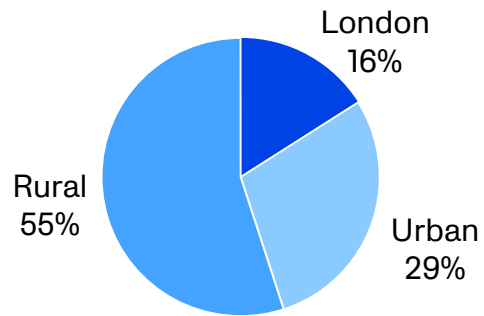
**Notes**

- 1 Cellnex as of 3Q20
- 2 Based on number of macro sites; data as of 3Q20 for Cellnex and broker reports for other operators
- 3 Mobile subscriber data based on Fitch Solutions as of 2019; PoPs based on broker reports
- 4 Cellnex has also agreed with CK Hutchison to acquire the economic risks or rewards deriving from approximately 6,000 macro sites in the UK
- 5 Mobile Broadband Network Ltd ("MBNL"); 50:50 joint venture between EE and Three; manages towers for EE and Three but does not own the passive infrastructure

# Portfolio well positioned to benefit from expected demand

## Attractive portfolio characteristics

Cornerstone's macro sites by geo-type<sup>1</sup>



	Tenancy ratio	% of macro site portfolio
GBT <sup>2</sup>	2.1x	77%
RTT <sup>2</sup>	1.8x	23%

- ✓ Nationwide, well balanced coverage, with macro sites in attractive, premium locations for optimal coverage – strong position in London and urban in particular
- ✓ Ample co-location capacity due to significant active sharing between anchor tenants
- ✓ Rural coverage obligations a key near term focus and have been targeted by the shared rural network ("SRN") programme<sup>3</sup>
  - ~150 new macro site commitment from the SRN programme, each with three operators (up to ~450 tenancies in total)
- ✓ Mobile network operators in the near term are expected to focus on deployment of 5G technology in London and urban areas
  - >80% of macro sites in attractive locations in London and other major cities

Source Company information as of 30-Sep-20; Analysys Mason

Notes

<sup>1</sup> London is areas within the City of London and Greater London region, urban is outside London and >30k inhabitants, rural is outside London and <30k inhabitants

<sup>2</sup> Ground based towers ("GBT"); Rooftop towers ("RTT")

<sup>3</sup> A programme aimed at delivering mobile broadband to 95% of the UK, including an initiative to upgrade the existing mobile networks

# MSAs materially consistent with Vantage Towers consolidated markets



## Contracted cash flows

- MSA term: 8+8+8+8 years<sup>1</sup>



## In-built growth

- Inflation-linked growth (CPI floor: 0% / CPI cap: 3%)



## New macro sites and tenancies commitment

- Upfront commitment of ~1,200 new macro sites<sup>2</sup> by FY25 and ~1,950 new passive tenancies on existing macro sites by FY24
- A preferred supplier to Vodafone UK and TEF UK



## Premiums and discounts

- Anchor discounts where a new mobile network operator tenant joins a site
- Uplift where anchors unwind to recognise cost to upgrade and extra space used
- Premium for strategic sites (up to a limit of 500 per anchor tenant)



## Capex upgrades

- Within standard configuration: capex recharged to anchor tenant
- Above standard configuration: Cornerstone recoups costs through additional loading fees<sup>3</sup>



## Ground lease savings under ECC

- Cornerstone will retain a 30% share of the net savings

**Source** Company information

**Notes**

<sup>1</sup> Vodafone and TEF UK renewal rights for each 8-year period materially "all-or-nothing"

<sup>2</sup> BTS from unwinds are largely streetworks

<sup>3</sup> Cornerstone recoups capex for such upgrades through loading fees up to a threshold, above which capex is recharged to the anchor tenant

