Cellnex Telecom, S.A. and Subsidiaries

Interim Condensed Consolidated Financial Statements and Interim Consolidated Directors' Report for the six-month period ended 30 June 2020 (prepared in accordance with IAS 34, Interim Financial Reporting), together with Report on Limited Review

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

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Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Cellnex Telecom, S.A.
at the request of the Board of Directors,

Report on the Interim Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Cellnex Telecom, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the condensed consolidated balance sheet as at 30 June 2020, and the condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for preparing these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the audit regulations in force in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

Based on our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2019 are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial statements, pursuant to Article 12 of Royal Decree 1362/2007.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Emphasis of Matters

We draw attention to explanatory Note 2-a to the accompanying interim financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2019. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2020 contains the explanations which the Parent's directors consider appropriate about the significant events that took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required under Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2019. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Cellnex Telecom, S.A. and Subsidiaries.

Other Matters

This report was prepared at the request of the Board of Directors of Cellnex Telecom, S.A. in relation to the publication of the half-yearly financial report required by Article 119 of the Consolidated Spanish Securities Market Law, approved by Legislative Royal Decree 4/2015, of 23 October, and implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.

Iván Rubio Borrallo

20 July 2020

Cellnex Telecom, S.A. and Subsidiaries

Condensed Consolidated Interim Financial Statements and Consolidated Interim Directors' Report for the 6-month period ended on 30 June 2020 (prepared in accordance with IAS 34 "Interim financial reporting").

Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of condensed consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Note 2.a). In the event of a discrepancy the Spanish-language version prevails.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 30 JUNE 2020

(Thousands of Euros)

	Notes	30 June 2020	31 December 2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	Note 5	3,324,170	2,986,142
Intangible assets	Note 6	6,637,322	5,738,235
Right-of-use assets	Note 14	1,335,801	1,251,117
Investments in associates	Note 7	3,174	2,832
Financial investments	Note 8	84,263	146,909
Derivative financial instruments	Note 9	24,106	-
Trade and other receivables	Note 10	20,257	18,427
Deferred tax assets	Note 16	159,901	136,581
Total non-current assets		11,588,994	10,280,243
CURRENT ASSETS			
Inventories		4,142	2,149
Trade and other receivables	Note 10	402,815	365,083
Receivables from associates	Note 21	81	84
Financial investments	Note 8	32,053	2,015
Cash and cash equivalents	Note 11	2,791,734	2,351,555
Total current assets		3,230,824	2,720,886
TOTAL ASSETS		14,819,819	13,001,129

This consolidated balance sheet at 30 June 2020 must be read together with the Notes included on pages 9 to 66.

Translation of condensed consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Note 2.a). In the event of a discrepancy the Spanish-language version prevails.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 30 JUNE 2020

(Thousands of Euros)

	Notes	30 June 2020	31 December 2019
NET EQUITY			
Share capital and attributable reserves			
Share capital	Note 12.a	96,332	96,332
Treasury shares	Note 12.a	(2,794)	(4,222)
Share premium	Note 12.b	3,874,375	3,886,193
Reserves	Note 12.c	156,559	191,871
Profit for the year	Note 12.g	(43,181)	(9,245)
		4,081,292	4,160,929
Non-controlling interests	Note 12.f	898,880	889,907
Total net equity		4,980,170	5,050,836
NON-CURRENT LIABILITIES			
Bank borrowings and bond issues	Note 13	6,195,596	5,093,696
Lease liabilities	Note 14	993,645	944,529
Derivative financial instruments	Note 9	7,745	3,593
Provisions and other liabilities	Note 17.a	925,051	401,720
Employee benefit obligations	Note 17.b	16,407	17,972
Deferred tax liabilities	Note 16	929,757	827,860
Total non-current liabilities		9,068,201	7,289,370
CURRENT LIABILITIES			
Bank borrowings and bond issues	Note 13	41,063	48,426
Lease liabilities	Note 14	233,615	207,498
Derivative financial instruments	Note 9	178	-
Employee benefit obligations	Note 17.b	19,554	22,975
Payables to associates	Note 21	213	25
Trade and other payables	Note 15	476,825	381,999
Total current liabilities		771,447	660,923
TOTAL NET EQUITY AND LIABILITIES		14,819,819	13,001,129

This consolidated balance sheet at 30 June 2020 must be read together with the Notes included on pages 9 to 66.

Translation of condensed consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Note 2.a). In the event of a discrepancy the Spanish-language version prevails.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT
CORRESPONDING TO THE 6-MONTH PERIOD ENDED ON 30 JUNE 2020

(Thousands of Euros)

	Notes	30 June 2020	30 June 2019
Services		703,663	470,992
Other operating income		16,908	15,826
Operating income	Note 18.a	720,571	486,818
Staff costs	Note 18.b	(78,725)	(67,596)
Other operating expenses	Note 18.c	(148,953)	(112,497)
Change in provisions		(97)	(119)
Losses on fixed assets	Notes 5 and 6	(81)	(216)
Depreciation and amortisation	Notes 5, 6 and 14	(422,866)	(217,127)
Operating profit		69,850	89,263
Financial income		7,574	426
Financial costs		(81,368)	(78,824)
Interest expense on lease liabilities		(61,295)	(31,307)
Net financial loss	Note 18.f	(135,090)	(109,705)
Profit of companies accounted for using the equity method	Note 7	8	33
Loss before tax		(65,232)	(20,409)
Income tax	Note 16	15,085	19,454
Consolidated net loss		(50,147)	(955)
Attributable to non-controlling interests	Note 12.f	(6,967)	(467)
Net loss attributable to the Parent Company		(43,181)	(488)
Earnings per share (in euros per share):			
Basic	Note 12.e	(0.11)	(0.00)
Diluted	Note 12.e	(0.11)	(0.00)

This consolidated income statement corresponding to the 6-month period ended on 30 June 2020 must be read together with the Notes included in pages 9 to 66.

Translation of condensed consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Note 2.a). In the event of a discrepancy the Spanish-language version prevails.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME CORRESPONDING TO THE 6-MONTH PERIOD ENDED ON 30 JUNE 2020

(Thousands of Euros)

	Notes	30 June 2020	30 June 2019
LOSS FOR THE PERIOD		(50,147)	(955)
Income and expenses recognised directly in net equity, transferable to the consolidated income statement:			
Changes in cash flow hedges of the Parent Company and fully consolidated companies	Note 9	(20,512)	(1,822)
Hedges of net investments in foreign operations of the Parent Company and fully consolidated companies	Note 9	(8,243)	-
Foreign exchange differences	Note 12	6,883	-
Total consolidated comprehensive loss		(72,019)	(2,777)
Attributable to:			
- Company shareholders		(66,150)	(2,310)
- Non-controlling interests		(5,869)	(467)
Total consolidated comprehensive loss		(72,019)	(2,777)

This consolidated statement of comprehensive income corresponding to the 6-month period ended on 30 June 2020 must be read together with the Notes included in pages 9 to 66.

Translation of condensed consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Note 2.a). In the event of a discrepancy the Spanish-language version prevails.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY CORRESPONDING TO THE 6-MONTH PERIOD ENDED ON 30 JUNE 2020

(Thousands of Euros)

	Notes	Share capital	Treasury shares	Share premium	Reserves	Profit for the period	Non-controlling interests	Net equity
At 1 January 2019		57,921	(5,572)	314,522	126,002	(14,983)	137,476	615,366
Comprehensive income for the period		-	-	-	(1,822)	(488)	(467)	(2,777)
Distribution of 2018 profit		-	-	-	(14,983)	14,983	-	-
Treasury shares	Note 12 a)	-	1,350	-	-	-	-	1,350
Final dividend	Note 12 d)	-	-	(11,816)	-	-	-	(11,816)
Issuance of Convertible Bond	Note 12 c)				21,426			21,426
Foreign exchange reserves	Note 12 c)	-	-	-	1,490	-	1,644	3,134
Capital increase	Note 12 a)	16,747	-	1,159,009	-	-	-	1,175,756
Other		-	-	-	2,194	-	(216)	1,978
At 30 June 2019		74,668	(4,222)	1,461,715	134,307	(488)	138,437	1,804,417
At 1 January 2020		96,332	(4,222)	3,886,193	191,871	(9,245)	889,907	5,050,836
Comprehensive income for the period		-	-	-	(24,063)	(43,181)	(4,775)	(72,019)
Distribution of 2019 profit		-	-	-	(9,245)	9,245	-	-
Treasury shares	Note 12 a)	-	1,428	-	-	-	-	1,428
Change in scope	Note 2 i)	-	-	-	-	-	13,748	13,748
Final dividend	Note 12 d)	-	-	(11,818)	-	-	-	(11,818)
Employee remuneration payable in shares	Note 17 b)	-	-	-	2,110	-	-	2,110
Other		-	-	-	(4,114)	-	-	(4,114)
At 30 June 2020		96,332	(2,794)	3,874,375	156,559	(43,181)	898,880	4,980,170

This consolidated statement of changes in net equity corresponding to the 6-month period ended on 30 June 2020 must be read together with the Notes included in pages 9 to 66.

Translation of condensed consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Note 2.a). In the event of a discrepancy the Spanish-language version prevails.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS CORRESPONDING TO THE 6-MONTH PERIOD ENDED ON 30 JUNE 2020

(Thousands of Euros)

	Notes	30 June 2020	30 June 2019
Profit/(loss) for the year before tax		(65,232)	(20,409)
Adjustments to profit-			
Depreciation	Note 18.e	422,866	217,127
Gains/(losses) on derecognition and disposals of non-current assets		81	216
Changes in provisions		97	119
Interest and other income		(7,574)	(426)
Interest and other expenses		142,663	110,131
Share of results of companies accounted for using the equity method	Note 7	(8)	(33)
Other income and expenses		1,394	1,097
Changes in current assets/current liabilities-			
Inventories		(1,993)	(122)
Trade and other receivables		(67,101)	(42,177)
Other current assets and liabilities		60,584	53,585
Cash flows generated by operations			
Interest paid		(119,517)	(78,097)
Interest received		1,480	426
Income tax received/(paid)		(12,909)	(2,282)
Current provisions, employee benefit obligations and others		39,277	2,134
Total net cash flow from operating activities (I)		394,108	241,289

This consolidated cash flow statement corresponding to the 6-month period ended on 30 June 2020 must be read together with the Notes included in pages 9 to 66.

Translation of condensed consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Note 2.a). In the event of a discrepancy the Spanish-language version prevails.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS CORRESPONDING TO THE 6-MONTH PERIOD ENDED ON 30 JUNE 2020

(Thousands of Euros)

	Notes	30 June 2020	30 June 2019
Business combinations and changes in the scope of consolidation	Notes 2.i and 4	(247,359)	(4,346)
Purchases of property, plant and equipment and intangible assets	Note 5 and 6	(310,398)	(386,390)
Financial investments		(34,937)	(3,307)
Total net cash flow from investing activities (II)		(592,694)	(394,043)
Issue of equity instruments (capital increase)	Note 12	-	1,175,756
Issue of equity instruments (convertible bond)	Note 13	-	21,367
Proceeds from issue of bank borrowings	Note 13	77,424	479,979
Bond issue	Note 13	1,523,475	200,120
Repayment and redemption of bank borrowings	Note 13	(781,177)	(329,559)
Net repayment of other borrowings	Note 13	(1,009)	(25,725)
Net payment of lease liabilities	Note 14	(139,230)	(113,400)
Dividends paid	Note 12	(11,818)	-
Dividends to non-controlling interests		-	(808)
Dividends received		-	109
Total net cash flow from financing activities (III)		667,665	1,407,839
Foreign exchange differences		(28,900)	(8,693)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS (I)+(II)+(III)		440,179	1,246,392
Cash and cash equivalents at beginning of year	Note 11	2,351,555	455,870
Cash and cash equivalents at end of year		2,791,734	1,702,262

This consolidated cash flow statement corresponding to the 6-month period ended on 30 June 2020 must be read together with the Notes included in pages 9 to 66.

Cellnex Telecom, S.A. and Subsidiaries
Notes to the condensed consolidated interim financial statements for the 6-month period ended on 30 June 2020

1. General information

Cellnex Telecom, S.A., (hereinafter, the "Parent Company" or "Cellnex") was incorporated in Barcelona on 25 June 2008. Its registered office is at Calle Juan Esplandiú nº 11 in Madrid. On 1 April 2015, it changed its name from Abertis Telecom Terrestre, S.A.U. to Cellnex Telecom, S.A.

The Parent Company's corporate purpose, as set out in its bylaws, includes:

- The establishment and operation of all kinds of telecommunication infrastructures and/or networks, as well as the provision, management, marketing and distribution, for its own benefit or for the benefit of third parties, of all types of services based on or through such infrastructures and/or networks.

- The planning, technical assistance, management, organisation, coordination, supervision, maintenance and conservation of such installations and services under any type of contractual arrangement allowed by law, especially administrative concessions.

The Parent Company may undertake these activities directly or indirectly through the ownership of shares or equity investments in companies with a similar corporate purpose or in any other manner allowed by law.

Cellnex Telecom, S.A. is the parent of a group of companies engaged in the management of terrestrial telecommunications infrastructures.

These condensed consolidated interim financial statements for the 6-month period ended on 30 June 2020 have been subject to a limited review by the statutory auditor of the Parent Company in accordance with the provisions of Royal Decree 1362/2007, of 19 October. Additionally, those consolidated financial statements corresponding to the financial year ended on 31 December 2019 were duly audited, with a favourable opinion being issued.

2. Basis of presentation

a) Basis of presentation

These condensed consolidated interim financial statements of Cellnex Telecom, S.A. and Subsidiaries for the period ended 30 June 2020, which have been based on the accounting records kept by the Parent Company and by the other companies that make up the Group, were signed by the Directors of the Parent at the meeting of the Board of Directors held on 20 July 2020.

These condensed consolidated interim financial statements were prepared by the Directors of Cellnex in accordance with the provisions of IAS 34 "Interim financial reporting", and all of the obligatory accounting principles and rules and measurement bases. Accordingly, they present a true and fair view of the equity and consolidated financial position of the Cellnex Group at 30 June 2020, as well as the results of its operations, the consolidated changes in net equity and the consolidated cash flows during the interim period ended on that date.

As has been indicated, this condensed consolidated interim financial information has been prepared in accordance with IAS 34 "Interim financial reporting", meaning that these condensed consolidated interim financial statements do not include all the information and disclosures that would be required for the complete consolidated financial statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union, and must be read together with the consolidated annual accounts from the financial year ended on 31 December 2019, drawn up in accordance with the existing International Financial Reporting Standards (IFRS) adopted by the European Union, which will be submitted for approval by the shareholders of the Parent Company on 21 July 2020.

b) Adoption of IFRSs

The accounting policies adopted when preparing these condensed consolidated interim financial statements are consistent with those followed when preparing the Group's consolidated annual financial statements for the financial year ended on 31 December 2019, with the exception of the adoption of any new standards and interpretations effective from 1 January 2020 and which, if any, have been considered by the Group when preparing these condensed consolidated interim financial statements.

(I) Standards and Interpretations effective during the present year

During the 6-month period ended on 30 June 2020, the new accounting standards which are detailed below have entered into force:

New standards, amendments and interpretations		Obligatory Application in Annual Reporting Periods Beginning On or After:
Approved for use in the European Union		
Amendments to IAS 1 and IAS 8 - Definition of "materiality" (published in October 2018)	Modifications to IAS and IAS 8 to align the definition of "materiality" with that contained in the conceptual framework.	1 January 2020
Modifications to IFRS 9, IAS 39 and IFRS 7 - Reform of the Reference Interest Rates	Amendments to IFRS 9, IAS 39 and IFRS 7 related to the ongoing reform of benchmarks	1 January 2020
Amendment to IFRS 3 - Definition of business (published in October 2018)	Clarifications to the definition of business	1 January 2020
Not yet approved for use in the European Union		
Amendment to IFRS 16 - Leases. Revenue improvements (released May 2020)	Modification to facilitate lessees accounting for rental improvements related to COVID-19	1 June 2020

The Group has applied the aforementioned standards and interpretations since their entry into force, which has not given rise to any significant change in its accounting policies.

(II) Standards and interpretations issued but not yet in force

At the date of formal preparation of these condensed consolidated interim financial statements, the following standards, amendments and interpretations had been published by the International Accounting Standards Board (IASB) but had not come into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union.

New standards, amendments and interpretations		Obligatory Application in Annual Reporting Periods Beginning On or After:
Not yet approved for use in the European Union [1]		
IFRS 17 - Insurance contracts (published in May 2017)	It replaces IFRS 4 and includes the principles of registration, valuation, presentation and breakdown of insurance contracts in order for the entity to provide relevant and reliable information that allows users of financial information to determine the effect that the contracts of insurance they have in the financial statements.	1 January 2021
Amendment to IAS 1 - Classification of liabilities as current or non-current (published in January 2020)	Clarifications regarding the presentation of liabilities as current or non-current	1 January 2023 [1]

[1] The IASB has proposed its postponement to 1 January 2023 (Draft amendment of 3 June 2020).

c) Presentation currency of the Group

These condensed consolidated interim financial statements are presented in euros, as this is the currency of the main economic area in which the Group operates.

d) Responsibility for the information provided and accounting estimates and judgements made

The preparation of these condensed consolidated interim financial statements requires, as established by IAS 34, the Directors of the Parent Company and the consolidated entities to make certain estimates and judgements in order to quantify certain assets, liabilities, revenue, costs and commitments recorded in them, which do not differ significantly from those taken into account in the preparation of the consolidated annual accounts for the financial year ended on 31 December 2019 set out in its Note 2.e. In this regard, as established by IAS 34, the Income Tax expense has been estimated using the tax rate that it is thought will be applicable to the expected total earnings for the year, i.e., the estimated annual average effective tax rate applied to the earnings before taxes from the interim period.

During the 6-month period ended on 30 June 2020, no significant changes have occurred in the estimations made at the 2019 year end.

e) Comparative information

In accordance with International Accounting Standard (IAS) 34 regarding “Interim Financial Reporting”, adopted by the European Union, the Management of the Parent Company presents the balance sheet corresponding to the closing date of the immediately preceding financial year (31 December 2019) together with the consolidated balance sheet at 30 June 2020, solely and exclusively for comparative purposes. Moreover, next to each of the items of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in net equity and the consolidated cash flow statement, the consolidated figures corresponding to the 6-month period ended on 30 June 2020 are presented along with those corresponding to the 6-month period ended on 30 June 2019.

f) Coronavirus Pandemic

Global economic conditions have rapidly deteriorated in 2020 as a result of the lockdown strategies adopted by governments in response to the Coronavirus Pandemic which began in China in late 2019 and has subsequently spread globally, significantly affecting Spain, Italy, France, the United Kingdom and other countries where the Group operates. While the Coronavirus Pandemic has not had a significant effect on the Group's business, financial condition or results of operations as of 30 June 2020 and, therefore, has not had a significant effect on the 2020 Interim Consolidated Financial Statements, it is possible that this will change in the future. In this regard, bearing in mind the complexity of the markets due to their globalisation and the absence, for the time being, of effective medical treatment against the virus, the consequences for the Group's operations are uncertain and will depend to a large degree on government responses to the evolution and extension of the pandemic in the coming months, as well as on the reaction and adaptation capacity of all the economic players affected. Lastly, it should be noted that the Group's Directors and management are constantly monitoring the evolution of the situation in order to successfully address any possible impacts, both financial and non-financial, that may arise in the future.

g) Materiality

In deciding what information to disclose in the Notes on the various items of the condensed consolidated interim financial statements or other matters, the Group, in accordance with IAS 34, assessed materiality in relation to these condensed consolidated interim financial statements for the 6-month period ended on 30 June 2020.

h) Consolidation principles

The consolidation principles considered in the condensed consolidated interim financial statements are consistent with those applied in the consolidated annual accounts for the financial year ended on 31 December 2019, which are detailed in Note 2.h thereto.

i) Changes in the scope of consolidation

The most significant changes in the scope of consolidation and in the companies included in it during the 6-month period ended on 30 June 2020 were as follows:

Acquisitions and incorporations

Name of the Company	Company with direct shareholding and % acquired/maintained		Consolidation method
Acquisitions/incorporations:			
Belmont Infra Holding, S.A. [1]	Cellnex Telecom, S.A.	100%	Full
BIH-Belmont Infrastructure Holding, S.A. [1]	Belmont Infra Holding	100%	Full
Omtel, Estruturas de Comunicaçoes, S.A. [1]	Belmont Infrastructure Holding	100%	Full
Nexloop France, SAS [2]	Cellnex France Groupe	51%	Full
FP Infrastrutture, S.r.L. [3]	Cellnex Italia, S.r.L.	100%	Full
IGS, S.r.L. [4]	Cellnex Italia, S.r.L.	100%	Full
Nearby Computing, S.L. [5]	Tradia Telecom, S.A.U.	5.1%	Equity

[1] 02/01/2020; [2] 13/05/2020; [3] 15/05/2020; [4] 10/06/2020; [5] 13/05/2020

I) Acquisition of Belmont Infra Holding subgroup

In the first quarter of 2020, Cellnex acquired (through the Parent Company) 100% of the share capital of Belmont Infra Holding, S.A. from Belmont Infra Investments B.V. and PT Portugal SGPS, S.A. (sellers of 75% and 25%, of the share capital, respectively) and the credit rights under certain capital contributions (prestações acessórias) made by Belmont Infra Investments B.V. and PT Portugal SGPS, S.A. to Belmont Infra Holding, S.A. Belmont Infra Holding, S.A. holds all the shares of BIH-Belmont Infrastructure Holding, S.A. ("BIH") and Omtel, Estruturas de Comunicaçoes, S.A. ("Omtel"), which currently operates a nationwide portfolio of approximately 3,000 sites in Portugal. The consideration for the acquisition was approximately EUR 800 million (equivalent Enterprise Value[1]), estimated as of the date of the transaction, subject to certain price adjustments. On 2 January 2020, Cellnex paid EUR 300 million in cash, assumed EUR 233 million of debt of the acquired subgroup, which Cellnex fully repaid after closing of the acquisition, and incorporated EUR 43 million of cash balances. The remaining balance of the consideration (which, as of the date of signing, was 50% of the total fair market value of Belmont Infra Holding, S.A., amounting to a deferred payment of EUR 570 million) will be paid on the earlier of 31 December 2027 or upon the occurrence of certain events of default. Additionally, Omtel and MEO – Serviços De Comunicações E Multimédia, S.A. ("MEO") are party to the Omtel MSA (see Note 4), which, among other things, provides for the construction of up to approximately 500 sites by 15 December 2023. Cellnex expects that this build-to-suit program could be increased by up to 250 additional sites by 2027. The related capital expenditure for this build-to-suit program, including the expected 250 additional sites, is expected to amount to approximately EUR 140 million, which the Group expects to finance with cash generated by the portfolio. In the event the Omtel MSA is terminated by MEO for cause, MEO will have a buy-back right with respect to Omtel's sites.

Thus, following this acquisition, this subgroup has been fully consolidated within the Cellnex Group as of the acquisition date, such that as at 30 June 2020 the value of all of its assets and liabilities has been included in the consolidated balance sheet and the corresponding impact of operations in the consolidated income statement for the 6-month period ended on 30 June 2020.

II) Incorporation of Nexloop

During the first half of 2020, Cellnex and Bouygues Telecom reached a strategic agreement through which they became shareholders of Nexloop France, S.A.S. ("Nexloop") a newly incorporated company (49% owned by Bouygues Telecom and 51% owned by Cellnex, although, taking into account both the signed shareholders' agreement and the financing structure agreed for the new company, Cellnex will have in practice an effective right to 100% of the expected cash flows generated after debt service up until 2055, subject to certain limitations, either through shareholder loan remuneration or through preferred dividends). This company will deploy a national fibre optic network in France to provide mobile and fixed fibre based connectivity and especially accelerate the roll-out of 5G in the country. The agreement comprises the roll out of a network of up to 31,500 km., interconnecting the telecommunications rooftops and towers providing service to Bouygues Telecom (approximately 5,000 of which belong to and are operated by Cellnex) with the network of "metropolitan offices" for housing data processing centres (Edge Computing). The agreement covers the deployment of up to 90 new "metropolitan offices". The estimated investment up to 2027, amounts to up to approximately EUR 1.1 billion. As at 30 June 2020, the usual regulatory requirements have already been approved (see Note 5).

Bouygues Telecom is the anchor tenant of the new company, with whom Nexloop signed an MSA, with an initial term of 30 years, to be automatically extended for an additional five year period, on an all or nothing basis, and with a 1% fixed fee escalator.

During the first half of 2020, Cellnex France Groupe incorporated Nexloop with an initial share capital of EUR 100 through the creation of 100 shares with a nominal value of EUR 1 per share, and a share premium amounting to EUR 900.

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[1] Equivalent Enterprise Value considering the initial payment and debt assumption plus deferred payment discounted at investment's internal return rate.

Subsequently, on 29 May 2020, Nexloop carried out a capital increase amounting to EUR 30,499 thousand through the issuance of 3,049,900 new shares at a subscription price of EUR 10 per each new share (corresponding to a nominal value of EUR 1 and a share premium of EUR 9), which has been fully subscribed and paid up. As a result of the above, the share capital of Nexloop increased to EUR 3,050 thousand represented by 3,050,000 shares with a nominal value of EUR 1 per share, each of them fully paid up. The share premium increased to EUR 27,450 thousand. The capital increase was fully subscribed by Cellnex France Groupe and Bouygues Telecom, resulting in Cellnex France Groupe holding 51% of the share capital of Nexloop and Bouygues Telecom holding 49% of the share capital of Nexloop.

As a result of this transaction, at 30 June 2020, Cellnex, through its wholly owned subsidiary, Cellnex France Groupe, holds 51% of the share capital and voting rights and 100% of the effective economic rights over the expected cash flow after debt generated up until 2055, subject to certain limitations, as mentioned above, of Nexloop. Cellnex exercises effective control over Nexloop, as it holds ownership interests of over 50% and by virtue of the shareholders' agreement entered into with Bouygues Telecom, which gives Cellnex decision-making capacity over the investees' relevant activities and also the control over the returns of the investment, whereas Bouygues Telecom has certain protective rights. Finally, the signed shareholders' agreement includes certain exit agreements and provides Bouygues Telecom with a call option over Nexloop's shares held by Cellnex France Group, upon the expiry of a given period of time (for instance, a 20-year period from the execution of the shareholders' agreement) and subject to certain conditions which the Group believes makes challenging its execution.

Transactions between companies in the scope of consolidation

During the six-month period ended on 30 June 2020, the subsidiary formerly called Iliad7, SAS changed its name to Ontower France, SAS. In addition, during the same period, the subsidiary formerly called Galata SpA changed its name to Cellnex Italia SpA.

3. Accounting policies and financial risk and capital management

The accounting policies and valuation standards used when preparing these condensed consolidated interim financial statements are consistent with those used when preparing the consolidated annual accounts for the financial year ended on 31 December 2019, and which are detailed therein, except for the new standards applied from 1 January 2020 which are set out in Note 2.b.

Moreover, during the 6-month period ended on 30 June 2020, the Group has continued managing its activities by taking into account the financial risk and capital management policy set out in Note 4 of the consolidated annual accounts for the 2019 financial year.

The fair value of the financial instruments that are negotiated in active markets are based on market prices at the balance sheet date. The quoted market price used for the financial assets is the current bidder price.

The fair value of the financial instruments which are not quoted on an active market are determined using valuation techniques. The Group uses a variety of methods and uses hypothesis based on market conditions existing at each balance sheet date, incorporating the concept of transfer, such that the credit risks is considered.

4. Business combinations

The Group typically acquires telecommunications infrastructures from telecommunications carriers or other infrastructure operators and subsequently integrates those infrastructures into its existing network. The financial results of the Group's acquisitions have been included in the accompanying condensed consolidated interim financial statements for the period ended 30 June 2020 from the date of respective acquisition. The date of acquisition, and by extension the point at which the Group begins to recognise the results of an acquisition, may be dependent upon, among other things, the receipt of contractual consents, the commencement and extent of contractual arrangements, the timing of the transfer of title or rights to the assets as well as the customary regulatory approvals, which may be accomplished in phases.

As a result of the business combinations performed during 2020 and 2019, and following a prudent approach, the vast majority of the difference between the book value of the assets acquired and the purchase price paid has been assigned to assets subject to deprecation or amortization. Thus, the resulting goodwill mainly corresponds to the net deferred tax recognised resulting from the higher fair value attributed to the net assets acquired in comparison with their tax bases. Furthermore, provision for other responsibilities captures mainly provisions for contingent liabilities made during the Purchase Price Allocation process which are a result of present obligations arising from past events, where the fair value can be reliably measured.

As regards the business combinations described in Note 5 of the consolidated annual accounts for the 2019 financial year, considering that IFRS 3 allows the reassessment of the allocation process during a period of one year, as at the current date these business combinations are still provisional.

Business combinations for 2020

The main relevant business combination for the 6-month period ended on 30 June 2020 is detailed below:

Omtel Acquisition

On 2 January 2020 Cellnex acquired 100% of the share capital of Belmont Infra Holding, S.A. from Belmont Infra Investments B.V. and PT Portugal SGPS, S.A. (sellers of 75% and 25%, of the share capital, respectively) and the credit rights under certain capital contributions (prestações acessórias) made by Belmont Infra Investments B.V. and PT Portugal SGPS, S.A. to Belmont Infra Holding, S.A. (the “Omtel Acquisition”). Cellnex entered into separate share purchase and assignment agreements with each of Belmont Infra Investments B.V. and PT Portugal SGPS, S.A. in connection with the Omtel Acquisition. The consideration for the acquisition was approximately EUR 800 million (equivalent Enterprise Value[2]), estimated as of the date of the transaction, subject to certain price adjustments, including in the event that Cellnex resells 100% of the share capital of Belmont Infra Holding, S.A. within three years from completion. On 2 January 2020, Cellnex paid EUR 300 million in cash and assumed EUR 233 million of debt of the acquired subgroup, which Cellnex fully repaid after closing of the Omtel Acquisition, and incorporated EUR 43 million of cash balances.

The remaining balance of the consideration (which, as of the date of signing, was approximately 50% of the total fair market value of Belmont Infra Holding, S.A., amounting to a deferred payment of EUR 570 million) will be paid on the earlier of 31 December 2027 or upon the occurrence of certain events of default (including certain defaults by Cellnex under unrelated indebtedness). The Group has financed the initial payment of this acquisition with available cash.

As a result of the Omtel Acquisition, Cellnex directly owns all the shares of Belmont Infra Holding, S.A. and, consequently, all the shares of its subsidiaries BIH and Omtel. Omtel currently operates a nationwide portfolio of approximately 3,000 sites in Portugal, with an initial tenancy ratio of c.1.25 per site.

Thus, following the Omtel Acquisition, this subgroup has been fully consolidated within the Cellnex Group as of the acquisition date, such that as at 30 June 2020 the value of all of its assets and liabilities has been included in the consolidated balance sheet and the corresponding impact of operations in the consolidated income statement for the 6-month period ended on 30 June 2020. The operating income and net loss contribution since acquisition amounted to EUR 29 million and EUR 15 million, respectively, corresponding to the impact of 100% of the financial results of the Omtel Acquisition in the accompanying consolidated income statement.

[2] Equivalent Enterprise Value considering the initial payment and debt assumption plus deferred payment discounted at investment’s internal return rate.

Omtel agreements

On 4 September 2018, Omtel and MEO entered into an MSA (as amended on 18 March 2019 and on 19 May 2020, (the "Omtel MSA") whereby Omtel agreed to provide certain services (including services for the hosting of MEO's equipment on Omtel's sites, fibre connection services and additional ancillary services) to MEO on certain sites owned by Omtel on a non-exclusive basis to support the electronic communication services provided by MEO to its customers. The fees under the Omtel MSA are CPI-linked. The initial term of the Omtel MSA is of 20 years, subject to automatic extensions for additional 5-year periods, unless cancelled. As part of the Omtel MSA, the parties have committed to deploy new sites under a build-to-suit program. The build-to-suit program, among other things, provides for the construction of up to approximately 500 sites by 15 December 2023. As of 30 June 2020, 25 of such sites had been built. Cellnex expects that this build-to-suit program could be increased by up to 250 additional sites by 2027. The Group estimates that the related capital expenditure for this build-to-suit program, including the expected 250 additional sites, is expected to amount to approximately EUR 140 million, which the Company expects to finance with cash generated by the portfolio. In the event the Omtel MSA is terminated by MEO for cause, MEO will have a buy-back right with respect to Omtel's sites.

The breakdown of the net assets acquired and goodwill generated by the Omtel Acquisition, at the completion date, is as follows:

	Thousands of Euros
Total acquisition price (1)	762,384
Fair value of the net assets acquired	744,169
Resulting goodwill	18,216

(1) Relating to the payment of EUR 300,000 thousand made on the acquisition date plus EUR 462,384 thousand corresponding to the present value at the acquisition date of the deferred purchase price of all the shares Belmont Infra Holding and its subsidiaries, amounting to EUR 570,000 thousand, payable in 2027 (see Note 17.a.i).

The fair value at the date of acquisition of the assets and liabilities of the acquired business has been determined, for the most part, using valuation techniques. The main valuation methods used were the analysis of discounted cash flows generated by the identified assets, based on criteria similar to those mentioned in Note 3.c. of the 2019 consolidated financial statements. With regards to the Omtel Acquisition, considering that IFRS 3 allows the reassessment of the allocation process during a period of one year and given the complexity of identifying the acquired intangible assets, the Group has decided to perform a purchase price allocation with the participation of an independent third party expert. The potential value of the sites is mainly due to the characteristics and quality of the physical locations, which translates into a certain expectation of increasing their "customer ratio". This can be attributed to certain sets of intangible assets, of which each individual element is necessary to realise the full value. Thus, the fair value amount of the acquired net assets includes the valuation of the intangible assets identified that individually meet the identifiability criteria of IAS 38 (Intangible Assets), and consists of "Customer Network Services Contracts" and "Network Location" as defined in Note 3. b) ii) of the 2019 consolidated financial statements. The goodwill, which in turn includes the net recognition of any deferred taxes resulting from the higher fair value attributed to the net assets acquired in comparison with the tax bases, derives from the synergies and other additional future cash flows expected to arise following acquisition by the Group. Among other effects, this transaction allows Cellnex to incorporate a new client, MEO, which is the market leader in Portugal and joins a rich and diversified mix of clients in Europe, covering the leading operators in the markets in which the Group operates. The timing of the transaction further coincides with the imminent arrival of 5G which will require network densification and an efficient roll-out that should allow Cellnex to propose an attractive solution to mobile operators both in terms of cost and speed of execution. The assets and liabilities arising from the Omtel Acquisition are as follows:

Debit/(Credit)			Thousands of Euros
			Value acquired
	Fair value	Carrying value	Revaluation
Other intangible assets	1,006,108	12,008	994,100
Right-of-use-assets	47,994	47,994	-
Property, plant and equipment	98,258	608,758	(510,500)
Financial investments long term	6	6	-
Trade and other receivables short term	12,261	12,261	-
Cash and cash equivalents	42,588	42,588	-
Bank borrowings and derivative financial instruments long term	(243,259)	(233,017)	(10,242)
Lease liabilities long term	(35,055)	(35,055)	-
Provisions and other liabilities long term	(58,575)	(15,575)	(43,000)
Lease liabilities short term	(10,265)	(10,265)	-
Trade and other payables	(8,305)	(8,305)	-
Net deferred tax assets /(liabilities)	(107,590)	-	(107,590)
Net assets acquired	744,169	421,400	322,769

Total acquisition price	762,384	762,384
Deferred payment (see Note 17.a.I)	(462,384)	(462,384)
Cash and cash equivalents	(42,588)	(42,588)
Cash outflow in the acquisition	257,412	257,412

Finally, at the date of signing these condensed consolidated interim financial statements for the period ended on 30 June 2020, Cellnex is in the process of finalizing the allocation of the fair value of the assets and liabilities acquired by means of the analysis of the discounted cash flows generated by the assets identified, and therefore, in accordance with IFRS 3, the Group has one year from the date of completion of the operation to complete the measurement process.

5. Property, plant and equipment

The changes in this heading in the consolidated balance sheet during 2020 were as follows:

				Thousands of Euros
	Land and buildings	Plant and machinery and other fixed assets	Property, plant and equipment under construction	Total
At 1 January 2020				
Cost	3,055,421	701,283	153,243	3,909,947
Accumulated depreciation	(541,528)	(382,277)	-	(923,805)
Carrying amount	2,513,893	319,006	153,243	2,986,142
Carrying amount at beginning of period	2,513,893	319,006	153,243	2,986,142
Changes in the consolidation scope (Note 4)	68,623	31,124	312	100,059
Additions	228,591	39,237	115,331	383,159
Disposals (net)	(685)	-	(2,880)	(3,566)
Transfers	27,807	2,976	(30,783)	-
Foreign exchange differences	3,513	101	334	3,948
Depreciation charge	(113,707)	(31,866)	-	(145,572)
Carrying amount at close	2,728,035	360,579	235,556	3,324,170
At 30 June 2020				
Cost	3,383,269	774,722	235,556	4,393,547
Accumulated depreciation	(655,235)	(414,143)	-	(1,069,377)
Carrying amount	2,728,035	360,579	235,556	3,324,170

The carrying amount recognised under "Land and buildings" includes infrastructures acquired at the centres in which the Group has installed its telecommunications equipment (land, towers and buildings – prefabricated and civil works).

"Plant and machinery and other fixed assets" includes mainly the telecommunications infrastructure network for broadcasting and others network services. It also includes all equipment necessary to ensure the operation of the technical equipment installed in any infrastructure (electrical and air conditioning).

"Property, plant and equipment under construction" includes the carrying amount of those items of property, plant and equipment acquired in the last days of the period that have still not been put into operation.

Movements during 2020 period

Changes in the scope of consolidation and business combinations

The movements in 2020 due to changes in the scope of consolidation and business combinations mainly correspond to the impact of the Omtel Acquisition (see Notes 2.i and 4) amounting to EUR 98,258 thousand.

Signed acquisitions and commitments

France

As detailed in Note 2.i., in the first half of 2020 Cellnex France Groupe and Bouygues Telecom reached a strategic agreement through which they became shareholders of Nexloop, a newly incorporated company (49% owned by Bouygues Telecom and 51% owned by Cellnex, although, taking into account both the signed shareholders' agreement and the financing structure agreed for the new company, Cellnex will have in practice an effective right to 100% of the expected cash flows generated after debt service up until 2055, subject to certain limitations, either through shareholder loan remuneration or through preferred dividends). This company will deploy a national fibre optic network in France to provide mobile and fixed fibre based connectivity and especially accelerate the roll-out of 5G in the country. The agreement comprises the roll out of a network of up to 31,500 km., interconnecting the telecommunications rooftops and towers providing service to Bouygues Telecom (approximately 5,000 of which belong to and are operated by Cellnex) with the network of "metropolitan offices" for housing data processing centres (Edge Computing). The agreement covers the deployment of up to 90 new "Metropolitan Offices". The estimated investment up to 2027, amounts to up to EUR 1.1 billion.

