Cellnex Telecom, S.A. and Subsidiaries

Interim Condensed Consolidated Financial Statements and Interim Consolidated Directors' Report for the six-month period ended 30 June 2019 (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.

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 2019, 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.

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 2018. 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 2019 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.

Ana Torrens Borrás

25 July 2019

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 2019 (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 23). In the event of a discrepancy, the Spanish-language version prevails.

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CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2019
(Thousands of Euros)

	Notes	30 June 2019	31 December 2018
ASSETS			
NON-CURRENT ASSETS			
Goodwill	Note 6	582,214	582,454
Other intangible assets	Note 6	1,415,561	1,321,878
Right-of-use assets	Note 13	644,595	573,565
Property, plant and equipment	Note 5	2,040,785	1,903,742
Investments in associates	Note 7	2,898	2,803
Financial investments	Note 8	26,407	25,314
Trade and other receivables	Note 9	14,089	14,229
Deferred tax assets		56,376	55,322
Total non-current assets		**4,782,925**	**4,479,307**
CURRENT ASSETS			
Inventories		3,986	3,864
Trade and other receivables	Note 9	257,984	192,695
Receivables from associates	Note 20	79	79
Financial investments	Note 8	2,015	1,378
Cash and short term deposits	Note 10	1,702,262	455,870
Total current assets		**1,966,326**	**653,886**
TOTAL ASSETS		**6,749,251**	**5,133,193**

This consolidated balance sheet at 30 June 2019 must be read together with the Notes included on pages 9 to 61.

Translation of the 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 2019

(Thousands of Euros)

	Notes	30 June 2019	31 December 2018
NET EQUITY			
Share capital and attributable reserves			
Share capital	Note 11.a	74,668	57,921
Treasury shares	Note 11.a	(4,222)	(5,572)
Share premium	Note 11.b	1,461,715	314,522
Reserves	Note 11.c	134,307	126,002
Profit for the period		(488)	(14,983)
		1,665,980	**477,890**
Non-controlling interests	Note 11.f	138,437	137,476
Total net equity		**1,804,417**	**615,366**
NON-CURRENT LIABILITIES			
Bank borrowings and bond issues	Note 12	3,330,557	2,996,773
Lease liabilities	Note 13	441,479	423,955
Derivative financial instruments		3,684	1,255
Provisions and other liabilities	Note 16.a	179,342	236,533
Employee benefit obligations	Note 16.b	14,780	16,196
Deferred tax liabilities		307,541	333,306
Total non-current liabilities		**4,277,383**	**4,008,018**
CURRENT LIABILITIES			
Bank borrowings and bond issues	Note 12	122,605	130,833
Lease liabilities	Note 13	112,099	102,382
Provisions and other liabilities	Note 16.a	93,206	-
Employee benefit obligations	Note 16.b	31,372	35,465
Payables to associates	Note 20	-	2
Trade and other payables	Note 14	308,169	241,127
Total current liabilities		**667,451**	**509,809**
TOTAL NET EQUITY AND LIABILITIES		**6,749,251**	**5,133,193**

This consolidated balance sheet at 30 June 2019 must be read together with the Notes included on pages 9 to 61.

Translation of the 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 2019

(Thousands of Euros)

		6-month period ended on 30 June	
	Notes	2019	2018
Services		470,992	421,992
Other operating income		15,826	15,114
Operating income	Note 17 a	**486,818**	**437,106**
Staff costs	Note 17.b	(67,596)	(111,052)
Other operating expenses	Note 17.c	(112,497)	(100,362)
Change in provisions		(119)	842
Losses on fixed assets	Notes 5 and 6	(216)	(42)
Depreciation and amortisation	Notes 5, 6 and 13	(217,127)	(196,498)
Operating profit		**89,263**	**29,994**
Financial income		426	805
Financial costs		(78,824)	(49,857)
Interest expense on lease liabilities		(31,307)	(26,553)
Net financial profit/(loss)		**(109,705)**	**(75,605)**
Profit of companies accounted for using the equity method	Note 7	33	54
Profit/(loss) before tax		**(20,409)**	**(45,557)**
Income tax	Note 15	19,454	13,416
Consolidated net profit/(loss)		**(955)**	**(32,141)**
Attributable to non-controlling interests	Note 11.f	(467)	(1,340)
Net profit attributable to the Parent Company		**(488)**	**(30,801)**
Earnings per share (in euros per share):			
Basic	Note 11.e	(0.00)	(0.13)
Diluted	Note 11.e	(0.00)	(0.13)

This consolidated income statement corresponding to the 6-month period ended on 30 June 2019 must be read together with the Notes included in pages 9 to 61.

Translation of the 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 2019

(Thousands of Euros)

		6-month period ended on 30 June	
	Notes	**2019**	**2018**
PROFIT FOR THE PERIOD		**(955)**	**(32,141)**
Income and expenses recognised directly in net equity, transferable to the consolidated income statement:			
Variation in cash flow hedges of the Parent Company and fully and proportionately consolidated companies		(1,822)	(467)
Total consolidated comprehensive income		**(2,777)**	**(32,608)**
Attributable to:			
- Company shareholders		(2,310)	(31,268)
- Non-controlling interests		(467)	(1,340)
Total consolidated comprehensive income		**(2,777)**	**(32,608)**

This consolidated statement of comprehensive income corresponding to the 6-month period ended on 30 June 2019 must be read together with the Notes included in pages 9 to 61.

Translation of consolidated 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 2019

(Thousands of Euros)

	Share capital	Treasury shares	Share premium	Reserves	Profit for the period	Non-controlling interests	Net equity
At 1 January 2018 (*)	**57,921**	**(1,859)**	**338,733**	**46,406**	**26,339**	**143,053**	**610,593**
Impact of adopting IFRS 9	-	-	-	(7,047)	-	-	(7,047)
At 1 January 2018	**57,921**	**(1,859)**	**338,733**	**39,359**	**26,339**	**143,053**	**603,546**
Comprehensive income for the period	-	-	-	(467)	(30,801)	(1,340)	(32,608)
Distribution of 2017 profit	-	-	-	26,339	(26,339)	-	-
Change in scope	-	-	-	(3,433)			(3,433)
Treasury shares	-	(3,713)	-	215	-	-	(3,498)
Final dividend	-	-	(11,816)	-	-	(5,943)	(17,759)
Issuance of Convertible Bond	-	-	-	62,480	-	-	62,480
Foreign exchange reserves	-	-	-	(724)	-	1,150	426
At 30 June 2018	**57,921**	**(5,572)**	**326,917**	**123,769**	**(30,801)**	**136,920**	**609,154**
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	-	1,350	-	-	-	-	**1,350**
Final dividend	-	-	(11,816)	-	-	-	**(11,816)**
Issuance of Convertible Bond				21,426			**21,426**
Foreign exchange reserves	-	-	-	1,490	-	1,644	**3,134**
Capital Increase	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**

This consolidated statement of changes in net equity corresponding to the 6-month period ended on 30 June 2019 must be read together with the Notes included in pages 9 to 61.

(*) Restated balances. Certain amounts included in this consolidated statement of changes in net equity for the year ended on 31 December 2017 do not relate to those included in the consolidated financial statements for the year ended on 31 December 2017, and reflect the adjustments described in Note 2.b. of the 2018 consolidated annual accounts.

Translation of consolidated 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 2019

(Thousands of Euros)

		6-month period ended on 30 June	
	Notes	**2019**	**2018**
Profit/(loss) for the period before tax		**(20,409)**	**(45,557)**
Adjustments to profit-			
Depreciation	Note 17.e	217,127	196,498
Gains/(losses) on derecognition and disposals of non-current assets		216	42
Changes in provisions		119	(842)
Interest and other income		(426)	(805)
Interest and other expenses		110,131	76,410
Share of results of companies accounted for using the equity method	Note 7	(33)	(54)
Other income and expenses		1,097	1,467
Changes in current assets/current liabilities-			
Inventories		(122)	(1,028)
Trade and other receivables		(42,177)	(8,754)
Other current assets and liabilities		53,585	22,542
Cash flows generated by operations			
Interest paid		(78,097)	(64,392)
Interest received		426	-
Income tax received/(paid)		(2,282)	(9,403)
Employee benefit obligations and current provisions		2,134	20,166
Total net cash flow from operating activities (I)		**241,289**	**186,290**

This consolidated cash flow statement corresponding to the 6-month period ended on 30 June 2019 must be read together with the Notes included in pages 9 to 61.

Translation of consolidated 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 2019

(Thousands of Euros)

		6-month period ended on 30 June	
	Notes	2019	2018
Business combinations and changes in the scope of consolidation		(4,346)	(3,542)
Purchases of property, plant and equipment and intangible assets	Note 5 and 6	(386,390)	(224,391)
Non-current financial investments		(3,307)	(4,236)
Total net cash flow from investing activities (II)		**(394,043)**	**(232,169)**
Acquisition of treasury shares		-	(5,035)
Issue of equity instruments (capital increase)	Note 11	1,175,756	-
Issue of equity instruments (convertible bond)	Note 12	21,367	62,480
Proceeds from issue of bank borrowings	Note 12	479,979	297,920
Bond issue	Note 12	200,120	572,308
Repayment and redemption of bank borrowings	Note 12	(329,559)	(391,307)
Net repayment of other borrowings	Note 12	(25,725)	(34,984)
Net payment of lease liabilities	Note 13	(113,400)	(71,443)
Dividends paid	Note 11	-	-
Dividends to non-controlling interests		(808)	(998)
Dividends received		109	713
Total net cash flow from financing activities (III)		**1,407,839**	**429,654**
Foreign exchange differences		**(8,693)**	**(6,567)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS (I)+(II)+(III)		**1,246,392**	**377,208**
Cash and cash equivalents at beginning of period	Note 10	455,870	295,173
Cash and cash equivalents at end of period		**1,702,262**	**672,381**

This consolidated cash flow statement corresponding to the 6-month period ended on 30 June 2019 must be read together with the Notes included in pages 9 to 61.

Cellnex Telecom, S.A. and Subsidiaries
Notes to the condensed consolidated interim financial statements for the 6-month period ended on 30 June 2019

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 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 2019 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 balances corresponding to the financial year ended on 31 December 2018 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 2019, 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 25 July 2019.

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 2019, 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 2018, drawn up in accordance with the existing International Financial Reporting Standards (IFRS) adopted by the European Union, which were approved by the shareholders of the Parent Company on 9 May 2019.

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 2018, with the exception of the adoption of any new standards and interpretations effective from 1 January 2019 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 2019, 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		
IFRS 16 - Leases (published in January 2016)	Replaces IAS 17 and associated interpretations. The central novelty lies in a single accounting model for lessees, which will include in the balance sheet all leases (with some limited exceptions) with an impact similar to that of current financial leases (there will be amortization of the asset for the right of use and an expense financial cost for the amortized cost of the liability).	1 January 2019
Modification to IFRS 9 - Characteristics of early cancellation with negative compensation (published in October 2017)	This modification will allow the valuation at amortized cost of some financial assets payable in advance for an amount less than the outstanding amount of principal and interest on said principal.	1 January 2019
IFRIC 23 Uncertainty about tax treatments (published in June 2017)	This interpretation clarifies how to apply the registration and measurement criteria of IAS 12 when there is uncertainty about the acceptability by the tax authority of a specific tax treatment used by the entity.	1 January 2019
Modification to IAS 28 - Long-term interest in associates and joint ventures (published in October 2017)	Clarifies that IFRS 9 should be applied to long-term interests in an associate or joint venture to which the equity method is not applied	1 January 2019
Modification to IFRS 3 - Business combinations. Annual cycle of improvements 2015-2017 (published in December 2017)	Acquisition of control over a business previously registered as a joint operation.	1 January 2019
Modification to IFRS 11 - Joint ventures. Annual cycle of improvements 2015-2017 (published in December 2017)	Acquisition of joint control over a joint operation, which constitutes a business.	1 January 2019

Modification to IAS 12 - Income tax. Annual cycle of improvements 2015-2017 (published in December 2017)	Recognition of the tax impact of the remuneration of financial instruments classified as equity.	1 January 2019
Modification to IAS 23 - Interest cost. Annual cycle of improvements 2015-2017 (published in December 2017)	Capitalization of financial interests pending payment, specific to an asset ready for use.	1 January 2019
Modification to IAS 19 - Modification, reduction or liquidation of a plan (published in February 2018)	Clarifies how to calculate the cost of the service for the current period and the net interest for the remainder of an annual period when there is a modification, reduction or liquidation of a defined benefit plan.	1 January 2019

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, except for the considerations detailed below:

As indicated in Note 2.b. of the 2018 consolidated financial statements, the condensed consolidated interim financial statements for the six-month period ended on 30 June 2018 were the first to be prepared applying IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases".

IFRS 16 was applied on the transition date, 1 January 2017, and the related opening balance sheet was prepared in accordance with this standard for the purpose of providing comparative consolidated financial statements for the year ended 31 December 2017.

The Group adopted IFRS 9, IFRS 15 (no impact) and IFRS 16 as of 1 January 2018, being IFRS 16 the only standard that has derived significant impacts on the Group's consolidated financial statements (see Note 4 of the 2018 consolidated financial statements).

The adoption of IFRS 9 has reduced "Trade and Other Receivables" caption and Consolidated Net Equity by EUR 7,047 thousand, as of 1 January 2018.

(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)	Replaces IFRS 4. It includes the principles of registration, valuation, presentation and disclosure of insurance contracts with the objective that the entity provides relevant and reliable information that allows users of financial information to determine the effect that the contracts of Insurance have in the financial statements.	1 January 2021 [(2)]
Modification to IFRS 3 - Definition of Business (published in October 2018)	Clarifications to the Business definition	1 January 2020
Modification to IAS 1 and IAS 8 - Definition of Materiality (published in October 2018)	Modifications to IAS 1 and IAS 8 to align the definition of "materiality" with that contained in the conceptual framework.	1 January 2020

[(1)] The status of approval by the European Union of these standards can be found on the EFRAG website.

[(2)] The IASB has proposed its deferral to January 1, 2022 (Draft amendment to IFRS 7 published on June 26, 2019).

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 2018 set out in its Note 2.d. 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 2019, no significant changes have occurred in the estimations made at the 2018 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 2018) together with the consolidated balance sheet at 30 June 2019, 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 2019 are presented along with those corresponding to the 6-month period ended on 30 June 2018.

f) 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 2019.

g) 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 2018, which are detailed in Note 2.g thereto.

h) 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 2019 were as follows:

Name of the Company		Company with direct shareholding and % acquired/maintained	Consolidation method
Acquisitions/incorporations:			
Video Press Production, S.r.L. (1)	Cellnex Italia, S.r.L.	100%	Full
Nearby Sensors, S.L. (2)	Tradia Telecom, S.A.U.	30%	Equity
Towerlink Portugal, Unipessoal, Ltda (3)	Cellnex Telecom, S.A.	100%	Full

(1) Acquisition Date: 03/04/2019; (2) Acquisition Date: 24/05/2019; (3) Incorporation date: 14/06/2019

i) Video Press Production, S.r.L.

During the first half of 2019, Cellnex Italia (subsidiary in which the Group has a 100% stake) acquired 100% of Video Press Production, S.r.L. ("Video Press") for a total of EUR 5 million.

ii) Nearby Sensors, S.L.

During the first half of 2019, Cellnex Telecom increased its stake in Nearby Sensors by 15% with an additional contribution of EUR 0.5 million, through its fully owned subsidiary Tradia Telecom, S.A.U. After the aforementioned transaction, at the end of June 2019, Cellnex hold a 30% stake in the shareholding of this company.

As detailed in Note 2.h of the 2018 Consolidated Financial Statements, Nearby Sensors, established in 2013 and based in Barcelona, is dedicated to rolling out the Internet of Things (IoT), edge computing, and the automation of IT-OT hybrid processes (industrial IoT), that will emerge with the roll-out of 5G.

iii) Towerlink Portugal

During the first half of 2019, Cellnex Telecom, S.A. created the subsidiary Towerlink Portugal, Unipessoal, Ltda ("Towerlink Portugal") with a share capital of EUR 10 thousand through the creation of 1 single share with a nominal value of EUR 10 thousand, representing 100% of the share capital of the Company.

In addition, as at 30 June 2019, the companies formerly called Shere Midco Limited, QS4 Limited and Shere Consulting Limited, changed their names to Cellnex UK Midco Limited, Connectivity Solutions Limited and Cellnex UK Consulting Limited, respectively.

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 2018, and which are detailed therein, except for the new standards applied from 1 January 2019 which are set out in Note 2.b.

Moreover, during the 6-month period ended on 30 June 2019, the Group has continued managing its activities by taking into account the financial risk and capital management policy set out in Note 5 of the consolidated annual accounts for the 2018 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

No significant business combinations have occurred during the 6-month period ended on 30 June 2019.

As regards the business combination described in Note 6 of the consolidated annual accounts for the 2018 financial year, considering that IFRS 3 allows the reassessment of the allocation process during a period of one year, as at the current date this business combination is still provisional.