# FY20 adjusted pro forma KPIs and financials

## Historical performance

~14,200  
macro sites<sup>1</sup>

77% GBT<sup>1</sup>  
23% RTT<sup>1</sup>

2.01x  
tenancy ratio<sup>1</sup>

~1,200  
committed new  
macro sites

Key financials <sup>2</sup> (£m), Mar-YE	Adjusted <sup>2</sup> FY20PF	Adjusted <sup>2</sup> 1H21PF
<b>Revenue (ex. pass through)</b>	<b>280</b>	<b>139</b>
Pass through revenue <sup>3</sup>	67	38
<b>Total revenue</b>	<b>347</b>	<b>177</b>
Opex (incl. pass through)	(118)	(63)
<b>Adj. EBITDA<sup>4</sup></b>	<b>229</b>	<b>114</b>
<i>Adj. EBITDA margin (%)<sup>5</sup></i>	<i>82%</i>	<i>82%</i>
Recharged capex revenue	-	-
Ground lease expense <sup>6</sup>	(118)	(58)
<b>Adj. EBITDAaL<sup>4</sup></b>	<b>111</b>	<b>56</b>
<i>Adj. EBITDAaL margin (%)<sup>7</sup></i>	<i>40%</i>	<i>40%</i>
Maintenance capex	(9)	(5)
<b>ROpFCF</b>	<b>102</b>	<b>51</b>
<i>Cash conversion (%)</i>	<i>92%</i>	<i>91%</i>
Interest <sup>8</sup>	(5)	(3)
Tax <sup>9</sup>	(6)	(5)
Change in NWC	n.a.	n.a.
<b>RFCF</b>	<b>91</b>	<b>43</b>

### Notes

- As of 30-Sep-20
- Adjustments, basis of preparation and definitions described on p.14, 19 and 20, respectively
- Pass through revenue consists of recovery of business rates passed through to the tenants (FY20PF: £67m, 1H21PF: £38m) and recharged capex revenue (FY20PF: £0m, 1H21PF: £0m)
- Includes the impact of the reassessment of the capitalisation policy for internal staff costs from FY21, explained on p.14
- Adj. EBITDA divided by revenue (ex. pass through)
- Sum of depreciation of lease-related right-of-use asset and interest expense on lease liability and net interest on finance sublease arrangements. Cornerstone is performing a lease term re-assessment, which may result in a minor historical restatement of the pro forma depreciation of lease-related right of use assets and interest on leases



### Long-term contracted revenue with anchor tenants

- Vodafone UK and TEF UK represent 96% of revenue (ex. pass through revenue)
- Cornerstone also recognises revenues that are passed through to tenants relating to business rates and in-configuration upgrades
- Blended average anchor fee of £17.0k per macro site
- Other tenant revenue for FY20PF of £10m



### Ground leases account for 69% of cost base (ex. pass through costs)

- Majority linked to inflation or periodic rent review
- Upside in the long term from renegotiations on existing and new sites under ECC (Cornerstone will retain 30% of the net savings)



### Adj. EBITDAaL margin of 40%<sup>4,7</sup>

- Reflecting relatively high ground lease costs in the UK (especially on urban macro sites)
- Opportunity to benefit from operating leverage due to passive sharing and third party lease-up



### Highly cash generative business with 92% cash conversion in Adj. FY20PF

- Stable and low maintenance capex at 3% of revenue (ex pass through)





7 Adj. EBITDAaL divided by revenue (ex. pass through)

8 Based on 3.0-4.0x Net Financial Debt / Adj. EBITDAaL. Please see p.20 for the definition of net financial debt

9 Effective cash tax rate of 10-15% in FY20PF and 1H21PF, increasing to 19% over the near term; taxable income £60-70m higher than earnings before taxes, delta normalises over long run as capital allowance aligns to D&A; D&A in FY20PF of £118m



# Business outlook | Growth, visibility and cash flow

	Medium-term targets	Commitments
<b>Revenue (ex. pass-through)<sup>1</sup></b>	<ul style="list-style-type: none"> <li>Low single digit CAGR</li> </ul>	 <ul style="list-style-type: none"> <li><b>~1,200</b> New macro sites</li> </ul> <p>New macro sites by FY25 (o/w 950 due to unwinding<sup>3</sup>)</p>
<b>RFCF</b>	<ul style="list-style-type: none"> <li>Mid single digit CAGR</li> </ul>	 <ul style="list-style-type: none"> <li><b>~1,950</b> New passive tenancies</li> </ul> <p>New passive tenancies on existing macro sites by FY24 due to unwinding</p>
<b>Other capex</b>	<ul style="list-style-type: none"> <li>~£10m one-off capex over the near term for set-up costs and efficiency investments</li> <li>~£10-20m p.a. of other capex<sup>2</sup></li> </ul>	 <ul style="list-style-type: none"> <li><b>~£130m</b> Capital investment</li> </ul> <p>Expected unwinding and new macro sites capex requirement</p>
<b>Capital structure</b>	<ul style="list-style-type: none"> <li>Leverage of 3.0-4.0x Net Financial Debt / Adjusted EBITDAaL</li> </ul>	
<b>Dividend payout</b>	<ul style="list-style-type: none"> <li>100% of excess cash with additional distributions from time to time to maintain leverage (subject to not exceeding the target leverage)</li> </ul>	 <ul style="list-style-type: none"> <li><b>~£17.5m</b> Run-rate Adj. EBITDAaL</li> </ul> <p>Expected incremental FY26 Adj. EBITDAaL from committed unwinding and new macro sites</p>