Bouygues Telecom will be the anchor tenant of the new company, with whom Nexloop signed an MSA, with an initial term of 30 years, to be automatically extended for an additional five year period, on an all or nothing basis, and with a 1% fixed fee escalator.

The optic fibre network and the new sites are expected to contribute up to an estimated EUR 80 million of annual Adjusted EBITDA, once the network and all the sites have been built or acquired, as applicable. "Adjusted EBITDA" is an APM (as defined in section 1.3 of the accompanying Consolidated Interim Director's Report).

As of 30 June 2020, in accordance with the agreements reached with Bouygues Telecom during the period 2016 - 2020, Cellnex, through its subsidiaries Cellnex France, Towerlink France and Nexloop, has committed to acquire or for Bouygues Telecom to build, as applicable, up to 5,400 sites that will be gradually transferred to Cellnex until 2027, of which 3,681 have been transferred to Cellnex as of 30 June 2020, as well as to the roll-out of a network of up to 31,500 km., interconnecting the telecommunications rooftops and towers providing service to Bouygues Telecom (approximately 5,000 of which belong to and are operated by Cellnex) with the network of "metropolitan offices" for housing data processing centres (Edge Computing). During the six-month period ended on 30 June 2020, 177 sites were acquired, and optic fibre network was deployed, in relation to the aforementioned agreements, for an amount of approximately EUR 30 million. In addition, the fixed assets in progress corresponding to those sites and fibre network which were under construction at 30 June 2020, amounted to EUR 112 million.

Therefore, the total investment in France in the first half of 2020, in relation to the agreements described above, amounted to EUR 142 million, approximately.

Spain

On 3 December 2019, Cellnex (through its fully owned subsidiary On tower Telecom Infraestructuras, S.A.U.) reached an agreement with Orange Espagne, S.A.U. ("Orange Spain") for the acquisition of 1,500 telecom sites in Spain for a total amount of EUR 260 million. As of 31 December 2019, 1,067 sites were transferred to Cellnex for an amount of EUR 185 million, while the remaining 433 sites have been transferred during January 2020 for the remaining amount.

Orange Spain will be the main customer of this portfolio of telecom sites, with whom Cellnex has signed an inflation-linked Master Lease Agreement for an initial period of 10 years that can be extended by one subsequent period of 10 years and subsequent undefined periods of 1 year on an all-or-nothing basis, and which presents an initial tenancy ratio of c.1.8x.

This project is fully aligned with Cellnex's growth strategy and is also fully compliant with the Group's strict value creation criteria.

Cellnex has financed this acquisition with available cash.

Italy

During the first half of 2020, in the context of the Iliad Italy Acquisition (see Note 5 of the 2019 consolidated financial statements), part of the sites that were pending transfer at the end of 2019, have been transferred to Cellnex for an amount of EUR 65 million, approximately (see Note 8). The transfer is taking place in further tranches during 2020.

The Group typically acquires telecommunications infrastructures from telecommunications carriers or other tower operators and subsequently integrates those sites into its existing network. The date of acquisition, and by extension the point at which the Group begins to recognise the results of an acquisition, may be dependent upon, among other things, the receipt of contractual consents, the commencement and extent of contractual arrangements and the timing of the transfer of title or rights to the assets, which may be accomplished in phases.

At 30 June 2020 the Group had not entered into any additional framework agreements with any other customers.

In addition, during 2020 there were additions associated with the business expansion and maintenance of the Group's operations.

Property, plant and equipment abroad

At 30 June 2020 and 31 December 2019 the Group had the following investments in property, plant and equipment located abroad:

	Thousands of Euros	
	Net book value	
	30 June 2020	31 December 2019
Italy	418,714	353,865
Netherlands	79,265	83,482
France	1,562,183	1,445,472
United Kingdom	10,964	11,443
Switzerland	187,926	185,320
Ireland	107,703	100,415
Portugal	104,520	-
Total	2,471,275	2,179,997

Fully depreciated assets

At 30 June 2020, fully depreciated property, plant and equipment amounted to EUR 1,045 million (EUR 1,005 million at 31 December 2019).

Change of control clauses

With regards to the Group's acquisitions of infrastructures from mobile telecommunications operators, certain material contracts entered into by the Group, including most of the Group's agreements with anchor customers, could be modified or terminated if a change of control clause is triggered. With regards to the material contracts entered into by the Group with anchor customers, a change of control clause may be triggered (and is generally limited to) in the event where a competitor of the anchor customer, either alone or in conjunction with others, obtains "significant influence" and/or "control" (which is generally defined as having (i) more than 50% of shares with voting rights, or (ii) the right to appoint or dismiss the majority of the members of the board of directors of the relevant Group company). In such circumstances, the anchor customer may be granted an option to buy back assets (generally the infrastructures where they are being serviced). In addition, such buy back option can also be granted in the event that a direct competitor of the anchor customer acquires a significant portion of the Shares or obtains voting or governance rights which can be exercised in a way that can negatively affect the anchor customer's interests. A change of control clause may be triggered at the level of Cellnex or only at the level of the relevant subsidiary that has entered into the relevant contract. In certain contracts, the definition of control, and therefore of a change of control, makes specific reference to the applicable law in the relevant jurisdiction.

Purchase commitments at period-end

At period-end the Group held purchase agreements for property, plant and equipment assets amounting to EUR 3,420 million (EUR 2,582 million at 31 December 2019).

Impairment

As disclosed in Notes 3.a and 3.c of the consolidated financial statements corresponding to the year ended on 31 December 2019, the Group evaluates at the end of every financial year if there is any indication of impairment in value of any asset. If any indications were to exist, the Group will estimate the recoverable amount of the asset, which is taken to be the greater of the fair value of the asset less costs to sell and its value in use.

During the 6-month period ended 30 June 2020 no indication exists, also considering the non-significant impact of Coronavirus pandemic as described in Note 2.f., that could lead to the existence of impairment in relation to the tangible assets of the Group. In addition, the assets of the CGU's have not changed and the last impairment test reflected sufficient margin.

Other disclosures

At 30 June 2020 and 31 December 2019, the Group did not have significant property, plant and equipment subject to restrictions or pledged as collateral on liabilities.

6. Intangible assets

The changes in this heading in the consolidated balance sheet during 2020 were as follows:

				Thousands of Euros
	Goodwill	Intangible assets for telecom infrastructure services	Computer software and other intangible assets	Total
At 1 January 2020				
Cost	1,486,410	4,530,286	56,721	6,073,417
Accumulated amortisation	-	(302,435)	(32,747)	(335,182)
Carrying amount	1,486,410	4,227,851	23,974	5,738,235
Carrying amount at beginning of period	1,486,410	4,227,851	23,974	5,738,235
Changes in the scope of consolidation (Note 4)	20,266	1,005,812	336	1,026,414
Additions	-	4,113	1,318	5,431
Transfers	-	-	-	-
Foreign exchange differences	7,780	4,741	-	12,521
Amortisation charge	-	(140,870)	(4,409)	(145,279)
Carrying amount at close	1,514,457	5,101,647	21,219	6,637,322
At 30 June 2020				
Cost	1,514,457	5,544,952	58,375	7,117,783
Accumulated amortisation	-	(443,305)	(37,156)	(480,461)
Carrying amount	1,514,457	5,101,647	21,219	6,637,322

Movements during 2020 period

Changes in the scope of consolidation and business combinations

The movements in 2020 due to changes in the scope of consolidation and business combinations mainly correspond to the impact of the Omtel Acquisition (see Notes 2.i and 4) amounting to EUR 1,024,324 thousand.

Signed acquisitions and commitments

During the 6-month period ended on 30 June 2020, the Group had not entered into any other framework agreements with customers additional to those detailed in Note 6 of the 2019 consolidated financial statements.

Intangible assets abroad

At 30 June 2020 and 31 December 2019, the Group had the following net book value of intangible assets located in the following countries:

	Thousands of Euros	
	Net book value	
	30 June 2020	31 December 2019
Italy	1,069,752	1,092,675
Netherlands	545,235	556,572
France	2,046,969	2,083,457
United Kingdom	221,627	247,760
Switzerland	1,463,097	1,462,123
Ireland	134,552	135,984
Portugal	1,001,719	-
Total	6,482,951	5,578,571

Fully depreciated assets

At 30 June 2020, fully depreciated intangible assets amounted to EUR 37,449 thousand (EUR 31,694 thousand at 31 December 2019).

Purchase commitments at period-end

At 30 June 2020, the Group held purchase agreements for intangible assets amounting to EUR 2,450 thousand (EUR 1,130 thousand at 31 December 2019).

Impairment

As disclosed in Notes 3.b and 3.c of the consolidated financial statements corresponding to the year ended on 31 December 2019, the Group evaluates at the end of every financial year if there is any indication of impairment in value of any asset. If any indications were to exist, the Group will estimate the recoverable amount of the asset, which is taken to be the greater of the fair value of the asset less costs to sell and its value in use.

During the 6-month period ended 30 June 2020 no indication exists, also considering the non-significant impact of Coronavirus pandemic as described in Note 2.f., that could lead to the existence of impairment in relation to the goodwill or intangible assets of the Group. In addition, the assets of the CGU's have not changed and the last impairment test reflected sufficient margin.

Other disclosures

At 30 June 2020 and 31 December 2019, the Group did not have significant intangible assets subject to restrictions or pledged as collateral on liabilities.

7. Investments in associates

The changes in this heading in the consolidated balance sheet are as follows:

	Thousands of Euros
	2020
At 1 January	2,832
Profit for the year	8
Changes in perimeter	23
Others	311
At 30 June	3,174

The shareholdings in associates accounted for using the equity method are detailed as follows:

	Thousands of Euros	
	Value of the shareholding	
	30 June 2020	31 December 2019
Torre Collserola, S.A.	1,954	1,958
Consorcio de Telecomunicaciones Avanzadas, S.A. (COTA)	914	659
Nearby Sensors, S.L.	210	162
Nearby Computing, S.L.	96	53
Total	3,174	2,832

In addition to the impairment tests referred to above, the Group carried out impairment tests to determine the recoverability of the investments in associates. To carry out these tests, the Group considered future cash flow projections in a manner similar to that indicated in Note 6. No indication was found of a need to recognise any provision for impairment in the consolidated income statement for the 2020 six-month period.

8. Current and non-current financial investments

The breakdown of this heading in the accompanying consolidated balance sheet at 30 June 2020 and 31 December 2019 is as follows:

						Thousands of Euros
	30 June 2020			31 December 2019		
	Non-current	Current	Total	Non-current	Current	Total
Advances to customers	28,811	2,053	30,864	26,909	2,015	28,924
Other advance payments	55,452	-	55,452	120,000	-	120,000
Term deposits at credit institutions maturing in more than 3 months	-	30,000	30,000	-	-	-
Current and non-current financial investments	84,263	32,053	116,316	146,909	2,015	148,924

Advances to customers

The changes in “advances to customers” during the 6-month period ended on 30 June 2020 were as follows:

			Thousands of Euros
	2020		
	Non-current	Current	Total
At 1 January	26,909	2,015	28,924
Additions	2,919	-	2,919
Charge to the consolidated income statement	-	(1,394)	(1,394)
Transfer	(1,394)	1,394	-
Others	377	38	415
At 30 June	28,811	2,053	30,864

Current and non-current financial investments relate to the accounting treatment adopted by the Group in reference to the telecom infrastructures acquired, which are to be subsequently dismantled. These purchases are considered advances to customers and are recognised under these headings (See Note 3.d. of the consolidated financial statements corresponding to the year ended on 31 December 2019).

The balances of the financial assets are reflected at their face value, there being no significant differences concerning their fair value.

Additions

Corresponds to the pluri-annual commercial costs assumed by the Group in order to obtain the service provision services agreements with the mobile telephone operators, through the purchase of the telecom infrastructures from these operators, the dismantling of which has been agreed to along with the related cost.

Charge to the consolidated income statement

During 2020, in line with the terms of the services agreements entered into with the operators, the corresponding amount of the total paid for the purchase of telecommunications infrastructure, treated as prepayment for the subsequent service agreements, was taken to the accompanying consolidated income statement. At 30 June 2020 this amount was recorded as a reduction to revenues amounting to EUR 1,394 thousand.

Transfers

The transfers from the 6-month period ended on 30 June 2020 are due to the classification under "Current financial investments" of the part that is expected to be charged during the next financial year to the consolidated income statement.

Other advance payments

The changes in "other advance payments" during the 6-month period ended on 30 June 2020 were as follows:

	Thousands of Euros
	2020
	Non-current
At 1 January	120,000
Transfer	(64,548)
At 30 June	55,452

This caption includes payments made to Iliad Italy, S.p.A. in the context of the Iliad Italy Acquisition (as described in Note 5 of the 2019 consolidated financial statements) which relate to those sites in the business unit not yet transferred as at 2019 year-end. The transfer is taking place in further tranches during 2020 (see Note 5 of the condensed interim financial statements).

9. Derivative financial instruments

The detail of the fair value of the derivative financial instruments at 30 June 2020 and 31 December 2019 is as follows:

				Thousands of Euros
	30 June 2020		31 December 2019	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps:				
Cash flow hedges	-	7,923	-	3,593
Interest rate and/or cross currency swaps:				
Cash flow hedges	-	-	-	-
Hedges of a net investment in a foreign operation	24,106	-	-	-
Derivatives not designated as hedges	-	-	-	-
Derivative financial instruments	24,106	7,923	-	3,593
Interest rate and/or cross currency swaps:				
Cash flow hedges	-	7,745	-	-
Hedges of a net investment in a foreign operation	24,106	-	-	-
Derivatives not designated as hedges	-	-	-	-
Non-current	24,106	7,745	-	3,593
Current	-	178	-	-

The Group has used interest rate swaps and interest rate and/or cross currency swaps, in accordance with the financial risk management policy described below:

From time to time the Group assesses the need to hedge the interest rate risk on the portion of its Euro financing bearing floating interest rates through Interest Rate Swaps (IRS). In a floating-to-fixed IRS, interest rates are swapped so that the Company receives a floating interest rate (Euribor) from the bank in exchange for a fixed interest rate payment for the same nominal amount. The floating interest rate received for the IRS offsets the floating interest rate payment on the borrowings. The end result is a fixed interest rate payment on the hedged borrowings.

In addition, from time to time the Group assesses the need to hedge the foreign exchange risk with the aim of minimising the exposure to possible adverse variations in exchange rates.

The Group determines the fair value of interest rate or foreign exchange derivatives by discounting cash flows on the basis of the implicit Euro interest rate and exchange rate calculated on the basis of market conditions at the measurement date and adjusting this by the bilateral credit risk with the objective of reflecting its own and its counterpart's credit risk.

The Group performs potential interest rate and foreign exchange rate hedging operations in accordance with its risk management policy. These operations are intended to mitigate the effect that changes in interest and exchange rates could have on the future cash flows of the bonds, loans and credit facilities linked to variable interest rates, cash flows in foreign currencies and variations in investments in foreign currencies.

Interest rate swaps

The bond issued in April 2017 for EUR 80 million and maturing in April 2026 was hedged with floating-to-fixed IRS, converting the floating rate of the bond in to a fixed rate (See Note 13). The notional amount and the maturity of the IRS match those of the underlying bond. As a result of the contracted IRS the final interest rate on the EUR 80 million bond is 2.945%.

Additionally, during the 6-month period ended on 30 June 2020, Nexloop arranged a floating-to-fix IRS for an increasing nominal value up to EUR 448 million. This transaction is structured to hedge the EUR 600 million 8-year capex facility to partially finance the deployment of the fibre network by Nexloop (see Notes 2.i and 5).

Cross currency interest rate swaps

During the 6-month period ended on 30 June 2020, the following transactions were performed:

i) Cellnex Telecom, S.A. arranged a CCS for EUR 450 million and an equivalent sterling value of GBP 382 million which has been designated together with the bond issue of EUR 450 million described in Note 13 as a natural hedge of the net investment made in United Kingdom Group's subsidiaries.
ii) Cellnex Telecom, S.A. arranged three CCS for a total amount of USD 328 million and an equivalent total euro value of EUR 300 million to hedge three deposits amounting to a total of USD 328 million (See Note 11).

Additionally, Cellnex has designated the cash maintained in pounds sterling (GBP) (See Note 11) amounting to GBP 1,100 million, to hedge the disbursement envisaged in relation to the investment commitment acquired in October 2019 in relation to the acquisition of Arqiva (See Note 19.b) which has become effective on 8 July 2020. It should be noted in this regard that available cash in GBP was classified as a hedge since the requirements for such classification were met given, inter alia, that the aforementioned investment commitment is considered to constitute a highly probable transaction. Consequently, exchange differences EUR-GBP amounting to EUR 19,590 thousands have been recognised in "Hedge Reserves" (see Note 12.c.iii).

Finally, the amount recognised as a financial asset/liability with a balancing entry in the consolidated income statement for the period corresponding to the ineffective portion of the cash flow hedges and hedges of a net investment in a foreign operation amounted to EUR 6,607 thousands.

10. Trade and other receivables

The breakdown of this heading in the accompanying consolidated balance sheet at 30 June 2020 and 31 December 2019 is as follows:

						Thousands of Euros
	30 June 2020			31 December 2019		
	Non-current	Current	Total	Non-current	Current	Total
Trade receivables (gross)	-	319,740	319,740	-	267,573	267,573
Allowances for doubtful debts (impairments)	-	(13,571)	(13,571)	-	(13,609)	(13,609)
Trade receivables	-	306,169	306,169	-	253,964	253,964
Current tax assets	-	68,911	68,911	-	89,156	89,156
Receivables with other related parties (Note 21.d)	-	179	179	-	324	324
Other receivables	20,257	27,556	47,813	18,427	21,639	40,066
Trade and other receivables	20,257	402,815	423,072	18,427	365,083	383,510

Trade and other receivables are shown at amortised cost, which does not differ significantly from their nominal value.

Trade receivables

"Trade receivables" includes outstanding amounts from customers. At 30 June 2020 and 31 December 2019, the account had no significant past-due balances that were not provided for.

The balance of public-sector debtors as at 30 June 2020 and 31 December 2019, amounted to EUR 10,718 thousand and EUR 16,867 thousand, respectively.

At 30 June 2020 the amount utilized under the non-recourse factoring agreements stood at EUR 45.9 million (EUR 9.9 million as at 2019 year-end). In this regard, the Group derecognises the receivables sold on a non-recourse basis as it considers that it has substantially transferred the risks and rewards inherent to their ownership to banks. As at 30 June 2020 the limit under the non-recourse factoring agreements stood at EUR 248 million (EUR 210 million as at 2019 year-end).

Allowances for doubtful debts (write-downs)

The changes in the allowance for doubtful debts during 2020 were as follows:

	Thousands of Euros
	2020
At 1 January	13,609
Disposals	(206)
Net changes	168
At 30 June	13,571

Disposals in this period relate to previous balances that were fully provided for, and which the Group decided to completely derecognise, without this having any impact on the accompanying consolidated income statement.

Net changes relate to changes in the provision recognised under “Changes in provisions” in the accompanying consolidated income statement with regard to the previous year.

Current tax assets

The breakdown of “Current tax assets” is as follows:

	Thousands of Euros	
	30 June 2020	31 December 2019
Corporate income tax	21,976	7,228
VAT receivable	45,476	80,217
Other taxes	1,459	1,711
Current tax assets	68,911	89,156

At 31 December 2019, this line mainly included VAT receivable derived from the acquisition of mobile telecom infrastructures in Spain and France (see Note 6), that amounted to EUR 39 million and EUR 21 million respectively. It also included VAT receivable amounting to EUR 12 million derived from the acquisition of rights to operate and market 950 buildings located mainly throughout Spain (see Note 7 of the 2019 consolidated financial statements).

Other receivables

At 30 June 2020 and 31 December 2019 “Other receivables” comprises:

- The PROFITS (coordination) mechanism by which the Group plays the role of coordinator for certain aid programs under the National Plan for Scientific Research, Development and Technological Innovation (PROFIT) granted by the Spanish Ministry for Industry, Tourism and Trade and applies for this aid together with other companies. The Group includes in current and non-current accounts receivable amounts that were previously assigned to third parties, received by the Group under the guise of PROFIT grants and refundable loans. On the other hand, the full amount of PROFIT grants received by the Group (including part of the amount assigned to third parties) is recognised under “Other non-current borrowings” and “Other current borrowings” (see Note 13).

- Other loans with service purchasers that are not strictly considered customers and with other trade debtors not included under other accounts. Advances to creditors, debtors and employees are also recognised under this heading.

There are no significant differences between the carrying amount and the fair value of the financial assets.

11. Cash and cash equivalents

The breakdown of "Cash and cash equivalents" is as follows:

	Thousands of Euros	
	30 June 2020	31 December 2019
Cash on hand and at banks	2,134,437	2,271,555
Term deposits at credit institutions maturing in less than 3 months	657,297	80,000
Total	2,791,734	2,351,555

As at 30 June 2020, as detailed in Note 9, Cellnex maintained cash in pounds sterling (GBP), of which, GBP 1,100 million has been designated to hedge the disbursement envisaged in relation to the investment commitment regarding the Arqiva Acquisition (See Note 19.b).

12. Net equity

a) Share capital and treasury shares

Share capital

At 30 June 2020 and 31 December 2019, the share capital of Cellnex Telecom, S.A. amounted to EUR 96,332 thousand, represented by 385,326,529 cumulative and indivisible ordinary registered shares of EUR 0.25 par value each, fully subscribed and paid.

Significant shareholders

In accordance with the notifications concerning the number of shares held made to the National Securities Market Commission, the shareholders who hold significant shareholdings in the share capital of the Parent Company, both directly and indirectly, greater than 3% of the share capital at 30 June 2020 and 31 December 2019, are as follows:

	% ownership	
Company	30 June 2020	31 December 2019
ConnecT, S.p.A. (1)	-	29.90%
Edizione, S.r.l. (2)	16.45%	-
GIC Private Limited (3)	7.03%	-
Abu Dhabi Investment Authority (4)	6.97%	-
Criteria Caixa, S.A.U.	5.00%	5.00%
Blackrock, Inc. (5)	4.98%	4.98%
Wellington Management Group LLP (6)	4.28%	4.28%
Canada Pension Plan Investment Board	3.16%	3.16%
Capital Research and Management Company (7)	3.02%	-
	50.88%	47.32%

Source: Comisión Nacional del Mercado de Valores ("CNMV").

[1] Full spin-off and dissolution of ConnecT S.p.A. ("Connect") and incorporation of ConnecT Due S.r.l.
[2] Edizione S.r.l. ("Edizione") controls Sintonia S.p.A. ("Sintonia") which in turn controls ConnecT Due S.r.l.
[3] GIC Private Limited holds directly 100% of the share capital of GIC Special Investments Private Limited ("GICSI"). GICSI provides direction and management to GIC Infra Holdings Private Limited and Raffles Infra Holdings Limited ("Raffles"), the indirect and direct parent companies of Prisma Holdings S.r.l ("Prisma"), respectively, and, thus, indirectly to Prisma.
[4] Azure Vista C 2020, S.r.l. ("Azure") is a wholly owned subsidiary of Infinity Investments S.A. ("Infinity") which is, in turn, a wholly owned subsidiary of Silver Holdings S.A., which is a wholly owned subsidiary of Abu Dhabi Investment Authority.
[5] Corresponds to managed collective institutions with a percentage lower than 5%. In addition, there is a total holding of 0.384% through financial instruments connected to shares in the Parent Company.
[6] Wellington Management Company LLP is a direct controlled undertaking of Wellington Investment Advisors Holdings LLP, which, in turn, is a direct controlled undertaking of Wellington Group Holdings LLP, which in turn, is a direct controlled undertaking of Wellington Management Group LLP.
[7] Capital Research and Management Company controlled 3.005% of the total rights to vote and the remaining collective institutions had a shareholding lower than 3%.

Additionally to the significant shareholdings detailed above, Atlantia, S.p.A. holds a shareholding through financial instruments amounting to 5.98%.

At 30 June 2020, Edizione is positioned as a reference shareholder in Cellnex Telecom, S.A., holding a 16.45% stake in its share capital. At 31 December 2019, ConnecT,S.p.A. was positioned as a reference shareholder in Cellnex Telecom, S.A., holding a 29.9% stake in its share capital.

Changes in 2020

Shareholders' agreement entered into between Sintonia, Infinity and Raffles

On 22 May 2020, Edizione announced that Sintonia, Infinity and Raffles Infra Holdings Limited ("Raffles") had entered into an framework agreement (the "Shareholders' Agreement") in relation to the full non-proportional spin-off of ConnecT resulting in the allocation of the shares of Cellnex formerly held by ConnecT to ConnecT Due, Azure and Prisma Holdings, S.r.L. ("Prisma"). As provided in the Shareholders' Agreement, the term "Raffles" includes any affiliates of Raffles holding the shares of Cellnex assigned through the spin-off of ConnecT. Following the execution of the Shareholders' Agreement, Prisma sold its 6.730% stake in the share capital of Cellnex to Lisson, who is the current holder of the stake as of the date of these condensed consolidated interim financial statements. Each of Raffles, Prisma and Lisson are 100% owned by GIC Infra Holdings Private Limited.

The Shareholders Agreement regulates, among other matters, certain obligations in relation to the initial appointment of their respective proprietary directors in Cellnex following completion of ConnecT spin-off in order to allow a proportional representation in the Board of Directors.

On 10 June 2020, Edizione published certain clauses of the Shareholders' Agreement which qualify as a disclosable shareholder agreement (pacto parasocial) under Spanish law. In accordance with the information made public by Edizione, the Shareholders' Agreement foresees, among other matters:

- Once Raffles informs Infinity and Sintonia of its request to have a person nominated by it appointed as a proprietary director of Cellnex, the obligation of Infinity and Sintonia to formally request, and do their best efforts to cause, any proprietary director of Cellnex nominated by them to, subject to their fiduciary duties as members of the Board of Directors, support the appointment of the person nominated by Raffles as a new director of Cellnex.

- Sintonia's obligation to have ConnecT Due to attend, either by being present or by proxy, the shareholders' meeting of Cellnex where the person nominated by Raffles will be appointed or (if appointed by the Board of Directors as director by co-optation) re-elected as a director of Cellnex and cast its votes for the appointment or re-election, as appropriate, of the person nominated by Raffles as a director of Cellnex, subject to certain conditions.

- Infinity's obligation, at the request of Raffles and provided that a proprietary director of Raffles has been appointed in accordance with the above, upon the appointment as a proprietary director of Cellnex of the person nominated by Raffles, to formally request, and do its best efforts to cause, its proprietary director to resign from his current position as member of Cellnex's Nominations and Remuneration Committee on 9 May 2022 and each of Sintonia, ConnecT Due, Infinity and Azure to formally request, and do its best efforts to cause, any proprietary director of Cellnex nominated by them to, subject to their fiduciary duties, support the appointment of the proprietary director nominated by Raffles as a new member of Cellnex's Nominations and Remuneration Committee.

The above obligations will cease to be effective and applicable as soon as the provisions regarding the appointment of the person nominated by Raffles as new proprietary director of Cellnex (or, as the case may be, his/her ratification and re-election) by the shareholders' meeting of Cellnex has been complied with or on the date on which the 2021 ordinary general shareholders' meeting of Cellnex is held, whatever occurs first. By way of exception, the provisions described on the last bullet will survive until 30 June 2022.

Shareholders' agreement entered into between Edizione, Atlantia, Sintonia and ConnecT Due (formerly ConnecT)

On 17 July 2020, Edizione announced the amendment of the Co-investment Agreement entered into on 24 July 2018 in relation to Cellnex between Edizione, Atlantia, Sintonia and ConnecT (the "Co-investment Agreement"). The amendments made to the Co-investment Agreement are: (i) the replacement of Connect by Connect Due as a consequence of the spin-off of the former; (ii) the extension of the term for exercising the co-investment option (extended for a further 12 months and, therefore, until 12 July 2021) on a stake of 5.98% in Cellnex; (iii) the option of exercising the ROFO and the Right to Match provided in the original Co-investment Agreement for no more than 10% of Cellnex's issued capital until 12 July 2025, rather than the entire stake in Cellnex indirectly held by Edizione; and (iv) the grant to Atlantia of a right of first refusal on all or part of the (unexercised) options attributed to Connect Due resulting from any future rights issues approved by Cellnex until 12 July 2025 (the "ROFR").

According to the public announcement, the combined result of Atlantia's exercise of its ROFO and Right to Match, on the one hand, and of the co-investment option, on the other, may not lead to Atlantia acquiring a stake in Cellnex in excess of 10% of its issued share capital.

Pre-emptive subscription rights in offers for subscription of securities of the same class

On 9 May 2019, the ordinary general shareholder's meeting of Cellnex, pursuant to article 297.1.(b) of the Law of Corporations, resolved to delegate in favour of the Parent Company's Board of Directors the faculty to increase the share capital, whether through one or more issuances, up to an amount equivalent to 50% of the Parent Company's share capital on 9 May 2019 (the date of such resolution), until May 2024 (i.e. the authorization has a term of 5 years). This authorization includes the power to exclude the pre-emptive subscription rights of shareholders, in accordance with the provisions of article 506 of the Spanish Companies Act; however, under these circumstances the Board of Directors has the authority to issue up to 10% of the Parent Company's share capital (this limit being included within the maximum limit of 50% referred above).

Furthermore, the ordinary general shareholder's meeting of Cellnex resolved to delegate in favour of the Parent Company's Board of Directors (also with a term of 5 years, i.e., until May 2024) the faculty to issue debentures, bonds and other similar fixed-income securities, convertible (including contingently) into shares of the Parent Company, preference shares (if legally permissible) and warrants (options to subscribe to new shares of the Parent Company) up to a limit of 10% of the Parent Company's share capital on 9 May 2019 (this limit being also included within the maximum limit of 50% referred above).

Treasury shares

Pursuant to the authorisation granted by the Board of Directors in its meeting of 26 May 2016, Cellnex has made various purchases and sales of treasury shares.

On 31 May 2018 the ordinary general shareholder's meeting of Cellnex resolved to delegate in favour of the Parent Company's Board of Directors the faculty to purchase treasury shares up to a limit of 10% of the share capital of the Parent Company.

For the six-month period ended 30 June 2020, Cellnex did not carry out discretional purchases of treasury shares. However, during this period, 67,639 treasury shares have been transferred to employees mainly in relation to the "employee remuneration payable in shares".

During the six-month period ended on 30 June 2020, the Parent Company has registered a profit of EUR 1,267 thousand (a profit of EUR 316 thousand in the same period in 2019), net of fees and commissions, as a result of these operations and this has been taken as a reserve movement in the consolidated balance sheet.

The number of treasury shares as at 30 June 2020 amounts to 132,304 shares and represents 0.034% of the share capital of Cellnex Telecom, S.A. (0.052% as at 31 December 2019).

The use of the treasury shares held at 30 June 2020 will depend on the agreements reached by the Corporate Governance bodies.

The movement in the portfolio of treasury shares during 2020 has been as follows:

2020

	Number (Thousands of Shares)	Average Price	Purchases/Sales (Thousands of Euros)
At 1 January	200	21.117	4,222
Purchases	-	-	-
Sales/Others	(68)	21.117	(1,428)
At 30 June	132	21.117	2,794

b) Share premium

As at 30 June 2020 and 31 December 2019 the share premium of Cellnex Telecom amounted to EUR 3,874 million and EUR 3,886 million, respectively.

During the six-month period ended 30 June 2020, a cash pay out to shareholders of EUR 11,818 thousand was declared from the share premium account (See Note 12.d).

c) Reserves

The breakdown of this account is as follows:

	Thousands of Euros	
	30 June 2020	31 December 2019
Legal reserve	11,584	11,584
Reserves from retained earnings	158,619	131,719
Reserves of consolidated companies	11,469	49,618
Hedge reserves	(31,420)	(2,965)
Foreign exchange differences	6,307	1,915
Reserves	156,559	191,871

I) Legal reserve

In accordance with the consolidated text of the Spanish Limited Liability Companies Act, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve may not be distributed to shareholders unless the Company is liquidated.

The legal reserve may be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Apart from the purpose mentioned above, the legal reserve may be used to offset losses unless it exceeds 20% of the capital and no other sufficient reserves are available for such purpose.

At 30 June 2020 and 31 December 2019, because of the capital increases carried out during 2019, the legal reserve had not reached the legally established minimum.

II) Reserves from retained earnings

This line mainly includes the convertible bond reserve, which amounts to EUR 129,947 thousand as of 30 June 2020 (EUR 129,947 thousand at the end of 2019).

III) Hedge reserve

This line item includes the reserve generated by the effective portion of the changes in the fair value of the derivative financial instruments designated and classified as cash flow hedges and/or hedges of net investments in foreign operations in the case of the fully consolidated companies.

As detailed in Note 9, Cellnex has designated the cash maintained in pounds sterling (GBP) (See Note 11) amounting to GBP 1,100 million, to hedge the disbursement envisaged in relation to the investment commitment in relation to the Arqiva Acquisition (See Note 19.b) which has become effective on July 8, 2020. In this regard, that available cash in GBP were classified as a hedge since the requirements for such classification were met given. Consequently, as of 30 June 2020, exchange differences EUR-GBP amounting EUR 19,590 thousands have been recognised in caption “Hedge Reserves” of the accompanying consolidated interim financial statements.

IV) Foreign exchange differences

The detail of this line item is as follows:

	Thousands of Euros	
	30 June 2020	31 December 2019
Cellnex Switzerland (CHF)	(370)	(1,968)
Cellnex UK subgroup (GBP)	6,677	3,883
Total	6,307	1,915

d) Interim dividend and proposed dividends

The determination of the distribution of dividends is carried out based on the individual statutory accounts of Cellnex Telecom, S.A., and within the framework of the legislation in force in Spain.

The dividends to distribute to the shareholders are recorded as liabilities in the consolidated financial statements as soon as the dividends are approved by the Annual General Meeting (or by the Board of Directors in the case of interim dividends) and until their payment.

On 31 May 2018 the Annual General Meeting (AGM) approved the distribution of a cash pay out to shareholders charged to the share premium reserve to a maximum of EUR 63 million, payable in one or more instalments during the years 2018, 2019 and 2020. It was also agreed to delegate to the Board of Directors the authority to establish, if this is the case, the amount and the exact date of each payment during this period, always attending to the maximum overall amount stipulated.

During 2020, in compliance with the Parent Company´s dividend policy, the Board of Directors, pursuant to the authority granted by resolution of the Annual Shareholders' Meeting of 31 May 2018, approved the distribution of a cash pay-out charged to the share premium reserve of EUR 11,818 thousand, which represented EUR 0.03067 for each existing and outstanding share with the right to receive such cash pay-out.

Thus, the total cash pay-out to shareholders distributed for the 2019 financial year was EUR 0.06909 gross per share, which represents EUR 26,622 thousand.

On 21 July 2020, a distribution against the share premium reserve of Cellnex amounting up to EUR 109 million will be submitted for approval by the General Shareholders' Meeting to be paid upfront or through instalments during the years 2020, 2021,2022 and 2023, and the determination of the exact amount and date of each distribution will be delegated to the Board of Directors, always within the above limit. See section "Shareholder remuneration" of the accompanying Consolidated Interim Director's Report.

e) Earnings per share

The table below shows the basic and diluted earnings per share calculated by dividing the net profit for the year attributable to the shareholders of Cellnex Telecom, S.A. by the weighted average number of shares outstanding during the year, excluding the average number of treasury shares held by the Group.

	Thousands of Euros	
	2020	2019
Profit/(loss) attributable to the Parent Company	(43,181)	(488)
Weighted average number of shares outstanding (Note 12.a)	385,162,163	267,340,879
Basic EPS attributable to the Parent Company (euros per share)	(0.11)	(0.00)
Diluted EPS attributable to the Parent Company (euros per share) (*)	(0.11)	(0.00)

(*) Note that, as of 30 June 2020 and 2019, the effect of the conversion of convertible bonds (Note 13) would not dilute the earnings per share attributable to the Parent Company. Additionally, the share-based remuneration (Note 17 b) ii)) has no significant impact on the diluted earnings per share attributable to the Parent Company.

f) Non-controlling interests

The balance of this heading in the Group's equity includes the interest of non-controlling shareholders in the fully consolidated companies. Additionally, the balance of "Profit attributable to non-controlling interests" in the consolidated statement of comprehensive income represents the share of non-controlling shareholders in the profit for the year.

The detail of the non-controlling interests is as follows:

				Thousands of Euros	
	Country	%(*) owned by Cellnex as of 30/06/2020	%(*) owned by Cellnex as of 31/12/2019	30 June 2020	31 December 2019
Cellnex Switzerland	Switzerland	72%	72%	200,270	206,227
Swiss Towers	Switzerland	72%	72%	(19,816)	(8,692)
Swiss Infra	Switzerland	65%	65%	83,785	88,713
Adesal Telecom	Spain	60%	60%	2,140	2,117
OnTower France (1)	France	70%	70%	599,257	601,542
Nexloop	France	51%	-	13,748	-
Total				898,880	889,907

(*) Corresponds to the stake owned by Cellnex in each subsidiaries, directly or indirectly.

[1] In relation to the agreement between Cellnex and Illiad, S.A. to purchase the 70% of OnTower France (see Note 5 of the 2019 consolidated financial statements), the shareholder agreement sets out the conditions for Iliad, S.A.'s right to sell its 30% (and not less than 30%) non-controlling interest in ILIAD7 to Cellnex France Groupe, at a price to be calculated pursuant to said agreement. The price of this acquisition is uncertain and will undoubtedly be inflationary given the favourable performance of such assets. Cellnex France Groupe has the right, but not the obligation to purchase this non-controlling interest, and therefore, no liability has been recorded in the accompanying consolidated balance sheet as of 30 June 2020.

The changes in this heading were as follows:

	Thousands of Euros
	2020
At 1 January	889,907
Profit/(loss) for the period	(6,967)
Dividends	-
Changes in the scope of consolidation	13,748
Exchange differences	2,192
Others	-
At 30 June	898,880

13. Borrowings

The breakdown of borrowings at 30 June 2020 and 31 December 2019 is as follows:

	Thousands of Euros					
	30 June 2020			31 December 2019		
	Non-current	Current	Total	Non-current	Current	Total
Bond issues and other loans	5,000,662	36,486	5,037,148	3,460,798	40,326	3,501,124
Loans and credit facilities	1,192,089	4,093	1,196,182	1,630,027	6,423	1,636,450
Other financial liabilities	2,845	484	3,329	2,871	1,677	4,548
Borrowings	6,195,596	41,063	6,236,659	5,093,696	48,426	5,142,122

During the year 6-month period ended at 30 June 2020, the Group increased its borrowings from bond issues and loans and credit facilities (which do not include any debt held by Group companies registered using the equity method of consolidation, "Derivative Financial Instruments" or "Other financial liabilities") by EUR 1,095,756 thousand to EUR 6,233,330 thousand.

The increase in "Bond issues and other loans" is mainly due to the five issuances of bonds that have been carried out during the first half of 2020, as detailed in section "Bond issues and other loans" below.