5. Property, plant and equipment

The changes in this heading in the consolidated balance sheet during 2019 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 2019				
Cost	1,933,140	588,350	88,995	**2,610,485**
Accumulated depreciation	(387,832)	(318,911)	-	**(706,743)**
Carrying amount	**1,545,308**	**269,439**	**88,995**	**1,903,742**
Carrying amount at beginning of period	1,545,308	269,439	88,995	1,903,742
Changes in the consolidation scope (Note 6)	42	-	-	**42**
Additions	142,518	17,644	76,640	**236,802**
Disposals (net)	(197)	(35)	-	**(232)**
Transfers	29,667	6,689	(36,447)	**(81)**
Foreign exchange differences	1,454	255	81	**1,790**
Depreciation charge	(74,855)	(26,423)	-	**(101,278)**
Carrying amount at close	**1,643,947**	**267,569**	**129,269**	**2,040,785**
At 30 June 2019				
Cost	2,107,302	610,569	129,269	**2,847,140**
Accumulated depreciation	(463,355)	(343,000)	-	**(806,355)**
Carrying amount	**1,643,947**	**267,569**	**129,269**	**2,040,785**

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 year that have still not been put into operation.

Movements during 2019 period

Changes in the scope of consolidation and business combinations

No significant changes in the scope of consolidation or business combinations have taken place during the 6-month period ended on 30 June 2019.

Signed acquisitions and commitments

France

At 30 June 2019, in accordance with the agreements reached with Bouygues during 2016, 2017 and 2018, Cellnex, through its subsidiaries Cellnex France and Towerlink France, has committed to acquire and build up to 5,250 sites that will be gradually transferred to Cellnex until 2024 (see Note 6 of the 2018 consolidated financial statements). Of the proceeding 5,250 sites, a total of 3,292 sites have been transferred to Cellnex as at 30 June 2019.

During 2019, 385 sites were acquired in relation to the aforementioned agreements, for an amount of approximately EUR 84 million.

Switzerland

At 30 June 2019, in accordance with the agreement reached with Sunrise during 2018, Cellnex, through its subsidiaries Swiss Towers, has acquired 133 sites in Switzerland for an amount of CHF 39 million (EUR 34 million).

Italy

During 2019, the agreement with Wind Tre dated 27 February 2015 was extended, through an increase of the built-to-suit project up to 800 additional sites to be built (increasing the agreement to build sites from up to 400 to up to 1.200 sites, with a total investment of up to EUR 70 million).

The Group typically acquire telecommunications infrastructures from telecommunications carriers or other tower operators and subsequently integrate those sites into its existing network. The date of acquisition, and by extension the point at which the Company 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 arrangement and the timing of the transfer of title or rights to the assets, which may be accomplished in phases.

At 30 June 2019 and 31 December 2018 the Group had not entered into any additional framework agreements with any other customers.

In addition, during 2019 there were additions associated with the business expansion and maintenance of the Group's operations.

Property, plant and equipment abroad

At 30 June 2019 and 31 December 2018 the Group had the following investments in property, plant and equipment located abroad:

	Thousands of Euros	
	Net book value	
	30 June 2019	31 December 2018
Italy	230,831	228,054
Netherlands	73,007	78,095
France	981,299	843,813
United Kingdom	12,143	9,326
Switzerland	118,050	89,866
Total	**1,415,330**	**1,249,154**

Fully depreciated assets

At 30 June 2019, fully depreciated property, plant and equipment amounted to EUR 910,651 thousand (EUR 846,171 thousand at 31 December 2018).

Change of control clauses

With regards to the Group's acquisitions of infrastructures from mobile telecommunications operators, certain agreements signed with the selling parties contain change of control provisions which state that if a competitor of the selling party becomes a controlling shareholder of the relevant company, the selling party has the right to repurchase the aforementioned infrastructures. Control is 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.

In addition, such repurchase right may also be granted in the event that a competitor of the selling party 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 selling party's interests. Change of control provisions can be triggered due to a change of control both at Cellnex Telecom and at subsidiary level.

Purchase commitments at the end of the period

At the end of the 6-month period ended on 30 June 2019, the Group held purchase agreements for property, plant and equipment assets amounting to EUR 789,566 thousand (EUR 952,659 thousand in 2018).

Impairment

As disclosed in Notes 3.a and 3.c of the annual consolidated accounts for 2018, 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 2019 no indication exists that could lead to the existence of impairment in relation to the tangible assets of the Group.

Other disclosures

At 30 June 2019 and 31 December 2018, the Group did not have significant property, plant and equipment subject to restrictions or pledged as collateral on liabilities.

6. Goodwill and other intangible assets

The changes in this heading in the consolidated balance sheet during 2019 were as follows:

	Thousands of Euros			
	Goodwill	Intangible assets for telecom infrastructure services	Computer software and other intangible assets	Total
At 1 January 2019				
Cost	582,454	1,498,235	48,637	**2,129,326**
Accumulated amortisation	-	(198,618)	(26,376)	**(224,994)**
Carrying amount	**582,454**	**1,299,617**	**22,261**	**1,904,332**
Carrying amount at beginning of year	582,454	1,299,617	22,261	**1,904,332**
Changes in the scope of consolidation (Note 6)	2,706	6,888	-	**9,594**
Additions	-	115,377	2,637	**118,014**
Transfers	(4,201)	4,201	(224)	**(224)**
Foreign exchange differences	1,255	7,526	-	**8,781**
Amortisation charge	-	(38,989)	(3,733)	**(42,722)**
Carrying amount at close	**582,214**	**1,394,620**	**20,941**	**1,997,775**
At 30 June 2019				
Cost	582,214	1,632,227	51,050	**2,265,491**
Accumulated amortisation	-	(237,607)	(30,109)	**(267,716)**
Carrying amount	**582,214**	**1,394,620**	**20,941**	**1,997,775**

Movements during 2019 period

Changes in the scope of consolidation and business combinations

No significant changes in the scope of consolidation or business combinations have taken place during the 6-month period ended on 30 June 2019.

Signed acquisitions and commitments

During the 6-month period ended, the main addition corresponds to the agreement described below:

Agreement with British Telecommunications PLC ("BT") in the UK

In June 2019, Cellnex Telecom (through its subsidiary Cellnex Connectivity Solutions Limited) and BT signed a long-term strategic agreement according to which Cellnex acquired the rights to operate and market 220 high towers located throughout the United Kingdom for a period of 20 years. The acquisition price amounted to GBP 70 million, approximately, (with a Euro value of EUR 79 million). The aforementioned rights have been totally transferred to Cellnex as of 30 June 2019.

The agreement additionally includes a commitment to explore further opportunities between the two companies in the UK, which consists of the pre-emptive right of acquisition of up to 3,000 sites from BT during the next six years (The "Right of First Offer"). In addition, according to the agreement, Cellnex will have a period of time in which to make a further and final offer, to match with a third party offer (The "Right to Match"), that BT could receive regarding these 3,000 sites. The corresponding value assigned by Cellnex in relation to both Right of First Offer and Right to Match, amounted to GBP 30 million, approximately (with a Euro value of EUR 34 million).

Intangible assets abroad

At 30 June 2019 and 31 December 2018, the Group had the following net book value of intangible assets located in the following countries:

	Thousands of Euros	
	Net book value	
	30 June 2019	31 December 2018
Italy	692,427	695,871
Netherlands	530,496	541,170
France	5	1
United Kingdom	244,587	134,631
Switzerland	438,223	440,696
Total	**1,905,738**	**1,812,369**

Fully depreciated assets

At 30 June 2019, fully depreciated intangible assets amounted to EUR 27,299 thousand (EUR 25,974 thousand at 31 December 2018).

Purchase commitments at the end of the period

At the end of the 6-month period ended on 30 June 2019, the Group held purchase agreements for intangible assets amounting to EUR 1,776 thousand (EUR 37 thousand at 31 December 2018).

Impairment

As disclosed in Notes 3.a and 3.c of the annual consolidated accounts for 2018, 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 2019 no indication exists that could lead to the existence of impairment in relation to the goodwill or intangible assets of the Group.

Other disclosures

At 30 June 2019 and 31 December 2018, 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
	2019
At 1 January	**2,803**
Profit for the year	33
Changes in perimeter	162
Others	(100)
At 30 June	**2,898**

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

	Thousands of Euros	
	Value of the shareholding	
	30 June 2019	31 December 2018
Torre Collserola, S.A.	1,970	1,960
Consorcio de Telecomunicaciones Avanzadas, S.A. (COTA)	623	761
Nearby Sensors, S.L.	305	82
Total	**2,898**	**2,803**

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 8. No indication was found of a need to recognise any provision for impairment in the consolidated income statement for the 2019 period.

8. Current and non-current financial investments

The changes in this heading during the 6-month period ended on 30 June 2019 were as follows:

	Thousands of Euros		
	2019		
	Non-current	Current	**Total**
At 1 January	**25,314**	**1,378**	**26,692**
Additions	2,748	-	2,748
Charge to the consolidated income statement		(1,097)	(1,097)
Transfer	(1,097)	1,097	-
Others	(558)	637	79
At 30 June	**26,407**	**2,015**	**28,422**

Current and non-current financial investments relate to the effect of 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 (Note 3.d of the 2018 annual accounts).

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 2019, 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 2019 this amount was recorded as a reduction to revenues amounting to EUR 1,097 thousand.

Transfers

The transfers from the 6-month period ended on 30 June 2019 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.

9. Trade and other receivables

The breakdown of this heading in the accompanying consolidated balance sheet at 30 June 2019 and 31 December 2018 is as follows:

						Thousands of Euros
			30 June 2019			31 December 2018
	Non-current	Current	**Total**	Non-current	Current	**Total**
Trade receivables (gross)	-	161,016	**161,016**	-	132,345	**132,345**
Allowances for doubtful debts (impairments)	-	(14,337)	**(14,337)**	-	(14,283)	**(14,283)**
Trade receivables	**-**	**146,679**	**146,679**	**-**	**118,062**	**118,062**
Current tax assets	-	93,860	**93,860**	-	51,858	**51,858**
Receivables with other related parties (Note 20.d)	-	208	**208**	-	50	**50**
Other receivables	14,089	17,237	**31,326**	14,229	22,725	**36,954**
Trade and other receivables	**14,089**	**257,984**	**272,073**	**14,229**	**192,695**	**206,924**

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 2019 and 31 December 2018, the account had no significant past-due balances that were not provided for.

The balance of public-sector debtors as at 30 June 2019 and 31 December 2018, amounted to EUR 16,438 thousand and EUR 23,527 thousand, respectively.

At 30 June 2019 the amount utilized under the non-recourse factoring agreements stood at EUR 61 million (EUR 54 million as at 2018 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 2019 the limit under the non-recourse factoring agreements stood at EUR 213 million (EUR 222 million as at 2018 year-end).

During 2018, the Group reached a non-recourse factoring agreement in relation to the collection rights that derive from certain administrative recovery procedures, as described in Note 16.c of the accompanying consolidated interim financial statements. At 31 December 2018, the amount utilized under this non-recourse factoring agreement stood at EUR 5 million. At 30 June 2019, this amount has been fully recovered, therefore, at this date no asset has been recorded regarding to this claim.

Allowances for doubtful debts (write-downs)

The changes in the allowance for doubtful debts during 2019 were as follows:

	Thousands of Euros
	2019
At 1 January	**14,283**
Disposals	218
Net changes	(164)
At 30 June	**14,337**

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	
	30/06/2019	31/12/2018
Corporate income tax	15,762	5,582
VAT receivable	73,580	43,422
Other taxes	4,518	2,854
Current tax assets	**93,860**	**51,858**

At 30 June 2019, this line mainly included VAT receivable derived from the acquisition of mobile telecom infrastructures during 2019 and 2018 in France, Spain and Switzerland (see Note 5), that amounted to EUR 26 million, EUR 11 million and EUR 6 million respectively. This caption also included VAT receivable amounting to EUR 23 million derived from the acquisition of rights to operate and market 220 high towers located throughout the United Kingdom (see Note 6).

At 31 December 2018, it mainly included VAT receivable derived from the acquisition of mobile telecom infrastructures in France and in Spain, that amounted to EUR 25 million and EUR 9 million, respectively (see Note 7 of 2018 consolidated financial statements).

Other receivables

The breakdown of "Other receivables" is as follows:

	Thousands of Euros	
	30/06/2019	31/12/2018
Loans to third parties	29,972	30.724
Other assets	1,354	6,230
Other receivables	**31,326**	**36,954**

At 30 June 2019 and 31 December 2018 "Loans to third parties" 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 12).

- 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.

10. Cash and short term deposits

The breakdown of "Cash and short term deposits" is as follows:

	Thousands of Euros	
	30/06/2019	31/12/2018
Cash on hand and at banks	252,262	405,870
Term deposits at credit institutions maturing in less than 3 months	50,000	50,000
Other short term deposits	1,400,000	-
Total	**1,702,262**	**455,870**

In relation to the transaction described in Note 18.b of these consolidated interim financial statements, Cellnex (through its subsidiary Cellnex France Groupe), made a short term deposit amounting to EUR 1,400 million in order to comply with the share purchase agreement. Depending on whether the conditions precedent linked to the completion of the transaction are fulfilled or not, the funds will be used by Cellnex to settle the purchase price for the deal, or will remain in Cellnex France Groupe.

11. Net equity

a) Share capital and treasury shares

Share capital

At 31 December 2018, the share capital of Cellnex was represented by 231,683,240 cumulative and indivisible ordinary registered shares of EUR 0.25 par value each, fully subscribed and paid.

On 27 February 2019, the Parent Company's Board of Directors, in accordance with the authorization granted by the Annual General Shareholders' Meeting of Cellnex, held on 31 May 2018, approved a capital increase (hereinafter, the "Capital Increase") through monetary contributions and recognising the preferential subscription right of the Cellnex's shareholders, as detailed below:

The Capital Increase was carried out through the issuance and sale of 66,989,813 ordinary registered shares (hereinafter, "New Shares") at a subscription price (nominal plus share premium) of EUR 17.89 per each new share. Thus, the Capital Increase amounted to EUR 1,198 million, which has been fully subscribed.

Preferential subscription rights were assigned to all Cellnex shareholders who acquired shares up to 1 March 2019 and whose transactions were registered in Iberclear as at 5 March 2019. Each share in circulation at that time granted the right to receive a preferential subscription right (38 rights were required to subscribe 11 new shares). The pre-emptive subscription period ended on 16 March 2019.

The New Shares offer the same political and economic rights as the ordinary shares of the Parent Company.

On 25 March 2019, the public deed for the Capital Increase, granted on 22 March 2019, was duly registered.

On 26 March 2019, the 66,989,813 New Shares were admitted to trading on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia.

As at 30 June 2019, in accordance with the aforementioned, the share capital of Cellnex Telecom increased by EUR 16,747 thousand to EUR 74,668 thousand (EUR 57,921 thousand at the end of 2018), represented by 298,673,053 cumulative and indivisible ordinary registered shares of EUR 0.25 par value each, fully subscribed and paid.

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 2019 and 31 December 2018, are as follows:

	% ownership	
Company	**30 June 2019**	**31 December 2018**
ConnecT	29.90%	29.90%
Criteria Caixa, S.A.U.	5.00%	5.00%
Threadneedle Asset Management Ltd. (1)	-	5.00%
Wellington Management Group LLP (2)	5.04%	-
Blackrock, Inc. (3)	4.90%	4.75%
Canada Pension Plan Investment Board	3.16%	3.16%
Permian Investment Partners, LP	-	3.16%
	48.00%	**50.97%**

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

(1) At the end of 2018, Threadneedle Asset Management Ltd controlled 5.00% of the rights to vote across several investment funds and other accounts. None of the above mentioned funds and/or accounts had a shareholding higher than 3%.

(2) 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.

(3) Corresponds to managed collective institutions with a percentage lower than 5%. In addition, there is a total holding of 1.053% through financial instruments connected to shares in the Parent Company. At the year-end 2018, corresponded to managed collective institutions with a percentage lower than 5%. In addition, there was a total holding of 1.253% through financial instruments connected to shares in the Parent Company.

Additionally to the significant shareholdings detailed above, Atlantia, S.p.A. holds a shareholding through financial instruments amounting to 5.98%, which is currently owned by ConnecT.

As of 30 June 2019 and 31 of December 2018, Connect is positioned as a reference shareholder in Cellnex Telecom, S.A., holding a 29.9% stake in its 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 the (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 Company, preferential shares (if legally permissible) and warrants (options to subscribe to new shares of the 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.

At 30 June 2019, Cellnex did not carry out discretional purchases of treasury shares. However, during this period, 63,912 treasury shares have been transferred to employees in relation mainly to the Long Term Incentive Plan's described in Note 16.b.

During 2019, the Parent Company has registered a profit of EUR 316 thousand (a profit of EUR 215 thousand at 30 June 2018), 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 2019 amounts to 199,943 shares and represents 0.067% of the share capital of Cellnex Telecom, S.A. (0.11% as at 31 December 2018).