**Notes**

1 Excludes revenues that are passed through to tenants relating to business rates and in-configuration upgrades

2 Excludes ~£10-20m p.a of expected recharged capex

3 New macro sites due to unwinding expected to be largely streetwork sites priced at lower rate to reflect no ground lease typically payable; "Unwinding" refers to the unwinding of an active sharing arrangement such that two mobile network operators on one site become one each on two



# Key takeaways

- 1 Footprint extended with #1 tower operator in the UK
- 2 Vantage Towers now a leader in 9 of our 10 markets
- 3 2 strong anchor tenants with network sharing partnership
- 4 Consistent with strategic and capital allocation framework

# Vantage Towers | Our story

1 A **leading** European tower infrastructure operator

2 Benefitting from **strong and resilient underlying demand** within an evolving towers market

3 **Top tier, highly rated** customer base, secured with **network sharing** agreements

4 **Growth platform** underpinned by long-term, inflation-linked contracts, new build and tenancy expansion

5 Highly **attractive financial profile** with margin upside and cash flow generation underpinning shareholder returns

6 **Clear framework** to drive strategic investments in growth beyond the core and M&A, led by an **experienced and empowered management team**

# Appendix - additional information on Cornerstone

# Additional macro sites and tenancies | Reconciliation

		Additional macro sites by FY25	Additional passive tenancies by FY25
Unwinding <sup>1</sup>	On existing macro sites	n.a.	1,950
	On new macro sites	950	950
SRN		150	Up to 450
Other committed new macro sites		100	Up to 200
<b>Total</b>		<b>1,200</b>	<b>Up to 3,550</b>

**Note**

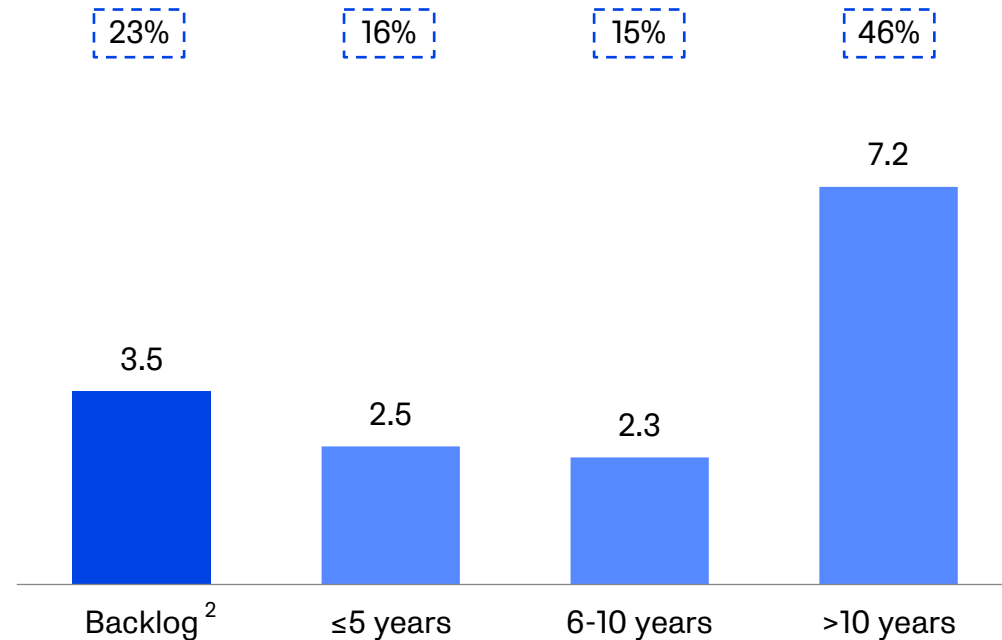
<sup>1</sup> Additional tenancies on existing macro sites and new macro sites related to unwinding to be added by FY24 and FY25 respectively