The decrease in "Loans and credit facilities" corresponds mainly to the repayment of loans and credit facilities with the proceeds from the bonds issuances.

It is worth mention that on 29 May 2020, Nexloop signed a EUR 620,000 thousand facilities agreement with a pool of banks. The financing consists of a EUR 600,000 thousand term loan facility with a 8-year bullet maturity, to partially finance, among other things, the deployment of the fibre network by Nexloop, and a EUR 20,000 thousand revolving credit facility with a 7-year-and-10-months bullet maturity to finance or reimburse VAT amounts related to Nexloop's project costs (see Note 5) ("Nexloop Facilities"). As at 30 June 2020, the total amount drawn down in relation to these facilities was EUR 30,000 thousand.

In addition, during the period ended on 30 June 2020, Cellnex has amended certain credit facilities for a total of EUR 250,000 thousand to extend their maturities. Cellnex has also cancelled a term loan for EUR 30,000 thousand.

As of 30 June 2020 and 2019, the average interest rate of all available borrowings would have been 1.5% and 1.9% respectively, in the event they had been entirely drawn down. The average weighted interest rate as of 30 June 2020 of all available borrowings drawn down was 1.7% (2.1% as of 30 June 2019).

Pursuant to the amendments to IAS 7, a reconciliation of the cash flows arising from financing activities is set out below, together with the associated liabilities in the opening and closing balance sheet, distinguishing between changes that give rise to cash flows and those that do not:

30 June 2020

							Thousands of Euros
	01/01/2020	Cash flows	Changes in the scope of consolidation	Exchange rate	Transfers to liabilities held for sale	Other [1]	30/06/2020
Bond issues	3,501,124	1,523,475	-	(523)	-	13,072	5,037,148
Loans and credit facilities and other financial liabilities	1,640,998	(704,762)	243,259	19,074	-	942	1,199,511
Borrowings	5,142,122	818,713	243,259	18,551	-	14,014	6,236,659

[1] It mainly includes arrangement expenses accrued and change in interest accrued not paid.

The Group's bank borrowings were arranged under market conditions and, therefore, their fair value does not differ significantly from their carrying amount.

In accordance with the foregoing and with regard to the financial policy approved by the Board of Directors, the Group prioritizes securing sources of financing at Parent Company level. The aim of this policy is to secure financing at a lower cost and longer maturities while diversifying its funding sources. In addition, this encourages access to capital markets and allows greater flexibility in financing contracts to promote the Group's growth strategy.

As of 30 June 2020 and 31 December 2019, the breakdown, by maturity, type of debt and by currency of the Group's borrowings (excluding debt with companies accounted for using the equity method of consolidation) is as follows:

Borrowings by maturity

The maturities of the Group's borrowings based on the repayment schedule as of 30 June 2020 and 31 December 2019 are shown in the table below:

30 June 2020

								Thousands of Euros
		Current				Non-current		
	Limit	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total
Bond issues and other loans [*]	5,139,179	46,515	2,340	602,376	752,412	501,833	3,193,383	**5,098,859**
Arrangement expenses		(10,029)	(10,340)	(9,352)	(8,799)	(7,729)	(15,462)	**(61,711)**
Loans and credit facilities [*]	6,153,507	8,170	7,194	12,500	12,500	938,235	241,975	**1,220,574**
Arrangement expenses		(4,077)	(4,698)	(4,309)	(4,342)	(1,657)	(5,309)	**(24,392)**
Other financial liabilities		484	1,294	483	472	323	273	**3,329**
Total	11,292,686	41,063	(4,210)	601,698	752,243	1,431,005	3,414,860	6,236,659

[*] These items are gross value and, consequently, do not include "Arrangement expenses".

31 December 2019

	Thousands of Euros							
	Current		Non-current					
	Limit	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total
Bond issues and other loans (*)	3,600,500	47,039	-	600,000	-	750,000	2,142,687	3,539,726
Arrangement expenses	-	(6,713)	(6,962)	(6,629)	(6,051)	(4,677)	(7,570)	(38,602)
Loans and credit facilities (*)	5,877,303	9,715	32,500	223,374	116,169	1,076,758	192,125	1,650,641
Arrangement expenses	-	(3,292)	(3,335)	(2,943)	(2,836)	(1,564)	(221)	(14,191)
Other financial liabilities	-	1,677	694	707	509	531	430	4,548
Total	9,477,803	48,426	22,897	814,509	107,791	1,821,048	2,327,451	5,142,122

(*) These items are gross value and, consequently, do not include "Arrangement expenses".

Borrowings by type of debt

	Thousands of Euros					
	Notional as of 30 June 2020 (*)			Notional as of 31 December 2019 (*)		
	Limit	Drawn	Undrawn	Limit	Drawn	Undrawn
Bond issues and other loans	5,139,179	5,139,179	-	3,600,500	3,600,500	-
Loans and credit facilities	6,153,507	1,214,801	4,938,706	5,877,303	1,643,971	4,233,332
Total	11,292,686	6,353,980	4,938,706	9,477,803	5,244,471	4,233,332

(*) Includes the notional value of each borrowing type, and are not the gross or net value of the caption. See "*Borrowings by maturity*".

As of 30 June 2020, the total limit of loans and credit facilities available was EUR 6,153,507 thousand (EUR 5,877,303 thousand as of 31 December 2019), of which EUR 2,906,134 thousand in credit facilities and EUR 3,247,373 thousand in loans (EUR 2,290,227 thousand in credit facilities and EUR 3,587,076 thousand in loans as of 31 December 2019).

Furthermore, of the EUR 6,153,507 thousand of loans and credit facilities available (EUR 5,877,303 thousand as of 31 December 2019), EUR 5,158,882 thousand (EUR 5,472,678 thousand as of 31 December 2019) can be drawn down either in Euros (EUR) or in other currencies, such as Pound Sterling (GBP), Swiss franc (CHF) and U.S. dollar (USD).

As of 30 June 2020 the total amount drawn down of the loans and credit facilities was EUR 1,214,801 thousand (EUR 1,643,971 thousand drawn down as of 31 December 2019).

Borrowings by currency

	Thousands of Euros	
	30 June 2020 (*)	31 December 2019 (*)
Euro	5,213,782	3,780,528
GBP	555	331,631
CHF	1,108,425	1,082,756
Borrowings	6,322,762	5,194,915

(*) The amounts shown in the preceding table relate to the cash flows set forth in the contracts, which differ from the carrying amount of the borrowings due to the effect of applying IFRS criteria, especially IFRS9.

As described in Note 4.a of the 2019 consolidated financial statements, the foreign exchange risk on the net investment of operations of the Group companies denominated in non-Euro currencies is managed by means of borrowings denominated in the corresponding foreign currency.

In this regard, as of 30 June 2020, Cellnex Telecom, S.A. arranged a CCS for EUR 450 million and an equivalent sterling value of GBP 382 million which has been designated together with the bond issue of EUR 450 million executed in January 2020 as a natural hedge of the net investment made in United Kingdom Group's subsidiaries. As of 31 December 2019, the Group maintained debts in GBP, which acted as a natural hedge of the net investment in UK subsidiaries. These borrowings amounted to GBP 282,152 thousand with a Euro value of EUR 331,631 thousand and were held by means of various credit facilities denominated in GBP. These non-derivative financial instruments were assigned as net investment hedges against the net assets of the Cellnex UK Group. The maturities of these borrowings were between 2022 and 2023.

In addition, as of 30 June 2020, the Group maintained bonds and borrowings in CHF, which act as a natural hedge of the net investment in Cellnex Switzerland. On 29 January 2020, Cellnex successfully completed the pricing of a CHF-denominated bond for an amount of CHF 185 million, maturing in February 2027. The borrowings amounted to CHF 459,380 thousand with a Euro value of EUR 431,302 thousand (CHF 639,525 thousand with a Euro value of EUR 589,207 thousand as of 31 December 2019) and are held by means of various facilities denominated in CHF. These non-derivate financial instruments are assigned as net investment hedges against the net assets of Swiss subsidiaries. The maturity of these borrowings are between 2024 and 2027.

Furthermore, the Group also maintained through its subsidiary Swiss Towers additional borrowings in CHF amounting to CHF 535,669 thousand with a Euro value of EUR 502,928 thousand (CHF 535,698 thousand with a Euro value of EUR 493,549 thousand as of 31 December 2019).

Bond issues and other loans

The detail of the bonds and other financing instruments is as follows:

	Thousands of Euros	
	30 June 2020	31 December 2019
Bond issues	5,037,148	3,501,090
Promissory notes and commercial paper	-	34
Bond issues and other loans	5,037,148	3,501,124

I) Euro Medium Term Note Programme – (EMTN) Programme

In May 2015, the Group established an EMTN Programme through the Parent Company. This Programme is registered on the Irish Stock Exchange and is renewed annually. As at 30 June 2020, the EMTN Programme allows the issue of bonds to an aggregate amount of up to EUR 10,000 million and the latest renewal date was May 2020.

In March 2016 Cellnex was added to the list of companies whose corporate bonds are eligible for the Corporate Sector Purchase Programme (CSPP) by European Central Bank (ECB). Since May 2015, under the aforementioned EMTN Programme, Cellnex has issued the bonds described in the table below, all of them addressed to qualified investors:

30 June 2020

Issue	Initial duration	Maturity	Fitch / S&P rating	ISIN	Coupon rate	Initial Notional (Thousands of Euros)	Notional as of 30 June 2020 (Thousands of Euros)
27/07/2015	7 years	27/07/2022	BBB-/BB+	XS1265778933	3.13%	600,000	600,000
10/08/2016	8 years	16/01/2024	BBB-/BB+	XS1468525057	2.38%	750,000	750,000
16/12/2016	16 years	20/12/2032	BBB-/NA	XS1538787497	3.88%	65,000	65,000
18/01/2017	8 years	18/04/2025	BBB-/BB+	XS1551726810	2.88%	335,000	335,000
07/04/2017	9 years	07/04/2026	BBB-/NA	XS1592492125	Eur 6M+2.27%[1]	80,000	80,000
03/08/2017	10 years	03/08/2027	BBB-/NA	XS1657934714	Eur 6M+2.20%	60,000	60,000
31/07/2019	10 years	31/07/2029	BBB-/NA	XS2034980479	1.90%	60,500	60,500
09/01/2020	7 years	20/04/2027	BBB-/BB+	XS2102934697	2.2%	450,000	450,000
29/01/2020	7 years	18/02/2027	BBB-/NA	CH0506071148	0.775%	173,679	173,679
16/06/2020	5 years	18/04/2025	BBB-/BB+	XS2193654386	2.88%	165,000	165,000
16/06/2020	9 years	26/06/2029	BBB-/BB+	XS2193658619	1.88%	750,000	750,000
22/06/2020	5 years	17/07/2025	BBB-/BB+	CH0555837753	1.1%	93,880	93,880
Total						3,583,059	3,583,059

[1] Coupon rate hedged by Interest Rate Swaps. See Derivative financial instruments section.

Bond issuance for an amount of EUR 450 million

On 9 January 2020, Cellnex successfully completed the pricing of a EUR-denominated bond issuance (with ratings of BBB- by Fitch Ratings and BB+ by Standard&Poor's) aimed at qualified investors for an amount of EUR 450 million, maturing in April 2027 and with an annual coupon of 1.0%. Simultaneously, Cellnex entered into several CCS agreements with strong financial counterparties by which Cellnex lends the EUR 450 million received and borrows the equivalent amount of sterling at an agreed exchange rate enabling Cellnex to obtain approximately 382 million sterling pounds at a cost of 2.2%.

Bond issuance for an amount of CHF 185 million

On 29 January 2020, Cellnex successfully completed the pricing of a CHF-denominated bond issuance (with a rating of BBB- by Fitch Ratings) aimed at qualified investors for an amount of CHF 185 million, maturing in February 2027 and with an annual coupon of 0.775%.

Bond issuance for an amount of EUR 165 million

On 16 June 2020, Cellnex successfully completed the pricing of a EUR-denominated bond issuance (with ratings of BBB- by Fitch Ratings and BB+ by Standard&Poor's) aimed at qualified investors. The transaction consisted of a tap of its April 2025 bond for EUR 165 million at an equivalent annual coupon of 1.4%.

Bond issuance for an amount of EUR 750 million

On 16 June 2020, Cellnex successfully completed the pricing of a EUR-denominated bond issuance (with ratings of BBB- by Fitch Ratings and BB+ by Standard&Poor's) aimed at qualified investors for and amount of EUR 750 million maturing in June 2029 at an annual coupon of 1.875%.

Bond issuance for an amount of CHF 100 million

On 22 June 2020, Cellnex successfully completed the pricing of a CHF-denominated bond issuance (with a rating of BBB- by Fitch Ratings) aimed at qualified investors for an amount of CHF 100 million, maturing in July 2025 and with an annual coupon of 1.1%.

Cellnex has taken advantage of favourable market conditions to lower its average cost of debt and increase its average debt maturity by issuing a new long term instruments, at highly attractive terms. The net proceeds from the issuances have been used for general corporate purposes and to refinance existing debt.

31 December 2019

Issue	Initial duration	Maturity	Fitch / S&P rating	ISIN	Coupon rate	Initial Notional (Thousands of Euros)	Notional as of 31 December 2019 (Thousands of Euros)
27/07/2015	7 years	27/07/2022	BBB-/BB+	XS1265778933	3.13%	600,000	600,000
10/08/2016	8 years	16/01/2024	BBB-/BB+	XS1468525057	2.38%	750,000	750,000
16/12/2016	16 years	20/12/2032	BBB-/NA	XS1538787497	3.88%	65,000	65,000
18/01/2017	8 years	18/04/2025	BBB-/BB+	XS1551726810	2.88%	335,000	335,000
07/04/2017	9 years	07/04/2026	BBB-/NA	XS1592492125	Eur 6M+2.27%[1]	80,000	80,000
03/08/2017	10 years	03/08/2027	BBB-/NA	XS1657934714	Eur 6M+2.20%	60,000	60,000
31/07/2019	10 years	31/07/2029	BBB-/NA	XS2034980479	1.90%	60,500	60,500
Total						1,950,500	1,950,500

[2] Coupon rate hedged by Interest Rate Swaps. See Derivative financial instruments section.

The bond issues have certain associated costs, customary in this type of transactions such as arrangement expenses and advisors' fees, which amounted to EUR 27,007 thousand as of 30 June 2020 (EUR 1,942 thousand as of 30 June 2019), which the Group defers over the life of the bonds and are taken to the consolidated income statement following a financial criteria. In this regard, an amount of EUR 61,711 thousand and EUR 38,602 thousand was deducted from bond issues in the consolidated balance sheet as of 30 June 2020 and 31 December 2019, respectively. The arrangement expenses and advisor's fees accrued in the consolidated income statement for the period ended 30 June 2020 in relation to the bond issues amounted to EUR 3,898 thousand (EUR 2,369 thousand as of 30 June 2019).

II) Convertible bond issues

The Group has issued the Convertible Bonds described in the table below, all of them addressed to qualified investors:

30 June 2020

Issue	Initial Duration	Maturity	Fitch / S&P rating	ISIN	Coupon rate	Balance as at 30 June 2020 (Thousands of Euros)
25/06/2019	9 years	25/07/2028	BBB-/NA	XS2021212332	0.50%	816,881
21/01/2019	7 years	16/01/2026	BBB-/NA	XS1750026186	1.50%	182,520
16/01/2018	8 years	16/01/2026	BBB-/NA	XS1750026186	1.50%	554,700
Total						1,554,101

31 December 2019

Issue	Initial Duration	Maturity	Fitch / S&P rating	ISIN	Coupon rate	Balance as at 31 December 2019 (Thousands of Euros)
25/06/2019	9 years	25/07/2028	BBB-/NA	XS2021212332	0.50%	810,168
21/01/2019	7 years	16/01/2026	BBB-/NA	XS1750026186	1.50%	181,079
16/01/2018	8 years	16/01/2026	BBB-/NA	XS1750026186	1.50%	550,940
Total						1,542,187

Clauses regarding changes of control

The terms and conditions of the bonds to be issued under the EMTN Programme and of the Convertible Bonds include a change of control put clause (at the option of bondholders), which could result in their respective early repayment.

For the bonds issued under the EMTN Programme, the put option can only be triggered if a change of control event occurs and there is a rating downgrade caused by the change of control event (as defined in the terms and conditions of the EMTN Programme). For the Convertible Bonds, the put option can only be triggered if a change of control occurs or if a tender offer triggering event occurs (as defined in the terms and conditions of the Convertible Bonds).

Under the EMTN Programme and the Convertible Bonds, a "change of control event" is defined as the acquisition of more than 50% of the voting rights in respect of Cellnex or the right to appoint or dismiss all or the majority of the members of the Board of Directors of Cellnex.

Bonds obligations and restrictions

As at 30 June 2020, Cellnex had no restrictions regarding the use of proceeds from its bond offerings, had not provided any collateral for any obligations in connection with its outstanding bonds and the bonds ranked pari passu with the rest of Cellnex's unsecured and unsubordinated borrowings.

III) Euro-Commercial Paper Programme – (ECP) Programme

In June 2018, Cellnex established an ECP Programme with the Irish Stock Exchange which is renewed annually. The ECP Programme has a limit of EUR 500 million or its equivalent in GBP, USD and CHF. As of 30 June 2020 and 31 December 2019, the limit utilized under the ECP Programme was not drawn down neither in Euros nor in GBP, USD and CHF.

Bonds obligations and restrictions

As at 30 June 2020 and 31 December 2019, the Parent Company had no restrictions regarding the use of capital resources nor had it guarantees and the bonds rank *pari passu* with the rest of the unsecured and unsubordinated borrowings.

Loans and credit facilities

As of 30 June 2020, the total limit of loans and credit facilities available was EUR 6,153,507 thousand (EUR 5,877,303 thousand as of 31 December 2019), of which EUR 2,906,134 thousand in credit facilities and EUR 3,247,373 thousand in loans (EUR 2,290,227 thousand and EUR 3,587,076 thousand respectively as of 31 December 2019).

On 29 May 2020 Nexloop signed the Nexloop Senior Facility, a EUR 620,000 thousand financing with a pool of banks, consisting of a EUR 600,000 thousand term loan facility with a 8-year bullet maturity, to partially finance the deployment of the fibre network by Nexloop, and a EUR 20,000 thousand revolving credit facility with a 7-year-and-10-months bullet maturity to finance or reimburse VAT amounts related to Nexloop's project costs (See Note 5). Nexloop also entered into several floating-to-fixed IRS (see Note 9). As of 30 June 2020, the total amount drawn down in relation to these facilities was EUR 30,000 thousand.

In addition, during the period ended 30 June 2020, Cellnex has amended certain credit facilities for a total of EUR 250,000 thousand to extend its maturities. Cellnex has also cancelled a term loan by EUR 30,000 thousand.

On 5 November 2019, the Group signed a GBP 2 billion financing consisting of a GBP 1,400,000 thousand term loan facility in favor of Cellnex with a maturity of up to 3 years and a GBP 600,000 thousand term loan facility entered into by Cellnex UK and guaranteed by Cellnex, with a 5-year bullet maturity, to partially finance the Arqiva Acquisition (the "GBP Facilities") (see Note 19.b). As of 30 June 2020, the GBP 600,000 thousand term loan facility has not been drawn.

Clauses regarding changes of control

For the loans and credit facilities entered into by Cellnex, the change of control trigger is at the Cellnex level. For the syndicated facilities agreement entered into by Swiss Towers, the change of control trigger is measured with respect to Cellnex Switzerland, Swiss Towers and Swiss Infra (as defined below). For the GPB Facilities, the change of control trigger is measured with respect to Cellnex UK as well as at the Cellnex level. For the Nexloop Facilities, the change of control trigger is measured with respect to Nexloop. A "change of control event" is generally triggered when a third party, alone or together with others, acquires either 50% of shares with voting rights, or obtains the right to appoint or dismiss the majority of the members of the board of directors of the relevant company.

Loans and credit facilities obligations and restrictions on use of available funds

As at 30 June 2020 most of Cellnex's outstanding loans and credit facilities do not impose restrictions on the use of available funds. However, certain of the Group's outstanding loans and credit facilities, including the Nexloop Senior Facility, impose restrictions on the use of drawn amounts.

Security interests and other covenants and undertakings

As of 30 June 2020, most of the outstanding loans and credit facilities entered into by Cellnex and its subsidiaries are unsecured and unsubordinated and rank pari passu with the rest of the Group's unsecured and unsubordinated borrowings. However, from time to time, the Group may enter into senior and secured loans and credit facilities, such as the Nexloop Facilities, under which the Group granted a security package in favour of several creditors and hedge counterparties consistent with certain agreed security principles, including pledges over the Group's shares in Nexloop and certain receivables including any debt instruments held by the Group in Nexloop.

In addition, while most of the Group's loans and credit facilities are subject to cross-default provisions and generally do not require Cellnex nor its subsidiaries to comply with any financial ratio, certain of them are subject to certain financial covenants and various restrictions, including but not limited to, (i) requiring Cellnex to maintain a minimum rating of Ba2 by Moody's Investors Service, Inc., or BB by Fitch Ratings Ltd. or Standard & Poor's Financial Services LLC, (ii) requiring shares to be pledged and provided as collateral if certain financial ratios are not satisfied, and (iii) imposing restrictions on additional indebtedness and on the Group's ability to create or permit to subsist certain security interests. Additionally, prepayment obligations under certain of the Group's loans and credit facilities, including the Nexloop Senior Facility, may be triggered as a result of the availability of certain proceeds and cash flows and breaches of certain covenants and undertakings. The financing contracts of the Group do not contain any limitations on the distribution and payment of dividends, other than the Nexloop Senior Facility and the syndicated facilities agreement entered into by Swiss Towers, which include covenants restricting the distribution of dividends by Nexloop and by Cellnex Switzerland and Swiss Towers, respectively, subject to certain conditions.

Other financial liabilities

"Other financial liabilities" relates mainly to certain grants awarded (arranged as repayable advances) to other Group companies (Retevisión-I, S.A.U. and Tradia Telecom, S.A.U.) under the Ministry for Industry, Tourism and Trade's PROFIT programme. According to the technical-financial terms of the grant resolutions, the repayable advances bear no interest.

Corporate rating

At 30 June 2020, Cellnex holds a long term "BBB-" (investment grade) with stable outlook according to the international credit rating agency Fitch Ratings Ltd. and a long-term "BB+" with stable outlook according to the international credit rating agency Standard & Poor's Financial Services LLC.

14. Leases

The Group leases many assets, including sites, offices, satellites, vehicles and concessions. Information about leases for which the Group is a lessee is presented below:

Amounts recognised in the consolidated balance sheet

As of 30 June 2020 and 31 December 2019, the amounts recognized in the consolidated balance sheet related to lease agreements are:

Right of use

	Thousands of euros	
	Net book value	
	30 June 2020	31 December 2019
Right of use		
Sites	1,249,712	1,226,262
Offices	12,461	16,180
Satellites	68,699	3,396
Vehicles	1,704	1,971
Concessions	3,225	3,308
Total	1,335,801	1,251,117

The additions of rights of use during 2020 amounted to EUR 168,705 thousand (EUR 125,243 thousand during the same period in 2019), of which EUR 97,484 thousand (EUR 61,255 thousand during the same period in 2019) relates to reassessments of existing lease contracts at the period end.

The other movements in 2020 in right of use and lease liabilities are mainly due to the changes in the scope of consolidation and business combinations as detailed in Notes 2.i and 4.

Lease liabilities

	Thousands of euros	
	30 June 2020	31 December 2019
Lease liabilities included in the statement of financial position		
Current	233,615	207,498
Non-Current	993,645	944,529
Total	1,227,260	1,152,027

During the six-month period ended on 30 June 2020, there have been no significant variations in the sensitivity detailed in Note 14 of the 2019 consolidated financial statements.

Amounts recognised in the consolidated income statement

As of 30 June 2020 and 2019, the amounts recognized in the consolidated income statement relating to lease agreements are:

	Thousands of euros	
	30 June 2020	30 June 2019
Depreciation and amortisation		
Depreciation Right of Use:		
Sites	(123,457)	(66,624)
Offices	(1,818)	(1,648)
Satellites	(6,003)	(4,070)
Vehicles	(629)	(785)
Concessions	(108)	-
Total	(132,015)	(73,127)
Financial costs		
Interest expense on lease liabilities	(61,295)	(31,307)
Other operating expenses		
Expense related to contracts with low value asset	(1,214)	(1,112)
Expense related to variable lease payments	(4,868)	(4,554)
Total	(6,082)	(5,666)

During the period ended on 30 June 2020 and 2019, the Group has not recognized in the consolidated income statement, income from subleasing right-of-use assets, nor gains or losses arising from sale and leaseback transactions by a significant amount.

Amounts recognised in the statement of cash flows

The total amount of cash outflows in relation to lease agreements during the 6-month period ended on 30 June 2020 amounted to EUR 200,525 thousand (EUR 144,707 thousand during the same period in 2019), of which EUR 26,586 thousand (EUR 28,608 thousand during the same period in 2019) relates to cash advances to landlords, EUR 61,295 thousand (EUR 31,307 thousand during the same period in 2019) relates to interest payments on lease liabilities and EUR 112,644 thousand (EUR 84,792 thousand during the same period in 2019) relates to payments of lease instalments in the ordinary course of business.

“Payments of lease instalments in the ordinary course of business” as of 30 June 2020 include short-term prepayments amounting to EUR 5,534 thousand (EUR 18,289 thousand during the same period in 2019), which are therefore considered non-recurring payments for the first half of 2020.

Lease agreements. Cellnex Group as lessee

i) Real estate leases

All of the amounts recognized in the balance sheet correspond to lease agreements in which Cellnex Group acts as lessee. Cellnex Group manages and operates almost all of the sites where it locates its telecommunications infrastructure using lease agreements. In addition to these sites, the Group has lease agreements related mainly to offices, car parks, vehicles and satellites.

Payments associated with short-term lease agreements are recognized on a straight line basis as an expense in the consolidated profit and loss account. A short-term lease is an agreement with a lease term equal to or less than 12 months.

Likewise, payments associated with low-value lease agreements are recognized on a straight-line basis as an expense in the consolidated income statement. A low-value contract is considered one whose underlying asset has a new value of less than EUR 5 thousand.

Extension options

Regarding the lease term considered for each contract, in relation to the leases of land and buildings in which the Group locates its infrastructures, the term considered for the leases depends mainly on whether the lease contract contains or not unilateral termination clauses and / or renewal (or similar legal rights deriving from the legislation of the countries in which it operates) that grant the Group the right to terminate early or to extend the contracts, as well as the term of the contracts with customers associated with the leases and whether these contracts allow the early termination of the lease or not. The most common types of contracts and the main criteria for determining their term are detailed in Note 2.b of the 2018 annual consolidated financial statements.

The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. It reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Discount rates

The Group has generally applied the interest rate implicit in the lease contracts. In relation to the transition process, contracts prior to 2012 have been valued using an estimated incremental borrowing rate, since the Directors have considered that the determination of the implicit rate in these contracts involved considerably greater difficulty due, among other reasons, to their age. The portfolios of contracts acquired from 2012 onwards have been valued using implicit rates.

The interest rate implicit in the lease is defined by IFRS 16 as the rate of interest that causes the present value of (a) the lease payments and (b) the unguaranteed residual value to equal the sum of (i) the fair value of the underlying asset and (ii) any initial direct costs of the lessor. The interest rate implicit in the lease has been obtained with the assistance of external valuation experts, through a methodology designed for this purpose, in line with the above definition and based on the following components: fair value of the leased asset at lease commencement and end date and annual rent payments. The initial direct costs of the lessor are deemed immaterial considering the nature of the assets leased. The fair value of the leased asset has been measured using a market approach, according to which the leased asset (land or/and buildings) is valued based on observable market prices of similar assets to which adjustments related to surface area, location, size and other relevant factors are made.

The incremental borrowing rate (IBR) is defined by IFRS 16 as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR has been obtained through a methodology designed for this purpose, in line with the definition above and based on the following components: local reference rate, credit spread adjustment and lease specific adjustment. The credit spread adjustment is based on the Group's creditworthiness and the debt issuance costs. No lease specific adjustment has been applied, as the nature of the leases is essentially the same.

ii) Other leases

Cellnex leases offices, vehicles and satellites with terms of 6 to 10 years, 3 to 5 years and 10 years, respectively.

The Group also leases IT and other equipment with contract terms of one to three years. These leases are either short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

iii) Sale-and-leaseback

During 2020 and 2019, no significant sale-and-leaseback transactions have been performed.

15. Trade and other payables

The detail of this heading at 30 June 2020 and 31 December 2019 is as follows:

	Thousands of Euros	
	30 June 2020	31 December 2019
Trade payables	238,796	219,626
Current tax liabilities	85,930	43,737
Other payables to related parties (Note 21.d)	1,435	702
Other payables	150,664	117,934
Trade and other payables	476,825	381,999

There is no significant difference between the fair value and the carrying amount of these liabilities.

At 30 June 2020 and 31 December 2019, "Trade payables" included mainly the amounts payable for trade purchases made by the Group and their related costs.

"Current tax liabilities" includes all balances payable by the Group to the tax authorities, as detailed in Note 16.c.

Lastly, "Other payables" is formed mainly of deferred revenues and payables to non-current asset suppliers. At 30 June 2020 and 31 December 2019, this item additionally includes, in the context of the Swiss Infra Acquisition (see Note 5 of the 2019 consolidated financial statements) and according with the relevant contractual clauses, the amount to be paid by Swiss Towers to the seller one year after the completion of the transaction (august 2020), which amounted to EUR 59 million, linked to the BTS program.

16. Income tax and tax situation

a) Tax information

The sole shareholder of Cellnex Telecom, S.A. up until 7 May 2015, Abertis Infraestructuras, S.A., completed the flotation (IPO) of the aforementioned company on that date. Thus, Cellnex Telecom, S.A. became the parent company of a new consolidated tax group for the purposes of Corporation tax in Spain in the 2015 financial year.

Cellnex files consolidated tax returns as the Parent Company of the tax group, the subsidiaries of which are composed of investees at least 75%-owned by it and with tax residence in Spain. The Group companies resident in Italy file consolidated Italian corporation tax returns from 2016 onwards. In addition, the Group companies resident in the Netherlands file consolidated Dutch tax returns. The UK companies file Group Relief claims and surrenders as appropriate. The Group companies resident in France file consolidated French corporation tax returns from 2019 onwards. The Irish companies file Group Relief claims and surrenders as appropriate. The Group companies resident in Portugal file consolidated Portuguese corporation tax returns. The remaining companies included in the consolidation scope file individual corporation tax returns.

Tax inspections and litigations

At 30 June 2020, in general, the Group companies' returns for all applicable taxes which are not statute-barred at that date are open to inspection in each of the jurisdictions in which they are based.

In this respect, Cellnex considers that no significant losses will arise with respect to the accompanying condensed consolidated interim financial statements as a result of the different interpretations which may be afforded to prevailing tax law in relation to the years open to inspection.

On 3 July 2018 general inspection proceedings were initiated in relation to consolidated corporate income tax for 2015 and 2016 and VAT for the periods April to December 2015 (individual) and 2016 (group entities).

On 12 June 2020 agreed tax reassessments were issued in relation to corporate income tax for the years 2015 to 2018. For 2015 and 2016, the reassessments are definitive. For 2017 and 2018, the proposals are provisional, given that the inspection proceedings were limited to basically verifying the correct application of the reduction in income from the assignment of certain intangible assets. The total resulting amount in respect of tax payable amounted to EUR 3,072 thousand. The Directors of Cellnex have estimated that the criteria applied by the tax authorities do not have a material impact on the years open to inspection.

Also, on 9 June 2020 unaccepted tax reassessments were communicated in respect of VAT. The proposed assessment amounted to EUR 2,413 thousand. The reason for the reassessment was the different interpretation of the financial activity carried out and how this affects the deductibility of certain items. At the date of the accompanying condensed consolidated interim financial statements, no final assessment has been issued.

In all cases, the inspection authorities have considered that the Group's approach was reasonable and they have expressly stated that no penalties will be proposed.

b) Corporation tax expense

As established by IAS 34, the income tax expense has been recorded based on the best estimate available of the annual effective taxation rate for the 2020 financial year.

This estimate has been made taking into account the standard Corporation Tax rate in the countries in which Cellnex conducts its operations, which are:

	2020	2019
Spain	25%	25%
Italy [(1)]	28.82%	28.82%
Netherlands [(2)]	25%	25%
United Kingdom	19%	19%
France [(3)]	28%/31%	28%/31%
Switzerland [(4)]	20.40%	20.40%
Ireland [(5)]	12.5%/25%	12.5%/25%
Portugal [(6)]	21%	-

[(1)] The standard income tax rate is 28.82% in Italy, which is made up of the IRES (Imposta sul Reddito delle Societa) at a rate of 24% and the IRAP (regional business tax in Rome) at a rate of 4.82%.

[(2)] On 14 November 2019, the Lower House of Representatives adopted the Tax Plan 2020, approving a progressive decrease of the Dutch standard corporate income tax (CIT) rate from 25% to 21.7% by 2021 and to the lower CIT rate from 19% to 16.5% by 2020 and 15% by 2021. For fiscal years starting on or after 1 January 2018, a 20% CIT rate apply on the first EUR 200 thousand of taxable income of all entities. The lower CIT rate for 2019 is 19% (2018: 20%) for taxable income up to EUR 200 thousand and the standard rate of 25% (2018: 25%) applies to taxable income exceeding EUR 200 thousand.

[(3)] The French Parliament in December 2019 approved the Finance Law for 2020 delaying the implementation of reduced corporate income tax rate for large companies previously enacted by the 2018 Finance Bill. The progressive decrease of the French standard corporate income

tax (CIT) rate from 33.3% to 25% by 2022. For fiscal years starting on or after 1 January 2018, a 28% CIT rate apply on the first EUR 500 thousand of taxable income of all entities. Taxable income in excess of EUR 500 thousand will still be subject to a 33.3% CIT rate. For financial years beginning on or after 1 January 2019, a 28% CIT rate will apply on the first EUR 500 thousand of taxable income and a 31% rate on the taxable income in excess of EUR 500 thousand. For fiscal years starting on or after 1 January 2020, 2021 and 2022 a 28%, 26.5% and 25% rate will apply for non-larger entities, respectively. For fiscal years starting on or after 1 January 2020 a 28% CIT rate will apply on the first EUR 500 thousand of taxable income and a 31% rate on the taxable income in excess of EUR 500 thousand for large entities. For fiscal years starting on or after 1 January 2021 and 2022, a 27.5% and 25% CIT rate will apply for large companies on their entire taxable profit, respectively.

(4) The standard income tax rate was 20.4% in Switzerland, which is made up of federal, cantonal and communal (municipal) taxes. Lower rates are available for privileged companies.

(5) The standard trading profit tax rate is 12.5% and the standard passive profit rate is 25%.

(6) Companies with their head office in mainland Portugal are subject to Corporate Income Tax ("IRC") at a base rate of 21%, plus, as applicable, (i) up to a maximum of 1.5% of taxable income through a municipal tax ("Derrama Municipal"), and (ii) a state surcharge ("Derrama Estadual") levied at the rates of 3% on taxable income between EUR 1.5 million and EUR 7.5 million, 5% on taxable income between EUR 7.5 million and EUR 35 million and 9.0% on taxable income in excess of EUR 35 million, resulting in a maximum aggregate tax rate of approximately 31.5% for taxable income higher than EUR 35 million.

At 30 June 2019, the caption "Income tax" included the impact of updating the tax rate in certain subsidiaries, which resulted in a positive impact of EUR 20 million, in the accompanying consolidated income statement corresponding to the prior period.

c) Current tax liabilities

The breakdown of "Current tax liabilities" is as follows:

	Thousands of Euros	
	30 June 2020	31 December 2019
VAT payable	40,289	25,123
Corporate income tax	35,699	9,235
Social security payable	3,604	2,023
Personal income tax withholdings	2,870	3,618
Other taxes	3,468	3,738
Current tax liabilities	85,930	43,737

d) Deferred taxes

Tax losses carry forwards

As at 30 June 2020 the Group had tax losses from UK companies available for carry forward against future profits, as detailed below:

- Non-trade loan relationship deficit of EUR 10.7 million (EUR 10.5 million at 2019 year-end) which related to GBP 9.8 million (GBP 9.8 million at 2019 year-end), which is available to offset future non-trade income and capital gains of the company that incurred the loss, and

- Trading losses of EUR 12.4 million (EUR 13.3 million at 2019 year-end) which related to GBP 11.3 million (GBP 11.3 million at 2019 year-end) which is available to offset against future trading profits generated by the same company that incurred the loss.

In addition, tax losses from Spanish, French, Dutch, Irish and Portuguese companies available for carry forward against future profits, amounted to EUR 39 million, EUR 67.6 million, EUR 0.8 million, EUR 10.2 million and EUR 4.4 million. As at 31 December 2019, tax losses from Spanish, French, Dutch and Irish companies available for carry forward against future profits, amounted to EUR 45.3 million, EUR 45.3 million, EUR 0.7 million and EUR 10.2 million.

The potential deferred tax asset arising on the losses carried forward in the group companies detailed above has not been recognized yet in the accompanying consolidated balance sheet, except for the tax losses in Spain and France recognized at 30 June 2020 amounting to EUR 9.8 million and EUR 16.9 million, respectively (EUR 11.3 million and EUR 11.3 million, respectively at 2019 year-end) as they will be recovered in less than 10 years according to the business plan prepared by the Management. The aforementioned tax losses do not have an expiration date.

17. Provisions and other liabilities and employee benefit obligations

a) Provisions and other liabilities

The detail of "Provisions and other liabilities" at 30 June 2020 and 31 December 2019 is as follows:

	Thousands of Euros	
	30 June 2020	31 December 2019
	Non-current	Non-current
Deferred payment on the Omtel Acquisition (Note 4)	469,110	-
Provision for other responsibilities [1]	232,888	196,810
Asset Retirement Obligation	173,214	152,803
National Competition Committee Sanction	32,473	32,473
Deferred income and other liabilities	17,367	19,634
Provisions and other liabilities	925,051	401,720

[1] Provision for other responsibilities captures mainly provisions for contingent liabilities made during the Purchase Price Allocation process which are a result of present obligations arising from past events, where the fair value can be reliably measured.

I) Deferred payment on the Omtel Acquisition

In the context of the Omtel Acquisition (see Notes 2.i and 4), this amount includes the remaining balance of the total acquisition price, amounting to EUR 570 million, which will be paid, on the earlier of 31 December 2027 or upon the occurrence of certain events of default. The amount of the aforementioned deferred payment is updated to its present value, at an annual market discount rate, at each period end. Therefore, as of 30 June 2020, the present value the deferred payment amounted to EUR 469 million. Thus, the impact on "financial costs" of the accompanying consolidated income statement for the 2020 six-month period amounted to EUR 6.7 million.

II) Provision for other responsibilities

Includes the provisions for other liabilities in relation to the business combinations undertaken by the Group.