The use of the treasury shares held at 30 June 2019 will depend on the agreements reached by the Corporate Governance bodies.

The movement in the portfolio of treasury shares during 2019 has been as follows:

	Number (Thousands of Shares)	Average Price	Purchases/Sales (Thousands of Euros)
At 1 January 2019	**264**	**21.117**	**5,572**
Purchases	-	-	-
Sales/Others	(64)	21.117	(1,350)
At 30 June 2019	**200**	**21.117**	**4,222**

b) Share premium

As at 30 June 2019 the share premium of Cellnex Telecom increased by EUR 1,147 million to EUR 1,462 million (EUR 314,522 thousand at the end of 2018) mainly due to the Capital Increase described in Note 11.a.

During the six-month period ended 30 June 2019, a cash pay out to shareholders of EUR 11,816 thousand was declared from the share premium account (See Note 11.d).

c) Reserves

The breakdown of this account is as follows:

	Thousands of Euros	
	30 June 2019	31 December 2018
Legal reserve	11,584	11,584
Reserves from retained earnings	209,532	213,870
Reserves of consolidated companies	(83,385)	(96,361)
Hedge reserves	(1,764)	(929)
Foreign exchange differences	(1,660)	(2,162)
Reserves	**134,307**	**126,002**

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 2019 the legal reserve had not reached the legally established minimum. At 31 December 2018 it was fully constituted.

ii) Reserves from retained earnings and other reserves

The main impact on this line during 2019 relates to the issue of a Convertible Bond in January 2019 (see Note 12). At 30 June 2019, the convertible bond reserve increased by EUR 21,426 thousand to EUR 83,906 thousand (EUR 62,480 thousand at the end of 2018).

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.

iv) Foreign exchange differences

The detail of this line item at 30 June 2019 and 31 December 2018 is as follows:

	Thousands of Euros	
	30 June 2019	31 December 2018
Cellnex Switzerland (CHF)	(5,081)	(2,575)
Shere Subgroup (GBP)	3,421	413
Total	**(1,660)**	**(2,162)**

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 commercial 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 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 said period, always attending to the maximum overall amount stipulated.

During 2019, 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 11,816 thousand, which represented EUR 0.03956 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 2018 financial year was EUR 0.081 gross per share, which represents EUR 24,211 thousand (EUR 22,010 thousand corresponding to the distribution for the 2017 financial year).

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	
	30 June 2019	30 June 2018
Profit/(loss) attributable to the Parent Company	(488)	(30,801)
Weighted average number of shares outstanding (Note 11.a)	267,340,879	231,419,699
Basic EPS attributable to the Parent Company (euros per share)	(0.00)	(0.13)
Diluted EPS attributable to the Parent Company (euros per share)	(0.00)	(0.13)

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 period.

The detail of the non-controlling interests at 30 June 2019 and 31 December 2018 is as follows:

			Thousands of Euros	
	Country	% owned by Cellnex	30 June 2019	31 December 2018
Cellnex Switzerland AG subgroup	Switzerland	54%	136,358	135,361
Adesal Telecom, S.L.	Spain	60%	2,079	2,115
			138,437	**137,476**

The changes in this heading were as follows:

	Thousands of Euros
	2019
At 1 January	**137,476**
Profit/(loss) for the period	(467)
Exchange differences	1,644
Other	(216)
At 30 June	**138,437**

12. Borrowings

The breakdown of borrowings at 30 June 2019 and 31 December 2018 is as follows:

						Thousands of Euros
	30 June 2019			31 December 2018		
	Non-current	Current	Total	Non-current	Current	Total
Bond issues and other loans	2,594,393	117,406	2,711,799	2,410,286	99,890	2,510,176
Loans and credit facilities	733,051	2,187	735,238	582,730	2,831	585,561
Derivative financial instruments	3,684	176	3,860	1,255	180	1,435
Other financial liabilities	3,113	2,836	5,949	3,757	27,932	31,689
Borrowings	**3,334,241**	**122,605**	**3,456,846**	**2,998,028**	**130,833**	**3,128,861**

During the 6-month period ended at 30 June 2019, 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 351,300 thousand to EUR 3,447,037 thousand.

The increase in the Group's borrowings from bond issues and loans and credit facilities position as of 30 June 2019 is mainly due to the issuance of an additional senior unsecured convertible bonds (as defined herein) with a carrying amount of EUR 200,000 thousand as of 30 June 2019. During the period ended 30 June 2019, Cellnex has amended certain credit facilities for a total of EUR 350,000 thousand and GBP 100,000 thousand to extend its maturities and reduce margins.

As of 30 June 2019 and 2018, the average interest rate of all available borrowings would have been 1.9% and 1.9% respectively, in the event they had been entirely drawn down. The average weighted interest rate as of 30 June 2019 of all available borrowings drawn down was 2.1% (2.2% as of 30 June 2018).

In addition, 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 2019

							Thousands of Euros
	01/01/2019	Cash flows	Changes in the scope of consolidation	Exchange rate	Transfers to liabilities held for sale	Other [(2)]	30/06/2019
Bond issues	2,510,176	200,120	-	684	-	819	2,711,799
Loans and credit facilities and other financial liabilities[(1)]	618,685	124,695	-	(641)	-	2,308	745,047
Borrowings	**3,128,861**	**324,815**	**-**	**43**	**-**	**3,127**	**3,456,846**

(1) Which also includes Derivative financial instruments.

(2) 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 2019 and 31 December 2018, 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 2019 and 31 December 2018 are shown in the table below:

30 June 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 (*)	2,777,183	122,310	-	-	600,000	750,000	1,266,962	**2,739,272**
Arrangement expenses	-	(4,904)	(4,566)	(5,314)	(4,230)	(4,168)	(4,291)	**(27,473)**
Loans and credit facilities (*)	1,610,597	3,210	97,173	128,289	269,859	140,827	99,625	**738,983**
Arrangement expenses	-	(1,023)	(1,033)	(898)	(432)	(89)	(270)	**(3,745)**
Derivative financial instruments	-	176	-	-	-	-	3,684	**3,860**
Other financial liabilities	-	2,836	919	694	509	497	494	**5,949**
Total	**4,387,780**	**122,605**	**92,493**	**122,771**	**865,706**	**887,067**	**1,366,204**	**3,456,846**

(*) These concepts are gross and do not include "Arrangement expenses".

31 December 2018

								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 (*)	2,552,835	104,445	-	-	600,000	-	1,833,631	**2,538,076**
Arrangement expenses	-	(4,555)	(4,746)	(4,949)	(4,568)	(3,942)	(5,140)	**(27,900)**
Loans and credit facilities (*)	1,606,398	3,793	90,057	30,625	78,498	308,534	77,750	**589,257**
Arrangement expenses	-	(962)	(827)	(782)	(585)	(225)	(315)	**(3,696)**
Derivative financial instruments	-	180	-	-	-	-	1,255	**1,435**
Other financial liabilities	-	27,932	1,281	694	707	509	566	**31,689**
Total	**4,159,233**	**130,833**	**85,765**	**25,588**	**674,052**	**304,876**	**1,907,747**	**3,128,861**

(*) These concepts are gross and do not include "Arrangement expenses".

Borrowings by type of debt

	Thousands of Euros					
	Notional as of 30 June 2019 (*)			Notional as of 31 December 2018 (*)		
	Limit	Drawn	Undrawn	Limit	Drawn	Undrawn
Bond issues and other loans	2,777,183	2,777,183	-	2,552,835	2,552,835	-
Loans and credit facilities	1,610,597	736,617	873,980	1,606,398	586.471	1,019,927
Total	**4,387,780**	**3,513,800**	**873,980**	**4,159,233**	**3,139,306**	**1,019,927**

(*) These concepts include the notional value of each caption, and are not the gross or net value of the caption. See "*Borrowings by maturity*".

As of 30 June 2019, the total limit of loans and credit facilities available was EUR 1,610,597 thousand (EUR 1,606,398 thousand as of 31 December 2018), of which EUR 1,289,648 thousand in credit facilities and EUR 320,949 thousand in loans (EUR 1,287,415 thousand in credit facilities and EUR 318,983 thousand in loans as of 31 December 2018).

Furthermore, of the EUR 1,610,597 thousand of loans and credit facilities available (EUR 1,606,398 thousand as of 31 December 2018), EUR 794,722 thousand (EUR 640,523 thousand as of 31 December 2018) 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 2019 the total amount drawn down of the loans and credit facilities was EUR 736,617 thousand (EUR 586,471 thousand drawn down as of 31 December 2018).

Borrowings by currency

	Thousands of Euros	
	30 June 2019 (*)	31 December 2018 (*)
Euro	2,851,161	2,664,708
GBP	307,204	167,909
CHF	329,699	327,840
Borrowings	**3,488,064**	**3,160,457**

(*) 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 set down in IFRS9 borrowings.

As described in Note 5.a of the 2018 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 2019 and 31 December 2018, the Group maintained borrowings in GBP, which acted as a natural hedge of the net investment in Cellnex UK Limited (formerly Shere Group Ltd.). These borrowings amounted to GBP 275,424 thousand with a Euro value of EUR 307,204 thousand (GBP 150,200 thousand with a Euro value of EUR 167,909 thousand as of 31 December 2018) and are held by means of various credit facilities denominated in GBP. The increase is due to the agreement with BT as explained in Note 6 of the accompanying consolidated financial statements. These non-derivate financial instruments are assigned as net investment hedges against the net assets of the Cellnex UK Group. The maturities of these borrowings are between 2022 and 2023.

In addition, as of 30 June 2019, the Group maintained borrowings in CHF, which act as a natural hedge of the net investment in Cellnex Switzerland. Such borrowings amounted to CHF 210,854 thousand with a Euro value of EUR 189,873 thousand (CHF 212,035 thousand with a Euro value of EUR 188,157 thousand as of 31 December 2018) 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 Cellnex Switzerland. The maturity of these borrowings is in 2023.

Furthermore, the Group also maintained through its subsidiary Cellnex Switzerland additional borrowings in CHF amounting to CHF 155,277 thousand with a Euro value of EUR 139,826 thousand (CHF 157,409 thousand with a Euro value of EUR 139,683 thousand as of 31 December 2018).

Bond issues and other loans

The detail of the bonds and other financing instruments at 30 June 2019 and 31 December 2018 is as follows:

	Thousands of Euros	
	30 June 2019	31 December 2018
Bond issues	2,624,616	2,447,318
Promissory notes and commercial paper	87,183	62,858
Bond issues and other loans	**2,711,799**	**2,510,176**

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 2019, the EMTN Programme allows the issue of bonds to an aggregate amount of up to EUR 5,000 million and the latest renewal date was May 2019.

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). However, the BCE publicly announced that they will not increase the size and reinvest the proceeds of the Corporate Purchase Programme (CSPP) from December 2018 onwards.

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 2019

During the 6-month period ended on 30 June 2019, there have been no changes regarding the issuance of bonds as of 31 December 2018.

31 December 2018

Issue	Initial duration	Maturity	Fitch / S&P rating	ISIN	Coupon	Initial Notional (Thousands of Euros)	Notional as of 31 December 2018 (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
Total						**1,890,000**	**1,890,000**

(1) Coupon 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 amount to EUR 1,942 thousand as of 30 June 2019 in relation to the bonds issued, 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 27,473 thousand and EUR 27,900 thousand was deducted from bond issues in the consolidated balance sheet as of 30 June 2019 and 31 December 2018, respectively. The arrangement expenses and advisor's fees accrued in the consolidated income statement for the period ended 30 June 2019 in relation to the bond issues amounted to EUR 2,369 thousand (EUR 2,128 thousand as of 30 June 2018).

ii) Convertible bond issues

On 8 January 2019, Cellnex Telecom successfully placed EUR 200 million additional senior unsecured convertible bonds due 2026 (the "New Bonds") which was, from the Issue Date (21 January 2019), consolidated and form a single series with the existing EUR 600 million with a coupon of 1.50% senior unsecured convertible bonds due 2026 issued by Cellnex on 16 January 2018 (the "Original Bonds", and together with the New Bonds, the "Bonds").

Each New Bond was issued at EUR 100,270.55 (including interest accrued from, and including, 16 January 2019 to, but excluding 21 January 2019). The New Bonds carry a coupon of 1.50% (resulting in an implied yield to maturity of c.1.45%) payable annually in arrears and its prevailing conversion price into Cellnex shares was EUR 38.0829, the same as for the Original Bonds (issued in January 2018). The conversion price, which is subject to customary adjustments, represented a premium of c. 60% over the price of Cellnex's shares on the Spanish Stock Exchanges at close of the market at issuance (7th January 2019). The shares underlying the New Bonds are equivalent to c.2.3% of the company's capital, based on the prevailing conversion Price at the time of the issuance.

As a result of the issue of 66,989,813 Ordinary Shares at subscription price of EUR 17.89 (see Note 11.a) each by way of conferring subscription rights to shareholders of record as of 5 March 2019, the conversion price has been adjusted to EUR 35.8205 (from EUR 38.0829 previously), effective 4 March 2019.

The New Bonds will be convertible at the option of the bondholders into ordinary shares of Cellnex, the same as the Original Bonds. Cellnex may opt to redeem all (but not some) of the Bonds on or after 18 July 2022 if the market value of the underlying shares per EUR 100,000 principal amount of the Bonds exceeds EUR 130,000 during a specified period of time, or, at any time, if more than 85% of the aggregate principal amount of the Bonds issued have been converted and/or redeemed and/or purchased and cancelled.

This issuance allowed Cellnex to increase its weighted average debt maturity, to improve its weighted average cost of borrowing and to continue to maintain its liquidity position. The Convertible Bond, is trading on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange.

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

30 June 2019

Issue	Initial Duration	Maturity	Fitch / S&P rating	ISIN	Coupon	Balance as at 30 June 2019 (Thousands of Euros)
21/01/2019	7 years	16/01/2026	BBB-/NA	XS1750026186	1.50%	179,680
16/01/2018	8 years	16/01/2026	BBB-/NA	XS1750026186	1.50%	547,281
Total						**726,961**

31 December 2018

Issue	Initial Duration	Maturity	Fitch / S&P rating	ISIN	Coupon	Balance as at 31 December 2018 (Thousands of Euros)
16/01/2018	8 years	16/01/2026	BBB-/NA	XS1750026186	1.50%	543,631
Total						**543,631**

Clauses regarding changes of control

The Terms and Conditions of the bonds include a change of control put clause, at the option of bondholders, which could result in its 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 bond, 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 Bond, 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 2019 and 31 December 2018, the Parent Company has no restrictions regarding the use of capital resources nor has guarantees and the bonds rank *pari passu* with the rest of the unsecured and unsubordinated borrowings, and did not require the Group to comply with any financial ratio.

i) 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 2019, the amount utilized under the ECP Programme was EUR 53,000 thousand (EUR 44,200 thousand as of 31 December 2018), GBP 14,500 thousand with a Euro value of EUR 16,173 thousand (not drawn down as of 31 December 2018), and CHF 20,000 thousand (CHF 21,000 thousand as of 31 December 2018) with a Euro value of EUR 18,010 thousand (EUR 18,635 thousand as of 31 December 2018).

Bonds obligations and restrictions

As at 30 June 2019 and 31 December 2018, 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 2019, the total limit of loans and credit facilities available was EUR 1,610,597 thousand (EUR 1,606,398 thousand as of 31 December 2018), of which EUR 1,289,648 thousand in credit facilities and EUR 320,949 thousand in loans (EUR 1,287,415 thousand and EUR 318,983 thousand respectively as of 31 December 2018).

During the period ended 30 June 2019, Cellnex has amended certain credit facilities for a total of EUR 350,000 thousand and GBP 100,000 thousand to extend its maturities and reduce margins.

During the previous year, Cellnex arranged two credit facilities of EUR 100,000 thousand each with maturities in 2022 and 2023. In addition, Cellnex repaid a EUR 50,000 thousand loan, cancelled credit facilities by EUR 50,000 thousand and refinanced the CHF 190,000 thousand syndicated loan (notional) into a CHF 150,000 thousand loan and a CHF 40,000 thousand revolving facility (after a temporary limit of CHF 40,449 thousand). As of 31 December 2018, Cellnex Switzerland refinanced and amended the CHF 170,000 thousand syndicated facility into a CHF 180,000 thousand revolving facility with a maturity of five years (2023). As a result of the refinancing, the new CHF revolving facility does not have any covenants nor share pledges requirements.

Clauses regarding changes of control

For the loans and credit facilities entered into by Cellnex, the change of control trigger is at Cellnex level and for the syndicated facilities agreement entered into by Cellnex Switzerland, the trigger is at Cellnex Switzerland level and its wholly owned subsidiary, Swiss Towers. In both cases, a “change of control event” exists 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

At 30 June 2019 and 31 December 2018, the Parent Company has no restrictions regarding the use of capital resources derived from the loans and credit facilities.