# Leases | ECC provides for potentially significant cost reductions

ECC is expected to reduce ground lease costs in the UK for mobile tower operators over time as new leases are entered into and existing leases are renewed, with Cornerstone retaining a 30% share

~40% of contracts are up for renewal over the next five years

# of leases by remaining term ('000)<sup>1</sup>



   % of total

- ✓ Significant ground lease cost saving opportunity over the long term on existing and new sites under the ECC
- ✓ Under the ECC, rental fee will be determined by market value of the land for non-telecom purposes, thus reducing rents where sites have low non-telecom market values
- ✓ The aim of the changes is to provide additional capital to further the rollout of next-generation digital networks in the UK, making it easier and less expensive to roll-out or upgrade broadband and telecoms infrastructure on public and private land
- ✓ Acceleration in renegotiation expected as legal precedent is established – applies to leases on renewal
- ✓ ~40% of portfolio up for renewal over the next 5 years

Source Company information as of 30-Sep-20

Notes

- 1 Incl. micro sites (distributed antenna systems sites, repeater sites, long-term mobile sites and small cell sites)
- 2 Ground leases that have expired and are under automatic prolongation

# Adj. EBITDA and Adj. EBITDAaL | Reconciliation

£m	FY20PF			H121PF		
	Pro forma Reported	Staff cost capitalisation	Pro forma Adjusted <sup>1</sup>	Pro forma Reported	Staff cost capitalisation	Pro forma Adjusted <sup>1</sup>
<b>Total revenue</b>	<b>347</b>		<b>347</b>	<b>177</b>		<b>177</b>
Opex (incl. pass-through)	(106)	(12)	(118)	(57)	(6)	(63)
<b>Adj. EBITDA</b>	<b>241</b>	<b>(12)</b>	<b>229</b>	<b>120</b>	<b>(6)</b>	<b>114</b>
Recharged capex	-		-	-		-
Ground lease expense <sup>2</sup>	(118)		(118)	(58)		(58)
<b>Adj. EBITDAaL</b>	<b>123</b>	<b>(12)</b>	<b>111</b>	<b>62</b>	<b>(6)</b>	<b>56</b>

### Staff costs capitalisation

- Changes to Cornerstone's staff capitalisation methodology will result in an adjustment to the capitalisation rate going forward. This is captured through the reallocation of costs from capex to opex and estimated reductions of £12m and £6m in pro forma Adj. EBITDA and pro forma Adj. EBITDAaL in FY20PF and 1H21PF, respectively

### Notes

<sup>1</sup> As shown on p.7

<sup>2</sup> Sum of depreciation of lease-related right-of-use asset and interest expense on lease liability and net interest on finance sublease arrangements. Cornerstone is performing a lease term re-assessment, which may result in a minor historical restatement of the pro forma depreciation of lease-related right of use assets and interest on leases

## **Appendix 2 – Vantage Towers post Cornerstone commercialisation**



# Impact on Vantage Towers | Key metrics

Cornerstone adds 14.2k macro sites and €62m to Vantage Towers' FY20PF aggregated Adj. EBITDAaL

€m (unless stated)	Fully-owned segments				Consolidated	Co-controlled operations <sup>2</sup>		Aggregated <sup>4,5</sup>
	 Germany	 Spain	 Greece <sup>1</sup>	 Other European Markets		 INWIT (33.2% stake) <sup>3,4</sup>	 Cornerstone (50.0% stake) <sup>5</sup>	
Macro sites (#) <sup>6</sup>	19.1k	8.8k	4.9k	12.7k	45.5k	22.1k	14.2k	81.8k
Tenancy ratio <sup>6</sup>	1.21x	1.62x	1.63x	1.37x	1.38x	1.85x	2.01x	1.62x
FY20PF revenue	462	159	126	198	945			
FY20PF Adj. EBITDAaL	290	71	53	109	523	157	62 <sup>8</sup>	742 <sup>8</sup>
FY20PF % margin <sup>7</sup>	63%	45%	42%	56%	55%	64%	40%	