III) Asset Retirement Obligation

Includes the contractual obligation to dismantle and decommission the mobile telecom infrastructures. (See Note 3.o. of the 2019 consolidated financial statements).

IV) National Competition Committee Sanction

Includes the possible sanctions levied by the National Competition Committee (Note 17.c), which have been recorded in the consolidated balance sheet as the cash flow outflow has been estimated as probable.

V) Deferred income and other liabilities

This item mainly includes amounts claimed from Group companies in ongoing litigation at the period end and other risks related to management of the Group. The amounts were estimated based on the amounts claimed or stipulated in court rulings issued at the end of each year shown and appealed against by the aforementioned companies.

At 30 June 2020 and 31 December 2019, this caption also includes the recognition of a contingent consideration contemplated in the purchase contract of Commscon amounting to EUR 2 million, which is subject to the achievement of certain long term growth objectives of the company.

b) Current and non-current employee benefit obligations

Long Term Incentive Plan ("LTIP")

Rolling Long-term Incentive Plan (2017-2019)

On 27 April 2017 the Board of Directors approved the 2017-2019 LTIP, and decided to make the LTIP a rolling plan going forward to further incentivise the retention of the beneficiaries, which include the CEO, the Senior Management and some of the Company's key employees (up to a maximum of 50 employees).

The 2017-2019 LTIP is divided into two phases: (i) 2017-2018, and (ii) 2018-2019. Its objectives will be as follows:

Phase I 2017-2018 accrued from 1 January 2017 until 31 December 2018 and was payable once the Group's annual accounts corresponding to the 2018 financial year were approved.

The amount to be received by the beneficiaries of this Phase I (2017-2018) was determined by the degree of fulfilment of three objectives, each with the following weight:

1. 50%; the attainment of certain RLFCF per share figures according to the market consensus and at a constant scope of consolidation. The scale of attainment is: 50% if the figure is 5% below the target, 100% if figure matches the target, and 125% if the target is beaten by 5% or more;
2. 30%; the share price appreciation calculated between the initial starting price of the period and the average price in the last quarter of 2018, weighted by the volume ("vwap"). The scale of attainment is from 75% to 125% depending on the share price performance compared to IBEX 35 and certain European and American peers; and
3. 20%; the attainment of certain Adjusted EBITDA figure according to the market consensus and the constant scope of consolidation. The scale of attainment is: 50% if the figure is 5% below the target, 100% if figure matches the target, and 125% if the target is beaten by 5% or more;

With regards to this Phase I (2017-2018) the weighted average degree of fulfilment of the three objectives was 125%. For the first objective, which was related to the RLFCF per share, the percentage of attainment was 125%, for the second objective, which was related the share price appreciation, the percentage of attainment was 125%, and for the third objective, which was related to the Adjusted EBITDA, the percentage of attainment was 125%.

In accordance with the attainment above, the cost of Phase I (2017-2018) of the LTIP (2017-2019) for Cellnex was EUR 5 million, which has been paid during 2019.

Phase II (2018-2019) accrues from 1 January 2018 until 31 December 2019 and will be payable once the Group's annual accounts corresponding to the 2019 financial year have been approved.

The amount to be received by the beneficiaries of this Phase II (2018-2019) will be determined by the degree of fulfilment of two objectives, each with a weight of 50%:

- 50%; the attainment of a certain RLFCF per share figure according to the market consensus and a constant scope of consolidation. The scale of attainment is: 50% if the figure is 5% below the target, 100% if figure matches the target, and 125% if the target is beaten by 5% or more; and
- 50%; the share price appreciation calculated between the initial starting price of the period and the average price in the last quarter of 2019, weighted by the volume ("vwap"). The scale of attainment is from 75% to 125% depending on the share price performance compared to IBEX 35 and certain European and American peers.

As at 31 December 2019, the cost of the Phase II (2018-2019) was EUR 9.2 million, which will be paid during the second half of 2020.

For the LTIP (2017 – 2019) all Senior Management and certain employees must receive a minimum of 30% of their LTIP remuneration in Cellnex shares and for the CEO and Deputy CEO the minimum amount is 40% of their LTIP remuneration. For the rest of the beneficiaries, this minimum percentages varies depending on the position of the employee. The share based compensation of this LTIP will be grossed up to partially offset the tax impact on the beneficiaries.

Based on the best possible estimation of the related liability and taking into consideration all the available information, the Group recognised a provision of EUR 6.1 million and EUR 3.1 million in the short-term employee benefit obligations and reserves; respectively, of the accompanying consolidated balance sheet as at 31 December 2019. The impact on the accompanying consolidated income statement for the 2019 six-month period amounted to EUR 2.4 million.

Rolling Long-term Incentive Plan (2018-2020)

On 27 September 2018 Cellnex's Board of Directors approved the LTIP (2018-2020). The beneficiaries of this Plan are the CEO, the Deputy CEO, the Senior Management and key employees (approximately 55 employees). This plan has similar characteristics to the LTIP 2017-2019. This plan accrues from 1 January 2018 until 31 December 2020 and is payable once the Group's annual accounts corresponding to the 2020 financial year have been approved.

The amount to be received by the beneficiaries will be determined by the degree of fulfilment of two objectives, each with a weight of 50%:

- 50%; the attainment of a certain RLFCF per share figure according to the market consensus and a constant scope of consolidation. The scale of attainment is: 50% if the figure is 5% below the target, 100% if figure matches the target, and 125% if the target is beaten by 5% or more; and
- 50%; the share price increase calculated using the initial starting price of the period and the average price in the last quarter of 2020, weighted by the volume ("vwap"). The scale of attainment is from 75% to 125% depending on the share price performance compared to IBEX 35 and certain European and American peers.

As at 30 June 2020, the estimated cost of the LTIP (2018-2020) is approximately EUR 6.9 million, if it were to achieve the maximum level of achievement of the objectives, the estimated cost would be approximately EUR 8.6 million.

For the 2018–2020 LTIP, the CEO and Deputy CEO must receive the minimum amount of 50% of their LTIP remuneration in Shares. The rest of the Senior Management and certain employees must receive the minimum amount of 40% of their LTIP remuneration in Shares. For the rest of the beneficiaries, this minimum percentages varies depending on the position of the employee. The Share based compensation of this LTIP will be grossed up to partially offset the tax impact on the beneficiaries.

Based on the best possible estimation of the related liability and taking into consideration all the available information, the Group has recognised a provision of EUR 2.9 million and EUR 2.9 million in the short-term employee benefit obligations and reserves, respectively, of the accompanying consolidated balance sheet as at 30 June 2020 (EUR 2.3 million and EUR 2.3 million in the long-term employee benefit obligations and reserves, respectively, as at 31 December 2019). Thus, the impact on the accompanying consolidated income statement for the 2020 six-month period amounted to EUR 1.2 million (EUR 1.1 million in the same period in 2019).

Rolling Long-term Incentive Plan (2019-2021)

In November 2018 the Board of Directors approved the 2019-2021 LTIP. The beneficiaries include the CEO, the Deputy CEO, the Senior Management and other key employees (approximately 57 employees).

The amount to be received by the beneficiaries will be determined by the degree of fulfilment of the share price increase, calculated using the initial starting price of the period and the average price in the three months prior to November 2021, weighted by the volume ("vwap").

The achievement of the objectives established in the 2019-2021 LTIP will be assessed by the Appointments and Remuneration Committee and payment of any accrued amounts, if applicable, will be following approval of the annual consolidated financial statements of the Group as of and for the year ended 31 December 2021 by the General Shareholders' Meeting.

For the LTIP 2019 – 2021 all Senior Management and Deputy CEO must receive a minimum of 50% of their LTIP remuneration in Cellnex shares and for the CEO the minimum amount is 30% of their LTIP remuneration in Shares. The outstanding 50% or 70% may be paid in options. The rest of the beneficiaries must receive 100% of their LTIP remuneration in Shares. The Share based compensation of this LTIP will be grossed up to partially offset the tax impact on the beneficiaries.

As at 30 June 2020, the estimated cost of the 2019-2021 LTIP is approximately EUR 8.8 million. The cost of the 2019-2021 LTIP assuming full achievement of the Company's objectives is estimated at approximately EUR 11 million.

Based on the best possible estimation of the related liability and taking into consideration all the available information, the Group has recognised a provision of EUR 4.4 million in reserves of the accompanying consolidated balance sheet as at 30 June 2020 (EUR 2.9 million in reserves as at 31 December 2019). Thus, the impact on the accompanying consolidated income statement for the 2020 six-month period amounted to EUR 1.5 million (EUR 1.4 million in the same period in 2019).

Rolling Long-term Incentive Plan (2020-2022)

In November 2019, the Board of Directors approved the 2020-2022 LTIP. The beneficiaries include the CEO, the Deputy CEO, the Senior Management and other key employees (approximately 105 employees).

The amount to be received by the beneficiaries will be determined by the degree of fulfilment of the share price increase, calculated using the average price in the three months prior to 31 December 2019 (initial starting price of the period) and the average price in the three months prior to 31 December 2022 (final target price of the period), both weighted by the volume ("vwap").

The achievement of the objectives established in the 2020-2022 LTIP will be assessed by the Nominations and Remuneration Committee and payment of any accrued amounts, if applicable, will be following approval of the annual consolidated financial statements of the Company as of and for the year ended 31 December 2022 by the General Shareholders' Meeting.

For the 2020–2022 LTIP, the CEO must receive a minimum amount of 30% of his LTIP remuneration in Shares and the outstanding 70% may be paid in options. The rest of the Senior Management must receive a minimum amount of 40% of their LTIP remuneration in Shares and the outstanding 60% may be paid in options. Other beneficiaries must receive 70% of their LTIP remuneration in Shares and the outstanding 30% may be paid in options. The rest of the beneficiaries must receive 100% of their LTIP remuneration in Shares.

As of 30 June 2020, the estimated cost of the 2020-2022 LTIP amounts to approximately EUR 10.2 million. The cost of the 2020-2022 LTIP assuming full achievement of the Company's objectives is estimated at approximately EUR 11 million.

Based on the best possible estimation of the related liability and taking into consideration all the available information, the Group has recognised a provision of EUR 1.7 million in reserves of the accompanying consolidated balance sheet as at 30 June 2020. Thus, the impact on the accompanying consolidated income statement for the 2020 six-month period amounted to EUR 1.7 million.

Reorganisation Plan (2018 – 2019)

During the first quarter of 2018, the Group reached an agreement with the workers' representatives of Retevisión-I, S.A.U. and Tradia Telecom, S.A.U. regarding a collective redundancy procedure to conclude up to 180 employment contracts in 2018 and 2019 ("The Reorganisation Plan"), as detailed below.

On 27 February 2018, these group companies reached an agreement with the workers' legal representatives consisting of income plans for employees of 57 years of age or older as of 31 December 2017 and, on the other hand, lump-sum indemnity payments as a result of the voluntary termination of employment contracts for other employees not included in the annuity plan. The period during which employees could voluntarily participate in the annuity plan ended on 31 May 2018, whereas the period for claiming the lump-sum termination benefits started on 7 January 2019 and ended on 31 January 2019.

The provision for the workforce agreement will be cashed out in 2018, 2019 and first months of 2020. Accordingly, efficiencies should crystalize from 2020 onwards.

This plan fits into the reorganisation process relating to the broadcasting business that is being undertaken by the Group's subsidiary companies. Under this plan, the Group is seeking to adapt its structure to the new business models, which have been widely modernised in recent years with the introduction of equipment, which can be maintained remotely, without the necessity to physically travel to the sites where the equipment is installed.

At 31 December 2018, a provision was recognised for this collective redundancy procedure, with an estimated cost of EUR 55 million. At 30 June 2020, the impact on the accompanying consolidated income statement for the six-month period amounted to EUR 3.4 million (EUR 6.8 million in the same period of 2019). During the first half of 2020, following execution of part of this agreement, 18 employees were made redundant for a cost of EUR 3.4 million (17 employees were made redundant during the same period in 2019 for a cost of EUR 4.4 million). The aforementioned impact in 2020 corresponds to the Incentive Plan, which was contemplated in the initial agreement of 2018, for this 2020 period. As of 30 June 2020, the Reorganisation Plan has already been finalized.

The balance payable at 30 June 2020 associated with this collective redundancy procedure carried out by the Group represents expected payments related to this process, amounting to EUR 10 million and EUR 0.1 million recorded in the long and short term, respectively, of the accompanying consolidated balance sheet (EUR 10 million and EUR 0.2 million recorded in the long and short term, respectively, at 31 December 2019).

Others

In 2012 the Group reached an agreement with the worker representatives of Retevisión-I, S.A.U. and Tradia Telecom, S.A.U. regarding a collective redundancy procedure to terminate up to 220 employment contracts in 2013 and 2014. On 21 December 2012, Retevisión-I, S.A.U. reached an agreement with the workers' legal counsel consisting, on the one hand, of income plans for employees 57 years of age or older and, on the other hand, lump-sum indemnity payments as a result of the voluntary termination of employment contracts for other employees not included in the annuity plan. The period during which employees could voluntarily participate in the annuity plan ended on 31 May 2013, whereas the period for claiming the lump-sum termination benefits ended on 15 November 2014. Within this collective redundancy procedure, an agreement was reached regarding a series of objective employment contract terminations in relation to personnel affected by the closure of certain maritime emergency response centres as a result of the reduction in the contract entered into with the Ministry of Public Works, giving rise to terminations at 31 March 2013.

On 21 December 2012, Tradia Telecom, S.A.U. reached an agreement with the workers' legal counsel consisting, on the one hand, of terminations in the form of early retirement for employees 57 years of age or older and, on the other hand, voluntary terminations with lump-sum indemnity payments as a result of terminating the employment contracts for other employees not included in the annuity plan. The period during which employees could voluntarily participate in the annuity plan ended on 31 May 2013. The period during which employees could avail themselves of the lump-sum termination benefits ended on 15 November 2014.

At 31 December 2012, a provision was recognised for this collective redundancy procedure, estimating a cost of EUR 50,779 thousand for 220 employees. During the first half of 2020, no payments to employees have been made in relation to the aforementioned agreement. Therefore, as at 30 June 2020, the Group had a short-term provision in the accompanying consolidated balance sheet amounting to EUR 373 thousand (EUR 373 thousand at the 2019 year end).

The balance payables at 30 June 2020 and 31 December 2019 associated with the collective redundancy procedures carried out by the Group represent expected payments related to the process.

c) Contingent liabilities

At 30 June 2020, the Group has guarantees with third parties amounting to EUR 70,911 thousand (EUR 78,329 thousand at the end of 2019). These relate mainly to guarantees provided by financial institutions before public authorities in connection with grants and technical guarantees, and before third parties in connection with rental guarantees.

Also, on 19 May 2009, the Board of the National Commission on Markets and Competition (CNMC in Spanish) imposed a fine of EUR 22.7 million on Cellnex Telecom, S.A. (formerly Abertis Telecom, S.A.U.) for abusing its dominant position in the Spanish market for transmitting and broadcasting TV signals, pursuant to article 2 of the Competition Act and article 102 of the Treaty on the Functioning of the European Union. The Group filed an appeal for judicial review with the National Appellate Court against the CNMC fine, which was dismissed in the judgement passed on 16 February 2012. This judgement was appealed to the Supreme Court on 12 June 2012. On 23 April 2015 the appeal was resolved, upholding the appeal and annulling the decision of the CNC with regard to the amount of the fine, ordering the current CNMC to recalculate that amount in accordance with the provisions of law 16/89. The CNMC has issued its decision recalculating the aforementioned amount, reducing it to EUR 18.7 million and this decision was appealed against in the National High Court on 29 September 2016. Based on the opinion of its legal advisers, the provision recorded in this regard at 30 June 2020, amounted to EUR 18.7 million in “non-current provisions and other liabilities” of the consolidated balance sheet (EUR 18.7 million at the end of 2019).

On 8 February 2012, the Board of the National Commission on Markets and Competition (CNMC in Spanish) imposed a fine of EUR 13.7 million on Cellnex Telecom, S.A. (formerly Abertis Telecom, S.A.U.) for having abused its dominant position, pursuant to article 2 of the Competition Act and article 102 of the Treaty on the Functioning of the European Union. The company allegedly abused its dominant position in wholesale service markets with access to infrastructure and broadcast centres of Cellnex Telecom, S.A. for broadcasting DTT signals in Spain, and retail service markets for transmitting and distributing DTT signals in Spain by narrowing margins. On 21 March 2012, the Group filed an appeal for judicial review against the decision of the CNMC with the National Appellate Court, also requesting a delay of payments with regard to the fine until the court passes a ruling on this matter. This delay was granted on 18 June 2012. On 20 February 2015 the National Appellate Court partially upheld the appeal, ordering the CNMC to recalculate the fine as it considered that the criteria used at the time by the CNMC were not appropriate. Notwithstanding the foregoing, on 26 May 2015, an appeal was filed with the Supreme Court against the judgement of the National Appellate Court on the grounds that it is not only about the recalculation of the amount but also that the Group did not break any competition rules. On 23 March 2018, the Supreme Court issued a judgment dismissing the appeal, and was awaiting the return of the file to the CNMC for the recalculation of the sanction. Cellnex Telecom, S.A., filed a nullity incident, which was dismissed on 19 July 2018. On 10 October 2018, Cellnex Telecom, S.A., filed an appeal with the Constitutional Court against the ruling. On 13 February 2019 the Constitutional Court dismissed Cellnex Telecom, S.A.’s appeal. Following the corresponding calculation procedure, the CNMC has ruled that the amount of the fine should not be amended. Cellnex Telecom, S.A., has filed an appeal against such decision. The original guarantee was provided on 4 February 2020. With regard to these proceedings, at 30 June 2020, the provision recognised based on the opinion of their legal advisers, amounted to EUR 13.7 million in “non-current provisions and other liabilities” of the consolidated balance sheet (EUR 13.7 million at the end of 2019).

Moreover, and because of the spin-off of Abertis Telecom S.A.U. (now Abertis Telecom Satélites, S.A.U.) on 17 December 2013, Cellnex Telecom, S.A. assumed all rights and obligations that may arise from the aforementioned legal proceedings, as they relate to the spin-off business (terrestrial telecommunications). An agreement has therefore been entered into between Cellnex Telecom, S.A. and Abertis Telecom Satélites, S.A.U. stipulating that if the aforementioned amounts have to be paid, Cellnex Telecom, S.A. will be responsible for paying these fines. At 30 June 2020, Cellnex Telecom, S.A. has provided three guarantees amounting to EUR 32.5 million (EUR 46.3 million at the end of 2019) to cover the disputed rulings with the CNMC explained above.

In relation to the digitalization and expansion of the terrestrial television networks in remote rural areas in Spain during the digital transformation process, the European Commission issued a decision concluding that Retevisión-I, S.A.U. and other operators of platforms for transmitting terrestrial and satellite signals had received state aid, in the amount of EUR 260 million, that is contrary to the Treaty on the Functioning of the European Union. The ruling ordered Spain to recover the amount of the aid received. The aid received by Retevisión-I, S.A.U. amounted to approximately EUR 40 million, as estimated by the European Commission, since the Spanish authorities failed to specify the exact amount in the various return processes. In this regard, Retevisión-I, S.A.U., as well as the rest of Public Administrations involved, appealed to the General Court of the European Union against that decision, which was rejected though a Ruling given on 26 November 2015. However, on 5 February 2016 various appeals were filed against this ruling before the European Court of Justice.

On 20 December 2017, the Court of Justice of the European Union (CJEU) issued a judgment in which, considering one of the appeals filed, it immediately annulled the Commission's decision, erga omnes, with the consequence that as of today the decision is annulled by a final judgment and that the recovery obligations incumbent upon the Public Administrations and the obligations of the companies to return the amounts have lapsed.

During the period between the Decision of the European Commission and the Judgment of the Court of Justice of the European Union, the Governments of Aragón, Andalucía and Madrid proceeded to the provisional execution of recoveries of State Aid. At 30 June 2020 and 31 December 2019, these amounts have been fully recovered, therefore, at this date no assets or liabilities have been recorded regarding to this claim.

On 1 October 2014, the European Commission passed a ruling declaring that Retevisión-I, S.A.U. and other operators of platforms for transmitting terrestrial and satellite signals had received government aid in the amount of EUR 56.4 million to finance the digitalisation and expansion of the terrestrial television networks in remote areas of Castilla-La Mancha during the digital transformation process and that such state aid was not compatible with European legislation. The decision ordered Spain (through the regional government of Castilla-La Mancha) to recover the aid prior to 2 February 2015. On 29 October 2015, the Government of Castilla la Mancha began an aid recovery procedure amounting to EUR 719 thousand and this has been opposed, and on 4 July 2016 it was declared that this had lapsed ex oficio. Regardless of the above, on 15 December 2016 the General Court of the European Union passed a sentence that declined the appeals presented against it. An appeal was lodged against that judgment on 23 February 2017. On 26 April 2018, the Court of Justice of the European Union issued a judgment rejecting the appeals filed by Cellnex Telecom, S.A. and Telecom Castilla La Mancha, S.A. Likewise, on 20 September 2018, a judgment was handed down dismissing the appeal filed by the Kingdom of Spain. On 26 November 2018, the government of Castilla–La Mancha restarted the aid recovery proceeding for an amount of EUR 719 thousand. Therefore, during the first half of 2019, Cellnex paid the aforementioned amount to the government of Castilla-La Mancha. The Group has filed an appeal against such decision.

18. Revenue and expenses

a) Operating income

The detail of operating income by item during the 6-month period ended on 30 June is as follows:

	Thousands of Euros	
	2020	2019
Services	705,807	472,839
Other operating income	16,908	15,826
Advances to customers	(2,144)	(1,847)
Operating income	720,571	486,818

“Other operating income” includes mainly income from re-charging costs related to activities for renting tower infrastructures for site rentals to third parties (pass-through).

“Advances to customers” includes the amortization of amounts paid for sites to be dismantled and their corresponding dismantling costs, which are treated as advances to customers in relation to the subsequent services agreement entered into with the customer (mobile telecommunications operators). These amounts are deferred over the life of the service contract with the operator as they are expected to generate future economic benefits in existing infrastructures.

b) Staff costs

The detail of staff costs by item during the 6-month period ended on 30 June is as follows:

	Thousands of Euros	
	2020	2019
Wages and salaries	(56,505)	(45,865)
Social Security contributions	(12,295)	(10,622)
Retirement fund and other contingencies and commitments	(5,732)	(8,009)
Other employee benefit costs	(4,193)	(3,100)
Staff costs	(78,725)	(67,596)

At 30 June 2020 the impact on the accompanying consolidated income statement, in relation to the Reorganisation Plan “2018 – 2019” (see Note 17.b), amounted to EUR 3.4 million (EUR 6.8 in the same period in 2019).

c) Other operating expenses

The detail of other operating expenses by item during the 6-month period ended on 30 June is as follows:

	Thousands of Euros	
	2020	2019
Repairs and maintenance	(23,151)	(16,847)
Leases	(6,082)	(5,666)
Utilities	(46,991)	(40,544)
Other operating costs	(72,729)	(49,440)
Other operating expenses	(148,953)	(112,497)

l) Leases

The detail of lease expense by class is as follows:

	Thousands of Euros	
	2020	2019
Leases of low-value assets	(1,214)	(1,112)
Variable lease payments	(4,868)	(4,554)
Lease expense	(6,082)	(5,666)

At 30 June 2020 and 2019, the Group did not recognize gains or losses arising from sale and leaseback transactions by a significant amount.

d) Non-recurring and non-cash expenses

As of 30 June 2020 and 2019, the items “Staff costs” and “Other operating expenses” above, contains (i) certain expenses that are non-recurring, or (ii) certain expenses that do not represent a cash flow, as detailed below:

i) Costs related to acquisitions, which mainly includes expenses incurred during acquisition processes (non-recurring item), amounted to EUR 23,576 thousand (EUR 6,228 thousand in the same period in 2019).
ii) Redundancy provision, which mainly includes the impact in 2020 and 2019 six-month periods derived from the reorganisation plan detailed in Note 17.b of the accompanying consolidated financial statements (non-recurring item), amounted to EUR 4,271 thousand (EUR 6,808 thousand in the same period in 2019).
iii) Extra compensation and benefits costs, which corresponds to extra non-conventional bonus for the employees (non-recurring item), amounted to EUR 540 thousand (EUR 0 thousand in the same period in 2019).
iv) LTIP remuneration payable in shares, which corresponds to the LTIP remuneration accrued at the year-end, which is payable in Cellnex shares (See Note 17.b of the accompanying consolidated financial statements, non-cash item), amounted to EUR 3,536 thousand (EUR 0 thousand in the same period in 2019).

e) Depreciation and amortisation charge

The detail of “Depreciation and amortisation” in the consolidated income statement during the 6-month period ended on 30 June is as follows:

	Thousands of Euros	
	2020	2019
Property, plant and equipment (Note 5)	(145,572)	(101,278)
Right-of-use assets (Note 14)	(132,015)	(73,127)
Intangible assets (Note 6)	(145,279)	(42,722)
Total	(422,866)	(217,127)

19. Contingencies, commitments and obligations

a) Contingencies

As at 30 June 2020, the contingent liabilities of the Cellnex group are those detailed in Note 17.c of the accompanying condensed consolidated interim financial statements.

b) Commitments and obligations

i) The Arqiva Acquisition

On 8 October 2019, Cellnex and Cellnex UK entered into an agreement with Arqiva Holdings Limited, a company of the Arqiva Group (the “Arqiva Group”), for the sale and purchase of 100% of the issued and paid up share capital of Arqiva Services Limited (“Arqiva TowerCo” and the “Arqiva Acquisition”, respectively), a company to which the Arqiva Group has carved-out the telecoms towers business of the Arqiva Group (the “UK Tower Business”), following a full reorganization of assets, liabilities and activities between the Arqiva Group and Arqiva TowerCo (the “Carve-Out”). Following the Carve-Out, the UK Tower Business is held by Arqiva TowerCo and several wholly-owned subsidiaries of Arqiva TowerCo. The transaction was completed on 8 July 2020, once several conditions precedent were satisfied.

The Arqiva Acquisition was not completed as of 30 June 2020, and therefore, in accordance with IFRS 3, it is not accounted in the accompanying condensed consolidated interim financial statements for the six-month period ended on 30 June 2020.

Pursuant to the Arqiva Acquisition, the Group has acquired approximately 7,400 held sites and the rights to market approximately 900 sites, with a tenancy ratio of 1.4 per site. Following the Arqiva Acquisition, the Group operates over 8,000 sites in the United Kingdom (excluding sites which the Group has only the rights to market).

There is no audited historical financial information on a standalone basis or audited reported segment information available for the UK Tower Business, as the UK Tower Business has historically been combined with other businesses of the Arqiva Group for purposes of financial reporting and, consequently, the information on the future business combination required by IFRS3 is not included. Based on information provided by the Arqiva Group in connection with the Arqiva Acquisition, the Group projects the UK Tower Business is expected to generate up to an estimated GBP 170 million of annual Adjusted EBITDA (approximately EUR 190 million, assuming a GBP/€ 1.1 exchange rate). This expected annual Adjusted EBITDA is based on management's estimates, and is therefore subject to known and unknown risks, uncertainties, assumptions and other factors that could cause the projects' actual annual Adjusted EBITDA to materially differ from that expressed in, or suggested by, this forward-looking metric. "Adjusted EBITDA" is an APMs (as defined in section 1.3 of the accompanying Consolidated Interim Director's Report).

As of date of the accompanying condensed consolidated interim financial statements, the Group paid an aggregate consideration of approximately GBP 2 billion (EUR 2.2 billion, assuming a GBP/€ 1.1 exchange rate) in connection with the Arqiva Acquisition. The Group has financed the Arqiva Acquisition with available cash (from a combination of the net proceeds from the offering of shares executed on 5 November 2019 and other sources) and the GBP 600,000 thousand term loan facility of the available GBP facilities (EUR 660 million, assuming a GBP/€ 1.1 exchange rate) (see Note 13).

Arqiva agreements

Certain Cellnex and Arqiva group companies have entered into several agreements in the context of the Arqiva Acquisition, including:

- a sale and purchase agreement, for the sale and purchase of 100% of the entire issued share capital of Arqiva TowerCo, between Cellnex, Cellnex UK and Arqiva Holdings Limited (the "Arqiva SPA");
- a master site share agreement, entered into by Arqiva Limited (a company of the Arqiva Group) and Arqiva TowerCo, permitting Arqiva Limited rights of access to and use of the UK Tower Business sites for its broadcast and M2M businesses and regulating the provision by Arqiva TowerCo of related site services (the "Arqiva MSSA");
- master site share agreements with certain third parties, permitting such third parties rights of access to and use of certain sites and regulating the provision by the Group and Arqiva TowerCo, as applicable, of related site services (the "Third-Party MSSAs"); and
- a portfolio management agreement, entered into by Arqiva Limited and Arqiva TowerCo, permitting Arqiva TowerCo rights of access to and use of 1,492 sites for its customer's equipment and services and for certain exclusive rights to market site space to MNOs and to receive 100% of all revenues in relation thereto (the "Arqiva PMA").

Arqiva SPA

Pursuant to the Arqiva SPA, Arqiva Holdings Limited sold to Cellnex UK the entire issued share capital of Arqiva TowerCo for approximately GBP 2 billion (EUR 2.2 billion, assuming a GBP/€ 1.1 exchange rate).

Arqiva MSSA

Pursuant to the Arqiva MSSA, Arqiva TowerCo provides Arqiva Limited with access to and use of the UK Tower Business site portfolio for Arqiva Limited's broadcast and M2M business and related site services. The initial term of the Arqiva MSSA is 20 years commencing from 1 July 2020, with an automatic extension of 10 years at Arqiva Limited's discretion. Arqiva Limited can request works and space on the UK Tower Business site portfolio based on a demand planning process. The price to be paid by Arqiva Limited in exchange for the above services in accordance with the Arqiva MSSA involves a rate card specifying the licence fees, power charges and rates payable and other additional fees payable by Arqiva Limited including for site services (annually adjusted to the CPI).

Third-Party MSSAs

Pursuant to the Third-Party MSSAs, the Group or Arqiva TowerCo, as applicable, provides, among other things, certain rights and services, including access to and use of a portfolio of sites and acquisition, deployment, installation, maintenance and ancillary services to certain third parties engaged in the business of providing telecommunications services to businesses and consumers. The initial term of the Third-Party MSSAs is 10 years from 2020, subject to certain extension rights at the third parties' discretion. The third parties may request the deployment of additional sites based on a deployment planning process.

Arqiva PMA

Pursuant to the Arqiva PMA, Arqiva Limited provides Arqiva TowerCo with, among other things: (i) rights of access to and use of the existing 1,492 site portfolio (in addition to the 7,400 held sites acquired, and including active and inactive sites) upon closing of the Arqiva SPA, for Arqiva TowerCo customer's equipment and services; and (ii) exclusive rights to market site space for MNO customers and to receive 100% of revenues in connection with such site space. The initial term of the PMA is 30 years from 1 July 2020, with recurring and automatic extensions of five years at Arqiva TowerCo's discretion. The price to be paid by Arqiva TowerCo in exchange for the above services in accordance with the Arqiva PMA involves a rate card specifying the power charges, rates and rent payable and other additional fees payable by Arqiva TowerCo including for site services (annually adjusted to the CPI).

ii) The NOS Towering Acquisition

On 14 April 2020, Cellnex (through its subsidiary BIH) reached an agreement with the NOS group for the acquisition from NOS Comunicações, S.A. of shares representing 100% of NOS Towering's share capital and the assignment to the Group of the credit rights under certain capital contributions (prestações acessórias) made by NOS Comunicações, S.A. to NOS Towering, for a total consideration of approximately EUR 375 million (Enterprise Value) (the "NOS Towering Acquisition"). Prior to completion of the NOS Towering Acquisition, certain assets and employees will be carved out from NOS Towering. Following such carve outs, NOS Towering will operate a portfolio of approximately 2,000 sites in Portugal. Additionally, the Group will acquire up to approximately 400 additional new or existing sites from the NOS group by 2026 (the Company treats this commitment as a build-to-suit program), in respect of which the related capital expenditure will be fully funded by the Group. The estimated investment in connection with such additional new or existing sites amounts to approximately EUR 175 million. The Group expects to finance this acquisition with available cash and expects to finance the deployment of new or existing additional sites using cash flows generated by the portfolio. Completion of the NOS Towering Acquisition is currently subject to the completion of the assets and employees carve out.

The Group entered into a share purchase agreement with NOS Comunicações, S.A. governing the terms and conditions of the NOS Towering Acquisition. In addition, upon completion of the NOS Towering Acquisition, the Group will enter into an MLA with NOS as anchor tenant and certain entities of the NOS group setting forth, among other things, the terms and conditions of certain co-location services to be provided by NOS Towering on its sites to certain entities of the NOS group and the sale of up to approximately 400 new or existing sites to NOS Towering by certain entities of the NOS group by 2026 (the Company treats this commitment as a build-to-suit program) (the "NOS Towering MLA"). The fees under the NOS Towering MLA will be CPI-linked. The NOS Towering MLA will have an initial duration of 15 years, to be automatically extended for additional 15-year periods, on an "all-or-nothing" basis, with undefined maturity, under which NOS will continue to use the sites that Cellnex will operate, locating its voice and data signal transmission equipment in such sites.

The NOS Towering Acquisition strengthens the Group's industrial project in Portugal. The NOS Towering Acquisition, together with the up to approximately 400 additional new or existing sites to be acquired from the NOS group by 2026, are expected to contribute up to an estimated approximately EUR 50 million of annual Adjusted EBITDA once the sites are acquired. "Adjusted EBITDA" is an APM (as defined in section 1.3 of the accompanying Consolidated Interim Director's Report).

iv) Other purchase commitments

As at 30 June 2020, the purchase commitments for tangible and intangible assets are those detailed in Notes 5 and 6 of the accompanying condensed consolidated interim financial statements.

20. Segment reporting

The Group's business segment information included in this note is presented in accordance with the disclosure requirements set forth in IFRS 8, Operating Segments. This information is structured, firstly following a geographic distribution and secondly, by business segment.

Cellnex has recently expanded its business in Europe and its strategic objectives include the continuation of this growth initiative through the acquisition of assets and businesses, along with other growth opportunities both in the countries in which it is currently present and others. In this regard, as the Group continues to acquire sites in existing markets and is continuing to expand into new ones, the Group Management manages the results obtained by geographical location.

In addition, the business segments described below were established based on the organisational structure of the Cellnex Group prevailing as at 30 June 2020 and have been used by Group management to analyse the financial performance of the different operating segments.

The Group has organised its business into three different customer focused units, supported by an operations division and central corporate functions. Income from the provision of services relates mainly to:

- Telecom Infrastructure Services: this is the Group's main segment by turnover. It provides a wide range of integrated network infrastructure services to enable access to the Group's telecom infrastructure by MNOs and other wireless telecommunications and broadband network operators, allowing such operators to offer their own telecommunications services to their customers.

  Additionally the consolidated income statement for the period includes income from re-charging costs related to infrastructure services activities for mobile telecommunications operators to third parties.

- Broadcasting Infrastructure: this is the Group's second main segment by turnover. The Group currently provides broadcasting services only in Spain, where it is the only operator offering nationwide coverage of the DTT service (source: CNMC). Its services consist of the distribution and transmission of television and radio signals, the operation and maintenance of broadcasting networks, the provision of connectivity for media content and over-the-top ("OTT") broadcasting services and other services. Through the provision of broadcasting services, Cellnex has developed unique know-how that has helped to develop other services within its portfolio.

- Other Network Services: the Group provides the infrastructure required to develop a connected society by providing the following network services: data transport, security and control, Smart communication networks including IoT, Smart Services and managed services and consulting, as well as optic fibre services. As a telecom infrastructure operator, Cellnex can facilitate, streamline and accelerate the deployment of these services through the efficient connectivity of objects and people, in both rural and urban environments, helping to build genuine Smart territories. This constitutes a specialized business that generates relatively stable cash flows with potential for growth.

  The Group classifies Other Network Services into five groups: (i) connectivity services; (ii) PPDR services; (iii) operation and maintenance; (iv) Smart Cities/IoT ("Internet of Things"); and (v) other services.

  In relation to this business segment, during 2018, Cellnex incorporated the XOC, a concessionary company dedicated to the management, maintenance and construction of the fibre optic network of the Generalitat de Catalunya.

Methodology and bases for Segment Reporting

The segmental reporting below is based on monthly reports drawn up by Group management and is generated by the same information system used to obtain all the accounting data at Group level.

Operating income of the corresponding segment corresponds to the ordinary revenues directly attributable to each segment and do not include interest income or dividends.

The majority of assets employed and underlying costs are derived from a shared network common to all operating business units. An allocation of such assets and costs to the business areas is not performed as part of the normal financial information reporting process used by the Group's Management for decision-making, and Management is of the opinion that additional segmental reporting would not provide meaningful information for decision making.

The Management Committees are the maximum decision making authority. These committees evaluate the Group's performance based on the operating profit of each company, which are not the same as the above business areas.