Submitted guarantees and financial ratios

As of 30 June 2019 and 31 December 2018, all the loans and credit facilities entered into by the Group are unsecured and unsubordinated, had no guarantees or shares pledged, ranked pari passu with the rest of the unsecured and unsubordinated borrowings, and did not require the Group to comply with any financial ratio. However, the loan agreement with the European Investment Bank (“EIB”) signed in 2017 includes a Parent Company obligation to maintain at least a corporate rating of BB by Standard & Poor’s and Fitch Ratings Ltd, and Ba2 by Moody’s.

Derivative financial instruments

From time to time the Group considers hedging 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.

As mentioned above, the bond issued in April 2017 for EUR 80 million and maturing in April 2026 has been hedged with floating-to-fixed IRS, converting the floating rate of the bond in to a fixed rate. 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%.

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.

As of 30 June 2019, the Group has not reached agreements for recourse factoring in relation to balances for VAT receivables derived from the acquisition of mobile telecom infrastructures in France (EUR 25,268 thousand as of 31 December 2018).

Corporate rating

At 30 June 2019 Cellnex holds a long term "BBB-" (Investment Grade) with negative 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.

13. Leases

The Group leases many assets mainly 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 2019 and 31 December 2018, the amounts recognized in the consolidated balance sheet related to lease agreements are:

Right of use

	Thousands of euros	
	Net book value	
	30 June 2019	31 December 2018
Right of use		
Sites	619,540	546,080
Offices	12,157	16,222
Satellites	7,470	6,922
Vehicles	1,992	1,175
Concessions	3,436	3,166
Total	**644,595**	**573,565**

The additions of rights of use during 2019 amount to EUR 125,243 thousand (EUR 111,738 thousand during the same period in 2018), of which EUR 61,255 thousand relates to reassessments of existing lease contracts at the period end.

Lease liabilities

	Thousands of euros	
	30 June 2019	31 December 2018
Lease liabilities included in the statement of financial position		
Current	112,099	102,382
Non-Current	441,479	423,955
Total	**553,578**	**526,337**

Amounts recognised in the consolidated income statement

As of 30 June 2019 and 2018, the amounts recognized in the consolidated income statement related to lease agreements are:

	Thousands of euros	
	2019	**2018**
Depreciation and amortisation		
Depreciation Right of Use:		
Sites	(66,624)	(59,602)
Offices	(1,648)	(1,423)
Satellites	(4,070)	(4,066)
Vehicles	(785)	(899)
Concessions	-	(52)
Total	**(73,127)**	**(66,042)**
Financial costs		
Interest expense on lease liabilities	(31,307)	(26,553)
Other operating expenses		
Expense related to contracts with low value asset	(1,112)	(835)
Expense related to variable lease payments	(4,554)	(3,275)
Total	**(5,666)**	**(4,110)**

During the period ended on 30 June 2019 and 2018, 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 2019 amounts to EUR 144,707 thousand (EUR 97,996 thousand in 2018), of which EUR 28,608 thousand (EUR 13,317 thousand in 2018) relates to cash advances to landlords, EUR 31,307 thousand (EUR 26,553 thousand in 2018) relates to interest payments on lease liabilities and EUR 84,792 thousand (EUR 58,126 thousand in 2018) 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 2019 include short-term prepayments amounting to EUR 18,289 thousand, which are therefore considered non-recurring payments for the first half of 2019.

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 the Cellnex Group acts as lessee. The 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, the payments associated with low-value lease agreements are recognized on a straight-line basis as an expense in the consolidated profit and loss account. 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 leases 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 3 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 2019 and 2018, no significant sale-and-leaseback transactions have been performed.

14. Trade and other payables

The detail of this heading at 30 June 2019 and 31 December 2018 is as follows:

	Thousands of Euros	
	30 June 2019	31 December 2018
Trade payables	164,404	152,429
Current tax liabilities	22,153	11,320
Other payables to Government Agencies	43,459	32,821
Other payables to related parties (Note 20.d)	3,229	2,504
Other payables	74,924	42,053
Trade and other payables	**308,169**	**241,127**

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

At 30 June 2019 and 31 December 2018, “Trade payables” included mainly the amounts payable for trade purchases made by the Group and their related costs.

“Other payables to Government Agencies” includes all balances payable by the Group to the tax authorities.

Lastly, “Other payables” is formed mainly of deferred revenues and payables to non-current asset suppliers.

15. 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 remaining companies included in the consolidation scope file individual corporation tax returns.

Tax audits and litigation

At 30 June 2019, in general the Group companies had open for review by the tax authorities all the taxes applicable to them for which the statute of limitations period had not expired at that date in each of the jurisdictions where they are located.

No significant impact on equity is expected to arise from different interpretations that could be derived from current tax legislation regarding the other financial years open for review or from any of the inspections underway.

On July 3, 2018, the Company received notice from Spanish authority of initiation of tax audit for the following taxes: Corporate Income Tax corresponding to 2015 and 2016, and Value Added Tax corresponding to the periods between April and December 2015 (company) and 2016 (VAT group). In addition, the Corporate Income Tax and Value Added Tax for fiscal year 2014 and the Value Added Tax for the first quarter of fiscal year 2015 is also being audited by the Tax Authorities due to the fact that the Abertis Group (former shareholder of the Company) received notice of initiation of tax audit for Corporate Income Tax (consolidated group) and Value Added Tax (VAT group) for fiscal years 2014, 2015 and 2016.

At the date of issue for approval of these condensed consolidated interim financial statements, the tax audit is currently ongoing. The Board of Directors consider that no material impacts derived from the tax audit will be revealed.

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 2019 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:

	2019	2018
Spain	25%	25%
Italy [(1)]	28.82%	28.82%
Netherlands [(2)]	25%	25%
United Kingdom	19%	19%
France [(3)]	28%/31%	28%/33.3%
Switzerland [(4)]	20.40%	20.40%

[(1)] The standard income tax rate was 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)] Progressive decrease of the Dutch standard corporate income tax (CIT) rate from 25% to 20.5% 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 Finance Bill for 2018 provided for a 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 all entities, 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.

At 30 June 2019, the caption “Income tax” includes the impact of updating the tax rate in certain subsidiaries, which has resulted in a positive impact of EUR 20 million, in the accompanying consolidated income statement.

c) Tax losses carry forwards

As at 30 June 2019 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 11 million (EUR 11.3 million at 31 December 2018) which related to GBP 10 million (GBP 10.1 million at 31 December 2018), which is available to offset future non-trade income and capital gains of the company that incurred the loss, and

- Trading losses of EUR 12.5 million (EUR 13.4 million at 31 December 2018) which related to GBP 10.9 million (GBP 11.9 million at 31 December 2018) which is available to offset against future trading profits generated by the same company that incurred the loss.

In addition, tax losses from Spanish and French companies available for carry forward against future profits, amounted to EUR 19 million and EUR 35 million (EUR 19 million and EUR 23 million, respectively, at 31 December 2018).

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 the period-end amounting to EUR 4.6 million and EUR 8.7 million, respectively (EUR 4.6 million and EUR 4.6 million, respectively in 2018) . The aforementioned tax losses do not have an expiration date.

16. Provisions and other liabilities and employee benefit obligations

a) Provisions and other liabilities

The detail of “Provisions and other liabilities” at 30 June 2019 and 31 December 2018 is as follows:

				Thousands of Euros
			30 June 2019	31 December 2018
	Non-current	Current	Total	Non-current
Put option Cellnex Switzerland AG	-	93,206	93,206	66,515
Asset Retirement Obligation	93,074	-	93,074	84,275
National Competition Committee Sanction	29,755	-	29,755	23,000
Provision for other responsibilities (1)	32,003	-	32,003	41,847
Deferred income and other liabilities	24,510	-	24,510	20,896
Provisions and other liabilities	**179,342**	**93,206**	**272,548**	**236,533**

(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) Cellnex Switzerland Put Option

During the third quarter of 2017, in relation to the Cellnex Switzerland incorporation, Deutsche Telekom Capital Partners ("DTCP") and Cellnex Telecom, S.A. entered into a put option agreement, in which DTCP has a put option to sell its stake (18%) to Cellnex, payable in cash or in Cellnex Telecom, S.A. shares ("DTCP Put Option"). The price for exercising the DTCP Put Option is calculated using a base of CHF 65 million (with a Euro value of EUR 58 million), increasing by the higher of fair market value and an approximately low double digit return per year (according to the initial agreement).

If the DTCP Put Option is exercised, the purchase price for the shares would be calculated according to certain formulae included in the DTCP Put Option agreement, over a maximum period of 5 years. Cellnex may choose to pay the purchase price in case of an exercise either in cash or with Cellnex shares.

As at 30 June 2019, based on the best estimation of the DTCP Put Option and taking into account all the available information, the Group has recognised a provision of EUR 93 million for this item in the short-term of the accompanying consolidated balance sheet at the period-end (EUR 67 million as at 31 December 2018 in the long-term). Thus, the impact on the accompanying consolidated income statement for the 2019 period-end amounted to EUR 26 million.

ii) Asset Retirement Obligation

This caption includes the contractual obligation to dismantle and decommission the mobile telecom infrastructures. (See Note 3.o. of the 2018 consolidated annual accounts).

iii) National Competition Committee Sanction

This caption includes the possible sanctions levied by the National Competition Committee (Note 16.c), which have been recorded in the consolidated balance sheet as the cash flow outflow has been estimated as probable.

iv) Provision for other Responsibilities

This caption includes the provisions for other liabilities in relation to the business combinations undertaken by the Group.

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 2019 and 31 December 2018, this caption also includes the recognition of a contingent consideration contemplated in the purchase contract of Commscon for EUR 5 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")

i) LTIP (2017-2019)

On 27 April 2017 Cellnex's Board of Directors approved the LTIP (2017-2019) and decided to make the LTIP a rolling plan going forward to further incentivise the retention of the beneficiaries, which includes the CEO, the Senior Management and certain key employees (up to 50 employees). The LTIP (2017 - 2019) is divided into two phases:

Phase I (2017-2018) accrues from 1 January 2017 until 31 December 2018 and is payable once the Group's annual accounts corresponding to the 2018 financial year have been approved.

The amount to be received by the beneficiaries of this Phase I (2017-2018) has been 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 is EUR 5 million, which was paid during 2019 once the Group's annual accounts corresponding to the 2018 financial year were approved.

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 30 June 2019, the estimated cost of the Phase II (2018-2019) is approximately EUR 7 million. If the maximum level of achievement of the objectives were to be attained, the estimated cost would be approximately EUR 8.8 million.

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 has recognised a provision of EUR 3.5 million and EUR 1.8 million in the short-term employee benefit obligations and reserves; respectively, of the accompanying consolidated balance sheet as at 30 June 2019 (EUR 3.5 million and EUR 5 million in the long-term and short-term employee benefit obligations; respectively, as of 31 December 2018). Thus, the impact on the accompanying consolidated income statement for the 2019 period-end amounted to EUR 2.4 million.

ii) LTIP (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 the same characteristics as 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 2019, the estimated cost of the ILP (2018-2020) is approximately EUR 6.6 million, if it were to achieve the maximum level of achievement of the objectives, the estimated cost would be approximately EUR 8.3 million.

For the LTIP (2018-2020) all Senior Management and certain employees must receive a minimum of 40% of their LTIP remuneration in Cellnex shares and for the CEO and Deputy CEO the minimum amount is 50% 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 has recognised a provision of EUR 1.6 million and EUR 1.6 million in the long-term employee benefit obligations and reserves, respectively, of the accompanying consolidated balance sheet as at 30 June 2019 (EUR 2.2 million in the long-term employee benefit obligations of the accompanying consolidated balance sheet as at 31 December 2018). Thus, the impact on the accompanying consolidated income statement for the 2019 period-end amounted to EUR 1.1 million.

iii) LTIP (2019-2021)

On November 2018 the Board of Directors approved the 2019-2021 LTIP. The beneficiaries include the Executive Director, the Deputy Executive Director, 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 Company as of and for the year ended December 31, 2021 by the General Shareholders’ Meeting.

For the 2019-2021 LTIP, the Executive Director must receive a minimum amount of 30% of their LTIP remuneration in Shares. The rest of the Senior Management must receive a minimum amount of 50% of their LTIP remuneration in Shares. The outstanding 70% or 50% 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 2019, the estimated cost of the 2019-2021 LTIP is approximately EUR 8 million. The cost of the 2019-2021 LTIP assuming full achievement of the Company’s objectives is estimated at approximately EUR 9.4 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 1.4 million in reserves of the accompanying consolidated balance sheet as at 30 June 2019. Thus, the impact on the accompanying consolidated income statement for the 2019 period-end amounted to EUR 1.4 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, 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 of 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 2019, the impact on the accompanying consolidated income statement for the 2019 period-end amounted to EUR 6.8 million. During 2019, following execution of part of this agreement, 17 employees were made redundant for a cost of EUR 4.4 million.

The balance payable at 30 June 2019 associated with this collective redundancy procedure carried out by the Group represents expected payments related to this process, amounting to EUR 8 million and EUR 18 million recorded in the long and short term, respectively, of the accompanying consolidated balance sheet (EUR 8 million and EUR 16 million recorded in the long and short term, respectively, at 31 December 2018).

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 2019, no payments to employees have been made in relation to the aforementioned agreement. Therefore, as at 30 June 2019, the Group had a short-term provision in the accompanying consolidated balance sheet amounting to EUR 2,312 thousand (EUR 2,312 thousand at the 2018 year end).

The balance payables at 30 June 2019 and 31 December 2018 associated with the collective redundancy procedures carried out by the Group represent expected payments related to the process.

c) Contingent liabilities

At 30 June 2019, the Group has guarantees with third parties amounting to EUR 61,019 thousand (EUR 56,327 thousand at the end of 2018). 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, at 30 June 2019 the Group has recorded a provision for a total of EUR 16 million (EUR 16 million at the end of 2018).

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. With regard to these proceedings, at 30 June 2019, the Parent Company's Directors, based on the opinion of their legal advisers, has recognized a provision of EUR 13.7 million under "non-current provisions and other liabilities" of the consolidated balance sheet at 30 June 2019 (EUR 7 million at 31 December 2018). Thus, during the first half of 2019, the impact on the caption "change in provisions" of the accompanying consolidated income statement amounted to EUR 6.7 million (EUR 7 million during the same period of 2018).

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 2019, Cellnex Telecom, S.A. has provided three guarantees amounting to EUR 32.5 million (EUR 32.5 million at the closing of 2018) 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. As a result of the annulment of the Decision, Retevisión-I, S.A.U has recovered, in March 2018, the amounts corresponding to the Madrid and Aragón Goverments. Therefore, as at 31 December 2018, only the amount corresponding to Andalucía remained pending to be received. In this regard, at 31 December 2018, based on the opinion of its legal advisers, the Group had an asset amounting to EUR 5 million in relation to this claim, since the recovery of this amount was considered to be virtually certain. At 30 June 2019, this amount has been fully recovered, therefore, at this date no asset has 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. On March and May 2019, the government of Castilla-La Mancha received such amount. The Group has filed an appeal against such decision. In this regard, as at 30 June 2019 and 31 December 2018, based on the opinion of its legal advisers, the Group has not recognised a provision in relation to this claim, since the recovery of this amount is considered to be virtually certain.

d) Contingent assets

In December 2014 the Group filed a liability claim for damages incurred due to the shutdown of 9 national DTT channels, as a result of the judgement passed by the Supreme Court rendering the Spanish Council of Ministers' Resolution that awarded the licenses for these channels null and void, since such licenses were considered to be granted without regard to the law and as a result of certain aspects related to the liberation of the digital dividend in the National DTT Technical Plan, approved by Royal Decree 805/2014. Later, on 17 November 2016, an appeal for judicial review by the Supreme Court was filed against the dismissal regarding the claim for damages on behalf of the Council of Ministers. The damage caused was initially quantified at EUR 143 million, and subsequently recalculated to EUR 77 million taking into consideration the length of time these channels were shut down and how the national DTT multiplexes were occupied in the end by the newly awarded parties.

On 21 March 2018, the Supreme Court issued a judgment rejecting the judicial review appeal filed.

17. 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	
	2019	2018
Services	472,839	423,639
Other operating income	15,826	15,114
Advances to customers	(1,847)	(1,647)
Operating income	**486,818**	**437,106**

“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	
	2019	2018
Wages and salaries	(45,865)	(42,588)
Social Security contributions	(10,622)	(9,656)
Retirement fund and other contingencies and commitments	(8,009)	(56,153)
Other employee benefit costs	(3,100)	(2,655)
Staff costs	**(67,596)**	**(111,052)**

During 2019, the main impact in this caption corresponded to the Reorganisation Plan (2018 – 2019), which consist of the agreement reached 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, as detailed in Note 16.b of the accompanying consolidated interim financial statements.

At 30 June 2019 the impact, in relation to this Plan, on the accompanying consolidated income statement amounted to EUR 6.8 million (EUR 55 million in the same period in 2018).