Source: Company information

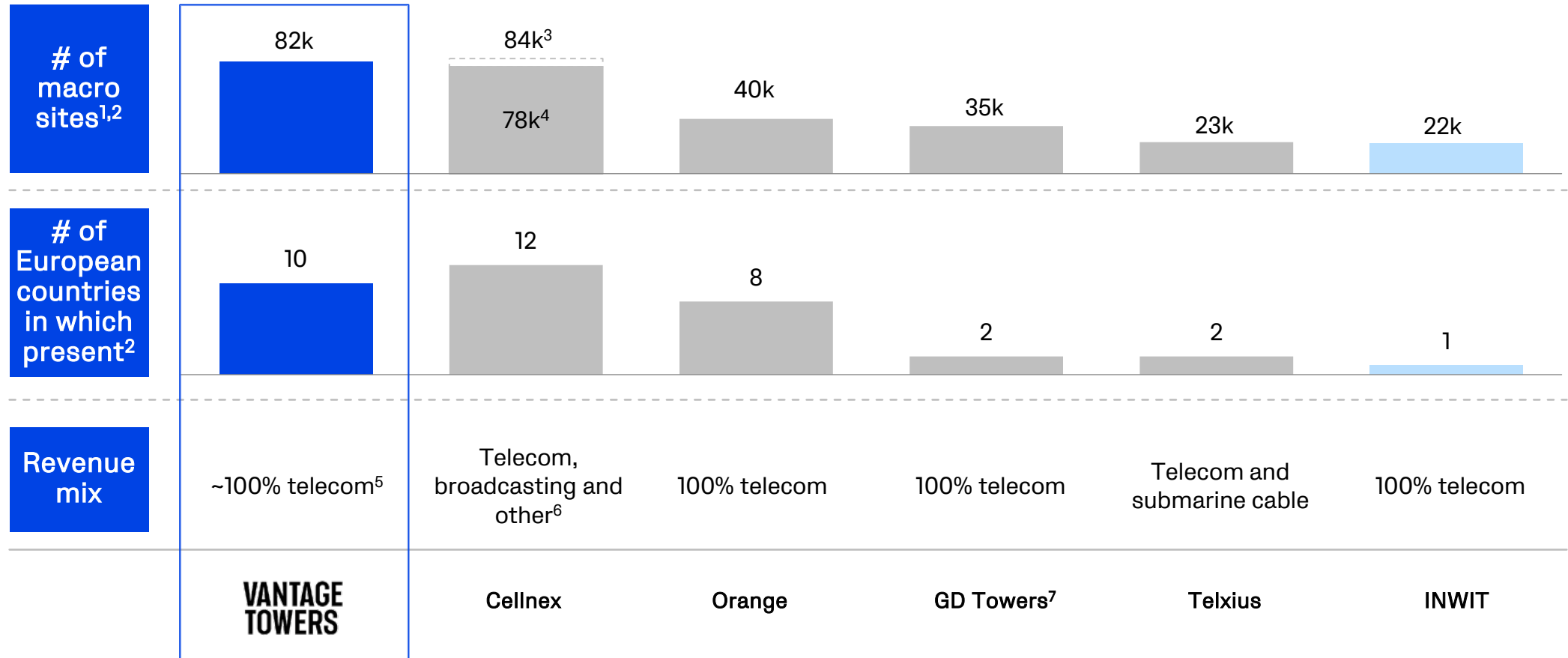
Notes

- 1 Based on 100% ownership
- 2 Co-controlled status in INWIT and Cornerstone equity accounted in Vantage Towers' financial statements
- 3 Based on INWIT reported metrics (not Vantage Towers accounting policies)
- 4 Incl. 100% of macro sites from Italy; financial metrics for INWIT based on 33.2% ownership
- 5 Incl. 100% of macro sites from UK; financial metrics for Cornerstone based on 50% ownership
- 6 As at 30-Sep-20

7 Adj. EBITDAaL divided by revenue (ex. pass through)

8 Includes 50% of Cornerstone's Adj. FY20PF Adj. EBITDAaL, please refer to p.14 for a reconciliation of adjusted to reported FY20PF Adj. EBITDAaL. In addition, please refer to basis of preparation and definitions on p.19-20. Based on average EUR / GBP exchange rate of 0.89402 over twelve months ended 31-Mar-20