The assets and liabilities of each segment at 30 June 2020 and 31 December 2019 are as follows:

							Thousands of Euros
							30 June 2020
	Spain	Italy	France	Switzerland	Portugal	Other countries	Total
Property, plant and equipment	852,895	418,714	1,562,183	187,926	104,520	197,932	3,324,170
Intangible assets	156,931	1,069,752	2,046,969	1,463,097	999,159	901,414	6,637,322
Right-of-use assets	305,202	287,961	455,126	228,342	51,411	7,759	1,335,801
Other non-current assets	133,804	83,226	55,111	4,786	10,867	3,907	291,701
Total non-current assets	1,448,832	1,859,653	4,119,389	1,884,151	1,165,957	1,111,012	11,588,994
Total current assets	2,804,227	152,478	131,447	56,894	53,579	32,199	3,230,824
TOTAL ASSETS	4,253,059	2,012,131	4,250,836	1,941,045	1,219,536	1,143,211	14,819,818
Borrowings and bond issues	5,679,631	-	18,844	497,120	-	1	6,195,596
Lease liabilities	250,125	141,177	373,646	186,013	35,158	7,526	993,645
Other non-current liabilities	512,189	217,202	488,794	321,602	175,569	163,604	1,878,960
Total non-current liabilities	6,441,945	358,379	881,284	1,004,735	210,727	171,131	9,068,201
Borrowings and bond issues	39,899	-	(734)	1,471	32	395	41,063
Lease liabilities	50,674	46,233	89,818	34,219	11,988	683	233,615
Other current liabilities	(978,649)	689,678	411,760	108,155	249,437	16,388	496,769
Total current liabilities	(888,076)	735,911	500,844	143,845	261,457	17,466	771,447
TOTAL LIABILITIES	5,553,869	1,094,290	1,382,128	1,148,580	472,184	188,597	9,839,648

						Thousands of Euros
						31 December 2019
	Spain	Italy	France	Switzerland	Other countries	Total
Property, plant and equipment	806,145	353,865	1,445,472	185,320	195,340	2,986,142
Intangible assets	159,664	1,092,675	2,083,457	1,462,123	940,316	5,738,235
Right-of-use assets	228,900	334,483	464,249	216,291	7,194	1,251,117
Other non-current assets	102,550	145,268	47,571	4,819	4,541	304,749
Total non-current assets	1,297,259	1,926,291	4,040,749	1,868,553	1,147,391	10,280,243
Total current assets	2,448,280	122,111	71,720	46,699	32,076	2,720,886
TOTAL ASSETS	3,745,539	2,048,402	4,112,469	1,915,252	1,179,467	13,001,129
Borrowings and bond issues	4,606,383	-	-	487,313	-	5,093,696
Lease liabilities	182,362	191,062	376,372	187,815	6,918	944,529
Other non-current liabilities	51,124	217,732	494,859	315,445	171,985	1,251,145
Total non-current liabilities	4,839,869	408,794	871,231	990,573	178,903	7,289,370
Borrowings and bond issues	46,948	-	-	1,478	-	48,426
Lease liabilities	46,639	43,895	80,247	36,092	625	207,498
Other current liabilities	170,654	87,861	66,230	94,196	(13,942)	404,999
Total current liabilities	264,241	131,756	146,477	131,766	(13,317)	660,923
TOTAL LIABILITIES	5,104,110	540,550	1,017,708	1,122,339	165,586	7,950,293

Segmental reporting is set out below:

							Thousands of Euros
							30 June 2020
	Spain	Italy	France	Switzerland	Portugal	Other countries	Total (*)
Operating income	267,355	163,647	147,869	66,564	29,012	46,124	720,571
Operating expenses	(122,488)	(46,001)	(26,430)	(8,445)	(4,053)	(20,438)	(227,855)
Depreciation and amortization	(85,149)	(86,584)	(125,169)	(60,169)	(35,770)	(30,025)	(422,866)
Net Interest	(63,849)	(24,614)	(26,101)	(13,397)	(4,450)	(2,679)	(135,090)
Profit of companies accounted for using the equity method	8	-	-	-	-	-	8
Profit/(loss) before tax	(4,123)	6,448	(29,831)	(15,447)	(15,261)	(7,018)	(65,232)
Income tax	1,089	4,590	6,370	1,177	424	1,434	15,085
Attributable non-controlling interest	23	-	(2,431)	(4,559)	-	-	(6,967)
Net profit attributable to the Parent Company	(3,057)	11,038	(21,030)	(9,711)	(14,837)	(5,584)	(43,181)

(*) Corresponds to the contribution of each country segment to the Group's consolidated income statement. Therefore, these figures include the impact of the intercompany transactions that have been carried out during the six-month period ended on 30 June 2020. Additionally, this income statement by country incorporates all of the non-recurring and non-cash items detailed in section 1.3 of the Consolidated Management Report corresponding to the first semester of 2020.

	Thousands of Euros					
	30 June 2019					
	Spain	Italy	France	Switzerland	Other countries	Total [(*)]
Operating income	247,031	131,989	48,610	32,067	27,121	486,818
Operating expenses	(116,649)	(41,357)	(9,668)	(5,275)	(7,479)	(180,428)
Depreciation and amortization	(69,101)	(63,461)	(39,197)	(24,119)	(21,249)	(217,127)
Net Interest	(80,728)	(14,087)	(10,272)	(3,835)	(783)	(109,705)
Profit of companies accounted for using the equity method	33	-	-	-	-	33
Profit/(loss) before tax	(19,414)	13,084	(10,527)	(1,162)	(2,390)	(20,409)
Income tax	2,630	(6,153)	2,421	229	20,327	19,454
Attributable non-controlling interest	(36)	-	-	(431)	-	(467)
Net profit attributable to the Parent Company	(16,748)	6,931	(8,106)	(502)	17,937	(488)

[(*)] Corresponds to the contribution of each country segment to the Group's consolidated income statement. Therefore, these figures include the impact of the intercompany transactions that have been carried out during the six-month period ended on 30 June 2019. Additionally, this income statement by country incorporates all of the non-recurring and non-cash items detailed in section 1.3 of the Consolidated Management Report corresponding to the first semester of 2020.

The Group has two customers that exceeds 10% of its total revenue. The total income from these customers for the period ended on 30 June 2020 amounted to EUR 222,178 thousand. During the same period in 2019, the Group had one customer that exceeded 10% of its revenue and the amount ascended to EUR 101,334 thousand.

The information by business segment is set out below:

	Thousands of Euros			
	30 June 2020			
	Broadcasting infrastructure	Telecom Infrastructure Services	Other Network Services	Total
Services (Gross)	117,471	536,102	52,234	705,807
Other income	-	16,908	-	16,908
Advances to customers	-	(2,144)	-	(2,144)
Operating income	117,471	550,866	52,234	720,571

	Thousands of Euros			
	30 June 2019			
	Broadcasting infrastructure	Telecom Infrastructure Services	Other Network Services	Total
Services (Gross)	117,198	308,563	47,078	472,839
Other income	-	15,826	-	15,826
Advances to customers	-	(1,847)	-	(1,847)
Operating income	117,198	322,542	47,078	486,818

There have been no significant transactions between segments during 2020 and 2019.

21. Related parties

a) Directors and Senior Management

The remuneration earned by the Parent Company's directors as at 30 June 2020 and 2019 was as follows:

i. The members of the Board of Directors received EUR 775 thousand for exercising the duties in their capacity as directors of Cellnex Telecom, S.A. (EUR 733 thousand in the same period in 2019).

ii. For performing senior management duties, the Chief Executive Officer:

   a. received EUR 500 thousand, corresponding to fixed remuneration (EUR 500 thousand in the same period in 2019).
   b. accrued EUR 500 thousand corresponding to annual variable remuneration, estimated assuming 100% of accomplishment (EUR 500 thousand in the same period in 2019).
   c. accrued EUR 583 thousand for the achievement of the multi-annual objectives established in the "Long Term Incentive Plan" that consolidates in December 2020, estimated assuming 100% of accomplishment.
   Note: The accounting provisions for all the LTIPs in progress (2018-2020, 2019-2021 and 2020-2022), for the six-month period ended on 30 June 2020 amount to EUR 687 thousand (EUR 635 thousand in the same period in 2019). See Note 17.b.

iii. In addition, the Chief Executive Officer of Cellnex Telecom, S.A. received, as other benefits, contributions made to cover pensions and other remuneration in kind in the amount of EUR 125 thousand and EUR 15 thousand, respectively (EUR 125 thousand and EUR 13 thousand in the same period in 2019).

Cellnex Telecom defines Senior Management as executives that perform management duties and report directly to the Chief Executive Officer. Fixed and variable remuneration for the six-month period ended on 30 June 2020 for members of Senior Management amounted to EUR 2,153 thousand (EUR 1,888 thousand in the same period in 2019) and accrued EUR 1,212 thousand for the achievement of the multi-annual objectives established in all the "Long Term Incentive Plan" that consolidates in December 2020, estimated assuming 100% of accomplishment. Note: The accounting provisions for all the LTIPs in progress (2018-2020, 2019-2021 and 2020-2022), for the six-month period ended on 30 June 2020 amount to EUR 1,377 thousand (EUR 1,202 thousand in the same period in 2019).

In addition, members of Senior Management received, as other benefits, contributions made to cover pensions and other remuneration in kind to the amount of EUR 163 thousand and EUR 87 thousand, respectively (EUR 168 thousand and EUR 77 thousand in the same period in 2019).

The Parent Company has taken out executives and directors civil liability policy for the members of the Board of Directors, the Chief Executive Officer and all the Senior Management of the Cellnex Telecom group at a cost amounting to EUR 169.1 thousand at 30 June 2020 (EUR 68.6 thousand in the same period in 2019).

b) Other disclosures on Directors

In accordance with the article 229 of the Spanish Limited Liability Companies Law, the directors have reported that neither they nor any persons related to them are involved in any situations that may lead to a direct or indirect conflict with the Company's interests.

c) Associates companies

As of 30 June 2020 and 31 December 2019 the Group does not hold balances for significant amounts with associates companies.

For its part, during the six-month period ended on 30 June 2020 and 2019, no significant transactions have been undertaken with associates companies.

d) Other related parties

Other related parties, include shareholders (and their subsidiaries) of Cellnex Telecom, S.A. that exercise significant influence over it, those with a right to appoint a director and those with a stake above 3% (see Note 12.a).

On 12 July 2018, ConnecT S.p.A acquired 29.9% of the Company's share capital. Currently, and after dissolution of ConnecT S.p.A,, part of this stake is no longer owned by ConnecT S.p.A, but ConnecT Due. ConnecT Due is controlled by Sintonia, a subholding company wholly-owned by Edizione and, in turn, Sintonia is the largest shareholder of Atlantia. As a result, as of the date of the accompanying consolidated financial statements, Edizione, together with its group of companies, is considered a related party to the Group.

During 2019, there was a change of control in Hispasat whereby Abertis (a related party of Cellnex) no longer exercises control over Hispasat. In this regard, as of 30 June 2020 and 31 December 2019, Hispasat no longer has the status of a related company of Cellnex. However, in accordance with the disclosures required by IFRS, the transactions carried out with Hispasat until the date of the aforementioned control change in 2019 are detailed below.

In addition to the dividends paid to shareholders, the breakdown of the balances held and transactions performed with significant shareholders is as follows:

I) Services rendered and received

The Group has an agreement with Hispasat, S.A., whereby the latter provides shared capacity services for certain satellite transponders over the entire life of the transponders, which the parties amended in July 2020. During the six-month period ended on 30 June 2019 the services received by Cellnex in relation to this contract amounted to EUR 2 million. As a result of the change of control described above, these figures corresponds to the services provided by Hispasat until the date of the aforementioned control change in 2019.

Moreover, the Group, through its wholly-owned subsidiary TowerCo, entered into an agreement with Atlantia by virtue of which the Group can colocate certain assets to provide Telecom Infrastructure Services in Italian motorways that are under the concession of Atlantia until 2038. Pursuant to the terms of this agreement, the consideration for such location amounts to an annual fee of EUR 4 million. The consideration paid by TowerCo as of 30 June 2020 and 31 December 2019 amounted to EUR 2.0 million and EUR 4.4 million.

In addition to the aforementioned, during the period ended 30 June 2020 and 31 December 2019 no significant transactions with related parties have been undertaken.

The Group carries out all its transactions with related parties on an arm's length basis. Also, given that transfer prices are adequately documented, the Group's Directors consider that there are no significant risks that could give rise to material liabilities in the future.

II) Other

As of 30 June 2020 and 31 December 2019, the Group does not hold balances for significant amounts with related parties.

22. Other disclosures

a) Average number of employees

The average number of employees at Cellnex and its subsidiaries during the period, broken down by gender, is as follows:

		30 June 2020		30 June 2019
Male	1,182	73%	1,085	76%
Female	432	27%	347	24%
Total	1,614	100%	1,432	100%

b) Seasonality

The Group's revenues from services do not exhibit a significant cyclical or seasonal pattern.

23. Post balance sheet events

The Arqiva Acquisition

On 8 July 2020, the Group completed the Arqiva Acquisition, after all the conditions precedent were satisfied, as described in detail in Note 19 b. i) of the accompanying consolidated interim financial statements.

Following this transaction, Cellnex now controls the tower operations business segment of the Arqiva Group, comprised of approximately 7,400 held sites and the rights to market approximately 900 sites in the United Kingdom.

The total consideration in relation to this acquisition has amounted to approximately GBP 2 billion (EUR 2.2 billion, assuming a GBP/EUR 1.1 exchange rate). The Group has financed the Arqiva Acquisition with available cash (from a combination of the net proceeds from the offering of shares executed on 5 November 2019 and other sources) and the GBP 600,000 thousand term loan facility of the available GBP facilities (EUR 660 million, assuming a GBP/€ 1.1 exchange rate).

Given the date the transaction was completed, the Arqiva Acquisition was not included in the accompanying condensed consolidated interim financial statements for the period ended on 30 June 2020. Therefore, the value of all of its assets and liabilities and the corresponding impact of its operations will be included in the Group's consolidated financial statements for the period in which it was completed.

New investments

In July 2020 Cellnex has acquired the full share capital of Ukkoverkot Oy, the parent company of EDZCOM, a company that provides end-to-end Private LTE Networks for critical markets based on Edge Connectivity solutions. Through this acquisition, the Group believes it is better positioned to provide greater added value to its customers as Edge Connectivity is expected to become a cornerstone for digitalization and to build the smart industries of the future.

24. Explanation added for translation to English

These condensed consolidated interim financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 2.a). Certain accounting practices applied by the Group that conform to that regulatory framework may not conform with other generally accepted accounting principles and rules.

Barcelona, 20 July 2020

Cellnex Telecom, S.A. and Subsidiaries
Consolidated interim directors' report for the 6-month period ended on 30 June 2020

1. INFORMATION REQUIRED UNDER ARTICLE 262 OF THE SPANISH COMPANIES ACT

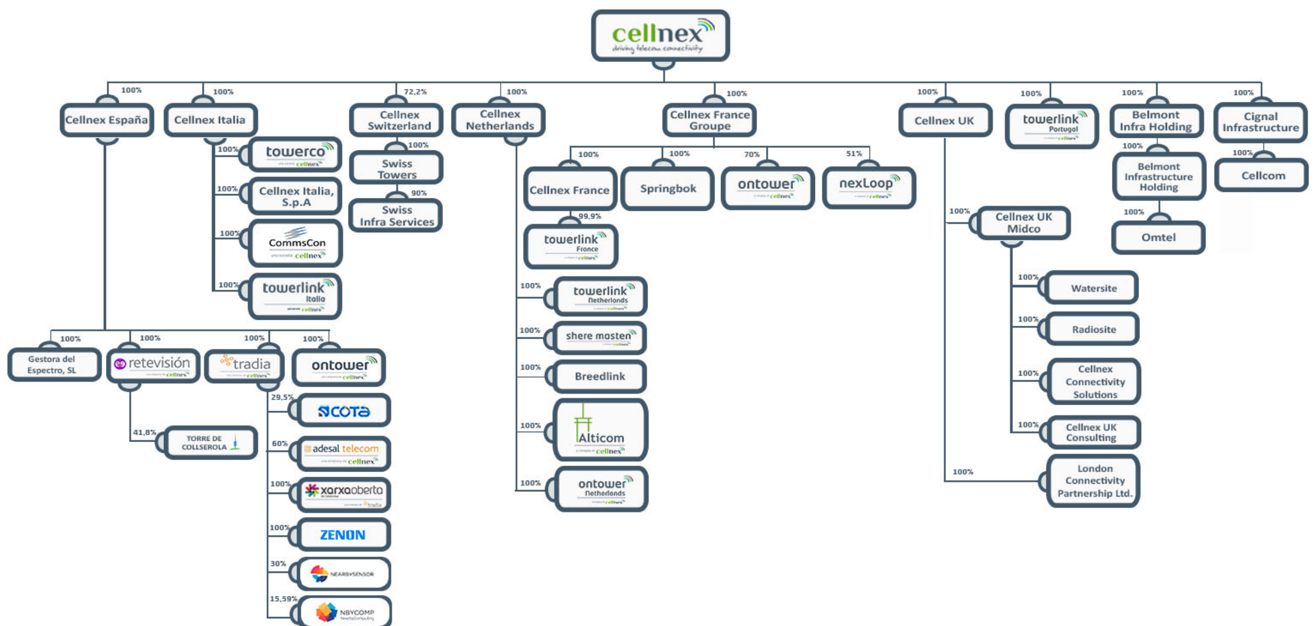
1.1. Situation of the Group

Cellnex Telecom, S.A. (a company listed on the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges) is the Parent of a Group in which it is both the sole shareholder and the majority shareholder of the companies heading the various lines of business and geographical markets in which the Group operates.

The Cellnex Group provides services related to infrastructure management for terrestrial telecommunications through the following business segments:

- Telecom Infrastructure Services
- Broadcasting Infrastructure
- Other Network Services

The organisational structure of the Cellnex Group at 30 June 2020 is summarised as follows:



The detail of the Group's subsidiaries and associates at 31 December 2019 and of the percentages of ownership is shown in Appendixes I and II, respectively, to the consolidated financial statements for the year ended 31 December 2019. In addition, Note 2.i of these consolidated interim financial statements includes the most significant changes in the scope of consolidation during the first half of 2020.

Cellnex has successfully become the leading neutral[1] European telecommunications infrastructure operator with a portfolio of up to 61,000 sites (including forecast roll-outs up to 2027) located in Spain, Italy, France, Switzerland, the Netherlands, the UK, Ireland and Portugal. As at 30 June 2020, the Group manages a portfolio of 40,505 sites and 2,090 nodes, which make a total of 42,595 infrastructures. This business model is based on innovative, efficient, sustainable, independent and quality management to create value for its shareholders, customers, employees and all stakeholders. In addition, the Group is the main Broadcasting Infrastructure provider in Spain with a majority share in the national and regional markets.

Cellnex is listed on the continuous market of the Spanish stock exchange and is part of the selective IBEX 35 and EuroStoxx 600 indices. It is also part of the FTSE4GOOD, CDP (Carbon Disclosure Project), Sustainalytics and "Standard Ethics" sustainability indexes. During the first half of 2019 Cellnex Telecom (CLNX SM) was added to the MSCI Europe index, following the May 2019 semi-annual index review.

Strategy based on solid milestones

Continued robust delivery of services underpins Cellnex performance in the first half of 2020

Since the onset of the coronavirus crisis in Europe, Cellnex has adapted to an unprecedented situation and has managed to deliver on its organic and inorganic strategy whilst maintaining full financial flexibility.

In the first half of 2020, the Group announced two acquisitions in Portugal: the Omtel Acquisition (completed in January 2020) and the NOS Towering Acquisition (which at the date of the accompanying Consolidated Interim Directors' Report, is still pending certain administrative authorisations). During this period, Cellnex also strengthened its presence in France through a new agreement with Bouygues Telecom to roll out a fibre network (Fibre to the tower, fibre to the antenna and fibre to the Small Cell) to boost the 5G ecosystem.

In the UK, Cellnex received the necessary approval from the Competition and Markets Authority ("CMA") to acquire Arqiva's telecommunications division. The project, which was announced in October 2019, involves integrating approximately 7,400 sites and the marketing rights of approximately 900 sites across the UK, involving an investment of GBP 2 billion. Following the CMA's authorisation, the transaction closed on 8 July 2020 (see Notes 19. b) i) and 23).

In this context, the results of the first semester of 2020 include the effect of both business continuity with sustained like-for-like growth and the significant expansion of the Group due to the acquisitions undertaken in 2019 and the first half of 2020, which has translated into substantial growth in revenues, adjusted EBITDA and recurring leveraged free cash flow.

Cellnex and the coronavirus crisis

From the outset of the coronavirus outbreak, Cellnex, as an operator of telecommunications infrastructures for radio and TV (DTT), voice and data, communication networks for security forces (police and fire-fighters) and emergencies (medical and maritime rescue), has deployed its contingency and business continuity plans across the eight countries in which it operates. The main objective has been to preserve the security and availability of the services, while ensuring the application of the strictest protection measures for Cellnex employees.

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[1] Neutral: without mobile network operator as a shareholder having (i) more than 50% of the voting rights or (ii) the right to appoint or dismiss the majority of the members of the board. The loss of the Group's neutral position (i.e., by having one or more MNOs as a significant shareholder) may cause sellers of infrastructure assets to be reluctant to enter into new joint ventures, mergers, disposals or other arrangements with the Group (also impacting the organic growth of the Company). As the Group increases its size, management expects that large MNOs may be open to collaborating with the Group in several ways, such as by selling their sites or other infrastructure assets to Cellnex, including in exchange for Shares, which could negatively impact the Group's business and its prospects as this type of transaction could affect the perception of the Group's neutrality.

Likewise, the Group is cooperating with various national and international organisations, particularly the Spanish Red Cross, Unicef, Save the Children and Italy's Protezione Civile to provide personal protective equipment for healthcare staff as well as resources for at-risk groups. Cellnex is also working together with several hospitals and is contributing to a technological project to develop, produce and provide mechanical ventilation systems for ICUs.

Corporate governance

The structure of the governing bodies and the decision-making process constitute further strengths of the Group. This structure is described in detail in the Annual Corporate Governance Report ("ACGR") for 2019, which forms part of this Directors' Report for 2019.

The Group has implemented a defined and transparent set of rules and regulations for corporate governance which is compliant with all applicable Spanish governance standards.

The Internal Code of Conduct regulates, among other things, the directors' and managers' conduct with regard to the treatment, use and disclosure of the Group's material non-public information. The Internal Code of Conduct applies to, among other persons, all members of the Board of Directors, Senior Management and employees who have access to material non-public information and to the Group's external advisors when they handle such material non-public information.

As of the date of this Consolidated Interim Directors' Report, the Group believes that it substantially complies with the recommendations of the Spanish Unified Code of Good Governance for publicly listed companies (Código Unificado de Buen Gobierno de las sociedades cotizadas).

On 26 June 2020, the Code of Good Governance has been amended by the CNMV with regards to certain of its recommendations (the "Amended Code of Good Governance"). The Group will analyse the compliance of its corporate practices with the Amended Code of Good Governance with a view towards the Annual Corporate Governance Report to be prepared for the year ended 31 December 2020, in accordance with article 540 of the Spanish Companies Act.

Cellnex also has a corporate website (www.cellnextelecom.com) through which it informs its shareholders, investors and the market at large of any significant events. Neither the Group's website nor any of its contents form part or is incorporated into this Consolidated Interim Directors' Report, whether by reference or otherwise, except as otherwise provided herein. The CNMV has not examined nor approved the Company's website nor any of its contents.

In addition, the Group has a code of conduct (the "Ethics' Code") approved by the Board of Directors and communicated to all employees. The Group has created a corporate compliance function to improve compliance with the Group's Ethics' Code, implemented through specific regulations for each country and the establishment of whistle-blowing channels and the supervision of oversight and control measures to prevent criminal acts.

The Group has also established an Internal Control over Financial Reporting System ("ICFRS") and it has a corporate risk control unit that is responsible for carrying out tests to verify compliance with the policies, manuals and procedures defined for the ICFRS, and for validating the effectiveness of controls in place to mitigate the risks related to these processes.

In relation to the Group's last completed financial year, with respect to members of the administrative, management or supervisory bodies, there are no potential material impacts on the corporate governance, including possible changes in the Board's and Board Committees' composition, already decided by the Board and/or the General Shareholders Meeting.

Changes in 2020

The most significant adaptations and changes made to the Group's Corporate Governance in the 6-month period ended on 30 June 2020 are as follows:

- On 28 February 2020, Cellnex received a communication from Mr. Carlo Bertazzo by means of which he informed about his resignation as Director. On 2 April 2020, The Board of Directors of Cellnex decided to accept the resignation of the Director Mr. Carlo Bertazzo. To fill said vacancy, and following a report from the Nominations and

Remuneration Committee, the Board of Directors of Cellnex decided to appoint by co-optation Mr. Christian Coco as proprietary Director on behalf of the shareholder ConnecT S.p.A. until the next General Shareholders' Meeting is held.

- The Cellnex Board of Directors decided on 11 June 2020 to accept the resignation of Ms. Elisabetta De Bernardi Di Valserra as director. On 26 June 2020, the Board of Directors of Cellnex has decided to appoint Mr. Christian Coco as new member of the Audit and Control Committee to fill the vacancy produced in this Committee after the resignation of Ms. Elisabetta De Bernardi Di Valserra as director of Cellnex.

Strategic Plan: promoting growth and efficiency

The Group's long-term vision is to enhance its position as a leading European neutral provider of telecom infrastructure by providing innovative services and network end-to-end solutions to MNOs and media broadcasting operators. Through long-term partnerships with its customers and its role as a trusted partner, resulting from its operational excellence of delivering value-added services, the Group has been able to acquire infrastructures from MNOs at favourable terms, and it aims to continue its strategy of rolling up the European telecom infrastructure market.

With respect to its operating costs and capital expenditure, Cellnex aims to continue delivering cost efficiency programs to reduce the cost of providing services while increasing its ability to expand the offer of these services with limited increases in human and technical resources. The Company plans to selectively invest in the acquisition of plots of land where its infrastructures are located, as long as they are available at attractive prices and are accretive to its long-term returns. The Group intends to continue investing in IT systems to improve its ability to proactively offer its customers the most suitable solutions for their strategic objectives. The Company also plans to maintain its infrastructures and active equipment in strong technical condition to continue offering high quality services to its customers. The main contributor to this efficiency plan is expected to be savings from ground leases. In this regard, the Group seeks to continue leveraging the following strategies: straight rent renegotiations to reduce the annual rent being paid and also extend the duration of ground services contracts, and cash advances, which are based on a lump sum being paid in advance in exchange for a reduction of the amount to be paid and an extension of the contract.

1.2. Significant events in 2020

The main highlights in the 6-month period ended on 30 June 2020 are as follows:

Telecom Infrastructure Services

Main investments

Portugal

The Omtel Acquisition

As described in Notes 2.i and 4 of the accompanying consolidated condensed interim financial statements, on 2 January 2020, Cellnex reached an agreement to acquire the 100% of Portuguese telecommunications towers and sites operator, Omtel, from Belmont Infra Investments B.V. and PT Portugal SGPS, S.A. (sellers of 75% and 25%, of the share capital, respectively), for an equivalent Enterprise Value[2] of approximately EUR 800 million. The acquisition comprises the roll out of up to approximately 500 sites by 15 December 2023. Taking into consideration the evolution of the Portuguese market and the upcoming 5G roll-out, Cellnex growth plans expect that this build-to-suit program could be increased by up to 250

[2] Equivalent Enterprise Value considering the initial payment and debt assumption plus deferred payment discounted at investment's internal return rate.

additional sites by 2027. The related capital expenditure for this build-to-suit program, including the expected 250 additional sites, is expected to amount to approximately EUR 140 million, which the Group expects to finance with cash generated by the portfolio. In the event the Omtel MSA is terminated by MEO for cause, MEO will have a buy-back right with respect to Omtel's sites.

Omtel currently operates approximately 3,000 sites in Portugal, which becomes the eighth country with Cellnex operations in Europe. The Portuguese company manages a portfolio of sites that account for around 25% of the telecommunications towers on the Portuguese market. Omtel's contracts with its clients, of which the main one is Portugal Telecom (MEO) are for 20 years with additional five-year periods. MEO is the market leader and joins a rich and diversified mix of clients in Europe.

The acquisition and future investments will be financed with available cash from the Group and the cash flows generated by the subgroup itself.

Therefore, the acquisition of Omtel has involved the integration of one of the main independent telecommunications infrastructure operators in Portugal, as well as the commitment to coherent growth in Europe, incorporating an eighth market. The timing of the operation further coincides with the imminent arrival of 5G which, as in the other markets in which Cellnex operates, will require network densification and an efficient roll-out that should allow a neutral and independent operator like Cellnex to propose an attractive solution to mobile operators both in terms of cost and speed of execution.

The agreement to acquire NOS Towering

As described in Note 19.b ii) of the accompanying consolidated financial statements, Cellnex reached an agreement with the Portuguese mobile operator, NOS, for the acquisition of 100% of NOS Towering. The transaction initially involves approximately 2,000 telecommunications sites. This is a portfolio of telecommunication towers and rooftop antennas, located in urban (40%), suburban and rural (60%) areas throughout the country. The transaction represents an initial payment of approximately EUR 375 million (Enterprise Value), in addition to expansion Capex of up to approximately EUR 175 million related to perimeter increase (up to approximately 400 new or existing sites, in terms of a Build-to-Suit program) by 2026. The Group expects to finance this acquisition with available cash and expects to finance the deployment of new or existing additional sites using cash flows generated by the portfolio.

The closing of the transaction is subject to the completion of the assets and employees carve out.

In the context of the NOS Towering Acquisition, Cellnex and NOS have signed an initial 15-year contract, extendible by successive additional 15-year periods, under which NOS will continue to use the sites that Cellnex will operate, locating its voice and data signal transmission equipment there.

The agreement reached with NOS reinforces the nature and the neutral and independent operator profile that characterises the Cellnex model. Following the agreement to acquire Omtel, also in Portugal, this transaction highlights Cellnex's ability to consolidate long-term collaboration projects with MNOs, who access our infrastructures to roll out their telecommunications networks.

France

Agreement to roll-out a fibre network that will boost the 5G in France

As described in Notes 2.i. and 5 of the accompanying consolidated interim financial statements, during the first half of 2020, Cellnex and Bouygues Telecom reached a strategic agreement through which they became shareholders of Nexloop, a newly incorporated company (49% owned by Bouygues Telecom and 51% owned by Cellnex, although, taking into account both the signed shareholders' agreement and the financing structure agreed for the new company, Cellnex will have in practice an effective right to 100% of the expected cash flows generated after debt service up until 2055, subject to certain limitations, either through shareholder loan remuneration or through preferred dividends). This company will deploy a national fibre optic network in France to provide mobile and fixed fibre based connectivity and especially accelerate the roll-out of 5G in the country. The agreement comprises the roll out of a network of up to 31,500 km., interconnecting the telecommunications rooftops and towers providing service to Bouygues Telecom (approximately 5,000 of which belong to and are operated by

Cellnex) with the network of "metropolitan offices" for housing data processing centres (Edge Computing). The agreement covers the deployment of up to 90 new "Metropolitan Offices". The estimated investment up to 2027, amounts to up to EUR 1.1 billion. As at 30 June 2020, the usual regulatory requirements have already been approved.

The new agreement with Bouygues Telecom reinforces Cellnex's position in the French market. Cellnex has been operating in France since 2016, when it acquired an initial package of 500 sites from Bouygues Telecom. Therefore, this new partnership with Bouygues Telecom will bring great opportunities to enhance the capacity of our fixed and mobile network through a high performance optical fibre infrastructure, and support and accelerate the 5G rollout.

United Kingdom

The Arqiva Group's tower operations business acquisition

As detailed in Notes 19 b) i) and 23 of the accompanying condensed consolidated interim financial statements, on 8 July 2020, the Group completed the Arqiva Acquisition, after all the conditions precedent were satisfied.

Following this transaction, Cellnex now controls the tower operations business segment of the Arqiva Group, comprised of approximately 7,400 held sites and the rights to market approximately 900 sites in the United Kingdom. The total consideration in relation to this acquisition has amounted to approximately GBP 2 billion (EUR 2.2 billion, assuming a GBP/EUR 1.1 exchange rate).

Telecom Infrastructure Services ("TIS") site portfolio

The TIS site portfolio at 30 June 2020 is summarised below:

Framework Agreement	Project	Nº of Sites acquired	Beginning of the contract	Initial Terms + Renewals (2)
Telefónica	Babel	1,000	2012	10+10+5
Telefónica and Yoigo (Xfera Móviles)	Volta I	1,211	2013	10+10+5 (Telefónica)
				Until 2030+8 (Yoigo)
Telefónica	Volta II	530	2014	10+10+5
Business combination	TowerCo purchase	321	2014	Until 2038
Telefónica and Yoigo (Xfera Móviles)	Volta III	113	2014	10+10+5 (Telefonica)
				Until 2030+8 (Yoigo)
Telefónica	Volta Extended I	1,090	2014	10+10+5
Neosky	Neosky	10	2014	10+10+5
Telefónica	Volta Extended II	300	2015	10+10+5
Business combination	Galata purchase	7,377	2015	15+15 (Wind)
Business combination	Protelindo purchase	261	2012	+15 (KPN)
			2016	+12 (T-Mobile)
Bouygues	Asset purchase (3)	371	2016	25+5+5
		129	2017	25+5+5
		1,098	2017	20+5+5+5
		1,205	2018	20+5+5+5
		701	2019	20+5+5+5
		177	2020	20+5+5+5
Business combination	Shere Group purchase	1,042	2011	+15 (KPN)
			2015	+10 (T-Mobile)
			2015	+15 (Tele2)
Business combination	On Tower Italia purchase	11	2014	9+9 (Wind)
			2015	9+9 (Vodafone)
K2W	Asset purchase	32	2017	Various

Business combination	Swiss Towers purchase	2,239	2017	20+10+10 (Sunrise Telecommunications)
Business combination	Infracapital Alticom subgroup purchase	30	2017	Various
Others Spain	Asset purchase	45	2017	15+10
		36	2018	15+10
		375	2018	20+10
Masmovil Spain	Asset purchase	551	2017	18+3
		85	2018	6+7
Linkem	Asset purchase	426	2018	10+10
Business combination	TMI purchase	3	2018	Various
Business combination	Sintel purchase	15	2018	Various
Business combination	BRT Tower purchase	30	2018	Various
Business combination	DFA purchase	9	2018	Various
Sunrise	Asset purchase	173	2019	20+10+10
		2	2020	20+10+10
Business combination	Video Press purchase	8	2019	Various
Business combination	On Tower Netherlands purchase	114	2019	7 [7]
Business combination	Swiss Infra purchase	2,771	2019	20+10 [4]
Business combination	Cignal purchase	546	2019	20 [5]
Business combination	Business unit from Iliad Italia, S.p.A.	1,776	2019	20+10 [4]
		208	2020	20+10 [4]
Business combination	Iliad7 purchase	5,686	2019	20+10 [4]
		44	2020	20+10 [4]
Orange Spain	Asset purchase	1,067	2019	10+10+1 [6]
		433	2020	10+10+1 [6]
Business combination	Omtel Acquisition	3,019	2018	20+5 [8]
Business combination	Small M&A Italy	22	2020	Various
Shared with broadcasting business		1,671		
"Built to Suit" and others [1]		47		

[1] "Built to Suit" and others: towers that are built to meet the needs of the customer. This does not include the "BTS" programs with Bouygues Telecom, Sunrise, Iliad and MEO at the closing of the M&A projects.

[2] Renewals: some of these contracts have clauses which prohibit partial cancellation and can therefore only be cancelled for the entire portfolio of sites (typically termed "all or nothing" clauses), and some of them have pre agreed pricing (positive/negative).

[3] In accordance with the agreements reached with Bouygues during 2016 - 2020 at 30 June 2020 Cellnex has committed to acquire and build up to 5,400 sites that will be gradually transferred to Cellnex up to until 2024 (see Note 5 of the accompanying consolidated interim financial statements). Of the proceeding 5,400 sites, a total of 3,681 sites have been transferred to Cellnex as at 30 June 2020 (as detailed in previous table). Note that all Bouygues transactions, like most of the BTS programs Cellnex has in place with other MNOs, have a common characteristic "up to" as Bouygues does not have the obligation to reach the highest number of sites.

[4] Master Agreements with initial terms of approximately 20 years, to be automatically extended for 10-year periods (all-or-nothing basis), with an undefined maturity.

[5] Contracts with clients are linked to CPI, have an average duration of c.20 years and a significant probability of renewal due to the portfolio's strong commercial appeal and limited overlap with third party sites.

[6] Orange Spain will be the main customer of this portfolio of telecom sites, with whom Cellnex has signed an inflation-linked Master Lease Agreement for an initial period of 10 years that can be extended by one subsequent period of 10 years and subsequent automatic 1-year periods (undefined maturity).

[7] Contracts with clients are linked to CPI and have an average duration of approximately c.7 years to be automatically extended (undefined maturity).

[8] The initial term of the Omtel MSA is of 20 years, subject to automatic extensions for additional 5-year periods, unless cancelled. The fees under the Omtel MSA are CPI-linked.

As at 30 June 2020 the Group also maintains 2,090 antennas nodes with the DAS.

Broadcasting Infrastructure

The Group provides Broadcasting Infrastructure services in Spain only. The Cellnex strategy in this segment is to maintain its strong market position while capturing potential organic growth. The Group plans to maintain its leadership position in the Spanish national digital TV sector (in which it is the sole operator of national TV MUXs) by leveraging its technical knowledge of infrastructure and network infrastructure, its market understanding and the technical expertise of its staff. The contract fees with the blue-chip customers are CPI-linked. Cellnex plans to continue working closely with regulatory authorities in relation to technological developments in both the TV and radio broadcasting markets and to leverage its existing infrastructure and client relationships to obtain business in adjacent areas where it benefits from competitive advantages.

In addition to pursuing its growth strategy of internationalization and client diversification for its Telecom Infrastructure Services segment, the Group may also consider potential transactions related to its Broadcasting Infrastructure segment, provided that: (i) they allow Cellnex to consolidate a leading position in a country other than Spain, or (ii) if the relevant assets are part of a portfolio of infrastructures similar to its portfolio (e.g., that apart from being used for broadcasting services, they may also be used by MNOs). Any potential opportunity needs to meet the Group's strict investment criteria and be value accretive. The Group has recently completed a general cycle of renewal of contracts in the Broadcasting Infrastructures segment that has led to a downward revision of prices paid by the Group's customers. Contracts in this business segment have generally shorter terms than contracts in the Telecom Infrastructures Services segment, and accordingly they need to be renewed more frequently.

Other Network Services

In Other Network Services, the Cellnex strategy is based on capturing market growth to reinforce its market position. The Group aims to expand and increase its data transmission connectivity services, for both MNOs backhaul and corporate data access, by focusing on services and solutions where its valuable network can be leveraged to differentiate its proposition from its competitors, and by taking advantage of its favourable position to provide mutualized high speed data transmission to MNOs in its infrastructures. The Cellnex plans to leverage its infrastructure and frequency planning know-how to design, roll-out and operate advanced telecom services for public administrations in the field of PPDR networks, including TETRA and LTE services networks. The Group aims to be a frontrunner in new types of infrastructure services including urban telecom infrastructure solutions.

In addition, Cellnex provides fibre connectivity in Spain following the acquisition of XOC. Its main customer is the public administration.

1.3. Business performance and results

The 6-month period ended on 30 June 2020 highlights the strong alignment between the objectives set and the results achieved, given that the Group considers as a key element the integration of this growth into its management processes, ensuring that it can guarantee and deliver quality service to customers.

Alternative Performance Measures

An Alternative Performance Measure (APM) is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

Cellnex believes that there are certain APMs, which are used by the Group's Management in making financial, operational and planning decisions, which provide useful financial information that should be considered in addition to the financial statements prepared in accordance with the accounting regulations that apply (IFRS-EU), in assessing its performance. These APMs are consistent with the main indicators used by the community of analysts and investors in the capital markets.

In accordance with the provisions of the Guide issued by the European Securities and Markets Authority (ESMA), in force since 3 July, 2016, on the transparency of Alternative Performance Measures, Cellnex below provides information concerning those APMs it considers significant: Adjusted EBITDA; Adjusted EBITDA Margin; Gross and Net Financial Debt; Maintenance, Expansion and M&A CAPEX; and Recurring leveraged free cash flow.

The definition and determination of the aforementioned APMs are disclosed in the accompanying consolidated financial statements, and therefore, they are validated by the Group auditor (Deloitte).

The Company presents comparative financial information from previous year as detailed in Note 2.e of the accompanying condensed consolidated interim financial statements.

Adjusted EBITDA

Relates to the "Operating profit" before "Depreciation and amortisation charge" (after IFRS 16 adoption) and after adding back (i) certain non-recurring items (such as cost related to acquisitions, redundancy provision and extra compensation and benefit costs) or (ii) certain non-cash items (such as advances to customers, and LTIP remuneration payable in shares).