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	
	2019	2018
Repairs and maintenance	(16,847)	(14,819)
Leases	(5,666)	(4,110)
Utilities	(40,544)	(34,710)
Other operating costs	(49,440)	(46,723)
Other operating expenses	**(112,497)**	**(100,362)**

i) Leases

The detail of lease expense by class during the 6-month period ended on 30 June is as follows:

	Thousands of Euros	
	2019	2018
Leases of low-value assets	(1,112)	(835)
Variable lease payments	(4,554)	(3,275)
Lease expense	**(5,666)**	**(4,110)**

At 30 June 2019 and 2018, 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

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:

	Thousands of Euros	
	2019	2018
Costs related to acquisitions(1)	(6,228)	(5,469)
Contract renegotiation(2)	-	(735)
Prepaid expenses (3)	-	-
Redundancy provision (4)	(6,808)	(56,200)
Total	**(13,036)**	**(62,404)**

(1) Mainly includes expenses incurred during acquisition processes (non-recurring item).

(2) This relates to the cancellation expenses concerning the renegotiation of certain contracts with services providers. This renegotiations took place in order to achieve significant savings in costs over the coming years (non-recurring item).

(3) This item mainly includes prepaid energy or other operating costs which have been prepaid in advance (non-cash item).

(4) Mainly includes the amount recorded as at 30 June 2019 in accordance with the reorganisation plan detailed in Note 16.b of the accompanying consolidated interim financial statements (non-recurring item).

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	
	2019	2018
Property, plant and equipment (Note 5)	(101,278)	(90,774)
Right-of-use assets (Note 13)	(73,127)	(66,042)
Intangible assets (Note 6)	(42,722)	(39,682)
Total	**(217,127)**	**(196,498)**

18. Contingencies, commitments and obligations

a) Contingencies

As at 30 June 2019, the contingent liabilities of the Cellnex group are those detailed in Note 16.c of these condensed consolidated interim financial statements.

b) Commitments and obligations

Agreement with Iliad France, Iliad Italy and Salt (Switzerland)

On 7 May 2019, Cellnex Telecom signed long-term strategic cooperation agreements with Iliad and Salt to acquire 10,700 sites in France, Italy and Switzerland and roll out a BTS (“Built to suit”) program of up to 4,000 new sites, as detailed below:

- In France, Cellnex will acquire 5,700 sites currently operated by Free (the French MNO controlled by Iliad), through a newly created company over which Cellnex will hold a 70% stake. The total planned cash out by Cellnex for the 70% stake in the newly created company's share capital amounts to EUR 1.4 billion.

- In Italy, Cellnex will acquire 2,200 sites from Iliad for an amount of EUR 0.6 billion.

- In Switzerland, Cellnex will acquire 2,800 sites currently operated by Salt (the Switzerland’s third mobile operator), through a newly created company over which Cellnex will hold a 90% stake. The total planned cash out by Cellnex for the 90% stake in the newly created company's share capital amounts to EUR 0.7 billion.

Thus, in accordance to the above, the total upfront investment to which Cellnex commits for the acquisition of the 10,700 sites amounts to EUR 2.7 billion.

Additionally, EUR 1.35 billion will be executed for the gradual BTS roll-out of 2,500 new sites in France, 1,000 sites in Italy and 500 in Switzerland between 2020 and 2027, for which execution is expected to be back-loaded.

Cellnex and Iliad (France and Italy) will sign two master agreements which provide co-location services to Free in France and Iliad in Italy at the sites managed by Cellnex, for an initial period of 20 years, to be automatically extended for 10-years undefined periods (on an “all or nothing” basis). In Switzerland, Cellnex and Salt will sign a contract on similar terms.

This transaction allows Cellnex to strengthen its footprint in the French market as the leading independent telecommunications infrastructures operator with a network of dense and capillary sites that will play a key role in the deployment of 5G in France, decisively reinforces its position in Italy and consolidates its position in Switzerland.

These deals are subject to the usual administrative procedures, including where applicable, merger control clearance by the competition authorities. The closing of the agreements is expected in the latter half of 2019. Therefore, the Group has not yet commenced the initial accounting for the acquisition at the date of signing of these interim consolidated financial statements.

Other purchase commitments

As at 30 June 2019, the purchase commitments for tangible and intangible assets are those detailed in Notes 5 and 6 of these condensed consolidated interim financial statements.

19. 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 31 December 2018 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: 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 wireless 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 year includes income from re-charging costs related to infrastructure services activities for mobile telecommunications operators to third parties.

- Broadcasting infrastructure: 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. Its services consist of the distribution and transmission of television and radio signals, the operation and maintenance of broadcasting networks and the provision of connectivity for media content, OTT broadcasting 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 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 fiber 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 2019 and 31 December 2018 are as follows:

							Thousands of Euros
							30 June 2019
	Spain	Italy	Netherlands	France	Switzerland	Other countries	Total
Goodwill and other intangible assets	92,037	692,427	530,496	5	438,223	244,587	**1,997,775**
Right-of-use assets	200,203	196,502	5,795	167,628	72,530	1,937	**644,595**
Tangible fixed assets	625,455	230,831	73,007	981,299	118,050	12,143	**2,040,785**
Other non-current assets	75,678	13,039	403	8,862	1,727	61	**99,770**
Total non-current assets	**993,373**	**1,132,799**	**609,701**	**1,157,794**	**630,530**	**258,728**	**4,782,925**
Total current assets	343,368	85,822	20,039	1,452,874	32,223	32,000	**1,966,326**
TOTAL ASSETS	**1,336,741**	**1,218,621**	**629,740**	**2,610,668**	**662,753**	**290,728**	**6,749,251**
Borrowings and bond issues	3,191,447	-	-	-	139,110	-	**3,330,557**
Lease liabilities	164,342	72,582	4,618	142,998	54,781	2,158	**441,479**
Other non-current liabilities	48,911	188,201	120,017	(1,054)	124,234	25,038	**505,347**
Total non-current liabilities	**3,404,700**	**260,783**	**124,635**	**141,944**	**318,125**	**27,196**	**4,277,383**
Borrowings and bond issues	122,508	-	-	-	97	-	**122,605**
Lease liabilities	39,427	43,427	594	16,801	11,850	-	**112,099**
Other current liabilities	58,882	77,102	(26,896)	155,422	37,661	130,576	**432,747**
Total current liabilities	220,817	120,529	(26,302)	172,223	49,608	130,576	**667,451**
TOTAL LIABILITIES	**3,625,517**	**381,312**	**98,333**	**314,167**	**367,733**	**157,772**	**4,944,834**

							Thousands of Euros
							31 December 2018
	Spain	Italy	Netherlands	France	Switzerland	Other countries	Total
Goodwill and other intangible assets	91,963	695,871	541,170	1	440,696	134,631	**1,904,332**
Right-of-use assets	196,272	180,795	6,419	129,811	58,135	2,133	**573,565**
Tangible fixed assets	654,588	228,054	78,095	843,813	89,866	9,326	**1,903,742**
Other non-current assets	72,628	17,089	392	6,384	1,126	49	**97,668**
Total non-current assets	**1,015,451**	**1,121,809**	**626,076**	**980,009**	**589,823**	**146,139**	**4,479,307**
Total current assets	404,729	71,592	35,358	88,479	49,858	3,870	**653,886**
TOTAL ASSETS	**1,420,180**	**1,193,401**	**661,434**	**1,068,488**	**639,681**	**150,009**	**5,133,193**
Borrowings and bond issues	2,857,988	-	-	-	138,785	-	**2,996,773**
Lease liabilities	170,669	79,750	5,314	119,090	46,846	2,286	**423,955**
Other non-current liabilities	120,003	181,366	139,736	(1,046)	120,496	26,735	**587,290**
Total non-current liabilities	**3,148,660**	**261,116**	**145,050**	**118,044**	**306,127**	**29,021**	**4,008,018**
Borrowings and bond issues	105,265	-	-	25,354	214	-	**130,833**
Lease liabilities	35,140	38,579	691	14,808	13,164	-	**102,382**
Other current liabilities	171,022	63,537	1,755	20,817	27,316	(7,853)	**276,594**
Total current liabilities	311,427	102,116	2,446	60,979	40,694	(7,853)	**509,809**
TOTAL LIABILITIES	**3,460,087**	**363,232**	**147,496**	**179,023**	**346,821**	**21,168**	**4,517,827**

Segmental reporting is set out below:

							Thousands of Euros
							2019
	Spain	Italy	Netherlands	France	Switzerland	Other countries	Total (*)
Operating income	247,031	131,989	21,930	48,610	32,067	5,191	**486,818**
Operating expenses	(116,649)	(41,357)	(5,659)	(9,668)	(5,275)	(1,820)	**(180,428)**
Depreciation and amortization	(69,101)	(63,461)	(17,475)	(39,197)	(24,119)	(3,774)	**(217,127)**
Net Interest	(80,728)	(14,087)	(402)	(10,272)	(3,835)	(381)	**(109,705)**
Profit of companies accounted for using the equity method	33	-	-	-	-	-	**33**
Income tax	2,630	(6,153)	19,256	2,421	229	1,071	**19,454**
Attributable non-controlling interest	(36)	-	-	-	(431)	-	**(467)**
Net profit attributable to the Parent Company	**(16,748)**	**6,931**	**17,650**	**(8,106)**	**(502)**	**287**	**(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 2019.

							Thousands of Euros
							2018
	Spain	Italy	Netherlands	France	Switzerland	Other countries	Total (*)
Operating income	229,189	126,207	22,256	27,550	27,164	4,740	**437,106**
Operating expenses	(156,422)	(39,070)	(4,765)	(5,810)	(3,334)	(1,213)	**(210,614)**
Depreciation and amortization	(67,287)	(62,875)	(17,286)	(24,347)	(21,470)	(3,233)	**(196,498)**
Net Interest	(53,298)	(12,266)	(439)	(4,571)	(5,209)	178	**(75,605)**
Profit of companies accounted for using the equity method	54	-	-	-	-	-	**54**
Income tax	13,891	(2,552)	1,756	544	(236)	13	**13,416**
Attributable non-controlling interest	85	-	-	-	(1,425)	-	**(1,340)**
Net profit attributable to the Parent Company	**(33,958)**	**9,444**	**1,522**	**(6,634)**	**(1,660)**	**485**	**(30,801)**

(*) 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 2018. 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 2019.

The Group has one customer that exceeds 10% of its total revenue. The total income from this customer in the period ended on 30 June 2019 amounted to EUR 101,334 thousand. During the same period in the 2018 financial year, the Group had one customer that exceeded 10% of its revenue and the amount ascended to EUR 103,269 thousand.

The information by business segment is set out below:

	Thousands of Euros			
				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**

	Thousands of Euros			
				2018
	Broadcasting infrastructure	Telecom Infrastructure Services	Other Network Services	**Total**
Services (Gross)	116,386	268,819	38,434	423,639
Other income	-	15,114	-	15,114
Advances to customers	-	(1,647)	-	(1,647)
Operating income	**116,386**	**282,286**	**38,434**	**437,106**

There have been no significant transactions between segments during 2019 and 2018.

20. Related parties

a) Directors and Senior Management

The remuneration earned by the Parent Company's directors as at 30 June 2019 and 2018 was as follows:

i. The members of the Board of Directors received EUR 733 thousand for exercising the duties in their capacity as directors of Cellnex Telecom, S.A. (EUR 625 thousand in the same period in 2018).

ii. For performing senior management duties, the Chief Executive Officer received EUR 1,000 thousand, corresponding to fixed and variable remuneration (EUR 613 thousand in the same period in 2018) and EUR 635 thousand for the achievement of the multi-annual objectives established in all the "Long Term Incentive Plan" (EUR 350 thousand in the same period in 2018). See Note 16.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 13 thousand, respectively (EUR 88 thousand and EUR 7 thousand in the same period in 2018).

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 period ended on 30 June 2019 for members of Senior Management amounted to EUR 1,888 thousand (EUR 1,407 thousand in the same period in 2018) and EUR 1,202 thousand for the achievement of the multi-annual objectives established in all the "Long Term Incentive Plan" (EUR 762 thousand in the same period in 2018). See Note 17.b.

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 168 thousand and EUR 77 thousand, respectively. In the same period in 2018 they received EUR 62 thousand and EUR 76 thousand, respectively.

As of 30 June 2018, Cellnex maintained, for a member of Senior Management, an agreement linked to its permanence in the Company (not existing as of 30 June 2019).

Additionally, in accordance with the Group's Remuneration Policy for the 2017, 2018 and 2019 fiscal years, a multi-year incentive plan was approved linked to the achievement of the Group's three-year plan objectives for the same period.

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 directors of the Cellnex Telecom group at a cost amounting to EUR 68.6 thousand at 30 June 2019 (EUR 60.2 thousand in the same period in 2018).

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 2019 and 31 December 2018 the Group does not hold balances for significant amounts with associates companies.

For its part, during 2019 and 2018, 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 11.a).

On 12 July 2018, ConnecT acquired 29.9% of the Company’s share capital. ConnecT 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 30 June 2019, Edizione, together with its group of companies, is considered a related party to the Group.

During the first half of 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 2019, Hispasat no longer has the status of a related company of Cellnex. However, in accordance with the disclosures required by the IFRSs, the transactions carried out with Hispasat during the 6-month period ended on 30 June 2019 and 2018 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 is expected to last until 31 December 2022. During the first half 2019 and 2018 the services received by Cellnex in relation to this contract amounted to EUR 2 million and EUR 7 million, respectively. 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 locate 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 2019 amounted to EUR 2 million (although Atlantia is considered a related party since 12 July 2018).

In addition to the aforementioned, during the period ended 30 June 2019 and 2018 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 2019 and 31 of December 2018, the Group does not hold balances for significant amounts with related parties.

21. 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 2019		30 June 2018	
Male	1,085	76%	1,102	78%
Female	347	24%	312	22%
	1,432	**100%**	**1,414**	**100%**

b) Seasonality

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

22. Post balance sheet events

New Convertible Bond

On 5 July 2019 Cellnex placed EUR 850 million senior unsecured convertible bonds ("The Convertible Bond"). The Convertible Bond was issued at par and will mature on 5 July 2028. Any Bonds which have not been previously converted, redeemed or repurchased and cancelled by this time, are redeemed in full at a redemption price equal to 108.57% of their principal amount, implying a yield to maturity of 1.40% per annum.

The Convertible Bond accrues fixed interest at a rate of 0.50% per annum, payable annually in arrears on 5 July of each year, commencing on 5 July 2020. The initial conversion price of the Convertible Bond is EUR 57.1756, which represents a premium of 70% over the volume weighted average price of a Cellnex Share on the Spanish Exchanges (Bolsas de Valores), from the time between market opening and market closing on the day of placement.

The initial conversion price of the Convertible Bond is subject to customary adjustments.

As a result of the agreed redemption price, the effective conversion price will be EUR 62.1, therefore the effective conversion premium will be 84.6%. The initial amount of underlying Shares of the Convertible Bond represent approximately 5.0% of the total issued share capital of Cellnex as at 25 June 2019.

The Convertible Bond is rated BBB- by Fitch and is trading on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange. It allows Cellnex to increase its weighted average debt maturity, to improve its weighted average cost of borrowing and to continue to maintain its liquidity position.

This issuance follows on from the first convertible bond offering performed by Cellnex, for a total of EUR 800 million, in two tranches: an initial EUR 600 million placement in January 2018, tapped by an additional EUR 200 million placement in January 2019 (which consolidated and formed a single series with that of January 2018).

Loans and credit facilities

On 2 July 2019 Cellnex signed a EUR 100 million loan with the Spanish Official Credit Institute (ICO) to finance the Group's international expansion. The loan with ICO has a final maturity of twelve years, including a two-year interest-only period, from the date of signature. The proceeds will be used to finance new investments abroad, such as in France.

On 17 July 2019 Cellnex Group signed a total of EUR 2.6 billion financing with a pool of banks to increase its liquidity position and to finance the acquisitions of Iliad and Salt towers signed on 7 May 2019 as explained in the note 18.ii.The financing consists of the following three facilities agreements:

- Cellnex signed a syndicated loan of CHF 183,000 thousand, which replaces the existing CHF 190,000 thousand facility while extending the maturity for one additional year until 2024,
- Swiss Towers signed a syndicated facilities agreement of CHF 620,000 thousand consisting of a CHF 400,000 thousand term loan and a CHF 220,000 thousand revolving facility both maturing in 2024 (these facilities replace the existing CHF 180,000 thousand), and
- Cellnex signed a syndicated facilities agreement consisting of a EUR 1,500,000 thousand multicurrency revolving credit and a CHF 450,000 thousand term loan to fund the equity contribution into Cellnex Switzerland AG to finance the Salt towers acquisition and to refinance the existing CHF 190,000 thousand facility.

Acquisition of On Tower Netherlands subgroup

On 12 July 2019 Cellnex Telecom (through its subsidiary Cellnex Netherlands BV) reached an agreement to acquire 100% of the share capital of On Tower Netherlands BV from its shareholders which, in turn, owns all the shares of On Tower Netherlands 1 BV, On Tower Netherlands 2 BV, On Tower Netherlands 3 BV, On Tower Netherlands 4 BV, On Tower Netherlands 5 BV and On Tower Netherlands 6 BV, for an amount of EUR 40 million (Enterprise Value). As a result of the acquisition, Cellnex directly owns all the shares of On Tower Netherlands BV and, consequently, all the shares of its subsidiaries. The actual cash outflow in relation to this transaction was EUR 39 million following the incorporation of EUR 1 million of cash balances on the balance sheet of the acquired subgroup.