# A leader in scale and geographic diversification



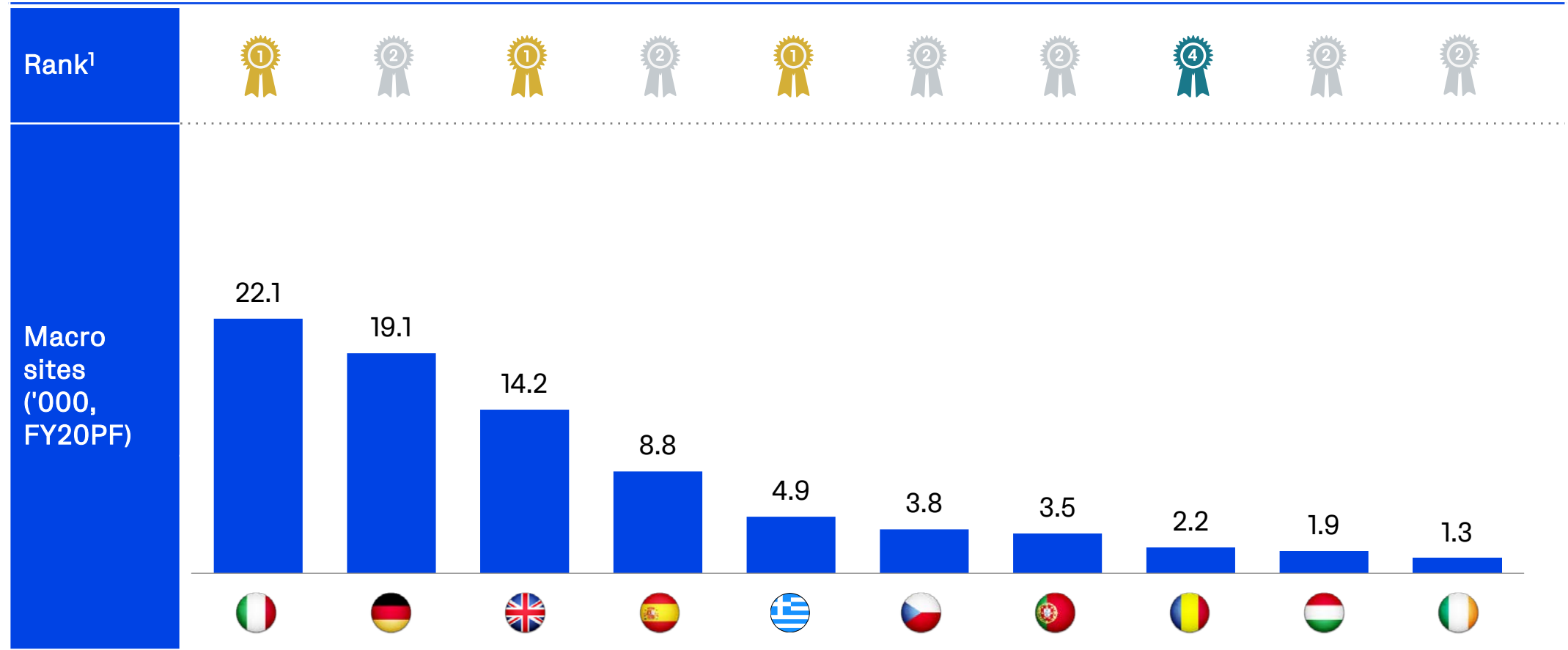
**Source** Company information as of 30-Sep-20; broker reports; TowerXchange

**Notes**

- 1 No. of macro sites (latest available), financials as of FY19 for peers unless footnoted otherwise, Telxius number of macro sites incl. only European macro sites; INWIT as of 30-Sep-20
- 2 Vantage Towers incl. INWIT and Cornerstone
- 3 Comprises both the ownership of the unilaterally owned sites and economic risks and rewards in connection with CKH's interest in its passive infrastructure portfolio in the UK
- 4 Excluding CK Hutchison towers in the UK where Cellnex agreed with CK Hutchison to acquire the economic risks or rewards deriving from approximately 6,000 macro sites
- 5 Includes revenue from a small number of broadcast clients constituting less than 0.5% of macro sites
- 6 Other includes network services and data centres
- 7 Excluding 26k sites owned by Deutsche Telekom in Europe but not part of the GD Towers unit