The Company uses Adjusted EBITDA as an operating performance indicator as it is considered a measure that best represents the cash generation of its business units and which is widely used as an evaluation metric among analysts, investors, rating agencies and other stakeholders. At the same time, it is important to highlight that Adjusted EBITDA is not a measure adopted in accounting standards and, therefore, should not be considered an alternative to cash flow as an indicator of liquidity. Adjusted EBITDA does not have a standardised meaning and, therefore, cannot be compared to the Adjusted EBITDA of other companies.

As at 30 June 2020 and 2019, respectively, the amounts are as follows:

	Thousands of Euros	
	30 June 2020	30 June 2019
Broadcasting infrastructure	117,471	117,198
Telecom Infrastructure Services	550,866	322,542
Other Network Services	52,234	47,078
Operating income	720,571	486,818
Staff costs	(78,725)	(67,596)
Repairs and maintenance	(23,151)	(16,847)
Leases	(6,082)	(5,666)
Utilities	(46,991)	(40,544)
General and other services	(72,907)	(49,775)
Depreciation and amortisation charge	(422,866)	(217,127)
Operating profit	69,850	89,263
Depreciation and amortisation	422,866	217,127
Non-recurring and non-cash expenses	31,922	13,036
Advances to customers	2,144	1,847
Adjusted operating profit before depreciation and amortisation charge (Adjusted EBITDA)	526,783	321,273

As at 30 June 2020 and 2019, non-recurring expenses and advances to customers are set out below (see in Note 18.d of the accompanying condensed consolidated interim financial statements):

i) Costs related to acquisitions, which mainly includes expenses incurred during acquisition processes (non-recurring item), amounted to EUR 23,576 thousand (EUR 6,228 thousand in the same period in 2019).
ii) Redundancy provision, which mainly includes the impact in 2020 and 2019 six-month periods derived from the reorganisation plan detailed in Note 17.b of the accompanying consolidated financial statements (non-recurring item), amounted to EUR 4,271 thousand (EUR 6,808 thousand in the same period in 2019).
iii) Extra compensation and benefits costs, which corresponds to extra non-conventional bonus for the employees (non-recurring item), amounted to EUR 540 thousand (EUR 0 thousand in the same period in 2019).
iv) LTIP remuneration payable in shares, which corresponds to the LTIP remuneration accrued at the year-end, which is payable in Cellnex shares (See Note 17.b of the accompanying consolidated financial statements, non-cash item), amounted to EUR 3,536 thousand (EUR 0 thousand in the same period in 2019).
v) Advances to customers, which Includes the amortization of amounts paid for sites to be dismantled and their corresponding dismantling costs, amounted to EUR 2,144 thousand (EUR 1,847 thousand in the same period in 2019). These costs are treated as advances to customers in relation to the subsequent services agreement entered into with the customer (mobile telecommunications operators). These amounts are deferred over the life of the service contract with the operator as they are expected to generate future economic benefits in existing infrastructures (non-cash item).

Adjusted EBITDA Margin

Corresponds to Adjusted EBITDA divided by total revenues excluding elements pass-through to customers (mostly electricity) from both expenses and revenues.

According to the above, the Adjusted EBITDA Margin as at 30 June 2020 and 2019 was 74% and 68%, respectively.

Gross financial debt

The Gross Financial Debt corresponds to "Bond issues and other loans", "Loans and credit facilities" and "Lease liabilities", but does not include any debt held by Group companies registered using the equity method of consolidation, "Derivative financial instruments" or "Other financial liabilities".

According to the above, its value as at 30 June 2020 and 31 December 2019, respectively, is as follows:

	Thousands of Euros	
	30 June 2020	31 December 2019
Bond issues and other loans (Note 13)	5,037,148	3,501,124
Loans and credit facilities (Note 13)	1,196,182	1,636,450
Lease liabilities (Note 14)	1,227,260	1,152,027
Gross financial debt	7,460,590	6,289,601

Net financial debt

Relates to "Gross financial debt" minus "Cash and cash equivalents"

Together with Gross Financial Debt, the Company uses Net Financial Debt as a measure of its solvency and liquidity as it indicates the current cash and equivalents in relation to its total debt liabilities. From the net financial debt, common used metrics are calculated such as the "Annualised Net Debt/12-month forward looking Adjusted EBITDA" which is frequently used by analysts, investors and rating agencies as an indication of financial leverage.

The "Net financial debt" at 30 June 2020 and 31 December 2019 is detailed in Section "Liquidity and Capital Resources" of this Consolidated Interim Directors' Report.

Capital expenditures

Maintenance capital expenditures

Corresponds to investments in existing tangible or intangible assets, such as investment in infrastructure, equipment and information technology systems, and are primarily linked to keeping sites in good working order, but which excludes investment in increasing the capacity of sites.

Expansion (or organic growth) capital expenditures

Includes site adaptation for new tenants, ground leases (cash advances), and efficiency measures associated with energy and connectivity, and early site adaptation to increase the capacity of sites. Thus, it corresponds to investments related to business expansion that generates additional Recurring Leveraged Free Cash Flow (including decommissioning, telecom site adaptation for new tenants and prepayments of land leases).

Expansion capital expenditures (Build to Suit programs)

Corresponds to committed build-to-suit programs (consisting of sites, backhaul, backbone, edge computer centers, DAS nodes or any other type of telecommunication infrastructure as well as any advanced payment related to it) as well as Engineering Services that have been contractualised with different clients. Ad-hoc maintenance capital expenditure required eventually by any service line may be included.

M&A capital expenditures

Corresponds to investments in shareholdings of companies (excluding the amount of deferred payments in business combinations that are payable in subsequent periods) as well as significant investments in acquiring portfolios of sites or lands (asset purchases).

Total capital expenditure for the period ended 30 June 2020 and 2019, including property, plant and equipment, intangible assets, advance payments on ground leases and business combinations are summarised as follows:

	Thousands of Euros	
	30 June 2020	30 June 2019
Maintenance capital expenditures	12,720	12,117
Expansion capital expenditures	57,393	52,396
Expansion capital expenditures (Build to Suit programs)	192,587	138,612
M&A capital expenditures	389,488	213,720
Total Investment	652,188	416,845

Recurring leveraged free cash flow

The Company considers that the recurring leveraged free cash flow is one of the most important indicators of its ability to generate stable and growing cash flows which allows it to guarantee the creation of value, sustained over time, for its shareholders. The criteria used to calculate the Recurring leveraged free cash flow is the same as the previous year.

At 30 June 2020 and 2019 the Recurring Leveraged Free Cash Flow ("RLFCF") was calculated as follows:

	Thousands of Euros	
	30 June 2020	30 June 2019
Adjusted EBITDA[1]	526,783	321,273
Payments of lease instalments in the ordinary course of business and interest payments[2]	(168,405)	(97,810)
Maintenance capital expenditures[3]	(12,720)	(12,117)
Changes in current assets/current liabilities[4]	(8,510)	11,286
Net payment of interest (without including interest payments on lease liabilities)[5]	(56,742)	(46,364)
Income tax payment[6]	(12,909)	(2,282)
Net dividends to non-controlling interests[7]	-	(699)
Recurring leveraged free cash flow (RLFCF)	267,497	173,287
Expansion Capex[8]	(57,393)	(52,396)
Expansion Capex (Build to Suit programs)[9]	(192,587)	(138,612)
M&A Capex (cash only)[10]	(346,119)	(213,720)
Non-Recurrent Items (cash only)[11]	(27,847)	(10,628)
Net Cash Flow from Financing Activities[12]	801,361	1,521,938
Other Net Cash Out Flows[13]	(4,733)	(33,477)
Net Increase of Cash[14]	440,179	1,246,392

1) Adjusted EBITDA: Profit from operations before D&A (after IFRS 16 adoption) and after adding back (i) certain non-recurring items (such as cost related to acquisitions (€24Mn) and redundancy provision (€4Mn)) or (ii) certain non-cash items (such as advances to customers (€2Mn) which include the amortisation of amounts paid for sites to be dismantled and their corresponding dismantling costs, and LTIP remuneration payable in shares and others (€4Mn)).

2) Corresponds to i) payments of lease instalments (€107Mn) in the ordinary course of business excluding short term prepayments and; ii) interest payments on lease liabilities (€61Mn). See Note 14 of the accompanying condensed consolidated interim financial statements.

3) Maintenance capital expenditures: investment in existing tangible or intangible assets, such as investment in infrastructure, equipment and information technology systems, which are primarily linked to keeping sites in good working order, but which excludes investment in increasing the capacity of sites.

4) Changes in current assets/current liabilities (see the relevant section in the Consolidated Statement of Cash Flows for the period ended on 30 June 2020).

5) Corresponds to the net of "Interest paid" and "interest received" in the accompanying Consolidated Statement of Cash Flows for the period ended on 30 June 2020) excluding "Interest payments on lease liabilities" (€61Mn) (see Note 14 of the accompanying condensed consolidated interim financial statements).

6) Income tax payment (see the relevant section in the accompanying Consolidated Statement of Cash Flows for the period ended on 30 June 2020).

7) Corresponds to the net of "Dividends to non-controlling interests" and "Dividends received" in the accompanying Consolidated Statement of Cash Flows for the period ended on 30 June 2020.

8) Expansion capital expenditures: Cash advances to landlords (€27Mn), efficiency measures associated with energy and connectivity (€10Mn), and others (including early site adaptation to increase the capacity of sites). Thus, it corresponds to investments related to business expansion that generates additional Recurring leveraged free cash flow.

9) Committed Build to Suit Programs with several MNOs at the moment of the closing of the M&A project (consisting of sites, backhaul, backbone, edge computing centers, DAS nodes or any other type of telecommunication infrastructure as well as any advanced payment in relation to them). It also includes Engineering Services that have been contractualised with different clients, including ad-hoc capex eventually required.

10) M&A capital expenditures (cash only): Investments in shareholdings of companies as well as significant investments in acquiring portfolios of sites or land (asset purchases), after integrating into the consolidated balance sheet mainly the "Cash and cash equivalents" of the acquired companies.

The amount resulting from (3)+(8)+(9)+(10), hereinafter the “Total Capex” (€609Mn), corresponds to “Total Investment” (see caption “Capital Expenditures” in the accompanying Consolidated Interim Directors' Report for the period ended on 30 June 2020) minus the “Cash and cash equivalents” of the acquired companies (€43Mn, see Note 4 of the accompanying condensed consolidated interim financial statements).

The Total Capex (€609Mn) also corresponds to “Total net cash flow from investing activities” (€593Mn, see the relevant section in the accompanying Consolidated Statement of Cash Flows for the period ended on 30 June 2020), + Cash advances to landlords (€27Mn, see Note 14 of the accompanying Consolidated Financial Statements) – (€11Mn, including financial investments, timing effects related to assets purchases and the contribution of minority shareholders).

11) Consists of "non-recurring expenses and advances to customers" that have involved cash movements, corresponding to "Costs related to acquisitions" and “Redundancy provision”.

12) Corresponds to “Total net cash flow from financing activities” (see the relevant section in the accompanying Consolidated Statement of Cash Flows for the period ended on 30 June 2020), excluding payments of lease instalments (€107Mn) in the ordinary course of business excluding short term prepayments (see footnote 2) and Cash advances to landlords (€27Mn) (see footnote 8).

13) Mainly corresponds to timing effects, contribution of minority shareholders and “Foreign exchange differences” (see the relevant section in the accompanying Consolidated Statement of Cash Flows for the period ended on 30 June 2020).

14) “Net (decrease)/increase in cash and cash equivalents from continuing operations” (see the relevant section in the accompanying Consolidated Statement of Cash Flow for the period ended on 30 June 2020).

Revenues and results

Income from operations for the period ended on 30 June 2020 reached EUR 721 million, which represents a 48% increase over the same period in 2019. This increase was mainly due to the consolidation of the business combinations and asset acquisitions carried out in the second half of 2019 in France and Italy (Iliad), Switzerland (Salt), the UK (BT), Ireland (Cignal) and Spain (Orange), as well as the acquisition of Omtel in Portugal, in January 2020 (see Note 4 of the accompanying condensed consolidated interim financial statements).

Telecom Infrastructure Services' income increased by 71% to EUR 551 million due to both the organic growth achieved and the acquisitions performed during the second half of 2019 and the first half of 2020, as detailed above. This business segment is characterised by solid growth driven by increasing demand for wireless data communication services, and by the growing interest of mobile network operators (MNO) in developing high quality networks that fulfil their consumers' needs in terms of uninterrupted coverage and availability of wireless bandwidth (based on new Long-Term Evolution “LTE” technologies), in the most efficient way. In recent years the Group consolidated its infrastructure network and long-term strategic relationships with its main customers, the mobile network operators. In addition to its current portfolio Group's Management has identified several potential acquisitions which are currently being analysed following its demanding capital deployment criteria. The Group owns a high-quality asset portfolio which is made up of selective assets, and performs the subsequent streamlining and optimisation of the tower infrastructure for Telecom Infrastructure Services. Its main added value proposals in this business segment consist of providing services to additional mobile network operators in its towers and therefore streamlining the customer's network. By increasing the ratio of customers to infrastructures, the Group will generate additional income with very little additional costs. This network streamlining may generate significant efficiencies for the Group and for the MNOs. In this context, the Group's organic growth strategy is based on four different business models: (i) multiple allocation, (ii) build-to-suit, (iii) rationalization, and (iv) tower-adjacent assets.

With regard to the Broadcasting Infrastructure business, income amounted to EUR 117 million which represents a 0% increase compared with the same period in 2019. It should be noted that Cellnex is facing a general cycle of renewal of contracts with customers in the broadcasting area, although in recent years the relative weight of this segment has decreased significantly. Nowadays, the Group provides Broadcasting Infrastructure services in Spain only. The strategy in this business segment is to maintain its strong market position while capturing potential organic growth. Cellnex plans to maintain its leadership position in the Spanish national digital TV sector (in which it is the sole operator of national TV MUXs) by leveraging its technical knowledge of infrastructure and network infrastructure, its market understanding and the technical expertise of its staff. A significant portion of the contracts of the Group with operators are inflation-linked and some do not have a minimum limit or floor. The Group has experienced a high rate of renewal for the contracts, regarding this business segment, in the recent past, although price pressure from customers can be possible when renegotiating contracts (as it has been the case in the recent cycle of contract renewals the Group has just faced). The Group plans to continue working closely with regulatory authorities in relation to technological developments in both the TV and radio broadcasting markets and to leverage its

existing infrastructure and client relationships to obtain business in adjacent areas where it benefits from competitive advantages.

Other Network Services increased its income by 11%, to EUR 52 million. This constitutes a specialised business that generates stable cash flows with attractive potential for growth. Taking into account the critical nature of the services in which the Group collaborates, its customers require in-depth technical know-how that is reflected in the demanding service level agreements. The Group considers that it has a privileged market presence and geographical distribution, established relationships with government agencies and excellent infrastructure for emergencies and public services. The Group aims to expand and increase its data transmission connectivity services, for both MNOs backhaul and corporate data access, by focusing on services and solutions where its valuable network can be leveraged to differentiate its proposition from its competitors, and by taking advantage of its favourable position to provide mutualized high speed data transmission to MNOs in its infrastructures. The Company plans to leverage its infrastructure and frequency planning know-how to design, roll-out and operate advanced telecom services for public administrations in the field of PPDR networks, including TETRA and LTE services networks. The Company aims to be a frontrunner in new types of infrastructure services including urban telecom infrastructure solutions. In addition, Cellnex provides fibre connectivity in Spain following the acquisition of XOC. Its main customer is the public administration.

The transactions performed during 2019 and 2020, especially in Telecom Infrastructure Services' business segment has helped boost operating income and operating profit, with the latter also being impacted by the measures to improve efficiency and optimise operating costs.

In line with the increase in revenue, Adjusted EBITDA was 64% higher than in the same period of 2019 which reflects the Group's capacity to generate cash flows on a continuous basis.

In this context of intense growth, "Depreciation and amortisation" expense has increased substantially, by 95% compared to the previous period, as a result of the higher fixed assets (property, plant and equipment, and intangible assets) in the accompanying consolidated balance sheet, after the business combinations undertaken during the second half of 2019 and the first half of the year 2020.

Moreover, the net financial loss increased by 23%, derived largely from the new bond issuances carried out during the first half of 2020. On the other hand, the income tax for the first half of 2019 included the effect of updating the tax rate of certain subsidiaries, which resulted in a positive impact of EUR 19 million in the consolidated income statement of the prior period.

Therefore, the net loss attributable to the Parent Company on 30 June 2020 amounted to EUR 43 million due to the substantial effect of higher amortisations and financial costs, associated with the intense acquisition process and the consequent geographic footprint expansion, as mentioned above. This scenario remains consistent with the current strong growth that the Group continues to experience and, as mentioned in the 2019 Annual Results Presentation, is expected the group to continue having a net loss attributable to the parent company in the coming quarters.

Consolidated Balance Sheet

Total assets at 30 June 2020 stood at EUR 14,820 million, a 14% increase compared with the 2019 year-end, mainly as a result of the acquisition of Omtel in Portugal, in January 2020. Around 67% of total assets relates to property, plant and equipment and other intangible assets, in line with the nature of the Group's business related to the management of terrestrial telecommunications infrastructure. The increase in property, plant and equipment and intangible assets is mainly due to the aforementioned acquisition.

Total investments executed in the first half of 2020 amounted to EUR 652 million, mostly for investments linked to generating new revenue streams, particularly the incorporation of new assets in Portugal and the continued integration and roll-out of new sites in France, as well as improvements in efficiency, and maintenance of installed capacity.

Consolidated net equity at 30 June 2020 stood at EUR 4,980 million, a 1% decrease compared with the 2019 year-end.

In relation to bank borrowings and bond issues, at 30 June 2020, the Cellnex debt structure is marked by flexibility, low cost and high average life. The average life of debt is 5.7 years, the approximate average cost is 1.7% (debt drawn), and 81% at a fixed rate.

The Group's net financial debt as of 30 June 2020 stood at EUR 4,669 million compared to EUR 3,938 million at the end of 2019. Likewise, at 30 June 2020, Cellnex had access to immediate liquidity (cash & undrawn debt) for an amount of approximately EUR 7.7 billion (EUR 6.6 billion at the end of 2019).

Cellnex Telecom's bond issues maintain a long term "BBB-" (investment grade) with stable outlook according to the international credit rating agency Fitch Ratings Ltd. and a long-term "BB+" with stable outlook according to the international credit rating agency Standard & Poor's Financial Services LLC.

Consolidated cash flow generation

Net Payment of Interest

The reconciliation of the caption "Net payment of interest" from the consolidated cash flow statement corresponding to the period on 30 June 2020 and 2019, with the "net interest expense" in the consolidated financial statements is as follows:

	Thousands of Euros	
	30 June 2020	30 June 2019
Interest Income	7,574	426
Interest Expense	(142,663)	(110,131)
Bond & loan interest accrued not paid	39,146	29,068
Put Options – non-cash	-	26,691
Amortised costs – non-cash	21,547	12,658
Interest accrued in prior year paid in current year	(43,641)	(36,383)
Net payment of interest as per the Consolidated Statement of Cashflows [(1)]	(118,037)	(77,671)

[(1)] Net payment of interest as per the Consolidated Statement of Cashflows, which corresponds to i) "interest payments on lease liabilities" for an amount of EUR 61,295 thousand (see Note 14 of the accompanying consolidated interim financial statements) plus ii) "Net payment of interest (without including interest payments on lease liabilities)" for an amount of EUR 56,742 thousand (see section "Recurring leveraged free cash flow" of the accompanying Consolidated Interim Directors' Report).

Income Tax Payment

The reconciliation between the payment of income tax according to the consolidated statement of cashflows and the current income tax expense, corresponding to the period on 30 June 2020 and 2019, is as follows:

	Thousands of Euros	
	30 June 2020	30 June 2019
Current tax expense	(29,932)	(4,892)
Payment of income tax prior year	(3,760)	(1,416)
Receivable of income tax prior year	-	-
Income tax (receivable)/payable	21,736	4,224
Others	(953)	(198)
Payment of income tax as per the Consolidated Statement of Cashflows	(12,909)	(2,282)

1.4. Liquidity and Capital Resources

Net financial debt

The "Net financial debt" at 30 June 2020 and 31 December 2019 is as follows:

	Thousands of Euros	
	30 June 2020	31 December 2019
Gross financial debt [(1)]	7,460,590	6,289,601
Cash and cash equivalents (Note 11)	(2,791,734)	(2,351,555)
Net financial debt	4,668,856	3,938,046

[(1)] As defined in Section "Business performance and results" of the accompanying Consolidated Interim Directors' Report corresponding to the period ended on 30 June 2020.

At 30 June 2020, the net financial debt amounted to EUR 4,669 million (EUR 3,938 million at the end of 2019), including a consolidated cash and cash equivalents position of EUR 2,792 million (EUR 2,352 million at the end of 2019).

Net financial debt evolution

	Thousands of Euros	
	30 June 2020	31 December 2019
Beginning of Period	3,938,046	3,166,204
Recurring leveraged free cash flow	(267,497)	(349,978)
Expansion Capex	57,393	97,110
Expansion Capex (Build to Suit programs)	192,587	229,500
M&A Capex (cash only)	346,119	3,659,031
Non-Recurrent Items (cash only)	27,847	30,827
Other Net Cash Out Flows	4,733	35,785
Payment of Dividends [(1)]	11,818	26,620
Issue of equity instruments	-	(3,683,375)
Net repayment of other borrowings and short term prepayments [(2)]	6,543	26,978
Change in Lease Liabilities [(3)]	75,233	625,690
Accrued Interest Not Paid and Others (non-cash) [(4)]	276,034	73,654
End of Period	4,668,856	3,938,046

1) "Dividends paid" (see the relevant section in the accompanying Consolidated Statement of Cash Flows for the period ended 30 June 2020).
2) Corresponds to "Net repayment of other borrowings" (see the relevant section in the accompanying Consolidated Statement of Cash Flows for the period ended 30 June 2020) and short term prepayments (see Note 14 of the accompanying Consolidated Financial Statements).
3) Changes in "Lease liabilities" long and short term of the accompanying Consolidated Balance Sheet as of 30 June 2020. See Note 14 of the accompanying Consolidated Interim Financial Statements.
4) Accrued Interest Not Paid and Others include the repayment of the debt assumed on the Omtel Acquisition.

Liquidity availability

The breakdown of the available liquidity at 30 June 2020 and 31 December 2019 is as follows:

	Thousands of Euros	
	30 June 2020	31 December 2019
Available in credit facilities (Note 13)	4,938,706	4,233,332
Cash and cash equivalents (Note 11)	2,791,734	2,351,555
Available liquidity	7,730,440	6,584,887

As at 30 June 2020, Cellnex weighted average cost of debt (considering both the drawn and undrawn borrowings) was 1.5% (1.5% as at 31 December 2019).

Regarding the Corporate Rating, at 30 June 2020, Cellnex holds a long term "BBB-" (investment grade) with stable outlook according to the international credit rating agency Fitch Ratings Ltd. and a long-term "BB+" with stable outlook according to the international credit rating agency Standard & Poor's Financial Services LLC.

1.5. Main risks and uncertainties

The Cellnex Telecom Group has implemented a risk management model that has been approved and is monitored by the Audit and Control Committee, and is applicable to all business and corporate units in countries where the Group operates. The risk management model is aimed at effectively ensuring that the Group's objectives are achieved.

The main risks to the fulfilment of the Group's objectives are as follows:

Risk category	Risks
Strategic risks	I) Risks related to the environment in which the Group operates and risks stemming from the specific nature of its businesses. II) Risks of increasing competition. III) The Group's status as a "significant market power" ("SMP") operator in the digital terrestrial television ("DTT") market in Spain imposes certain detrimental obligations on it compared to its competitors. IV) Industry trends and technological developments may require the Group to continue investing in asset class-businesses adjacent to telecommunication towers, such as fibre, edge computing and small cells. V) Spectrum may not be secured in the future, which would prevent or impair the plans of the Group or limit the need for the Group's services and products. VI) Risk related to a substantial portion of the revenue of the Group is derived from a small number of customers. VII) Risk of infrastructure sharing. VIII) Risk of non-execution the entire committed perimeter. IX) The expansion or development of the Group's businesses, including through acquisitions or other growth opportunities, involve a number of risks and uncertainties that could adversely affect operating results or disrupt operations. X) Risks inherent to the businesses acquired and the Group's international expansion. XI) Risk related to the non-control of certain subsidiaries. XII) Risks related to execution of Cellnex's acquisition strategy. XIII) Regulatory and other similar risks. XIV) Litigation. XV) Risk related to the Company's significant shareholder's interests may differ from those of the Company.
Operational risks	XVI) Risks related to the industry and the business in which the Group operates. XVII) Risk of not developing the strategic sustainability plan. XVIII) Risks related to maintaining the rights over land where the Group's infrastructures are located. XIX) Failure to attract and retain high quality personnel could negatively affect the Group's ability to operate its business. XX) The Group relies on third parties for key equipment and services, and their failure to properly maintain these assets could adversely affect the quality of its services.
Financial risks	XXI) Financial information. XXII) Expected contracted revenue (backlog). XXIII) Foreign currency risks. XXIV) Interest rate risk. XXV) Credit risk. XXVI) Liquidity risks. XXVII) Inflation risk. XXVIII) Risk related to the Group's indebtedness. XXIX) The Company cannot assure that it will be able to implement its Dividend Policy or to pay dividends (and even if able, that the Company would do so).
Compliance risks	XXX) Fraud and compliance risks. XXXI) Risk associated with significant agreements signed by the Group that could be modified due to change of control clauses.

Strategic risks

I) Risk related to the environment in which the Group operates and risks stemming from the specific nature of its businesses.

The Group's business includes the provision of services through its three different segments: (i) Telecom Infrastructure Services, (ii) Broadcasting Infrastructure and (iii) Other Network Services. Any factor adversely affecting the demand for such services could potentially have a material adverse impact on its business, prospects, results of operations, financial condition and cash flows.

Through the Telecom Infrastructure Services segment, the main business activity, the Group facilitates access to the spectrum (owned by its customers), by means of providing access to telecom through its connectivity services as well as the related passive and active infrastructure to external MNOs, typically under mid- and long-term contracts. Therefore, the Telecom Infrastructure Services segment is highly dependent on the demand for such infrastructures and a decrease in such demand may adversely affect the Group's business.

In the Broadcasting Infrastructure activity, the demand for the Group's communications depends on the coverage needs from its customers, which, in turn, depend on the demand for TV and radio broadcast by their customers.

Likewise, for the Other Network Services segment, the demand for connectivity, public protection and disaster relief ("PPDR") networks, operation and maintenance ("O&M"), Smart City and Internet of Things ("IoT") services depends on the demand from public administrations as well as entities operating in the private and public sectors.

The willingness of the Group's customers to use the Group's communications infrastructures, contract its services, or renew or extend existing contracts on its communications infrastructures on the same terms, can be affected by numerous factors, including, among others:

- increased use of network sharing, roaming or resale arrangements by MNOs;
- increased sharing initiatives among MNOs (both related to passive and active network sharing), roaming or resale arrangements by MNOs;
- mergers or consolidations among the Group's customers such as MNOs;
- the ability and willingness of MNOs to maintain or increase capital expenditures on network infrastructure;
- the financial condition of the Group's customers, including the availability or cost of capital;
- governmental licensing of spectrum or restrictions on or revocations of spectrum licenses;
- changes in electromagnetic emissions' regulations;
- changes in demand for TV and radio services and consumption habits (channels, etc.) by end consumers, including the level of multimedia content consumption;
- significant increases in the attrition rate of customers or decreases in overall demand for broadcast space and services, caused by, among others, the adoption of new digital patterns by customers and the obsolescence of the products and services rendered by the Group's companies;
- a decrease in consumer demand for wireless telecom and broadcasting services due to economic, political and market/regulatory conditions, disruptions of financial and credit markets or other factors, including inflation, zoning, environmental, health or other existing government regulations or changes in the application and enforcement thereof, as well as taxes/customs duties levied on the Group's services;

- the evolution of the advertising business' revenue in the media sector, and especially, TV, internet and radio;
- changes in connectivity to the internet;
- an increase in demand for private networks;
- the evolution of public internet;
- changes in the data traffic demand worldwide as well as changes in data transmission prices and speed;
- the availability or capacity of the Group's infrastructure or associated land interests where the infrastructure is located;
- the location of the Group's wireless infrastructure;
- changes in, or the success or failure of, the Group's customers' business models;
- delays or changes in the deployment of next generation wireless technologies or the failure by the Group to anticipate the development of new wireless technologies;
- technological advances and development of alternative technologies that the Groups does not currently use, such as the development of satellite-delivered and optical fibre-delivered radio and video services and internet TV;
- the existence of alternative providers of the Group's services or, alternatively, the self-provision of services by the Group's customers;
- the willingness of the Group's current or future customers to make contractual arrangements with the Group under the current terms and conditions; and
- the Group's customers' desire to renegotiate its agreements with them or to adversely amend current contractual arrangements (especially those relating to broadcasting services and other network services, where Cellnex is facing a general cycle of renewal of contracts with customers).

As a result of these factors the Group's customers may scale back their need or demand for its services which could materially and adversely affect the degree of utilisation of the capacity of the Group's communications infrastructures and its network and connectivity development services, which could have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

To reduce its exposure to risks as a result of the environment in which it operates, the Group pursues a selective international expansion plan, diversification and growth policy, fostering understanding with Government Agencies to develop infrastructures. In addition, it has continued to implement an efficiency plan in order to streamline operating investments and expenditures.

II) Risk of increasing competition

The Group may experience at any time increased competition in certain areas of activity from established and new competitors, for example as a result of other infrastructure providers entering the European market. The industry is competitive and customers have access to alternatives in telecom infrastructure services and other network services, whereas for broadcasting TV the alternatives are more limited. Where the Group acts as a provider of services, competitive pricing from competitors could affect the rates and services income. In addition, competition in infrastructure services could also increase the cost of acquisition of assets and limit the Group's ability to grow its business. Moreover, the Group may not be able to renew existing services agreements or enter into new services agreements. The higher prices for assets, combined with the competitive pricing pressure on services agreements, could make more difficult for the Group to achieve targeted returns on investments.

Increasing competition for the acquisition of infrastructure assets or companies in the context of the Group's business expansion, which could make the acquisition of high quality assets significantly more costly, in the current environment of low rates and taking into consideration the Group's business nature, with long term contracts, fixed fees normally inflation-linked, more and more infrastructure funds and private equity firms are showing appetite towards this kind of assets. Some competitors are larger than the Group and may have greater financial resources (such as KKR), while other competitors may apply investment criteria with lower return on investment requirements. Likewise, Cellnex also faces competition or may face future competition from its US peers. Additionally, some of the Group´s customers have set up their own infrastructure companies, while more European MNOs are increasingly showing their willingness to set their own infrastructure vehicles, which could drive to scarcity in terms of assets for sale (thus generating inflation on prices for assets), combined with more competitiveness on the normal course of the Company's business limiting the organic growth potential.

Besides, if the Group is unable to compete effectively with its competitors or anticipate or respond to customer needs, the Group could lose existing and potential customers, which could reduce its operating margins and have a material adverse effect on the Group´s business, prospects, results of operations, financial conditions and cash flows.

III) The Group's status as a "significant market power" ("SMP") operator in the digital terrestrial television ("DTT") market in Spain imposes certain detrimental obligations on it compared to its competitors

In 2006, when the Spanish terrestrial TV broadcast market was articulated, the Group was classified as a SMP operator by the competition authorities. Given its dominant market position, the National Commission of Markets and Competition (Comisión Nacional de los Mercados y de la Competencia, or "CNMC", the former Comisión del Mercado de las Telecomunicaciones, or "CMT") imposed certain conditions (regulatory remedies) on it to allow it to operate in the broadcasting market which, amongst others, set out that if the Group is not able to reach a voluntary commercial agreement with an operator, the CNMC will dictate the commercial conditions of the agreements. The CNMC has introduced certain flexibility to those conditions as per the latest regulation of the market, carried out in 2019 which has concluded on July 17, 2019 with the publication of Resolution approving the definition and analysis of the wholesale market for the television broadcasting transmission service (Market 18/2003) and notified to the European Commission and the European Electronic Communications Regulators Entity.

The competitors of the Group in the market who are not considered to be a SMP operator because of their low market share and limited coverage capacity are not subject to these obligations. These obligations and potential additional obligations imposed on the Group by the competition authorities vis-à-vis its competitors could materially and adversely affect the Group's business, prospects, results of operations, financial condition and cash flows.

IV) Industry trends and technological developments may require the Group to continue investing in asset class-businesses adjacent to telecommunication towers, such as fibre, edge computing and small cells

European MNOs are apparently moving towards a less infrastructural business model, thus the share trends in the telecommunications sector are increasing, especially given the upcoming 5G technological cycle. In this context, Cellnex may need to reinforce its offer in order to meet the needs of its customers, increasingly investing in asset-class businesses adjacent to telecommunication towers, such as fibre, edge computing, small cells.

While the above adjacent businesses can be managed through co-location services offered by a neutral provider (in a similar way to the Group's current Telecom Infrastructure Services business segment and potentially with comparable economic principles), the Group may face certain additional risks, such as (i) execution risk of entering into new businesses; (ii) weak local know-how about the commercial potential of new business deployments; (iii) higher financing requirements, requiring in turn increased financing capabilities; (iv) the need to be large-scale to become a relevant player in these businesses given global and local competence; (v) increased risk of overbuilding capacity affecting the price equilibrium in the market; (vi) compliance with new regulations; (vii) risk of over-paying, giving increasing valuations due to investment demand; and (viii) increased competition against players holding better operational capabilities, among others.

The Company believes it holds the technical know-how to support the long term needs of its customers and has been gradually investing in adjacent asset-class businesses in order to gain experience and mitigate potential future risks, but the

investment in asset-class businesses adjacent to telecommunication towers could have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

V) Spectrum may not be secured in the future, which would prevent or impair the plans of the Group or limit the need for the Group's services and products

The Group and its customers are highly dependent on the availability of sufficient spectrum for the provision of certain services. The amount of spectrum available is limited and the process for obtaining it is highly complex and costly.

In the Broadcasting Infrastructure segment, the Group owns the infrastructures and equipment that TV and radio broadcasters use to compress and distribute their signals in Spain. In particular, the Group distributes and transmits signals for DTT, the leading TV platform in Spain. The evolution of technology standards, formats and coding technologies is likely to influence the future spectrum demand for broadcasting services. Even if the Group currently uses "multiplexing", a method by which multiple analogue signals or digital data streams are combined into one signal over a shared medium, with the aim of maximizing the limited capacity of the spectrum, the Group cannot guarantee that its customers or DTT broadcasters will have sufficient access to spectrum in the long-term to maintain and develop its services.

The Spanish government is responsible for the allocation of spectrum in Spain. On 24 September 2014, Royal Decree 805/2014, of September 19, was published in the Official Gazette approving the National Technical Plan for DTT (the "National Technical Plan for DTT"). Under the so-called "Digital Dividend", in line with all EU countries, the Spanish government released the 800 megahertz ("MHz") band of frequencies previously used by DTT, to the benefit of the deployment of fourth generation mobile telecommunications technology ("LTE" or long-term evolution), a communication standard for high-speed data mobile devices used by MNOs. The release of the 800 MHz band as a result of the reallocation of spectrum to MNOs represented a loss of 72 MHz of spectrum originally allocated to broadcasting. The digital migration was completed on 31 March 2015. The National Technical Plan for DTT reduced the number of private multiplex ("MUX") from eight to seven at a national level, and on a general basis, from two to one at the regional level.

The Decision (EU) 2017/899 of the European Parliament and of the Council, of May 17, 2017, on the use of the 470-790 MHz frequency band in the Union sets up the spectrum usage until 2030 (the so-called "second Digital Dividend"). As a consequence, the Spanish government published on June 21, 2019 the Royal Decree 391/2019 approving the new National Technical Plan for DTT and the regulation of certain aspects of the liberalization of the "second Digital Dividend" was passed. This Royal Decree regulates how the 700 MHz band will be liberalized and how the radio-electric channels and the new digital MUXs will be distributed among the Spanish Public Radio and Television Corporation and other license holders, obligations of minimum range of reception and the technical specifications that the television services have to meet. The current number of MUXs (and their coverages) on the sub 700MHz band will be maintained, as well as the offer of DTT channels. This Royal Decree also states that the DTT service will be offered in the sub-700 MHz band and that the 700 MHz band shall not be used by audiovisual communication service providers by June 30, 2020, in order to make it available for the 5G mobile services from that date onwards. The Royal Decree further establishes that the sub-700 MHz will continue to be used for television broadcasting until, at least, 2030. On the same date and on October 11, 2019, respectively, the Spanish government approved the Royal Decree 392/2019 and the Royal Decree 579/2019, which regulate the granting of subsidies to compensate certain costs related to television audiovisual communication services, as a consequence of the implementation of the liberalization of the "second Digital Dividend".

Due to the sanitary crisis caused by the Coronavirus Pandemic, the Spanish government declared the state of emergency by means of Royal Decree 463/2020, of 14 March. In this context, the government decided to postpone (not suspend) the execution of the pending phases for the implementation of the liberalization of the "second Digital Dividend". The Ministry of Economic Affairs and Digital Transformation, in a press note released on March 30, 2020, has explained that the above measure has been communicated to the European Commission. Notwithstanding the above, due to the ending of the state of emergency on June 21, 2020, the Spanish Council of Ministers of June 23, 2020 has agreed on October 31, 2020 as the new deadline for the implementation of the liberalization of the "second Digital Dividend". No date to reassume the process has been made public.

The Group believes that any delays in 5G rollouts in Member States due to the Coronavirus Pandemic are likely to be temporary rather than long lasting, considering the systemic importance of universal broadband access. However, 5G rollouts could also be adversely affected by growing concerns, fuelled in part by conspiracy theories propagated through social and

other media, that 5G's radio waves could pose health risks, which in turn has led to a wave of arson attacks on telecom infrastructures across Europe and other parts of the world. If the rollout of 5G is delayed, whether due to the Coronavirus Pandemic, growing movements against the implementation of 5G technology in certain countries or otherwise, or if the Group's assets are affected by arson or other attacks, this could materially affect the Group's business, prospects, results of operations, financial condition and cash flows. In fact, Public perception of possible health risks associated with radio emissions and electromagnetic radiation could affect the growth of wireless companies, which could in turn slow down the growth of the Group and may affect the Group's results of operations, especially if these perceived risks are substantiated.

Since the allocation of spectrum is decided by the Spanish government, the Group is highly dependent on political decisions for the future of its DTT broadcasting business, which decisions are outside of its control. In the event that the number of MUXs available for DTT is further reduced, the Group's customers could lose some of its current DTT multiplex spectrum currently licensed.