Cellnex financed the acquisition of 100% of the share capital of On Tower Netherlands subgroup using existing cash and credit facilities.

Changes in shareholders

On 11 July 2019, Edizione sold a 5% stake of ConnecT (which holds 29.9% of Cellnex) to Abu Dhabi Investment Authority ("ADIA") and Singapore's sovereign wealth fund ("GIC").

As a result of the above, Edizione remains ConnecT's largest shareholder with a 55% stake, while ADIA and GIC each hold 22.5% stake in ConnecT.

23. 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, 25 July 2019

Cellnex Telecom, S.A. and Subsidiaries
Consolidated interim directors' report for the 6-month period ended on 30 June 2019

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

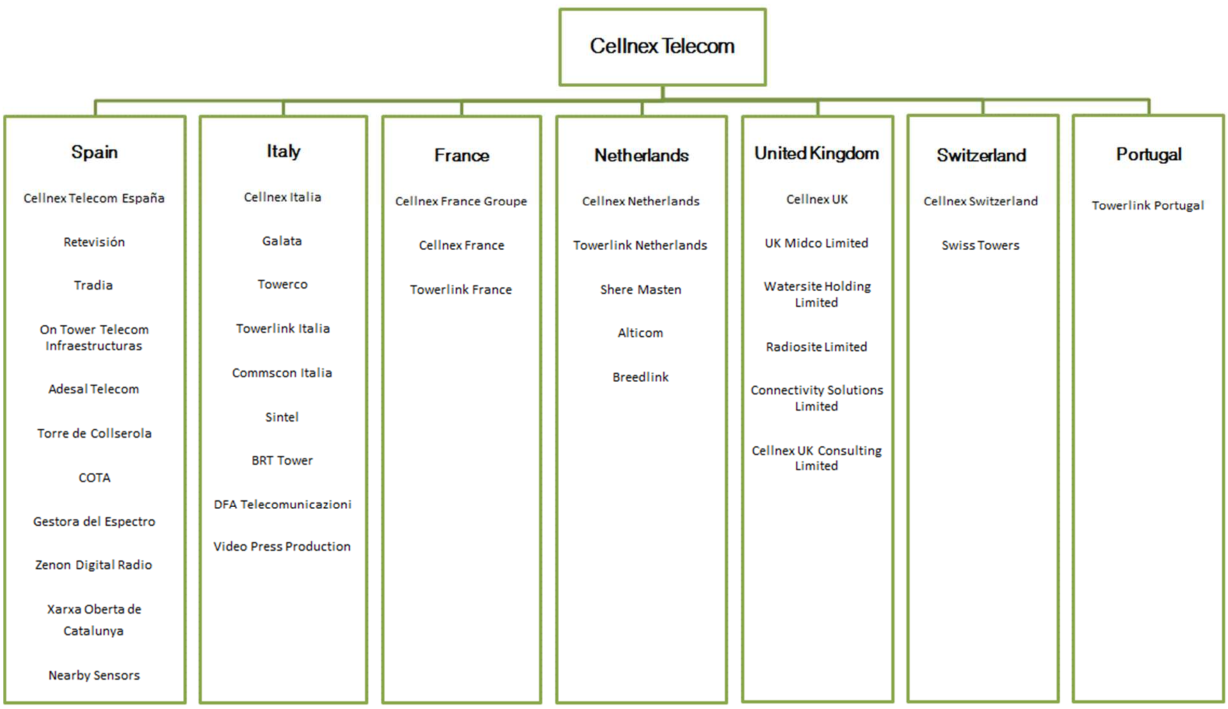
1.1. Situation of the Group

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 2019 is summarised as follows:



The detail of the Group's subsidiaries and associates at 30 June 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 2018. In addition, Note 2.h of these consolidated interim financial statements includes the changes in the scope of consolidation during the first half of 2019.

Cellnex has successfully become the leading neutral[(1)] European telecommunications infrastructure operator with a portfolio of up to 45,000 sites (including forecast roll-outs up to 2027) located in Italy, Spain, France, the Netherlands, the UK, Switzerland and Portugal. As at 30 June 2019, the Group manages a portfolio of 24,078 sites and 1,719 nodes, which make a total of 25,797 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 and CDP (Carbon Disclosure Project), "Standard Ethics" and Sustainalytics 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

Cellnex tackles the next phase of growth in Europe following the capital increase

Cellnex's growth project is widely supported by its investors and shareholders, shown by the Parent Company's recent capital increase of EUR 1.2 billion, in which 98.8% of the holders of preemptive rights supported the increase, and demand by investors was more than sixteen times the supply of new shares (see Note 11.a of the accompanying consolidated interim financial statements).

Having committed over EUR 4 billion to growth in the last four years since the IPO, the aim of Cellnex is to continue to taking advantage of the options for growth in the European telecommunications infrastructures market. The Group is therefore active in the process of identifying and analysing any opportunities that may continue to present themselves. The Group's industrial vision remains the fundamental axis of Cellnex's growth strategy. The vectors that mark the future in the medium term are the cooperation and long term relationship with the customers; the inorganic growth that allows Cellnex to consolidate its position in Europe; together with the Group's commitment to developing the infrastructure ecosystem associated with 5G - including fibre to-the-antenna, indoor coverage systems, edge computing and small cells.

During the first half of 2019, Cellnex has concluded various organic and inorganic growth agreements which, once completed, will lead it to increase its portfolio of assets in Europe by more than 15,000 sites.

The European-wide agreement, with Iliad in France and Italy, and with Salt in Switzerland, will increase its current portfolio by 10,700 sites (5,700 sites in France, 2,200 sites in Italy and 2,800 sites in Switzerland) with a total investment of EUR 2.7 billion. The deal, which is expected to close during the second half of 2019, also includes an agreement to deploy up to 4,000 new sites by 2027 (2,500 sites in France and 1,000 sites in Italy (for Iliad) and 500 sites in Switzerland (for Salt) with a planned phased investment amounting to EUR 1.35 billion.

The aforementioned long-term industrial alliance with the Iliad Group in Italy and France is expected to contribute up to an estimated EUR 410 million of additional Adjusted EBITDA, provided that the additional sites are deployed in a seven-year term. Also, the aforementioned long-term industrial alliance with Salt is expected to contribute up to an estimated EUR 105 million of additional Adjusted EBITDA, provided that the additional sites are deployed in a seven-year term.

[(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.

Thus, the aforementioned agreement reached with Iliad and Salt will allow Cellnex not only to reinforce its position as the main independent infrastructure operator in France, but also to decisively strengthen its platform in Italy, a key strategic market, and significantly expand its footprint in Switzerland. Furthermore, Cellnex strengthens its role as a neutral host by having two major anchor tenants within its network sites. The combined effect of these agreements, along with those already in place involving contracted perimeter (BTS programs with Bouygues Telecom, Wind Tre and Sunrise), is to increase Cellnex's current portfolio across six European countries by more than 50% (to 45,000 sites in total by 2028). A greater density and capillarity of Cellnex's network sites leads to differentiating added value that enhances the Group's role as a natural partner for all mobile operators in Europe, meeting their densification needs in the current 4G roll-out while accelerating that of 5G.

Governance model

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 2018, which forms part of this Directors' Report for 2018.

The governance model is based on the Board of Directors and the various committees, and the top priorities are achieving transparency and implementing the best international corporate governance practices.

During 2019, Cellnex continued working to implement and consolidate the best corporate governance practices, covered essentially in the Code of Good Corporate Governance for Listed Companies approved by the Spanish National Securities Market Commission (CNMV) on 18 February 2015. Consequently, this alignment governs the rules that regulate the workings of the company's governing bodies, headed by the Board of Directors.

At the end of 2018, the Board of Directors performed a self-assessment of the functioning of the Board and committees using a questionnaire composed of different groups of questions: (i) Board composition; (ii) functioning of the Board; (iii) presidency of the Board; (iv) Board Secretariat; (v) Board committees; (vi) performance of the CEO and relationship with senior management; (vii) alignment and commitment of the Board with the strategic objectives; and (viii) overall assessment of the Board. The questionnaire was answered by all the members.

As a global assessment, the board members identify as their strengths their independence, their professionalism and their climate of confidence. Their dedication, cordial culture and commitment to the success of Cellnex are also appreciated. Notwithstanding the above, some areas for improvement were identified for the coming years, which are specified in an Action Plan to be implemented soon.

The Group also continues to make progress in gender diversity in its highest corporate governance body with a total of four female directors, equivalent to 33% of the Board of Directors.

Changes in 2019

During the first half of 2019, the Board of Directors of Cellnex Telecom agreed to accept the resignation of the Director Mr. John B. McCarthy as a member of the Board of Directors. In addition, the Board of Directors has decided to appoint, by the co-optation procedure, Mr. Mamoun Jamai as proprietary Director on behalf of the shareholder Connect S.p.A., until the next General Shareholders' Meeting is held.

Mr. Marco Patuano, informed of his resignation as Director and Chairman of the Board of Directors of Cellnex. In the next Board of Directors' Meeting to be held, the appointments to fill the vacancies will be discussed.

Strategic Plan: promoting growth and efficiency

Cellnex identifies key strategic challenges on which the company aimed to focus, in an attempt to respond to the aim of sustained growth (diversification and internationalisation) and sustainable growth (capability to manage and integrate this growth) to ensure the competitiveness and attractiveness of the project in both the medium and the long term. These challenges consist of:

- Maintaining the momentum towards the internationalisation. Consolidate positions in current countries and explore and exploit opportunities in new markets.

- Combining growth and consolidation. Sign new agreements with large and small MNOs which translates into sustained growth of the customer ratio and number of POPs located in our sites.

- Meeting expectations: maintaining investor confidence.

During the first half of 2019, Cellnex has worked to achieve the above-mentioned challenges, in line with the actions and initiatives promoted during the previous year.

1.2. Significant events in 2019

The main highlights in the 6-month period ended on 30 June 2019 are as follows:

Telecom Infrastructure Services

Main investments

France

At 30 June 2019, in accordance with the agreements reached with Bouygues during 2016, 2017 and 2018, Cellnex, through its subsidiaries Cellnex France and Towerlink France, has committed to acquire and build up to 5,250 sites that will be gradually transferred to Cellnex until 2024 (see Note 7 of the 2018 consolidated financial statements). Of the proceeding 5,250 sites, a total of 3,292 sites have been transferred to Cellnex as at 30 June 2019.

During 2019, 385 sites were acquired in relation to the aforementioned agreements, for an amount of approximately EUR 84 million.

Switzerland

At 30 June 2019, in accordance with the agreement reached with Sunrise during 2018, Cellnex, through its subsidiaries Swiss Towers, has acquired 133 sites in Switzerland for an amount of CHF 39 million (EUR 34 million).

Italy

During 2019, the agreement with Wind Tre dated 27 February 2015 was extended, through an increase of the built-to-suit project up to 800 additional sites to be built (increasing the agreement to build sites from up to 400 to up to 1.200 sites, with a total investment of up to EUR 70 million).

United Kingdom

During the first half of 2019, Cellnex Telecom (through its subsidiary Cellnex Connectivity Solutions Limited) and British Telecommunications PLC ("BT") signed a long-term strategic agreement according to which Cellnex acquired the rights to operate and market 220 high towers located throughout the United Kingdom for a period of 20 years. The acquisition price amounted to GBP 70 million, approximately (with a Euro value of EUR 79 million). The aforementioned rights have been totally transferred to Cellnex as of 30 June 2019 (See Note 6 of the accompanying consolidated interim financial statements).

Cellnex in the development of the 5G technology in Europe

5G will require a new network architecture, and Cellnex Telecom is developing the infrastructures required across all its six European markets for the effective roll-out of this new technology, in which the neutral host model and sharing schemes between operators will be key. 5G will involve a paradigm shift in terms of connectivity to facilitate the exponential increase in consumption and data transmission, as well as the minimum latency required for the development of applications such as the autonomous vehicle, artificial intelligence, industry 4.0 or telemedicine, among others.

The **latest developments in 5G ecosystems** in which Cellnex has been progressing during the first half of 2019, regarding the densification of networks using Distributed Antenna Systems (DAS) and Small Cells, and the "back-haul" of optical fibre towers and antennas, are:

- *Network densification*

This new network architecture will require adapting the equipment installed in the existing infrastructures (macro sites) and increasing the densification of the network through Distributed Antenna Systems (DAS) and Small Cells in indoor areas (stadiums and sports venues, shopping centres, theatres, skyscrapers, carparks, underground networks, etc.) and outdoor areas (city centres, public transport networks, ports, airports, etc); especially high footfall areas.

Cellnex is progressing on projects in this field, the most noteworthy of which include the Gran Teatre del Liceu and the SABA and BAMSA car parks in Spain, as well as its joint work with Bouygues Telecom in France to place 5G equipment in Cellnex infrastructures providing service across the country for the operator.

- *Optical fibre*

Cellnex is also working on proposals for the roll-out, operation and maintenance of fibre optic networks (macros and "small cells"), which are key elements of the infrastructures required for the roll-out of 5G.

In July 2018 the Group acquired Xarxa Oberta de Catalunya (XOC), which operates a neutral network of 3,000 kilometres of optical fibre and provides capabilities for developing the connectivity of its sites and those of its customers (backhaul & fronthaul networks).

- *Edge Computing*

Cellnex is committed to extending "Edge computing" or data processing at the edge of the network, bringing computing capabilities closer to broadcast antennas and therefore closer to the receiver-users (people, vehicles, and machines). This approach helps achieve the requirements of 1-millisecond latency which will be demanded by critical applications such as the connected vehicle, or connectivity between machines, associated with 5G.

Moreover, through the acquisition of Alticom in 2017 Cellnex is providing collocation services related to data processing capabilities (Edge Computing), which will play a key role in the future deployment of 5G networks, in order to reduce data latency.

The agreement with Bouygues Telecom in 2018 to build up to 88 strategic telecom centers until 2024, also called 'Central Offices' and 'Metropolitan Offices' and the possibility to acquire up to 62 additional 'Mobile Switching Centers' and 'Metropolitan Offices' to be gradually transferred to Cellnex from 2020 to 2021, will also reinforce Cellnex's offer by providing collocation services related to data processing capabilities.

In this area, Cellnex, Intel and Nearby Computing has worked on the joint Edge Computing project "Adaptive Edge". Computing and data processing at the edge of the network are key to developing and deploying 5G. The 'Adaptive Edge' solution enables network resources and additional computing capabilities to be allocated in situations where there is - or expected to be - a higher demand for data traffic or when specific applications are required.

T**he main 5G projects** in which Cellnex has been working during the first half of 2019, are**:**

- *Autonomous and sustainable mobility*

Cellnex is developing in the Parcmotor Castellolí-Barcelona car circuit. The Group has equipped the circuit with the infrastructure and technology to enable various players and companies to work towards the mobility of the future. This includes advanced traffic solutions and the development of innovative products and services linked to smart mobility and the connected and autonomous vehicles. All of this is under the premise of efficient energy management, since all the infrastructure rolled out by Cellnex is self-supplied by wind and/or solar energy.

Parcmotor has become a benchmark in the innovative testing space for the sustainable development of ITS (Intelligent Transport Systems) associated to 5G technological solutions, particularly in the field of vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communications, which can subsequently be implemented in vehicles (future mobility), in towns and cities (smart cities) and on roads and motorways (smart roads).

Furthermore, Cellnex is developing mobile connectivity solutions in urban environments - which are included in the V2X-Arch project - and underscore the importance of communications between vehicles and street fixtures (traffic lights) or communications between emergency vehicles and all other vehicles on a road and building these networks that make it possible to develop the connected vehicle.

- *5G Firefighting Drone Pilot Project*

Along with Sitep, Masmóvil and 5G Barcelona, Cellnex has been developing the pilot programme titled "5G Fire-fighting Drone Project" within the framework of the 5G Barcelona initiative. The initiative is promoted by the Catalan regional government (Generalitat de Catalunya), Barcelona City Council, Mobile World Capital Barcelona, the i2CAT Foundation, the Catalonia Technological Telecommunications Centre, Atos and the Polytechnic University of Barcelona (UPC) in an attempt to turn the city into a benchmark 5G digital hub.

The project uses 5G technology to facilitate and optimise management of fires by capturing, processing and transmitting data such as heat maps, geo-localised images and the location of teams, which are beamed to the emergency teams in real time using drones and a dedicated broadband network. The objective is threefold: to reduce response times, monitor the situation in real time and activate the appropriate and optimal resources to extinguish the fire.