# A leader in 9 of our 10 markets with a high quality portfolio to attract new tenants

Vantage Towers market position



Source Company information as of 30-Sep-20; companies reporting; TowerXchange; broker reports

**Notes**

<sup>1</sup> Based on number of macro sites; latest available for other operators including announced acquisitions; rank in Spain based on number of sites excluding broadcasting and radio operators for Cellnex, micro sites and transmission sites

# Basis of preparation (1/2)

## Introduction

The financial information presented above sets out certain summary pro forma financial results for Cornerstone Telecommunications Infrastructure Limited ("Cornerstone") for the twelve months ended 31 March 2020 and the six months ended 30 September 2020.

The pro forma financial results of Cornerstone are adjusted to reflect the expected financial impact of the Master Services Agreements (each, an "MSA") which have been entered into with Vodafone UK Limited ("Vodafone UK") and Telefonica UK Limited ("TEF UK") as if they had been in place throughout the twelve month and six month periods respectively.

Vodafone UK owns a 50% shareholding in Cornerstone, which it intends to transfer into Vantage Towers. Vantage Towers' investment in Cornerstone will be classified as an equity accounted joint venture and will therefore not be included in Vantage Towers' consolidated Adjusted EBITDA and Adjusted EBITDAaL measures for financial reporting purposes.

The basis of preparation of the pro forma consolidated and aggregated financial information for Vantage Towers (including its operations in Germany, Spain, Greece, Ireland, Portugal, Romania, Hungary and Czech Republic; as well as its shareholding in Infrastrutture Wireless Italiane S.p.A. ("INWIT")) for the twelve months ended 31 March 2020 and the six months ended 30 September 2020 is set out in the Vantage Towers Capital Markets Day announcement dated 17 November 2020.

The financial information presented herein has been neither audited nor reviewed by Vodafone's or Vantage Towers' independent auditors and may be subject to changes.

## Pro forma financial information for Cornerstone

### Historical financial information for the twelve months ended 31 March 2020

The summary historical financial information used as the basis for the pro forma financial information for the twelve months ended 31 March 2020 contained herein has been extracted from the Cornerstone Annual Report for the year ended 31 March 2020 and adjusted for Vodafone accounting policies and certain pro forma adjustments.

### Historical financial information for the six months ended 30 September 2020

The summary historical financial information used as the basis for the pro forma financial information for the six months ended 30 September 2020 contained herein is derived from Cornerstone's accounting records and adjusted for Vodafone accounting policies and pro forma adjustments.

## Pro forma and accounting policy adjustments

The same accounting policies and measurement principles as were applied by Vodafone in preparing its consolidated financial information for inclusion in its Annual Report for the year ended 31 March 2020 have been used for the preparation of the pro forma financial information. This includes IFRS 16 "Leases" which was adopted by Vodafone on 1 April 2019. A pro forma adjustment has been made to reflect a reassessment of the IFRS 16 lease term arising from implementation of the MSAs. Financial adjustments have then been made to present the material effects of the application of Vodafone's accounting policies and measurement principles and the MSAs that will be in place for the twelve months ended 31 March 2020 and for the six months ended 30 September 2020. These adjustments reflect the revenue from the anchor tenants based on the terms of the MSAs that are in place, including the anchor tenant rental income from Vodafone UK and TEF UK.

The adjustments are based on the commercial arrangements that have been entered into between Cornerstone, Vodafone UK and TEF UK and are subject to potential change. These changes might result from amendments to the proposed portfolio of assets to be held by Cornerstone, the scope and pricing of services supplied by Cornerstone, changes to accounting policies and related estimates and other potential business developments.

Along with Vantage Towers, Cornerstone is reassessing the IFRS 16 lease term for its head leases. This may result in minor historical restatement of the pro forma depreciation of lease-related right of use assets and interest on leases.

The summary pro forma financial results for Cornerstone for the twelve months ended 31 March 2020 and the six months ended 30 September 2020 have been further adjusted for changes to Cornerstone's staff capitalisation methodology that will result in an adjustment to the capitalisation rate going forward. This is captured through the reallocation of costs from capex to opex and estimated reductions of £12m and £6m in pro forma Adj. EBITDA and pro forma Adj. EBITDAaL in FY20PF and 1H21PF, respectively. Please refer to the table 'Adj. EBITDA and Adj. EBITDAaL reconciliation' on p.14 for a reconciliation of adjusted to reported pro forma Adj. EBITDA and pro forma Adj. EBITDAaL.