VI) Risk related to a substantial portion of the revenue of the Group is derived from a small number of customers

In the Telecom Infrastructure Services segment its main clients are telecom operators (mostly MNOs); in the Broadcasting Infrastructure segment its main clients are media broadcasters (TV channels and radio stations); and in the Other Network Services segment its main clients are (i) a small number of public administrations, at national, regional and/or local levels, (ii) safety and emergency response organizations, (iii) companies operating in the utility sector, and (iv) certain telecom operators. The ongoing consolidation process in the telecom and broadcasting sectors may result in a decrease in the number of MNOs or media broadcasting operators in the future, which could potentially have a negative impact on the main segments of the Group.

The Group's reliance on a small group of customers may adversely affect the development of the its business. As such, the loss of one or more of any of the Group's main customers, resulting from, amongst others, a merger, bankruptcy, insolvency, network sharing, loss of licenses, roaming, joint development, resale agreements or contract early termination may have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

The Group cannot guarantee that contracts with its major customers will not be terminated (including contractual agreements to transfer or build sites under the Group's acquisition agreements, purchase commitments and build-to-suit programs), or that these customers will renew their contracts with the Group on the same terms or at all. Further, the Group is exposed to constant renegotiation and renewal processes of its contracts with its customers (especially those related to the Other Network Services segment, where the Group is now facing a general cycle of renewal of contracts with customers), which may result in the current contractual arrangements being adversely amended, which could in turn affect the total value of its contracts. The Group has recently completed a general cycle of renewal of contracts in the Broadcasting Infrastructures segment that has led to a downward revision of prices paid by the Group's customers. Contracts in the Other Network Services and the Broadcasting Infrastructure segments have generally shorter terms than contracts in the Telecom Infrastructures Services segment, and accordingly they need to be renewed more frequently.

In addition, the maturities of the lease contracts, sub-lease contracts and other types of contracts with third parties to operate and manage land and rooftops where the Group's telecommunications infrastructures are located, are generally shorter than the contracts that the Group has entered into with its customers for the provision of services in such infrastructures. As a result, there is a mis-match in the maturities of both contractual relationships which could prevent the Group from successfully providing agreed upon services to its customers, as the Group may not have access to primary resources essential to execute such contractual obligations. The real property interests of the Group relating to its infrastructures consist primarily of ownership interests, fee interests, easements, licenses and rights-of-way. A loss of these interests at a particular infrastructure may interfere with the Group's ability to operate infrastructures and generate revenues. Any damage or destruction to the Group's infrastructure due to unforeseen events, including natural disasters, may impact the Group's ability to conduct its business. Additionally, if the loss of service is not deemed to be due to an unforeseeable force majeure event, the Group could be held responsible for failing to satisfy its obligations under its transmission contracts, which could result in service credit penalties or suspension of normal fees and annual charges. If the Group is unable to provide services to its customers, it could lead to a loss of customers, resulting in a corresponding material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

In addition, some contracts entered into by the Group provide that certain expenses are passed through to the Group's customers, such as energy costs, and the Group cannot guarantee that the pass through mechanism will protect 100% of the energy cost borne by the Group during the full term of the contract, which may have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows. In addition, Cellnex could potentially be exposed to fines if Cellnex were found to be engaged in the electricity resale business simply because energy costs are included in the charges for which it bills its customers. Electricity supply is a regulated activity in countries where Cellnex operates.

In the ordinary course of its business, the Group experiences disputes with its customers, generally regarding the interpretation of terms in the Group's commercial agreements. It is possible that such disputes could lead to a termination of the Group's contracts with customers or a material modification of the terms of those agreements, either of which could have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows. If the Group is forced to resolve any of these disputes through litigation, its relationship with the relevant customer could be terminated or damaged, which could lead to decreased revenue or increased costs, resulting in a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

Additionally, in relation to Telecom Infrastructure Services, the Group currently differentiates from its competitors through the neutrality of its position in the market. The loss or weakening of such neutral position as a result of one customer becoming a reference or controlling shareholder of the Company could lead to the termination of contracts or to a loss of customers; and hence, to a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

VII) Risk of infrastructure sharing

While the Group believes the neutral operator model presents certain advantages and there is a growing trend of externalization of the provision of wireless communications infrastructure, extensive sharing of site infrastructure, roaming or resale arrangements among wireless service providers as an alternative to using the Group's services may slow down entering into new service agreements. Moreover, if MNOs utilize shared equipment (either active or passive) rather than deploy new equipment, it may result in the decommissioning of equipment on certain existing infrastructure because parts of the customers' networks may become redundant.

Any potential merger, integration or consolidation of the Group's customers would likely result in duplicate or overlapping networks, which may result in the termination or non-renewal of customer contracts (for example where they are co-customers on an infrastructure) and in the loss of commercial opportunities resulting in a lower number of potential customers for the Group. Likewise, the Judgment of the General Court (First Chamber, Extended Composition) issued on May 28, 2020 which annulled the Commission Decision C(2016) 2796 of May 11, 2016, declaring incompatible with the internal market the concentration resulting from the acquisition of Telefónica Europe Plc by Hutchison 3G UK Investments Ltd. may increase the interest of the Group's customers to merge, which could result also in the loss of commercial opportunities for the Group. These two scenarios could materially and adversely affect revenues from the Group's wireless infrastructure and its commercial prospects.

In addition, customer -consolidation may result in a reduction in their total future capital expenditures because their expansion plans may be similar. Both MNOs' and broadcasters' consolidation could decrease the demand for the Group wireless infrastructure, which in turn could have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

VIII) Risk of non-execution the entire committed perimeter

The framework agreements with anchor customers may include agreements by which the parties agree further acquisitions or construction of infrastructures over a defined period or acquisition or construction of a maximum number of infrastructures. Such framework agreements may or may not be implemented, either in whole or in part, due to a potential integration or consolidation of the Group's customers. Moreover, customers could decide not to pursue such agreements due to a change in their business strategy.

In addition, framework agreements with anchor customers may include the unilateral right to dismiss a low-digit percentage of the total sites (respiration rate clause) per year.

If these circumstances occurred, there is no guarantee that the Group may have enough contractual protection in order to be compensated for such changes, which in turn could have a material adverse effect for the Group.

IX) The expansion or development of the Group's business, including through acquisitions or other growth opportunities, involve a number of risks and uncertainties that could adversely affect operating results or disrupt operations

It is an integral part of the Group´s strategy to continue driving growth through the acquisition of assets, entities or minority interests, joint ventures, mergers and other arrangements in the countries where the Group currently operates or elsewhere, which could require, among other matters, to obtain additional indebtedness, the issuance of shares to finance such acquisitions or other growth opportunities. The Group's growth strategy is linked, among other factors, to the capacity to successfully decommission and build new infrastructures. In the ordinary course of the business, the Group reviews, analyses and evaluates various potential transactions, assets, interests, activities or potential arrangements that the Group believes may add value to the business or the services it provides. Failure to timely identify growth opportunities may adversely affect the expansion or development of the Group business.

In certain occasions sellers of infrastructure assets may be reluctant to enter into joint venture, mergers, disposal or other arrangements with the Group due to, among other reasons, the accounting impact of the transaction in their financial statements. Therefore, the Group is not only exposed to the accounting impact of a transaction on itself but also to that of its prospective clients.

Moreover, the Group's ability to grow its portfolio of assets in a particular market or jurisdiction could be limited by antitrust or similar legislation. Even if compliant with anti-trust legislation, the Group may not be able to consummate such transactions, undertake such activities or implement new services successfully due to disruptions in its activities or increased risk of operations, affecting negatively the Group's business and its prospects.

In addition, the loss of the Group's neutral position as a result of an MNO having obtained either (i) more than 50% of the voting rights or (ii) the right to appoint or dismiss the majority of the members of the board may cause the sellers of infrastructure assets to be reluctant to enter into new joint ventures, mergers, disposals or other arrangements with the Group. The loss of the Group's neutral position (i.e., by having one or more MNOs as a significant shareholder) may cause sellers of infrastructure assets to be reluctant to enter into new joint ventures, mergers, disposals or other arrangements with the Group (also impacting the organic growth of the Company). As the Group increases its size, management expects that large MNOs may be open to collaborating with the Group in several ways, such as by selling their sites or other infrastructure assets to Cellnex, including in exchange for Shares, which could negatively impact the Group's business and its prospects as this type of transactions could affect the perception of the Group's neutrality.

The Group is subject to a series of risks and uncertainties, including failing to obtain the expected returns and financial objectives, increased costs, assumed liabilities, the diversion of managerial attention due to acquisitions and potential structural changes such as mergers or consolidations of its competitors.

Any international expansion initiative is subject to additional risks such as the laws, regulations and complex business practices. Furthermore, there are additional risks associated with doing business internationally, including changes in a specific country's or region's political or economic conditions, inflation or currency devaluation, expropriation or governmental regulation restricting foreign ownership or requiring reversion or divestiture, increases in the cost of labour (as a result of unionisation or otherwise), power and other goods and services required for the Group's operations and changes in consumer price indexes in foreign countries.

Achieving the benefits of new acquisitions depends in part on the timely and efficient integration of the acquired business' operations, communications, infrastructure portfolios and personnel. Integration may be difficult and unpredictable for many reasons, including, among other things, differing systems and processes, cultural differences, customary business practices and conflicting policies, procedures and operations. In addition, integrating businesses may significantly burden management

and internal resources, including the potential loss or unavailability of key personnel. In this sense, while this is a clear challenge in terms of M&A bandwidth, the company has deployed its own methodology to ensure a smooth transition and business continuity. In this sense, local teams were reinforced in 2018 and 2019 in France, the UK, Italy and Switzerland, the integration project starts before a new deal is signed and transitional service agreement with the seller (up to 18 month duration) ensure a successful integration, among other measures.

The potential acquisition of minority interests in other companies that manage telecom infrastructure or similar companies or the entry by the Group into joint ventures or other arrangements where it does not have control over the investment vehicle, could result in not achieving the expected rate of return on the relevant investment. Such event may occur because the interests of other shareholders are not the same as the Group's, because the underlying business does not perform as expected, because of an impairment in the value of such investment or for other reasons.

As a result, the Group's foreign operations and expansion initiatives may not succeed as expected and may materially and adversely affect its business, prospects, results of operations, financial condition and cash flows.

X) Risks inherent in the businesses acquired and the Group's international expansion.

Notwithstanding the Group's diversification of its risk exposure through the internationalization of its operations, the Group cannot assure that the countries where it operates will not experience economic or political difficulties in the future.

The Group's customers in Spain, Italy, France and Switzerland represent a significant portion of the operating income of the Group, therefore especially exposing it to risks specific to these countries.

Adverse economic conditions may have a negative impact on demand for the services the Group provides and on its customers' ability to meet their payment obligations. In periods of recession, such as the one experienced by Spain and Italy in previous years (i.e., 2008 to 2013), the demand for services provided by the Group tends to decline, adversely affecting the Group's results of operations. This negative or low growth cycle could affect the Group again in these two countries and in others. This may be further accentuated by potential recession in those two countries and in others as a result of the coronavirus COVID-19 pandemic (the "Coronavirus Pandemic") which began in China in late 2019 and has subsequently spread globally, significantly affecting Spain, Italy, France and the United Kingdom. The uncertainty surrounding the Coronavirus Pandemic and its effects on the global economy, as of the date of this Consolidated Interim Directors' Report, are expected to significantly impact global growth in 2020, due to the restriction or suspension of production, operational and business activities, disruptions to travel and transportation and adverse impacts on labour supply affecting both supply and demand chains. In addition to affecting demand for the Group's services (or the Group's customers' services) and its customers' ability to meet their payment obligations, the Coronavirus Pandemic could, among other effects, also depress the value of the Group's assets and investments, limit the Group's ability to finance its future operations and capital needs, disrupt the Group's supply chain, increase the likelihood and/or magnitude of other risks described in this Consolidated Interim Directors' Report and otherwise affect the market value and trading of the Shares. The extent to which the Coronavirus Pandemic impacts the Group's business and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including future economic conditions, and the actions to contain it or treat its impact, among others. The Group cannot assure that any estimates, forecasts, forward-looking statements or opinions contained herein or which may have been expressed in the past will remain accurate or will not abruptly change as a result of the spread and effects of the Coronavirus Pandemic. Moreover, the Group's inability to reduce the impact of the foregoing could have a material and adverse effect on its business, results of operations, financial condition and prospects. Likewise, the Group is directly exposed to the political and economic situations of Switzerland and other countries to which it has expanded its business, such as Ireland or Portugal, each of which may also be impacted by the Coronavirus Pandemic. Also, changes in the international financial markets' conditions as a result of such pandemic pose a challenge to the Group's ability to adapt to them as they may have an impact on its business. Therefore, the Group may be adversely affected by the adverse economic conditions or potential instability in the countries in which it operates and in which it has expanded its business, while at the same time a more geographically diversified revenue source allows a lower risk exposure to specific country related issues. The Group cannot predict how the economic and political cycle in such locations will develop in the short-term or the coming years or whether there will be a deterioration in political stability. In addition, the Group may be adversely affected by economic, social and political conditions in the countries in which its customers, suppliers and other counterparties operate.

Because of the Group's growing presence in the United Kingdom (which has recently increased following the completion of the BT Transaction and is expected to significantly increase in the future following the completion of the Arqiva Acquisition, the Group may face the risk of political and economic uncertainty derived from the United Kingdom's decision to leave the European Union (the "EU"), particularly in the event of a withdrawal from the EU with few or no agreements in place regarding the prospective relationship between the United Kingdom and the EU (economic, trading, legal or otherwise) after withdrawal of the former from the latter (popularly known as "hard Brexit" or "no-deal Brexit"). On January 24, 2020, the United Kingdom signed the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community ("EURATOM"), setting the terms of the withdrawal of the United Kingdom from both, which formally took place on January 31, 2020, and covering such matters as money, citizens' rights, border arrangements and dispute resolution (the "Withdrawal Agreement"). However, the Withdrawal Agreement provides for a transition period until December 31, 2020, during which the United Kingdom will remain in the European Single Market, in order to safeguard trade until a long-term relationship is agreed. Under the Withdrawal Agreement, the transition period can be extended for one or two years before July 1, 2020. Although the House of Commons voted in December 2019 against any further extension, the impact of the Coronavirus Pandemic may result in the United Kingdom nevertheless requesting such an extension. Thus, the timing of, and process for, the negotiations and the resulting terms of the United Kingdom's future economic, trading and legal relationships continue to be uncertain. The withdrawal of the United Kingdom from the EU with no agreements in place to regulate the relationship between them, may have an adverse effect on the United Kingdom's economy and markets, which in turn could adversely affect the Group's business, prospects, results of operations, financial condition and cash flows in the United Kingdom.

Growing public debt, reduced growth rates and any measures of monetary policy that may be implemented in the future in the credit markets all could affect the Group's business. A change in any of these factors could affect the access of the Group to the capital markets and the terms and conditions under which it can access such capital, which could have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows. Moreover, as a significant portion of the contracts of the Group with operators are inflation-linked and some do not have a minimum limit or floor, deflationary macroeconomic circumstances will have an adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows. In addition, the Group cannot assure that any estimates, forecasts, forward-looking statements or opinions contained herein or which may have been expressed in the past will remain accurate or will not abruptly change as a result of the spread and effects of the Coronavirus Pandemic. Moreover, the Group's inability to reduce the impact of the foregoing could have a material and adverse effect on its business, results of operations, financial condition and prospects.

XI) Risk related to the non-control of certain subsidiaries

Although Cellnex has full control and a 100% stake in the vast majority of its subsidiaries, Cellnex has made and may continue to make equity investments, which may include minority investments, in certain strategic assets managed by or together with third parties, including governmental entities and private entities. In addition, the Company has full control over certain subsidiaries in which shareholders are holders of a minority investment. The Group subsidiaries with the highest percentage of minority shareholders was Cellnex Switzerland, and after the completion of the Iliad and Salt Acquisitions (See Note 12.f of the accompanying consolidated financial statements), the Group subsidiaries with the highest percentage of minority shareholders would change.

Investments in assets over which Cellnex has partial, joint or no control are subject to the risk that the other holders of interest in the assets (making use their minority rights), who may have different business or investment strategies than Cellnex or with whom it may have a disagreement or dispute, may have the ability to independently make or block business, financial or management decisions, such as the decision to distribute dividends or the appointment of members of management, which may be crucial to the success of the project or Cellnex's investment in the project, or otherwise implement initiatives which may be contrary to its interests, creating impasses on decisions and affecting its ability to implement the foreseen strategy. Additionally, the approval of other shareholders or partners may be required to sell, pledge, transfer, assign or otherwise convey Cellnex's interest in such assets. Alternatively, other shareholders may have rights of first refusal or rights of first offer in the event of a proposed sale or transfer of Cellnex's interests in such assets. These restrictions may limit the price or interest level for Cellnex's interests in such assets, in the event it wants to dispose such interests. In addition, minority shareholders may target an exit through different mechanisms (i.e. put options, right of first offers, rights to acquire belonging to Cellnex, etc.) and the Company has the willingness to acquire such minority stakes. However, the price of this acquisition

may be inflationary and strongly revaluated (as it has happened in Cellnex Switzerland) or because this mechanisms may have already a defined price in the SHA, which is higher than the current original price paid by Cellnex.

Other holders of interest in the Group´s assets may become insolvent or file for bankruptcy at any time, or fail to fund their share of any capital contribution that might be required. Finally, they may be unable, or unwilling, to fulfil their obligations under the relevant shareholder or joint investment agreements or may experience financial or other difficulties that may adversely affect Cellnex's investment in a particular joint venture. This may result in litigation or arbitration procedures generating costs and diverting Cellnex's management team from their other managerial tasks. In certain of Cellnex's joint ventures, it may also be reliant on the particular expertise of other holders of interest and, as a result, any failure to perform Cellnex's obligations in a diligent manner could also adversely affect the joint venture. If any of the foregoing were to occur, Cellnex's business, prospects, results of operations, financial condition and cash flows could be materially and adversely affected.

XII) Risks related to execution of Cellnex's acquisition strategy

Cellnex' strategy includes the aim to strengthen and expand its operations, among others, through acquisitions. This strategy of growth exposes Cellnex to operational challenges and risks, such as the need to identify potential acquisition opportunities on favourable terms. It also may expose Cellnex to other risks such as the diversion of management's attention from existing business or the potential impairment of acquired intangible assets, including goodwill, as well as the acquisition of liabilities or other claims from acquired businesses.

Prior to entering into an acquisition agreement, Cellnex generally performs a due diligence exercise on the potential changes to existing or new tax laws or international tax treaties, methodologies impacting the Group's international operations, or fees directed specifically at the ownership and operation of communications infrastructures or its international acquisitions, which may be applied the acquisition. To the extent Cellnex or other third parties underestimated or failed to identify risks and liabilities associated with an acquisition, it may incur, directly or indirectly, in unexpected liabilities, such as defects in title, an inability to obtain permits enabling Cellnex to use the underlying infrastructure as intended, environmental, structural or operational defects or liabilities requiring remediation. Failure to identify any defects, liabilities or risks could result in Cellnex having acquired assets which are not consistent with its investment strategy which are difficult to integrate with the rest of the portfolio or which fail to perform in accordance with expectations, and/or adversely affect Cellnex's reputation, which, in turn, could have a material adverse effect on its business, prospects, results of operations, financial condition and cash flows.

Generally, if Cellnex cannot identify, implement or integrate attractive acquisition opportunities on favourable terms or at all, it could adversely impact its ability to execute its growth strategy.

XIII) Regulatory and other similar risks

Risks related to changes in tax and legal regulations and socio-political changes are significant, given that the Group carries out an activity subject to government regulations, as well as to the regulatory framework in the European Union (the "EU"). These changes in tax and legal regulations could be applied or enforced retroactively. The main rules applicable to the Group and its customers include the availability and granting of licences for the use of the spectrum, the rates for its use and the commercial framework for the sale of terrestrial radio broadcasting assets and the obligations imposed on the Group by the Spanish competition authorities in relation to its broadcasting infrastructure activities.

Moreover, environmental and health regulation imposes additional costs and may affect the Group's results of operations. In the countries in which the Group operates, it is subject to environmental laws and electromagnetic regulations, as well as to the EU laws and regulations, concerning issues such as damage caused by air emissions, noise emissions and electromagnetic radiation. These laws are increasingly stringent and may create in the future substantial environmental compliance liabilities and costs.

Public perception of possible health risks associated with cellular and other wireless communications technologies could affect the growth of wireless companies, which could in turn slow down the Group's growth. In particular, negative public perception of these health risks could undermine the market acceptance of wireless communications services, increase opposition to the development and expansion of telecom infrastructures and lead to price increases of the infrastructure services where the infrastructures are located. The potential connection between radio frequency emissions and certain

negative health or environmental effects has been the subject of substantial study by the scientific community in recent years and numerous health-related lawsuits have been filed against wireless carriers and wireless device manufacturers. If a scientific study or court decision in the jurisdictions in which the Group operates or elsewhere resulted in a finding that radio frequency emissions pose health risks to consumers, it could negatively impact the Group's customers and the market for wireless services, which could materially and adversely affect the Group's business, prospects, financial condition, results of operations and cash flows. The Group insurance coverage may not be sufficient to cover all or a substantial portion of any liability it may have.

The Group's services are affected by the current electromagnetic emission rules applicable in terms of limiting the emissions coming from equipment of the Group's customers hosted by the Group. Despite the fact that the ratio emitting equipment is held by Cellnex, the Group´s customers are liable for the emissions of their own equipment. In the event that such rules were amended against the Group´s interest, they could limit its growth capacity and may adversely affect its business, prospects, results of operations, financial condition and cash flows.

The Group mitigates the risks to which is exposed from possible regulatory changes through coordination in the relevant areas to ensure that it follows prevailing local legislation and that it is able to anticipate regulatory changes.

XIV) Litigation

The Group is subject to the risk of legal claims and proceedings and regulatory enforcement actions in the ordinary course of business and otherwise. The results of legal and regulatory proceedings cannot be predicted with certainty. The Group cannot guarantee that the results of current or future legal or regulatory proceedings or actions will not materially harm the Group's business, prospects, financial condition, results of operations or cash flows, nor can it guarantee that it will not incur losses in connection with current or future legal or regulatory proceedings or actions that exceed any provisions that it may have set aside in respect of such proceedings or actions or that exceed any available insurance coverage, which may have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

XV) Risk related to the Company's ownership structure The Company's significant shareholder's interests may differ from those of the Company

ConnecT Due S.r.L. ("ConnecT Due"), which owns 16.45% of Cellnex's share capital, is the largest shareholder of the Company as of the date of the accompanying consolidated financial statements. As of the date of the accompanying consolidated financial statements, and pursuant to publicly available information, Sintonia S.p.A. ("Sintonia") holds control of ConnecT Due's share capital. Sintonia, in turn, is a sub–holding company wholly-owned by Edizione S.R.L ("Edizione"). Also, each of Infinity Investments, S.A. ("Infinity"), a wholly owned subsidiary of the Abu Dhabi Investment Authority ("ADIA") and the Government of Singapore ("GIC") (through Raffles Infra Holdings Limited ("Raffles")), hold approximately 7% of Cellnex's share capital. ConnecT Due has a significant influence over those matters requiring shareholders' approval, including the appointment and dismissal of the members of the Board of Directors, the payment of dividends, changes in the issued share capital of the Company and the adoption of certain amendments to the bylaws. In addition, ConnecT Due has appointed two out of twelve of Cellnex's Directors. There can be no assurance that ConnecT Due, or any other current or future significant shareholder, will act in a manner that is in the best interest of other shareholders of the Company, which could, in turn, adversely affect the Group's business, prospects results of operations, financial condition and cash flows.

Operational risks

XVI) Risks related to the industry and the business in which the Group operates

The sector where the Group develops its activities is characterized by rapid technological changes and it is essential to be able to offer the products and services demanded by the market and to select the appropriate investments.

The development and implementation of new technologies designed to enhance the efficiency of wireless networks or new technologies developing alternative network solutions (either broadcasting infrastructure or alternative technologies to the network services provided), or changes in the Group customers' business models, could reduce the need for infrastructure-based wireless services, reduce the need for broadcasting or network services, decrease demand for the Group's

infrastructure space or reduce rates or other fees obtained in the past. In this regard, the Group faces the risk that its customers may not adopt the technologies the Group invests in. For example, as communication technologies continue to develop, competitors may be able to offer wireless telecom infrastructure products and services that are, or that are perceived to be, substantially similar to or better than those offered by the Group, or offer technologies that provide similar functionality with competitive prices and with comparable or superior quality.

The Group cannot be certain that existing, proposed or as yet undeveloped technologies of its complementary segments (such as, 5G, "Small Cells", DAS, data centers/edge computing and fibre will not become dominant in the future and render the technologies and infrastructure the Group currently uses obsolete. Should the Group's competitors develop and commercialize new technologies designed to improve and enhance the range and effectiveness of wireless telecom networks, it could significantly decrease demand for existing infrastructure. In fact, the Broadcasting Business is threaten due to substitute new technologies such as cable TV, satellite TV, or OTTs. The Group's business and growth prospects could be jeopardized if it was not able to promptly identify and adapt to shifting technological solutions and/or if it failed to acquire or develop the necessary capabilities and expertise to meet the clients' changing needs. The development and implementation of new services with a significant technological component is also subject to inherent risks that the Group may not be able to overcome.

In addition, customers of the Group's services may reduce the budgets they may have allocated to telecom infrastructure, broadcasting infrastructure or other services, as the industry constantly invests in the development and implementation of new technologies or because of changes in their business model. Examples of these technologies include spectrally efficient technologies, which could reduce the Group´s customers' network capacity needs and as a result could reduce the demand for infrastructure-based wireless services.

Moreover, certain Small Cell-based complementary network technologies, in which the Group is actively working, could shift a portion of its customers' investments away from the traditional infrastructure-based networks, which may reduce the need for MNOs to add more equipment at communication infrastructures. Moreover, the emergence of alternative technologies could reduce the need for infrastructure-based broadcast or network services. For example, the growth in the delivery of wireless communications, radio and video services by direct broadcast satellites could materially and adversely affect demand for the Group's infrastructure services. Further, a customer may decide to no longer outsource infrastructures or otherwise change its business model, which would result in a decrease in the Group's revenue.

In the Broadcasting Infrastructure activity, digital terrestrial television ("DTT") is the method most widely used to transmit TV signals in Europe but an eventual unexpected increase in Spain of the use of alternative distribution platforms (such as satellite, cable or internet protocol television ["IPTV"]) or the growth and deployment of Wi-Fi network could reduce the Group's current business volume. In the Other Network Services activity the Group uses, among other technologies, terrestrial trunked radio ("TETRA") services technology or radio links to deliver its services, and the use of alternative technologies could reduce its revenues and limit potential future growth. The development and implementation of any of these and similar technologies, as well as of new products and technologies, may render some of the products and services offered by the Group obsolete which could have a material adverse effect on its business, prospects, results of operations, financial condition and cash flows.

XVII) Risk of not developing the strategic sustainability plan

Cellnex's degree of involvement and commitment to the environment and the fight against climate change has led it to develop a Strategic Plan for sustainability based on 11 lines of action, all of which are aligned with the United Nations' ODS.

Failure to develop the plan would entail a reputational risk. A worse rating in the sustainability indices and in the analyses of proxy advisors would mean a worse valuation by investors. It would also represent a failure to comply with the commitments acquired in environmental matters with various international bodies and institutions (United Nations, Global Compact, Business for 1.5°C or Science Based Targets initiative according to IPPC (SBTi)), as well as with our stakeholders and society in general.

The company may not comply with the environmental requirements established in the Spanish and/or European Legislative Framework, or with the requirements of listed companies such as those established in the Non-Financial Information and Diversity Act.

Failure to implement the measures set out in the Strategic Sustainability Plan to reduce the impact of climate change would ultimately have direct consequences for the company's activity. Among these are the management of energy efficiency and the associated carbon footprint, due to the impact on, for example, cooling systems to compensate for the increase in temperatures at the various types of the Group's telecommunications sites; or supply chain management by incorporating suppliers into the sustainability and carbon footprint reduction criteria.

XVIII) Risks related to maintaining the rights over land where the Group's infrastructures are located

The Group's real property interests relating to its infrastructures consist primarily of ownership interests, fee interests, easements, licenses and rights-of-way. A loss of these interests at a particular infrastructure may interfere with the Group's ability to operate infrastructures and generate revenues. In the context of acquisitions, the Group may not always have the ability to access, analyse and verify all information regarding titles and other issues prior to completing an acquisition of infrastructures and the absence of title or other issues can affect the Group's rights to access and operate an infrastructure.

The Group owns the majority of its telecommunications infrastructures it operates; however, the vast majority of the land and rooftops where these infrastructures are located is operated and managed through lease contracts, sub-lease contracts or other types of contracts with third parties (with the exception of the UK, where the group owns a large amount of the land where its sites are located). Thus, for various reasons, land owners could decide not to renew, or to adversely amend the terms of the ground lease contracts with the Group. In particular, the increasing presence of ground lease aggregators may negatively affect the Group´s ability to renew those contracts under commercially acceptable terms. For instance, the Group could lose its rights over the land, the land could be transferred to third parties or reversion of assets may be mandatory at the end of the relevant concession period. The Group also has long-term rights to use third party infrastructures and the non-compliance with its obligations would lead to the loss of the right to use these infrastructures. Lastly, in the future the Group must revert back to the corresponding government authorities certain assets under the terms of certain concession agreements.

In addition, the maturities of the lease contracts, sub-lease contracts or other types of contracts with third parties to operate and manage land and rooftops where the Group's telecommunications infrastructures are located, are generally shorter than the contracts that the Group has entered into with its customers to provide services. In that sense, there is a mis-match in the maturities of both contractual relationships which could prevent the Group from succesfully providing agreed upon services, as the Group may not have access to primary resources essential to execute those contractual obligations.

The Group's inability to use the land where its infrastructures are located may have a material adverse effect on the Group's ability to comply with its contractual obligations and to complete its current or future infrastructure or growth projects as expected on schedule or within budget, if at all. This may in turn have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

Likewise, and in line with the Group's industry peers that operate telecom or broadcasting infrastructure, the Group may not always have all the necessary licenses and permits of its infrastructure assets. The lack of necessary licenses, property titles and permits could give rise to monetary fines and, as an interim measure, the authorities could order that the affected equipment or infrastructures be sealed-off or even decommissioned until the required authorization or license is obtained. Criminal liability could also arise in certain circumstances.

Similarly, the basic resources to provide service to the Group's customers may not be guaranteed. As such, some infrastructures linked to the broadcasting business are subject to the contract renewal conditions set at the time when the company CTTI was privatized and contributed assets to Cellnex's subsidiary Tradia. The duration of the contract is 35 years, distinguishing a mandatory period of 25 years until February 10, 2025 subject to be renewed for an additional period of 10 additional years if Cellnex has fulfilled its financial rent obligations to date, the maintenance of such infrastructure is adequate and there is reserved space in favor of CTTI.

To minimise these risks, the Group has specific control policies, procedures, plans and systems for each area, which are periodically reviewed and updated by specific external auditors for each area (financial reporting, quality, occupational risks, etc.). The Group also continually monitors and analyses its insurable risks and has implemented an insurance program to ensure a level of coverage and risk in keeping with the policies that have been introduced.

XIX) Failure to attract and retain high quality personnel could negatively affect the Group's ability to operate its business

The Group's ability to operate its business, grow and implement its strategies depends, in part, on the continued contributions of its senior executive officers and other key employees. The loss of any of its key senior executives, especially if lost to a competitor, could have an adverse effect on its business unless and until a replacement is found. The Group may not be able to locate or employ qualified executives on acceptable economic terms. Moreover, if the relationship with one or more of the Group's key employees ends for any reason, there is no assurance that the Group will be able to replace them in the short term with people of comparable experience and qualifications. Any material delay in replacing such individuals may have an adverse effect on the public perception of the strength of the Group's business, prospects, results of operations, financial condition and cash flows. In addition, the Group believes that its future success, including the ability to internationally expand the Group's business, will depend on its continued ability to attract and retain highly skilled personnel with experience in its key business areas. Demand for these persons is intense and the Group may not be able to successfully recruit, train or retain qualified managerial personnel, especially in new markets where the Group may operate.

Any failure by the Group to attract and retain skilled and experienced employees or the loss of any of its key employees, could harm its business and growth prospects and have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

XX) The Group relies on third parties for key equipment and services, and their failure to properly maintain these assets could adversely affect the quality of its services

The Group relies on third-party suppliers to provide key equipment and services that are essential for the Group's operations. Some of these are only available from a limited number of third parties. For example, the Group relies on transmission capacity and other critical facilities that are owned by third parties. In addition, the build-to-suit programs are executed on the basis of agreements with third-party suppliers, and so the Group relies on third-parties to effectively execute its contractual obligations. The Group does not have operational or financial control over these partners, and it has no influence with respect to the manner in which these suppliers conduct their business. If these suppliers fail to provide equipment or services on a timely basis or in accordance with the agreed terms, the Group may be unable to provide services to its customers until an alternative supplier can be found. In addition, existing or new competitors in the markets where the Group operates may compete for services from the Company's existing suppliers and such competitors may obtain more favorable terms than those the Group currently benefits from. Additionally, it is possible that current suppliers of services could become competitors, therefore competing as consumers of services they provide. Either of these occurrences could result in upward pricing pressure on these contracts and the Group may not be able to renew its contracts at all or at the same rate as in the past, and could lose market share. If any of these contracts are terminated or the Group is unable to renew them on favorable terms or negotiate agreements for replacement services with other providers at comparable terms, this could have a material adverse effect on the Group's business and capacity to fulfil their contractual obligations, prospects, results of operations, financial condition and cash flows.

Likewise, any commercial dispute with a supplier, the termination of a relationship, as well as insolvency, bankruptcy, end of or curtailing business, so forth, of any supplier, including such situations in which the supplier is forced to cease the provision of services to the Group for any reason or fails to provide the services or goods deemed necessary for the Group to carry out its activities, the Group may be exposed to additional costs and may not be able to comply in full with all the contracts with its customers. If this circumstance occurred, it could have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

Financial risks

XXI) Financial information risk

To mitigate risks relating to financial reporting and to ensure the reliability of such information, the Group has established an Internal Control over Financial Reporting System ("ICFRS"). The Group has a corporate risk control unit that is responsible for carrying out tests to verify compliance with the policies, manuals and procedures defined for the ICFRS, and for validating the effectiveness of controls in place to mitigate the risks related to these processes.

However, there can be no assurance that any policies and procedures established by the Group will be followed at all times or effectively detect and prevent all violations of the applicable laws and regulations in every jurisdiction in which one or more of the Group employees, consultants, agents, commercial partners, contractors, sub-contractors or joint venture partners are located. As a result, the Group could be subject to penalties and reputational damage if its employees, agents, suppliers or business partners take actions in violation of the compliance systems as well as violate any anti-corruption or anti-bribery laws. Violations of such laws may also lead to other consequences such as the early termination of the financing contracts, which, together with the above, could materially and adversely affect the Group business, prospects, financial conditions, results of operations and/or cash flows.

XXII) Expected contracted revenue (backlog)

Expected contracted revenues from the service agreements (backlog) represents management's estimate of the amount of contracted revenues that the Group expects will result in future revenue from certain existing contracts. This amount is based on a number of assumptions and estimates, including assumptions related to the performance of a number of the existing contracts at a particular date but does not include adjustments for inflation. One of the main assumptions for calculating backlog is the automatic renewal of contracts for services with the Group's anchor customers. Such contracts have renewable terms including, in some cases, 'all or nothing' clauses that only allow the renewal of the entire portfolio of the relevant project (not the renewal of a portion thereof) on terms that are generally pre-agreed and may result an increase or a decrease in price, within certain parameters. In some instances, the contracts for services may be cancelled under certain circumstances by the customer at short notice without penalty.

It should be noted that the first renewals of the Telecom Infrastructure Services contracts will take place in 2022 and 2023, being Telefónica (as defined herein) the customer of the relevant contract. In addition, contracts with mayor customers in the Broadcasting Infrastructure segment will face a new cycle of renewals in the following years with most of its customers. The termination of the contracts ("churn") with mayor customers in both of the segments above may materially and adversely affect the Group's business, prospects, results of operations, financial condition and cash flows. It should also be noted that contracts in place with Telefónica and Wind may be subject to change in terms of the fees being applied at a time of a renewal, within a predefined range applied to the last annual fee (that reflects the cumulative inflation of the full initial term). In addition, the Group´s definition of backlog may not necessarily be the same as that used by other companies engaged in similar activities. As a result, the amount of the Group backlog may not be comparable to the backlog reported by such other companies. The realization of the Group backlog estimates is further affected by the performance under its contracts. The ability to execute the Group's backlog is dependent on its ability to meet the clients' operational needs, and if the Group was unable to meet such needs, the ability to execute its backlog could be adversely affected, which could materially affect the Group's business, prospects, financial condition, results of operations and cash flows. There can be no assurance that the revenue projected in the Group's backlog will be realized or, if realized, will result in profit. Contracts for services are occasionally modified by mutual consent. Because of potential changes in the scope or schedule of services the Group provides to its clients, the Group cannot predict with certainty when or if its backlog will be realized. In the case of "engineering services", that are pre-agreed and associated to incremental fees may be phased over a longer than expected period of time, reduced or even cancelled, seriously affecting the management's estimate of contracted revenues over time. Even where a project proceeds as scheduled, it is possible that the client may default and fail to pay amounts owed to the Group. Delays, payment defaults or cancellations could reduce the amount of backlog currently estimated, and consequently, could inhibit the conversion of that backlog into revenues, which would in turn materially affect the Group business, prospects, financial condition, results of operations and cash flows.

XXIII) Foreign currency risk

As the Group reporting currency is the euro, fluctuations in the value of other currencies in which borrowings are instrumented and transactions are carried out with respect to the euro may have an effect in future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

Furthermore, the Group operates and holds assets in the UK and in Switzerland, both countries outside the Eurozone. The Group is therefore exposed to foreign currency risks and in particular to the risk of currency fluctuation in connection with exchange rate between the euro, the pound sterling and the Swiss franc. The Group strategy for hedging foreign currency risk in investments in non-euro currencies tends towards a full hedge of this risk, and must be implemented over a reasonable period of time depending on the market and the prior assessment of the effect of the hedge. Hedging arrangements can be instrumented via derivatives or borrowings in local currency, which act as a natural hedge.

Although the majority of the Group transactions are denominated in euros, the volatility in converting into euro agreements denominated in pound sterling and Swiss francs may have negative consequences to the Group, affecting its overall business, prospects, financial condition, results of operations and/or cash flow generation.

XXIV) Interest rate risk

The Group is exposed to interest rate risk through its current and non-current borrowings.

Borrowings issued at floating rates expose the Group to cash flow interest rate risk, while fixed-rate borrowings expose the Group to fair value interest rate risk. Additionally any increase in interest rates would increase Group finance costs relating to variable-rate indebtedness and increase the costs of refinancing existing indebtedness and issuing new debt.

The aim of interest rate risk management is to strike a balance in the debt structure which makes it possible to minimise the volatility in the consolidated income statement in a multi-annual setting.