- *IoT technology and connectivity*

Cellnex has been working on IoT connectivity for social housing solutions. The Group equips these homes with sensors that allow data - essentially concerning energy consumption and efficiency - to be gathered and monitored, and detecting temperatures and other indicators to make it easier to monitor these "connected" homes and to anticipate any anomalous or risk situations.

Since 2015, Cellnex Telecom has the first Internet of Things (IoT)-oriented network, which provides service throughout Spain, covering 95% of the population. More than 2 million devices are already connected and use Cellnex's IoT network in Spain on a daily basis, providing remote monitoring of electricity consumption, water telemetry, waste management or material tracking services, smart parking, security or energy efficiency and prevention of risks in social housing, among others.

In this context, the Basque Government awarded Cellnex Telecom a project, through its public company Alokabide, to develop and apply sensorisation and connectivity technologies linked to the Internet of Things (IoT) in 114 public rental social housing units located in the Zabalgana neighborhood in Vitoria-Gasteiz (Spain). The telecommunications services and infrastructures operator will equip these homes with sensors that will collect, transmit and monitor data, related mainly to detecting temperatures and humidity levels, to keep track of the comfort conditions of the users of these homes and be able to analyse what actions may be required to facilitate the energy use protection of these "connected" homes. Cellnex will also configure the IoT platform required for the remote storage and monitoring of the data for Alokabide, as well as the control panel from which to process the information and generate indicators. Through the sensors, real-time connectivity and this IoT platform, Alokabide will be able to anticipate any abnormal or risk situation, optimise the use of resources and make decisions about possible actions based on the parameters obtained.

Additionally, during 2019, Cellnex Telecom and the four social entities comprising the Third Sector Board that worked on the pilot project to equip social housing units with sensors during 2018, have agreed to extend the scope of the project to continue to move forward in the application of connectivity and technologies linked to the Internet of Things (IoT) in this type of home, aimed especially at groups at risk of social exclusion.

Finally, Festival Cruïlla will test 5G technology applied to virtual reality through a 360° immersive experience in which spectators can see and experience live concerts as if they were on stage with the singers. The project is being promoted by Cruïlla and Mobile World Capital Barcelona, on behalf of 5G Barcelona, and has been developed technologically by ACCIONA, Cellnex, Qwilt and MASMOVIL.

Small Cells and DAS

Cellnex Switzerland and Swiss Fibre Net ("SFN") have signed a cooperation agreement for mobile communications system connections via fibre optics (mobile backhauling) and small cells.

The agreement assures Cellnex Switzerland access to high-quality fibre optics services and provides for cooperation in the acquisition, planning, construction, and operation of small cells, which are low-powered transmission units that generally operate over a short range. The cells can be used to provide wireless services in buildings and outdoor areas. Mobile network operators use small cells to expand service coverage and increase network capacity.

Future mobile communications infrastructure for Switzerland

SFN and Cellnex Switzerland are already pioneers in the development of innovative solutions for mobile communications providers in Switzerland. With its large-scale fibre optics network, Swiss Fibre Net is not only able to provide households and businesses with ultra-fast FTTH lines; for many years already it has also been a key partner for connecting cell towers with fast fibre optic lines.

Cellnex Switzerland is the first independent operator of wireless infrastructure in Switzerland. The company is currently responsible for 2,460 mobile sites throughout the country. Cellnex Switzerland offers its services to all telecom providers in a transparent and non-discriminatory manner, allowing all telecommunications companies access to its infrastructure. Cellnex Switzerland's unique infrastructure services will enable telecom operators to optimize their investment capacity in the coming years while also keeping their operating costs under control. This of course also ensures ideal conditions for the rapid introduction and consolidation of existing and new technologies and standards, such as 5G, IoT, DAS (Distributed Antenna System), and smart cities.

The allocation of new mobile network frequencies was successfully completed at the beginning of February 2019. All three current mobile providers were able to acquire new frequencies in the auction, particularly in the 3.5-3.8 GHz band. The new frequencies are needed to facilitate development of fast 5G mobile communications technology. Consolidation and access to new antenna sites is also necessary to meet constantly growing customer demand. With their new cooperation agreement, Cellnex Switzerland and SFN are now ideally positioned to exploit the market opportunities arising from future network consolidation.

Telecom Infrastructure Services ("TIS") site portfolio

The TIS site portfolio at 30 June 2019 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	20+5+5
		129	2017	20+5+5
		1,098	2017	15+5+5+5
		1,205	2018	15+5+5+5
		385	2019	15+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	153	2019	20+10+10
Business combination	Video Press purchase	8	2019	Various
Shared with broadcasting business		1,870		
"Built to Suit" and others [1]		178		

[1] "Build to Suit" and others: towers that are built to meet the needs of the customer. This does not include the "BTS" programs committed with Bouygues and Sunrise 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.

(3) In accordance with the agreements reached with Bouygues during 2016, 2017 and 2018, at 30 June 2019 Cellnex has committed to acquire and build up to 5,250 sites that will be gradually transferred to Cellnex up until 2024 (see Note 5 of the accompanying consolidated interim financial statements). Of the proceeding 5,250 sites, a total of 3,292 sites have been transferred to Cellnex as at 30 June 2019 (as detailed in previous table). Note that all Bouygues transactions have a common characteristic "up to" as Bouygues does not have the obligation to reach the highest number of sites.

As at 30 June 2019 the Group also maintains 1,719 antennas nodes with the DAS.

Broadcasting Infrastructure

The broadcasting infrastructure business is the Group's second area of activity by turnover, and the largest in Spain. The company is the only operator offering nationwide coverage of the DTT service.

The value-creation model, in the broadcasting infrastructure business, is based on sharing the transmission network between broadcasters who do not have their own networks.

Its services consist of distribution and transmission of television and radio signals, and the operation and maintenance of broadcasting networks, provision of connectivity for media content, hybrid broadcast-broadband services, over-the-top (OTT) broadcasting and other services. Through the provision of broadcasting services, Cellnex has developed unique know-how & expertise that has helped to develop the other services in its portfolio.

In addition, Cellnex has established the strategic objective of positioning itself as a leader in Ultra High-Definition Video (UHD) technology, providing images with significantly better quality for the user than other options.

At the end of the first quarter of 2017, the UHF Decision of the European Parliament and the Council of the European Union regulating the use of the Spectrum band 470 - 790 MHZ was published, being mandatory for all the Member States of the European Union. It is a balanced decision as it ensures that terrestrial TV will maintain the priority use of the Sub700 MHz band (470 - 694MHz) at least until 2030 and, at the same time, allocates the 700 MHz band (694 - 790 MHz) to the services mobile. The UHF Decision provides a realistic timetable for both the Broadcast industry, offering long-term security in the use of spectrum and for the investments to be made, and for the mobile industry that will have the 700MHz band within a reasonable time horizon (2020 with possibility to delay it 2 years with justified reasons). The Decision also suggests that Member States should compensate for the costs arising from the forced migration of services related to spectrum reallocation.

On 21 June 2019, Royal Decree 391/2019 was published, approving the National Technical Plan for Digital Terrestrial Television ("The National Plan") and regulating certain aspects for the release of the second digital dividend. The National Plan establishes the main guidelines to face the second digital dividend, including:

- The 700MHz (694-790MHz) band will be ready for mobile services on 30 June 2020.
- The sub700MHz (470 – 694MHz) band will be used by DTT at least until 2030.
- The Spanish DTT bouquet remains unchanged, keeping the current muxes.
- All DTT contents will be in HD before 1 January 2023.
- DTT receivers shall be compatible with HD, UHD and HbbTV services under certain conditions.

At present, the challenge of the Group is to work to comply with calendars, investments and technical issues looking for the minimum impact for the citizens and the society.

In addition , during 2019, the Group has continued with its work of collaboration with the Administration in relation to the second digital dividend, as well as in the research and implementation of technical improvements, both in the provision of DTT, as in the on-line distribution of audiovisual content. Among such technological advances, the interactivity of the Hybrid DTT, or the quality improvement provided by the UHD.

In relation to the above, the Group is the technological provider of LOVEStv, the new audiovisual platform of DTT based on HbbTV jointly developed with the public radio broadcaster RTVE and the two large Spanish commercial radio broadcasting groups, Atresmedia and Mediaset Spain. This platform allows the viewer to access the contents of the last week from the television, as well as viewing programs from the beginning even if they have already started.

Cellnex Telecom, as an independent agent, has worked together with broadcasters and developers in the implementation of the necessary solutions for these new audiovisual services, since Cellnex meets the conditions that make it the right partner, given its technological capacity and extensive know-how in OTT platform services and HbbTV.

Additionally, Cellnex continues its international work in the main forums developing the future of the audiovisual sector as HbbTV, DVB, EBU, ITU or BNE.

Other Network Services

Cellnex provides the infrastructure required for the development of a connected society by providing the following network services: transport of data, security and control, Smart communication networks including IoT, Smart services and managed services and consulting.

As an infrastructure operator, Cellnex can facilitate streamline and speed up the deployment of these services through efficient connectivity of objects and people, in rural and urban environments, helping to build genuinely smart territories.

“Other network services” segment is a specialised business that creates value through innovative solutions and stable financial flows with attractive growth potential. Given the critical nature of these services, the customers of this activity demand in-depth technical know-how and strict service level agreements.

The connectivity of objects is set to grow very significantly in the near future. The Internet of Things (IoT) network is based on a model that connects physical objects and keeps them integrated in a network. The alliance between Cellnex Telecom and Sigfox constitutes an evidence of the Group's commitment to develope this technology both today and in the near future. In this regard, Cellnex's position as a reference global operator of IoT has become consolidated with more than one million objects connected in Spain's largest network dedicated to the Internet of Things.

This activity will continue to grow in the surveillance market through our main customer in the home, people and vehicles sector. In addition to this, the main development is occurring in the water metering and smart city services markets.

1.3. Business performance and results

The 6-month period ended on 30 June 2019 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).

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, contract renegotiation and redundancy provision) or (ii) certain non-cash items (such as advances to customers, prepaid expenses 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.

The criteria used to calculate the Adjusted EBITDA is the same as the previous year.

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

As at 30 June 2019 and 2018, respectively, the amounts are as follows:

	Thousands of Euros	
	30 June 2019	30 June 2018
Broadcasting infrastructure	117,198	116,386
Telecom Infrastructure Services	322,542	282,986
Other Network Services	47,078	37,734
Operating income	**486,818**	**437,106**
Staff costs	(67,596)	(111,052)
Repairs and maintenance	(16,847)	(14,619)
Leases	(5,666)	(4,110)
Utilities	(40,544)	(34,710)
General and other services	(49,775)	(46,123)
Depreciation and amortisation charge	(217,127)	(196,498)
Operating profit	**89,263**	**29,994**
Depreciation and amortisation	217,127	196,498
Non-recurring expenses	13,036	62,404
Advances to customers	1,847	1,647
Adjusted operating profit before depreciation and amortisation charge (Adjusted EBITDA)	**321,273**	**290,543**

Non-recurring expenses and advances to customers are set out below (see in Note 17.d of the accompanying consolidated interim financial statements):

	Thousands of Euros	
	30 June 2019	30 June 2018
Costs related to acquisitions (1)	6,228	5,469
Contract renegotiation (2)	-	735
Prepaid expenses (3)	-	-
Advances to customers (4)	1,847	1,647
Redundancy provision (5)	6,808	56,200
Total non-recurring expenses and advances to customers	**14,883**	**64,051**

(1) Mainly includes expenses incurred during acquisition processes (non-recurring item).

(2) This relates to the cancellation expenses concerning the renegotiation of certain contracts with services providers. This renegotiations took place in order to achieve significant savings in costs over the coming years (non-recurring item).

(3) This item mainly includes prepaid energy or other operating costs which have been prepaid in advance (non-cash item).

(4) Includes the amortization of amounts paid for sites to be dismantled and their corresponding dismantling costs. 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).

(5) Mainly includes the amount recorded as at 30 June 2019 and 31 December 2018 in accordance with the reorganisation plan detailed in Note 16.b of the accompanying consolidated interim financial statements (non-recurring 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.

The criteria used to calculate the Adjusted EBITDA Margin is the same as the previous year.

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

According to the above, the Adjusted EBITDA Margin as at 30 June 2019 and 2018 was 68% and 66%, 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”.

The criteria used to calculate the Gross Financial debt is the same as the previous year.

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

According to the above, its value as at 30 June 2019 and 31 December 2018, respectively, is as follows:

	Thousands of Euros	
	30 June 2019	31 December 2018
Bond issues and other loans (Note 12)	2,711,799	2,510,176
Loans and credit facilities (Note 12)	735,238	585,561
Lease liabilities (Note 13)	553,578	526,337
Gross financial debt	**4,000,615**	**3,622,074**

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 / Annualised Adjusted EBITDA" which is frequently used by analysts, investors and rating agencies as an indication of financial leverage.

The criteria used to calculate the Net financial debt is the same as the previous year.

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

The "Net financial debt" at 30 June 2019 and 31 December 2018 is detailed in Section 1.4. of these accompanying consolidated 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 capital expenditures

Includes site adaptation for new tenants, ground leases (cash advances and land acquisitions), 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 adjusted EBITDA.

Expansion capital expenditures (Built to Suit programs)

Includes Built to Suit committed with different MNO's like Bouygues Telecom and Sunrise, at the moment of the closing of the M&A projects or the corresponding new extensions.

M&A capital expenditures

Corresponds to investments in shareholdings of companies as well as significant investments in acquiring portfolios of sites (asset purchases).

The criteria used to calculate the Capital expenditures is the same as the previous year.

Total capital expenditure for the period ended 30 June 2019 and 2018, including property, plant and equipment, intangible assets, advance payments on ground leases and business combinations are summarised as follows:

	Thousands of Euros	
	30 June 2019	30 June 2018
Maintenance capital expenditures	12,117	13,097
Expansion capital expenditures	52,396	43,397
Expansion capital expenditures (Build to Suit programs)	138,612	37,666
M&A capital expenditures	213,720	152,394
Total investment	**416,845**	**246,554**

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.

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

At 30 June 2019 and 2018 the Recurring Leveraged Free Cash Flow ("RLFCF") was calculated as follows:

	Thousands of Euros	
	30 June 2019	30 June 2018
Adjusted EBITDA(1)	321,273	290,543
Payments of lease instalments in the ordinary course of business and interest payments(2)	(97,810)	(84,679)
Maintenance capital expenditures(3)	(12,117)	(13,097)
Changes in current assets/current liabilities(4)	11,286	12,760
Net payment of interest(5)	(46,364)	(37,839)
Income tax payment(6)	(2,282)	(9,403)
Net dividends to non-controlling interests(7)	(699)	(285)
Recurring leveraged free cash flow (RLFCF)	**173,287**	**158,000**
Expansion Capex(8)	(52,396)	(43,397)
Expansion Capex (Build to Suit programs) (9)	(138,612)	(37,666)
M&A Capex (cash only) (10)	(213,720)	(150,874)
Non-Recurrent Items (cash only)(11)	(10,628)	(27,878)
Net Cash Flow from Financing Activities(12)	1,521,938	501,382
Other Net Cash Out Flows (13)	(33,477)	(22,359)
Net Increase of Cash (14)	**1,246,392**	**377,208**

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 (€6Mn), and redundancy provision (€7Mn)) 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).

2. Corresponds to i) payments of lease instalments (€67Mn) in the ordinary course of business excluding short-term prepayments and; ii) interest payments on lease liabilities (€31Mn). See Note 13 of the accompanying 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, and 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 30 June 2019), following the same methodology used in 2018.
5. Corresponds to the net of "Interest paid" and "interest received" in the accompanying Consolidated Statement of Cash Flows for the period ended 30 June 2019), following the same methodology used in 2018. This amount corresponds to net interest payments (€46Mn), which do not include "Interest payments on lease liabilities" (€31Mn) (see Note 13 of the accompanying consolidated interim financial statements).
6. Income tax payment (see the relevant section in the accompanying Consolidated Statement of Cash Flows for the period ended 30 June 2019), following the same methodology used in 2018.
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 30 June 2019, following the same methodology used in 2018.
8. Expansion capital expenditures: Ground leases renegotiations (€29Mn), efficiency measures associated with energy and connectivity (€6Mn), and others (including early site adaptation to increase the capacity of sites), following the same methodology used in 2018. Thus, it corresponds to investments related to business expansion that generates additional adjusted EBITDA.
9. Committed Build to Suit Programs with Bouygues Telecom, Sunrise and Wind Tree; following the same methodology used in 2018.
10. M&A capital expenditures (cash only): Investments in shareholdings of companies as well as significant investments in acquiring portfolios of sites (asset purchases), after integrating into the consolidated balance sheet mainly the "Cash and cash equivalents" of the acquired companies and the contribution of minority shareholders. The amount resulting from: (3)+(8)+(9)+(10) corresponds to "Total Investment" (see caption "Capital Expenditures" in the accompanying Consolidated Interim Financial Statements for the period ended 30 June 2019) and; this sum also corresponds to "Total net cash flow from investing activities" (see the relevant section in the accompanying Consolidated Statement of Cash Flows for the period ended 30 June 2019), after adding mainly the Cash advances to landlords (€-29Mn) (see Note 13 of the accompanying Consolidated Interim Financial Statements), following the same methodology used in 2018.
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", which do not include "Net payment of lease liabilities", "Dividends to non-controlling interests" and "Dividends received" (see the relevant section in the Consolidated Statement of Cash Flows for the period ended 30 June 2019), following the same methodology used in 2018.
13. Mainly corresponds to "Foreign exchange differences" (see the relevant section in the Consolidated Statement of Cash Flows for the period ended 30 June 2019) and other timing effects, following the same methodology used in 2018.
14. "Net (decrease)/increase in cash and cash equivalents from continuing operations" (see the relevant section in the Consolidated Statement of Cash Flow for the period ended 30 June 2019), following the same methodology used in 2018.