# Basis of preparation (2/2)

## KPIs and financial terms

KPIs are generally aligned with Vantage Towers KPIs as disclosed at the Vantage Towers Capital Markets Day on 17 November 2020.

A number of Alternative Performance Measures (“APMs”) are presented in this announcement, which are used in addition to IFRS statutory performance measures. These APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business.

Revenue (ex-pass through) excludes pass-through costs in relation to business rates and within standard configuration capitalised expenditure. Recharged capital expenditure revenue represents direct recharges to tenants of capital expenditure in connection with upgrades to existing sites.

Adj. EBITDA is operating profit before depreciation on lease-related right of use assets, depreciation, amortisation and gains/losses on disposal for owned fixed assets, and excluding impairment losses, restructuring costs arising from discrete restructuring plans, other operating income and expense and significant items that are not considered by management to be reflective of the underlying performance of Vantage Towers / Cornerstone.

Adj. EBITDAaL is Adj. EBITDA less recharged capital expenditure revenue, and after depreciation on lease-related right of use assets and deduction of interest on leases.

Aggregated Adj. EBITDAaL is Adj. EBITDAaL for the operations in which Vantage Towers has a controlling interest plus Vantage Towers’ ownership share of the Adj. EBITDAaL of INWIT and Cornerstone.

Recurring Operating Free Cash Flow (“ROpFCF”) is Adj. EBITDA less recharged capital expenditure revenue, cash lease costs excluding payments related to ground lease optimisation and maintenance capital expenditure, which the Group defines as capital expenditure required to maintain and continue the operation of the existing tower network and other passive infrastructure, excluding capital investment in new sites or growth initiatives (“maintenance capital expenditure”).

Cash conversion is defined as Adj. EBITDAaL minus maintenance capital expenditure divided by Adj. EBITDAaL.

Recurring free cash flow (“RFCF”) is ROpFCF less taxation, interest and changes in operating working capital. For the pro forma results, pro forma income statement taxation and interest have been used as a proxy for cash paid as no pro forma cash flow has been prepared.

Net Financial Debt is defined as long-term borrowings, short-term borrowings, borrowings from Vodafone Group companies and mark-to-market adjustments, less cash and bank balances and short-term investments and excluding lease liabilities.

## Other key terms

Macro sites are the physical infrastructure, either ground-based or located at the top of a building, where communications equipment is placed to create a cell in a mobile network. Macro sites include streetworks (compact and visually discreet monopole masts that are used to provide infill coverage, increased capacity or general coverage in urban areas as an alternative to rooftop towers).

Tenancy ratio is the total number of tenancies (including active sharing tenancies) on Vantage Towers’ macro sites divided by the total number of macro sites. Active sharing tenancies are when a customer shares its active equipment on a site with a counterparty under an active sharing agreement.

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This document contains pro forma revenue and pro forma Adj. EBITDAaL of the Group for the twelve months ended 31 March 2020 (the “PF Financial Information”) as well as financial information from Infrastrutture Wireless Italiane SpA (“INWIT”). For a description of the basis of preparation of the PF Financial Information and the INWIT financial information, please refer to the slide entitled “Basis of preparation” included in the appendix of this document. The PF Financial Information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and does not, therefore, represent the Group’s actual results of operations. Such information may not, therefore, give a true picture of the Group’s results of operations nor is it indicative of its results. The PF Financial Information is subject to change. In this document, the Company sets out certain alternative performance measures, including but not limited to the Group’s Adj. EBITDAaL and aggregated Adj. EBITDAaL, as well as Cornerstone’s Adj. EBTIDA, Adj. EBITDAaL, ROpFCF, RFCF, Net Financial Debt and cash conversion, that in each case are not recognized under International Financial Reporting Standards (“IFRS”). These non-IFRS measures are presented as the Company believes that they and similar measures are widely used in the markets in which it operates as a means of evaluating a company’s operating performance and financing structure. They may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or other generally accepted accounting principles, nor should they be considered as substitutes for the information contained in the financial statements of the Group.

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