The Group can use derivative financial instruments to manage its financial risk, arising mainly from changes in interest rates. These derivative financial instruments are classified as cash flow hedges and recognised at fair value (both initially and subsequently). The required valuations were determined by analysing discounted cash flows using assumptions mainly based on the market conditions at the reporting date for unlisted derivative instruments (see Note 9 of the accompanying consolidated financial statements).

As at 30 June 2020 and 31 December 2019 there are financing granted from third parties covered by interest rate hedging mechanisms (see Note 9 of the accompanying consolidated interim financial statements).

XXV) Credit risk

Each of the Group's main business activities (Telecom Infrastructure Services, Broadcasting Infrastructure and Other Network Services) obtain a significant portion of revenues from a limited number of customers, many of which are long-term customers and have high-value contracts with the Group.

The MNOs are the Group's main customers in the Telecom Infrastructure Services; television and radio broadcasting operators are the main clients in the broadcasting infrastructure; and certain central, regional and local government authorities, emergency and security forces, the public service sector and telecommunications operators are the main customers in its activities relating to Other Network Services.

The Group is sensitive to changes in the creditworthiness and financial strength of its main customers due to the importance of these key customers to the overall revenues. The long-term nature of certain Group contracts with customers and the historically high renewal ratio of these contracts helps to mitigate this risk.

The Group depends on the continued financial strength of its customers, some of which operate with substantial leverage and are not investment grade or do not have a credit rating.

Given the nature of the Group's business, it has significant concentrations of credit risk, since there are significant accounts receivable as a result of having a limited number of customers. To mitigate this credit risk, the Group has place contractual arrangements to transfer this risk to third parties via non-recourse factoring of trade receivables in which case the Group would not retain any credit risk.

Credit risk also arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, and other debt, including unsettled receivables and committed transactions.

The loss of significant customers, or the loss of all or a portion of the Group's expected services agreements revenues from certain customers and an increase in the Group's level of exposure to credit risk, or its failure to actively manage it, could have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

XXVI) Liquidity risk

The Group carries out a prudent management of liquidity risk, which involves maintaining cash and having access to a sufficient amount of financing through established credit facilities as well as the ability to settle market positions. Given the dynamic nature of the Group's businesses, the policy of the Group is to maintain flexibility in funding sources through the availability of committed credit facilities. Due to this policy the Group has available liquidity c. EUR 4,000 million, considering cash and available credit lines, as at the date of approval for issue of these consolidated financial statements, and has no immediate debt maturities (the maturities of the Group's financial obligations are detailed in Note 13).

As a consequence of the aforementioned the Group considers that it has liquidity and access to medium and long-term financing that allows the Group to ensure the necessary resources to meet the potential commitments for future investments.

However, the Group may not be able to draw down or access liquid funds in a sufficient amount and at a reasonable cost to meet its payment obligations at all times. Failure to maintain adequate liquidity levels may materially and adversely affect the Group business, prospects, results of operations, financial conditions and/or cash flows, and, in extreme cases, threaten the Group future as a going concern and lead to insolvency.

XXVII) Inflation risk

Despite a long period of historically low inflation, there is no assurance that inflation may not increase as a result of among others. A significant portion of the Group's operating costs could rise as a result of higher inflation and monetary policies of the European Central Bank. Further, most of the Group's infrastructure services contracts are indexed to inflation. As a consequence, its results of operations could be affected by inflation and/or deflation.

XXVIII) Risk related to Group indebtedness

The Group's indebtedness may increase, from time to time, due to potential new acquisitions, fundamental changes to corporate structure or joint ventures and issuances made in connection with any of the foregoing. The Group´s present or future leverage could have significant negative consequences, including:

- Placing the Group at a possible competitive disadvantage to less leveraged competitors and competitors that may have better access to capital resources, including with respect to acquisitions and forcing the Group to forego certain business opportunities;

- Requiring the dedication of a substantial portion of cash flow from operations to service the debt, thereby reducing the amount of cash flow available for other purposes, including, among others, capital expenditures and dividends;

- Requiring the Group to issue debt or equity securities or to sell some of its core assets, possibly not on the best terms, to meet payment obligations;

- Accepting financial covenants in the financing contracts such as: debt limitation, minimum cash restriction, or pledge of assets;

- A potential downgrade from a rating agency, which can make obtaining new financing more difficult and expensive; and

- Requiring the Group to early repay the outstanding debt in the event that the relevant change of control clause is triggered.

As of 30 June 2020 and 31 December 2019, the outstanding loans and credit facilities entered into by Cellnex and its subsidiaries are unsecured and unsubordinated and rank pari passu with the rest of the Group's unsecured and unsubordinated borrowings. Most of these contracts are subject to cross-default provisions and generally do not require Cellnex nor its subsidiaries to comply with any financial ratio. Certain loan and credit facilities are subject to various restrictions, including but not limited to, requiring Cellnex to maintain a minimum rating of Ba2 by Moody's Investors Service, Inc., or BB by Fitch Ratings Ltd. or Standard & Poor's Financial Services LLC, requiring shares to be pledged and provided as collateral if certain financial ratios are not satisfied, and imposing restrictions on additional indebtedness. The financing contracts of the Group do not contain any limitations on the distribution and payment of dividends, other than the syndicated facilities agreement entered into by Swiss Towers, which includes a covenant restricting the distribution of dividends by Cellnex Switzerland and Swiss Towers –but not Cellnex– based on leverage levels.

XXIX) The Company cannot assure that it will be able to implement its Dividend Policy or to pay dividends (and even if able, that the Company would do so)

If there are any distributable profits, declaration of a dividend requires a resolution of the General Shareholders' Meeting upon the recommendation of the Board of Directors In the implementation of the Company's Dividend Policy (as defined herein), Cellnex is focused on distributing an annual dividend in an amount increased by 10% with respect to the dividend distributed the year before. However, the Company's ability to distribute dividends in an amount increased by 10% with respect to the dividend distributed the year before, depends on a number of circumstances and factors including, but not limited to, the amount of net profit attributable to the Company in any financial year, any limitations to the distribution of dividends included in the Company's financing agreements and the Company's growth strategy. In the future, the Company may not have cash available to pay dividends in an amount increased by 10% with respect to the dividend distributed the year before or have the reserves legally required for the Company to be able to do so. Even if the Company does have adequate cash and reserves, the Company's shareholders and Board of Directors may choose not to distribute dividends in an amount increased by 10% with respect to the dividend distributed the year before. In addition, the Company's ability to distribute dividends at all, depends on the same circumstances and factors and even if the Company does have adequate cash and reserves, the Company's shareholders and Board of Directors may choose not to distribute dividends at all.

Consequently, the Company cannot assure that it will pay a dividend in the future in compliance with the Company's Dividend Policy, or that it will pay any dividend

Compliance risks

XXX) Fraud and compliance risks

The Group's operations are also subject to anti-bribery and anti-corruption laws and regulations and affect where and how its business may be conducted. The Group has established certain systems to monitor compliance with applicable laws and regulations and provides training to its employees to facilitate compliance with such laws and regulations.

The Cellnex Group has a code of conduct (the "Ethics' Code") approved by the Board of Directors. The corporation prepares an Ethics' Code Framework which is then adapted in each country . This Ethics' Code is communicated to all employees.

The Group has created a corporate compliance function to improve compliance with the Group's Ethics' Code, implemented through specific regulations for each country and the establishment of whistle-blowing channels and the supervision of oversight and control measures to prevent criminal acts. The main values and principles included in the Ethics' Code are: integrity, honesty, transparency, loyalty, commitment to and defence of Group interests, and responsibility in all actions. The Ethics' Code includes among its fundamental principles the commitment to strictly comply with the obligation of the Group to offer reliable financial information prepared in accordance with applicable regulations, and the responsibility of its

employees and management to ensure this is so, by correctly carrying out of their functions and by notifying the governing bodies of any circumstance which might affect that undertaking.

XXXI) Risk associated with significant agreements signed by the Group that could be modified due to change of control clauses

Certain material contracts entered into by Group companies (all of the contracts entered into in connection to debt instruments and most of the contracts entered into with anchor investors) could be modified or terminated if a change of control clause is triggered. A change of control clause may be triggered if a third party, either alone or in conjunction with others, obtains "significant influence" and/or "control" (which is generally defined as having (i) more than 50% of shares with voting rights or (ii) the right to appoint or dismiss the majority of the members of the board of directors) of the relevant Group company. A change of control clause may be capable of being triggered at Parent Company level or at the level of the relevant subsidiary that has entered into the contract. In certain contracts, the definition of control, and therefore of a change of control, makes specific reference to the applicable law of the relevant country.

With regards to the material contracts entered into by Group companies with anchor customers, the triggering of a change of control provision is generally limited to events where the acquiring company is a competitor of the anchor customer. In such circumstances, the anchor customer may be granted an option to buy back assets (generally the infrastructures where they are being serviced). In addition, such buy back option may also be granted in the event that a competitor of the anchor customer acquires a significant portion of the shares or obtains voting or governance rights which can be exercised in a way that can negatively affect the anchor customer's interests.

Additionally, both the bonds issued under the EMTN Program and the Convertible Bonds and bank financing contracts of the Group include certain change of control clauses which could trigger an early repayment under the respective debt arrangement.

Asset buy back options can also be exercised in case of an explicit breach by a Group company of the contractual obligations under services level agreements with its customers ("SLAs"). These asset buy back options will be executed at a price below fair market valuation. Moreover, some contracts also imply the possibility of an asset buy back or the customer being able to early terminate the contract if at any time one or several of the following circumstances occur: (a) the Group undergoes an adverse financial event which materially affects, or is reasonably likely to have a material effect upon, the provision of the Services; or (b) the long-term, unsecured, unsubordinated debt rating of the Group issued by the Ratings Agencies is downgraded by two (2) or more of the Ratings Agencies to B (or equivalent level) or less; or (c) an Insolvency Event takes place for the Group. In this situation, the Group shall immediately notify its customer the eventuality and discuss its plans for rectifying such adverse change, permitting the customer to undertake Step-In Actions and ensuring that it satisfies its obligations through project-specific policies of insurance taken out with reputable third party insurance vendors or provide comparable protection by other means to the customer's satisfaction. In the event that the customer does not believe the actions taken by the Group are likely to prevent an adverse impact on the provision of the Services, it may terminate the agreement for convenience and no termination Fees shall be payable. In addition, there is only one contract related to joint future investment that has buy back clauses by which the client has the right to acquire the assets in defined windows. Cellnex's management believes there is low probability of buy back execution as it would bear an important economic payment to be satisfied to Cellnex by the client.

If a change of control clause included in any of the Group's material contracts is triggered, or if a Group company explicitly breaches its contractual obligations under an SLA, it may materially and adversely affect the Group's business, prospects, results of operations, financial condition and cash flows.

1.6. Use of financial instruments

During the 6-month period ended on 30 June 2020 the Group followed the policy for the use financial instrument described in Note 4 of the consolidated financial statements for the year ended on 31 December 2019.

1.7. R&D activities

As part of the Group's business, it is committed to investing in Research, Development and Innovation ("R&D+i"). The Group's R&D+i is closely linked to its strategy, and this is embodied in its aim to be a Group that generates value for society, customers and shareholders, through innovative, efficient, neutral and high-quality management in delivering service and contributing technological solutions. This commitment to R&D+i represents one of the main challenges for Cellnex in the current global context, characterized by its strong innovative character and for being a company that is strongly linked to the digital world and the communication technologies.

In this sense, the Group works on different projects to be prepared towards innovation, specifically in two areas: innovation and product strategy. This model also embodies a cross-cutting approach, where working procedures are defined in multidisciplinary teams and enhanced cooperation with the stakeholders that deal with the Group:

- Funded innovation projects: projects in collaboration with public and private entities. These are three-year term projects that are in their first experimental phase and which are usually partially subsidised by a public body. The most relevant projects fall into three areas: 5G, IoT/security and ITS (Intelligent Transport Systems).

    - Regarding 5G Technologies, the Group participates, at an international level, in the European H2020 5G City, whose objective is the deployment of a common 5G network, open and multi-operator that extends the centralized model in the cloud to the edge of the network. The Group is also working on 5G rural environments in projects like Lean that explores the various possibilities for deploying a 5G network in selected rural areas in an economically viable manner.
    - In IoT/Security, the Group has several initiatives like AI Mars, a project in collaboration with the Spanish military police, aiming to investigate technologies and methodologies to support surveillance and prevention of incidents in areas with high concentration of people, and Resisto, a cybersecurity and physical security project for critical infrastructure such as Torre de Collserola, Torrespaña, seaports, etc.
    - Regarding ITS, the Group participates in Estiba, aimed at the development of 4.0 technologies for the digitalization of Spanish ports, Resiltrak, a project focused on the railway world and its maintenance and repair, Eskala, the digitalization of airports by means of autonomous vehicles and artificial intelligence, and Bicisendas, the development of innovative cycle lanes.

- New Strategic products: projects that are in a more advanced stage of the innovation process in which the short and long term potential of the products that could be added to the Group's portfolio is analysed. They are classified in three areas: Evolution of media, Portfolio Enrichment and service provisioning and delivery.

    - For the Evolution of media, the Group is working in the second phase of the streaming platform LovesTV which includes personalized area (myLovesTV), multiscreen and targeted advertising as key new features.
    - The Group looks for increasing its portfolio leveraging on the Alticom Datacenter knowledge to create a model for all the Group, productise Edge computing functionality and offering FTTT (Fibre to the Tower) a connectivity solution using optic fibre to interconnect the Group's towers. Furthermore, the Group is looking to increase its presence in several verticals such as eHealth, with an agreement with the Hospital Clinic to implement 5G sensors, Tourism, with virtual reality systems at Cruilla Music Festival, or drones, with the development of a drone based inspection service for infrastructures and also for firefighting activities.
    - In the service provisioning and delivery areas, the Group is evaluating and testing new radio access technologies (OpenRAN, C-RAN…) and edge computing with operators. Furthermore, the Group is exploring how the combination of DAS and MEC (Multi-Access Edge Computing) opens the door to a new generation of services that will increase the demand for these network infrastructures.

- Supporting activities: the Group is driving open innovation, allowing it to deal with other companies with a wide variety of verticals, nature or size. In this sense, the Group is developing different initiatives in the following areas:

  - Discovery/Scouting: the Group does ongoing start-up ecosystem surveillance, attending start-up events and collaborating with seed funding companies, among others, in order to detect potential opportunities.
  - Co-Innovation: a lot of activity around Open Innovation is being carried out through collaboration with external companies in a variety of verticals.
  - Acceleration: the Group collaborates with third-party acceleration programs in order to get a faster evaluation of a potential opportunity with a start-up.
  - Investment: the Group is dedicating time to identify investment opportunities with start-ups. As of the date of this Consolidated Interim Directors' Report, the main project is the project with Nearby Computing.
  - Acquisition: the Group evaluates potential acquisitions of start-ups which are related to the Group's business.

The Group has an efficient and consolidated innovation model based on streamlined integration processes, as well as on standardising the development of innovative activity. This model fosters a culture of innovation throughout the Group that encourages everyone to continue working in line with the vision of cross-cutting integration of innovation, and working with multidisciplinary teams, both within and outside the Group.

1.8. Corporate Responsibility Master Plan

Cellnex's key objective is to generate sustained value in the short, medium and long term, through responsible management of the business, incorporating the interests and expectations of the Group's stakeholders.

Cellnex has a Corporate Social Responsibility ("CSR") policy that the Board of Directors approved in 2016 which sets out Cellnex's CSR strategy and commitment to best practices in the countries in which it operates, on the basis of international reference standards. In 2019 was updated the CSR policy to introduce SA8000 standard. This commitment is set forth in the Group's 2016-2020 CSR Master Plan, which constitutes the reference framework and the tool for systematising the strategic objectives, monitoring indicators and the actions and programmes under way for each of the axes of the Plan.

New CSR Master Plan

In 2020, CSR Master Plan 2016-2020 will be revised to evaluate lessons learned and best practices, which will help Cellnex to consolidate the actions implemented and identify improvement actions for the next plan.

Taking into account feedback from the previous plan and current CSR demands, the new CSR Master Plan will be developed in 2020. This will represent a unique chance to update Cellnex CSR strategy, taking into account changes in our business perimeter as well as the internationalisation process.

The lines of action included in the Cellnex "CSR Master Plan" are the following:

- Corporate Social Responsibility governance
- Communication & reporting
- Add value to society
- Ethical management and good governance
- Sustainable development of the business
- People development

With the 2016-2020 CSR Plan, Cellnex aims to create an instrument bringing together all the Group 's ethical, environmental and social initiatives. Furthermore, it sets out a long-term vision, establishing commitments in accordance with internationally recognised standards that place it on the same level as the major infrastructure companies operating in Europe, specifically in the telecommunications sector. This plan also aims to improve two-way dialogue between Cellnex and all stakeholders, especially the company's staff, customers, suppliers and contractors, administrations, shareholders, the community and partners in shared projects.

The Group is committed to the application of best practices in the countries in which it operates and based on international reference standards. For this reason, CSR criteria have been introduced in Due Diligence. In this way, Cellnex requires knowledge of the CSR policies and practices of the companies with which it works or will work.

In addition, the company's senior managers are committed to the corporate social responsibility through specific ESG-related objectives. Specifically, in 2019 an objective was set for this group which consisted of evaluating and monitoring the efforts made by the Group in the area of ESG (Environment, Social and Governance), based on a combination of the general score obtained in a selection of ESG indexes in which Cellnex participates.

In this context, the key future actions to be implemented in 2020 are the following:

- To analyse the possibility of consolidating the work-life balance programme through the certification of Cellnex as a Family-Responsible Company (EFR).
- To implement a Plan for the protection of the environment and biodiversity for application in the natural spaces in which Cellnex operates.
- To design an environmental course adapted to professional categories and functional areas.
- To design the necessary methodology to identify the concerns of the different interest groups. Detect relevant actions for the different interest groups and assume commitments with them.

1.9. Employees

The Cellnex team is distributed geographically in Spain, Italy, France, the Netherlands, the United Kingdom, Switzerland, Ireland and Portugal. This multidisciplinary team is key to a successful business project, which enables Cellnex to be one of the main telecommunications infrastructure operators in Europe.

The workforce is predominantly male, reflecting the current situation of the sector. Regarding equity, diversity and inclusion, during the year ended on 31 December 2019, the Group worked on developing the Equity, Diversity and Inclusion Programme for the 2019-2022 period, the approval of the Equity, Diversity and Inclusion Policy, developing and analysing the pilot's tests on teleworking, in order to roll this out to all employees and meeting objectives set and working together with Futureway on inclusion issues to try to incorporate students at risk of social exclusion.

During 2020, the main challenges regarding equity, diversity and inclusion are implementing and monitoring actions defined in the 2020 programme, implementing diversity governance, reviewing the specific actions of the Equity, Diversity and Inclusion Programme and improving it, as well as extending teleworking to a larger number of employees and to other countries.

2. OTHER INFORMATION

2.1. Shareholder Remuneration

The Parent Company intends the dividends to be distributed against distributable reserves and/or against the net profit attributable to the Parent Company for the year ending on 31 December 2020, to be equivalent to the dividend distributed corresponding to the year ended on 31 December 2019, increased by 10%.

The shareholders' remuneration policy approved, as amended from time to time, aims to keep the appropriate balance between shareholder remuneration, the Parent Company's profit generation and the Parent Company's growth strategy, pursuing an adequate capital structure. In the implementation of the Shareholders' Remuneration Policy, the Company is focused on distributing an annual dividend in an amount increased by 10% with respect to the dividend distributed the year. As a result, each year the Parent Company distributes dividends against either net profit or distributable reserves attributable to the Company for the respective financial year.

On 31 May 2018, the Annual Shareholders' Meeting approved the distribution of a dividend charged to the share premium reserve to a maximum of EUR 63 million, payable in one or more instalments during the years 2018, 2019 and 2020. It was

also agreed to delegate to the Board of Directors the authority to establish, if this is the case, the amount and the exact date of each payment during said period, always attending to the maximum overall amount stipulated.

During 2020, in compliance with the Company´s dividend policy, the Board of Directors, pursuant to the authority granted by resolution of the Annual Shareholders' Meeting of 31 May 2018, approved the distribution of a cash pay-out charged to the share premium reserve of EUR 11,818 thousand, which represented EUR 0.03067 for each existing and outstanding share with the right to receive such cash pay-out.

Thus, the total cash pay-out to shareholders distributed for the 2019 financial year was EUR 0.06909 gross per share, which represents EUR 26,622 thousand (EUR 24,211 thousand corresponding to the distribution for the 2018 financial year).

The payment of the dividends will be made on the specific dates to be determined in each case and will be duly announced.

Notwithstanding the above, the Company's ability to distribute dividends depends on a number of circumstances and factors including, but not limited to, net profit attributable to the Company, any limitations included in financing agreements and Company's growth strategy. As a result of such or other circumstances and factors, the Company may modify the Shareholders' Remuneration Policy or may not pay dividends in accordance with the Shareholders' Remuneration Policy at any given time. In any case, the Company will duly announce any future amendment to the Shareholders' Remuneration Policy.

On 21 July 2020, a distribution against the share premium reserve of Cellnex amounting up to EUR 109 million will be submitted for approval by the General Shareholders' Meeting, to be paid upfront or through instalments during the years 2020, 2021,2022 and 2023, and delegated in the Board of Directors the determination of the exact amount and date of each distribution, always within the above limit.

According to the aforementioned Shareholders' Remuneration Policy, the shareholder remuneration corresponding to the fiscal year 2020 will be equivalent to that of 2019 (EUR 26.6 million) increased by 10% (to EUR 29.3 million); the shareholder remuneration corresponding to the fiscal year 2021 will be equivalent to that of 2020, increased by 10% (to EUR 32. 2 million); and (iii) the shareholder remuneration corresponding to the fiscal year 2022 will be equivalent to that of 2021, increased by 10% (to EUR 35.4 million).

2.2. Business outlook

In terms of business prospects, during 2020 the Group will continue to focus on executing organic growth (leveraging its neutral operator character), integrating assets resulting from inorganic agreements already signed and seeking new inorganic opportunities to continue to remain a benchmark independent tower operator in Europe.

Thus, as a result of the organic growth expected along with assets and companies acquired, especially during the year ended on 31 December 2019, and their progressive integration into the Group as a whole, the Group expects to increase various key indicators by more than 50% for the year ending on 31 December 2020. The Group expects its Adjusted EBITDA for the year ending on 31 December 2020 to be approximately in the range of EUR 1,160 million to EUR 1,180 million (following the inclusion of the contribution from the Arqiva Acquisition (five and a half months, approximately), and the NOS Towering Acquisition (three months approximately), and considering the new economic terms of contracts in the Broadcasting Infrastructure segment, following the contract renewal cycle which has been recently completed), and its Recurring Leveraged Free Cash Flow (RLFCF) for the year ending on 31 December 2020 to grow by approximately more than 70%. The Group expects its capital expenditures to revenues (maintenance and expansion capital expenditures excluding build-to-suit programs) for the year ending on 31 December 2020 to grow in line with the previous year and an increase in PoPs above 4%.

The above Profit Forecasts are based on some assumptions, that relate to factors which are outside the full control of the Board of Directors. The Profit Forecasts have been compiled and prepared on a basis which is both comparable with the historical financial information and consistent with the Group's accounting policies.

2.3. Market figures: Cellnex on the stock market

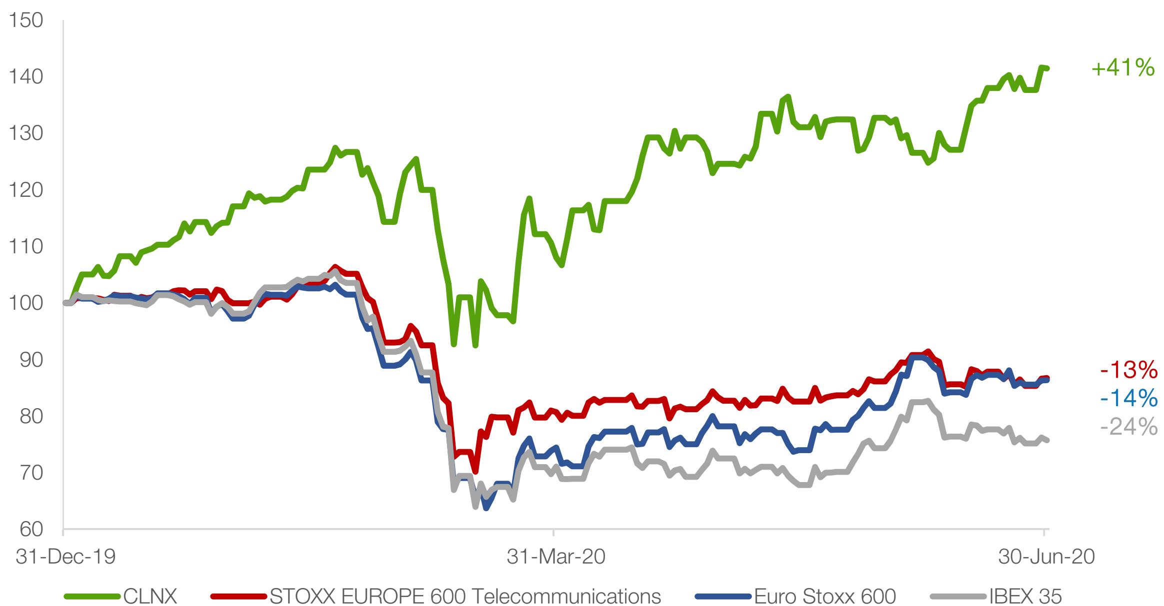
On 20 June 2016, the IBEX 35 Technical Advisory Committee approved Cellnex Telecom's (CLNX: SM) inclusion in the benchmark index of Spain's stock exchange, the IBEX 35, which brings together the principal companies on the Spanish stock exchange in terms of capitalisation and turnover. This milestone brought with it a broadening of the shareholder base, giving Cellnex higher liquidity and making it more attractive to investors. At present Cellnex has a solid shareholder base and the majority consensus of analysts who follow our company 60% is a recommendation to buy.

At 30 June 2020 and 31 December 2019, the share capital of Cellnex Telecom amounted to EUR 96,332 thousand, represented by 385,326,529 cumulative and indivisible ordinary registered shares of EUR 0.25 par value each, fully subscribed and paid (see Note 12.a of the accompanying interim consolidated financial statements).

Cellnex's share price experienced a 41% increase during the first half of 2020, closing at EUR 54.24 per share. The average volume traded has been approximately 1,197 thousand shares a day. The IBEX 35 and the STOXX Europe 600 decreased by 24% and 14% respectively and the STOXX Europe 600 Telecom decreased by 13% during the same period.

Cellnex's market capitalization stood at EUR 20,900 million at 30 June 2020, 343% higher than at start of trading on 7 May 2015, compared to a 35% drop in the IBEX 35 in the same period.

The evolution of Cellnex shares during the first half of 2020, compared to the evolution of IBEX 35, STOXX Europe 600 and STOXX Europe 600 Telecom, is as follows:



The detail of the main stock market indicators of Cellnex in 30 June 2020 and 31 December 2019 is as follows:

	30 June 2020	31 December 2019
Number of shares	385,326,529	385,326,529
Stock market capitalisation at period/year end (millions of euros)	20,900	14,784
Share price at close (EUR/share)	54.24	38.37
Maximum share price for the period (EUR/share)	54.30	41.29
Date	29/06/2020	16/10/2019
Minimum share price for the period (EUR/share)	35.47	19.9
Date	16/03/2020	02/01/2019
Average share price for the period (EUR/share)	46.25	30.24
Average daily volume (thousand shares)	1,197	1,040

2.4. Treasury shares

In accordance with the authorisation approved by the Board of Directors, at 30 June 2020 the Company held 132,304 treasury shares (0.034% of its share capital). The use to which the treasury shares will be put has not been decided upon and will depend on such resolutions as might be adopted by the Group's governing bodies.

During the first half of 2020, the treasury shares transactions carried out, are disclosed in Note 12.a to the accompanying interim condensed consolidated financial statements.

2.5. Environment

Cellnex's key objective is to generate sustained value in the short, medium and long term, through responsible management of the business, incorporating the interests and expectations of the Group's stakeholders. References to countries in this section correspond to the operations of the Group in the relevant geography.

This commitment is set forth in the Cellnex 2016-2020 corporate social responsibility master plan (the "CSR Master Plan"), which constitutes the reference framework and the tool for systematising the strategic objectives, monitoring indicators and the actions and programmes under way for each of the axes of the CSR Master Plan. One of these axes is related to sustainable development of the business.

In this sense, Cellnex Telecom España, S.A. ("Cellnex Spain"), Cellnex UK and Cellnex Italia, S.r.L "Cellnex Italy") have an environmental policy based on respecting the environment, protecting and preserving biodiversity, using renewable energies, mitigation of and adaptation to climate change, and contributing to sustainable development through the efficient use of resources, as well as promoting preventive and mobility actions. The Group is working to implement a global environmental management system that seeks to ensure compliance with local environmental regulations and will seek to continuously improve the environmental management processes of its activities and facilities.

Cellnex considers that in the context of its operations it complies with applicable environmental protection laws and the Group has procedures designed to encourage and ensure such compliance. For the six-month period ended on 30 June 2020 and 31 December 2019 the Group did not account for any provision to address potential environmental risks since it considered that there were no significant contingencies associated with potential lawsuits, indemnities or other items, as its operations comply with environmental protection laws and as procedures are in place to foster and ensure compliance.

It is the Group's policy to pay maximum attention to environmental protection and conservation, and it seeks to adopt the necessary measures to minimize the environmental impact of the infrastructure and the telecommunications networks that it manages and ensure the maximum degree of integration into the surrounding area.

With the aim to raise the level of the company's responsibility in the field of sustainability, Cellnex defined a strategic sustainability plan, which was approved by the Group's senior management during the year ended on 31 December 2019 (the "Strategic Sustainability Plan"). The project aims to raise the level of the Group's responsibility in the field of sustainability to work towards becoming a leader in environmental management. The plan also seeks to achieve a high level of commitment among the Group's stakeholders that contributes to increasing their environmental awareness. The Strategic Sustainability Plan covers five years (2019-2023).

The Strategic Sustainability Plan is part of the Group's daily activities and is structured around 11 lines linked to the United Nations Sustainable Development Goals (the "SDGs"). To that end, the Group carried out an analysis of risks and opportunities in order to identify the SDGs that Cellnex may influence, beginning with the definition of three strategic goals related to sustainability. On the basis of the corporate goals, it will set up specific goals for the different geographical areas and standardise global management systems and regulations at Group level.

The first strategic line of the Strategic Sustainability Plan consists of planning and management of sustainability, for which an action plan will be devised (the "Action Plan"). The Action Plan will include more detailed actions that facilitate the execution of the Strategic Sustainability Plan in order to plan, communicate, train and implement a certifiable management system. Over the coming years, the development of the Action Plan aims to design the implementation and future certification of a global integrated management system under a number of International Standards (ISO 9001, ISO 14001, ISO 45001, AS8000, with a focus on energy certification ISO 50001) for all business units.

Find below the main actions the Group intends to implement during 2020 with regard to environmental sustainability and responsibility:

- Plan the implementation of a global integrated ISO system for its future certification.
- Incorporate Ireland and other acquired companies in the calculation of the Cellnex Carbon Footprint.
- Define the global energy management model as well as the Group's energy efficiency plans, aligned for possible ISO certification.
- Carry out a Life Cycle Analysis.
- Perform an analysis of climate scenarios and review the risks and opportunities following the recommendations of the TCFD
- Work on the development of a safe and sustainable Travel/Mobility Plan.
- Identify natural spaces and applicable regulations. Keep in step with legislation relevant to the management system.
- Prepare of the environmental impact map.
- Analyse the life cycle of the main products/services.
- Incorporate environmental and social criteria in contracting processes.
- Maintain the value chain with CDP Supply Chain suppliers and maintain or improve the current index.
- Plan a systematic follow-up to UN SDG.
- Plan action with the CSR unit of Corporate & Public Affairs Management.
- Plan action with the CSR unit of Corporate & Public Affairs Management.

Within the environmental management system already implemented and certified, Cellnex Spain periodically updates the identification and evaluation of its environmental aspects, risks and opportunities related to the Group's activity and the derived environmental impacts, as well as the significance criteria. The most significant impacts are extracted from these evaluations, to which end a monitoring system is established and actions are planned to mitigate them.

Owing to the nature of Cellnex's business, the most important material environmental aspect is, energy. In this context, Cellnex monitors Cellnex's energy consumption to achieve maximum efficiency and the lowest possible impact on the environment and hence on society.

In terms of energy efficiency, Cellnex continued working towards achieving more efficient procedures and taking initiatives to reduce energy consumption. One of the main energy efficiency measures implemented on sites is a type of cooling system that lowers the air temperature of the sites by using external cool air which leads to a more efficient air conditioning than traditional systems. These free-cooling systems have already been installed at numerous sites in Spain, Italy and the Netherlands.

The Group has measured and obtained independent third-party confirmation of its carbon footprint in accordance with the Standard ISO 14064-1 Greenhouse gases. In 2019, in addition to calculating the carbon footprint of its operation in Spain, Italy and France, it has been calculated that of Cellnex Netherlands, Cellnex Switzerland and Cellnex UK.
As part of its efforts to manage greenhouse gas emissions, in 2019 Cellnex Spain offsetted 2,814t CO2 by purchasing 2,814 VER (Verified Emissions Reductions) credits on the voluntary market from the Mariposas Project in Chile, with the Verified Carbon Standard (VCS), to achieve neutrality in Scope 1 carbon footprint emissions from all countries. In October of 2019 (signature in July), Cellnex undertook to develop a Science-Based Emission Reduction Target over the next 24 months, which will be recognised by the Science-Based Targets Initiative (SBTi, https://sciencebasedtargets.org/). In the same month, Cellnex joined the UN Global Compact initiative "Business ambition for 1.5ºC". This is a global initiative, signed by more than a hundred companies, 10% of which are Spanish.

Once again Cellnex also took part in the Carbon Disclosure Project (CDP), one of the most highly recognised organisations for its work on climate change, which seeks to assess the quality of – and systems for reporting – the information provided by private companies or by the public sector in the sustainability and environment area. This year Cellnex was rated the "A" score, the highest score allocated by the CDP.

The Group is also implementing a Corporate Social Responsibility Management System based on the requirements of the international SA8000 standard, with the purpose of achieving its future certification. As a driver of the Integrated Management System and in its commitment to quality and excellence, Cellnex Spain, Cellnex Italy and Cellnex UK hold the ISO 14001 Standard for an Environmental Management System certification, issued by TÜV Rheinland, apart from those certified at Group level.

As part of its effort to continue improving, Cellnex Spain has set the objective of reinforcing its Management System with the ISO 50001 (Energy) and ISO 20000 Standard for Service Management.

The Company has invested significant amounts in environmental activities regarding civil works, equipment and environmental licensing projects. Cellnex considers that the potential contingencies, indemnities and other environmental risks associated with its activities are adequately covered by civil liability insurance policies that the Company has subscribed.

2.6. Post balance sheet events

The Arqiva Acquisition

On 8 July 2020, the Group completed the Arqiva Acquisition, after all the conditions precedent were satisfied, as described in detail in Note 19 b. i) of the accompanying consolidated interim financial statements.

Following this transaction, Cellnex now controls the tower operations business segment of the Arqiva Group, comprised of approximately 7,400 held sites and the rights to market approximately 900 sites in the United Kingdom.

The total consideration in relation to this acquisition has amounted to approximately GBP 2 billion (EUR 2.2 billion, assuming a GBP/EUR 1.1 exchange rate). The Group has financed the Arqiva Acquisition with available cash (from a combination of the net proceeds from the offering of shares executed on 5 November 2019 and other sources) and the GBP 600,000 thousand term loan facility of the available GBP facilities (EUR 660 million, assuming a GBP/€ 1.1 exchange rate).

Given the date the transaction was completed, the Arqiva Acquisition was not included in the accompanying condensed consolidated interim financial statements for the period ended on 30 June 2020. Therefore, the value of all of its assets and liabilities and the corresponding impact of its operations will be included in the Group's consolidated financial statements for the period in which it was completed.

New investments

In July 2020 Cellnex has acquired the full share capital of Ukkoverkot Oy, the parent company of EDZCOM, a company that provides end-to-end Private LTE Networks for critical markets based on Edge Connectivity solutions. Through this acquisition, the Group believes it is better positioned to provide greater added value to its customers as Edge Connectivity is expected to become a cornerstone for digitalization and to build the smart industries of the future.

2.7. Other documents of a public nature

At the date of issue of the accompanying consolidated interim financial statements, information of a public nature is available, which must be read in conjunction with this Consolidated interim directors' report for the 6-month period ended on 30 June 2020, and which is detailed below on a non-exhaustive illustrative basis. Such information is not incorporated by reference into this directors' report.

- Prospectus Offer of Sale and Admission to Negotiate Shares of Cellnex Telecom, S.A.U (https://www.cellnextelecom.com/en/investor-relations/7838-2/).
- Supplement to the informative prospectus for the sale and admission to trading of shares of Cellnex Telecom, S.A.U. (https://www.cellnextelecom.com/en/investor-relations/7838-2/).
- Prospectus March Capital Increase (https://www.cellnextelecom.com/content/uploads/2019/05/Prospectus-Capital-Increase.pdf)
- Prospectus October Capital Increase https://www.cellnextelecom.com/content/uploads/2019/10/Prospectus-Capital-Increase.pdf
- Universal Registration Document (https://www.cellnextelecom.com/en/investor-relations/emisiones-y-opas/).
- Euro Medium Term Note Program (EMTN) Base Prospectus (https://www.cellnextelecom.com/en/investor-relations/emisiones-y-opas/).
- Euro-Commercial Paper Programme (https://www.cellnextelecom.com/en/investor-relations/emisiones-y-opas/).
- Report of the Board of Directors on Convertible Bonds (https://www.cellnextelecom.com/en/investor-relations/emisiones-y-opas/).
- Auditor's Report on Convertible Bonds (https://www.cellnextelecom.com/en/investor-relations/emisiones-y-opas/).
- Ratings Rating Agencies (https://www.cellnextelecom.com/en/rating-eng/).
- Corporate Policies (https://www.cellnextelecom.com/).
- Press releases (https://www.cellnextelecom.com/en/press-room/news/).
- Relevant Facts (https://cellnextelecom.com/en/investor-relations/relevant-facts/).
- Results Presentations (https://www.cellnextelecom.com/en/investor-relations/quaterly-results/).
- Annual/half-yearly consolidated financial statements and Annual Governance Report (https://www.cellnextelecom.com/en/investor-relations/annual-report/).
- Corporate Bylaws of Cellnex Telecom S.A. which can be found in the Commercial Registry of Barcelona.
- Comisión Nacional del Mercado de Valores ("CNMV") website (https://www.cnmv.es/portal/home.aspx).
- Cellnex Telecom website (https://www.cellnextelecom.com/en/)
- Research released by the sell-side community covering the stock are highly recommended. Please find Analysts relation at: https://www.cellnextelecom.com/en/recomendaciones-analistas/

2.8. Explanation added for translation to English

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2.a of the accompanying consolidated interim financial statements). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Barcelona, 20 July, 2020