Revenues and Results

Income from operations for the 6-month period ended on 30 June 2019 reached EUR 487 million, which represents an 11% increase over the same period in 2018. This increase was mainly due to the expansion of the above-mentioned telecom infrastructure services for mobile network operators.

Telecom Infrastructure Services' income increased by 14% to EUR 323 million due to both the organic growth achieved and the acquisitions performed between the second half of 2018 and the first half of 2019. 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 in Spain, Italy, the Netherlands, France, the United Kingdom and Switzerland and performs the subsequent streamlining and optimisation of the tower infrastructure for Telecom Infrastructure Services. Its main added value proposals in this line of business 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.

With regard to the Broadcasting Infrastructure business, income amounted to EUR 117 million which represents a 1% increase compared with the same period in 2018. Broadcasting Infrastructure activities are characterised by predictable, recurring and stable cash flows. Although this is a mature business in Spain, broadcasting activities have shown considerable resilience to adverse economic conditions, such as those experienced in Spain in recent years, this is due to the fact that the Group's income does not depend directly on macroeconomic factors, but rather on the demand for radio and television broadcasting services by broadcasting companies.

Other Network Services increased its income by 22%, to EUR 47 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's aim is to maintain long-term relationships with its customers maximise the renewal rate of its contracts and expand its business through new contracts. 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. During the second half of 2018, Cellnex incorporated the XOC, a concessionary company dedicated to the management, maintenance and construction of the fiber optic network of the Generalitat de Catalunya.

All of the above 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 11% higher than the same period in 2018 which reflects the Group’s capacity to generate cash flows on a continuous basis.

Operating profit increased by 198% compared with the same period in 2018 mainly due to the reorganisation plan agreed during the first quarter of 2018 in order to adjust the workforce in its Spanish subsidiaries Tradia and Retevisión, which manage the terrestrial television infrastructure network (see Note 16.b of the accompanying consolidated interim financial statements).

Moreover, the net financial loss increased by 45%, derived largely from the impact of updating the value of the Cellnex Switzerland Put Option during the first half of 2019, which has resulted in a negative impact of EUR 26 million in the accompanying consolidated income statement for the period. On the other hand, the income tax for the first half of 2019 includes the effect of updating the tax rate of certain subsidiaries, which has resulted in a positive impact of EUR 19 million in the accompanying consolidated income statement for the period.

Taking into account these considerations, the consolidated loss attributable to shareholders on 30 June 2019 stood at EUR 0 million (EUR 31 million at 30 June 2018).

Consolidated Balance Sheet

Total assets at 30 June 2019 stood at EUR 6,754 million, a 32% increase compared with the year-end December 2018, mainly as a result of the asset purchases made during 2019 in France, Switzerland and the United Kingdom. Around 51% 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 other intangible assets is a result of the above-mentioned acquisitions.

Consolidated net equity at 30 June 2019 stood at EUR 1,804 million, a 193% increase compared with the year-end December 2018, as a result of the capital increase amounting to EUR 1.2 billion carried out in March 2019 (as detailed in Note 11.a of the accompanying consolidated interim financial statements).

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 ended on 30 June 2019 and 2018, with the "net interest expense" in the financial statements is as follows.

	Thousands of Euros	
	30 June 2019	30 June 2018
Interest Income	426	805
Interest Expense	(110,131)	(76,410)
Bond & loan interest accrued not paid	29,068	26,296
Put Options – non-cash	26,691	2,734
Amortised costs – non-cash	12,658	9,483
Interest accrued in prior year paid in current year	(36,383)	(27,300)
Net payment of interest as per the Consolidated Statement of Cashflows	**(77,671)**	**(64,392)**

1.4. Liquidity and Capital Resources

Net financial debt

The "Net financial debt" at 30 June 2019 and 31 December 2018 is as follows:

	Thousands of Euros	
	30 June 2019	31 December 2018
Gross financial debt [1]	4,000,615	3,622,074
Cash and short term deposits (Note 10)	(1,702,262)	(455,870)
Net financial debt	**2,298,353**	**3,166,204**

[1] As defined in Section "Business performance and results" of the accompanying consolidated management report corresponding to the period ended on 30 June 2019.

At 30 June 2019, the net bank financial debt amounted to EUR 2,298 million (EUR 3,166 million in 2018), including a consolidated cash and short term deposits position of EUR 1.702 million (EUR 456 million in 2018).

Net financial debt evolution

	Thousands of Euros	
Net Debt Evolution (including accrued interest)	30 June 2019	31 December 2018
Beginning of Period	**3,166,204**	**2,662,617**
Recurring leveraged free cash flow	(173,287)	(304,718)
Expansion Capex	52,396	93,764
Expansion Capex (Build to Suit programs)	138,612	147,341
M&A Capex (cash only)	213,720	392,125
Non-Recurrent Items (cash only)	10,628	45,048
Other Net Cash Out Flows	33,477	19,113
Payment of Dividends (1)	-	24,211
Treasury Stock (2)	-	5,035
Capital Increase (net of related costs)	(1,175,756)	-
Equity associated with the issuance of convertible bond	(21,367)	(62,480)
Net repayment of other borrowings (3)	25,725	11,220
Change in Lease Liabilities (4)	27,241	100,355
Accrued Interest Not Paid and Others (non-cash)	760	32,573
End of Period	**2,298,353**	**3,166,204**

1. "Dividends paid" (see the relevant section in the Consolidated Statement of Cash Flows for the period ended 30 June 2019), following the same methodology used in 2018.
2. "Acquisition of treasury shares" (see the relevant section in the Consolidated Statement of Cash Flows for the period ended 30 June 2019), following the same methodology used in 2018.
3. "Net repayment of other borrowings" (see the relevant section in the Consolidated Statement of Cash Flows for the period ended 30 June 2019), following the same methodology used in 2018.
4. Changes in "Lease liabilities" long and short term of the accompanying Consolidated Balance Sheet as of 30 June 2019. See Note 13 of the accompanying Consolidated Interim Financial Statements.

Liquidity availability

The breakdown of the available liquidity at 30 June 2019 and 31 December 2018 is as follows:

	Thousands of Euros	
	30 June 2019	31 December 2018
Available in credit facilities (Note 12)	873,980	1,019,927
Cash and short term deposits (Note 10)	1,702,262	455,870
Available liquidity	**2,576,242**	**1,475,797**

As at 30 June 2019, Cellnex weighted average cost of debt (considering both the drawn and undrawn borrowings) was 1.9% (1.9% as at 31 December 2018).

Regarding the Corporate Rating, at 30 June 2019, Cellnex holds a long term "BBB-" (investment grade) with negative 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:

Risks related to the industry and the business in which the Group operates	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) Industry trends and technological developments may require the Group to continue investing in asset class-businesses adjacent to telecommunication towers, such as fiber, edge computing, small cells IV) Risk related to a substantial portion of the revenue of the Group is derived from a small number of customers V) Risk of infrastructure sharing VI) 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 VII) Operational risks VIII) Risks related to maintaining the rights over land where the Group's infrastructures are located IX) Risks inherent to the businesses acquired and the Group's international expansion X) Failure to attract and retain high quality personnel could negatively affect the Group's ability to operate its business XI) 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 XII) Risk associated with significant agreements signed by the Group that could be modified due to change of control clauses XIII) Risk related to the non-control of certain subsidiaries XIV) Risks related to execution of Cellnex's acquisition strategy XV) Regulatory and other similar risks XVI) Litigation XVII) Risk related to the shareholding of the Group
Risks related to financial information	XVIII) Financial information, fraud and compliance risks XIX) Expected contracted revenue (backlog)
Financial risks	XX) Foreign currency risks XXI) Interest rate risk XXII) Credit risk XXIII) Liquidity risks XXIV) Inflation risk XXV) Risk related to the Group's indebtedness

Risk related to the industry and the business in which the Group operates

i) Risk related to the environment in which the Group operates and those derived from the specific nature of the Group's Business

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;
- 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).

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 utilization 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. Some competitors are larger than the Group and may have greater financial resources (such as KKR or MS Infrastructure Fund), while other competitors may apply investment criteria with lower return on investment requirements. Additionally, some of the Group´s customers have set up their own infrastructure companies (such as Telxius Telecom, S.A. or Infrastrutture Wireless Italiane S.p.A.).

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

While the above adjacent businesses are 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.

iv) 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.

Likewise, even though most of the Group's business relationships have been long-lasting to-date, the Group cannot guarantee that contracts with its major customers will not be terminated or that these customers will renew their contracts with the Group in 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 Broadcasting Infrastructure and Other Network Services due to the contracts relating to such segments generally having shorter maturity periods), which may result in the current contractual arrangements being adversely amended, which could in turn affect the total value of its contracts. In particular, contracts entered into by the Group generally provide that certain expenses are passed through to the Group's customers, such as energy costs, and the Group cannot guarantee that such contracts are renewed in the same terms, which may result in the current contractual arrangements being adversely amended, which could in turn affect the total value of its contracts. In particular, contracts entered into by the Group generally provide that certain expenses are passed through to the Group's customers (such as energy costs). The Group cannot guarantee that the pass through mechanism will protect 100% of the energy cost beared, 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 it were to be held to be engaged in an electricity resale business simply because energy costs are included in the charges for which it bills its customers.

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.

v) 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. 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.

Finally, 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. 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.

vi) The expansion or development of Group business, through acquisitions or other growth opportunities, involve a series of risks and uncertainties that could adversely affect operating results or interrupt 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 anti-trust 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, increased risk of operations or due to the loss of its 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. Any of previously-mentioned events could negatively impact the Group's business and its prospects. In particular, sellers of infrastructure assets may be reluctant to enter into new joint ventures, mergers, disposals or other arrangements with the Group due to, among other reasons, the accounting impact of the transaction in their financial statements.
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.

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.

vii) Operational risks

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 fiber) 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. 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.

viii) 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.

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.

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

Despite actively pursuing the internationalization of the Group's business as a mean of risk exposure diversification, the Group still concentrates its activities mainly in two markets: Spain and Italy whose economies are showing signs of stagnation after a period of economic and financial strength. The Group cannot assure, that this past performance strength will happen again or that other countries where it operates will not experience further difficulties in the future.

The Group's customers in Spain and Italy represent a significant portion of its revenues, especially exposing the Group to risks specific to these countries. Adverse economic conditions may have a negative impact on demand for the services provided and on the customers' ability to meet their payment obligations. In periods of recession, such as the one experienced by Spain and Italy in previous years, the demand for the Group' services also tends to decline, adversely affecting its operational results. The challenging economic conditions in Spain and Italy in previous years have negatively affected the financial condition of the Group's clients, and have impacted demand for wireless communication and wireless infrastructure as well as the revenues generated by advertising in the media, and have adversely affected all of the Group's lines of activity.

Likewise, as the Group is now present in new countries, it is directly exposed to each of such countries political and economic situations, and may be adversely affected by their potential instability. The Group is unable to 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 financial situation and political instability, geopolitical tensions in the Middle East, trade tensions between USA and China, growth of anti-EU political parties as well as emerging political forces in member states of the EU with alternative economic policies and priorities, concerns about independence movements within the EU and Spain, and military and terrorist actions in Europe and elsewhere in the world could affect the economic situation in the EU and elsewhere, and could have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

Because of the Group's growing presence in the United Kingdom, the Group faces the risk of political and economy uncertainty derived from the United Kingdom's decision to leave the EU. The timing of, and process for, the negotiations and the resulting terms of the United Kingdom's future economic, trading and legal relationships are uncertain.

Due to the Group´s growing presence in other European countries, it is also increasing its exposure to other global economic and political events, particularly in France. Changes in the international financial markets' conditions pose a challenge to the Group ability to adapt to them as they may have an impact on its business. 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 Group's ability to access 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 business, prospects, results of operations, financial condition and cash flows.

In addition to the abovementioned risks related to carrying out the Group activities internationally, it may be exposed to the following risks:

- changes on the 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 or enforced retroactively; also in the interpretation of the changes in the benefits derived from royalties (i.e. Patent Box) or local taxes;
- tax authorities could interpret the laws in a different way than Cellnex (for example the interpretation of scope of RETT(13) – Real Estate Transfer Tax);
- laws or regulations that tax or otherwise restrict repatriation of earnings or other funds or otherwise limit distributions of capital;
- changes in a specific country's or region's political or economic conditions, including changes in the government, political goals, inflation, deflation or currency devaluation;

(13) – RETT (Real Estate Transfer Tax) is a tax levied on the transfer of legal or beneficiary title to real estate assets. This tax is calculated on the gain between the fair value of the real estate asset transferred and the transaction price.

- changes in governmental priorities, including subsidies offered by one or more jurisdictions; expropriation or governmental regulation restricting foreign ownership or requiring reversion or divestiture;
- material infrastructure security issues;
- increases in the cost of labor (as a result of unionization or otherwise), power and other goods and services required for the Group's operations;
- price setting or other similar laws for the sharing of active and passive infrastructure;
- uncertain rulings or results from legal or judicial systems, including inconsistencies among and within laws, regulations and decrees, and judicial application thereof, which may occasionally be enforced retroactively, and delays in the judicial process;
- changes in consumer price indexes in foreign countries; and
- force majeure events affecting any or several countries in which the Group carries out its activities.

x) 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.

xi) 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 related to the Iliad and the Salt acquisitions (both as defined herein) 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.

xii) 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 "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.

Finally, 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.

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.

xiii) 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 18.b of the accompanying consolidated interim 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, etc.) and the Company has the willingness to acquire such minority stakes. However, the price of this acquisition is uncertain and may be inflacionary given competition with third party players in the industry interested in such assets.

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.

xiv) 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.

xv) 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.

xvi) 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.

xvii) Risk related to the shareholding of the Group

Connect S.p.A. ("ConnecT"), which owns 29.9% of Cellnex's share capital, is the current largest shareholder of the Company, as of the date of approval for issue of these consolidated interim financial statements. ConnecT 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 has appointed four out of twelve of Cellnex's directors, including the non-executive Chairman. There can be no assurance that the current largest significant shareholder, or any other current or future significant shareholder, will act in a manner that is in the Company's best interests, which could adversely affect the Group's business, prospects results of operations, financial condition and cash flows, or in the interests of other shareholders of the Company.

Risk related to the financial information

xviii) Financial information, 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.

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.

xix) 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 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.

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. 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.

Financial risks

xx) 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.

xxi) 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 12 of the accompanying consolidated interim financial statements).

As at 30 June 2019 there are financing granted from third parties covered by interest rate hedging mechanisms (see Note 12 of the accompanying consolidated interim financial statements).

xxii) 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.

xxiii) 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 2,576 million, considering cash and available credit lines, as at the date of approval for issue of these consolidated interim financial statements, and has no immediate debt maturities (the maturities of the Group's financial obligations are detailed in Note 12).

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.

xxiv) 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.

xxv) 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.

The financing contracts of the Group do not have financial covenants or limitations on the distribution and payment of dividends. As at 30 June 2019 and 31 December 2018, all the loans and credit facilities of the Parent Company and its subsidiaries are unsecured and unsubordinated, have no guarantees or shares pledged, rank pari passu with the rest of the Group´s unsecured and unsubordinated borrowings, and do not require the Parent Company's nor its subsidiaries to comply with any financial ratio. However, it should be noted that the Group has a cross default clause in certain contracts and some require 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.

A comprehensive list of risks to which the Group is exposed can be found in the public information released as at the date of the approval for issue of these interim consolidated financial statements.

1.6. Use of financial instruments

During the 6-month period ended on 30 June 2019 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 2018.

1.7. R&D activities

Cellnex's innovation is closely linked to its strategy, and this is embodied in its aim to be the company 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, characterised by its strong innovative character and being a company that is strongly linked to the digital world and the communication technologies.

In this connection, Cellnex's innovation strategy focuses on the services of the future in each of its business lines:

- Innovation in telecommunications infrastructure services focuses on searching for a new site concept fostering the intensification of infrastructure sharing at all levels (mast, antenna, radio signal, etc.) and diversifying the supply of services, guaranteeing a response to future requirements related to 5G and new network architectures.
- In the Audiovisual Broadcasting Networks business, innovation focuses on maintaining competitiveness and responding to new challenges in the audiovisual sector. Specifically, Cellnex is trying to convert the linear DTT experience into an interactive experience through the Smart TV concept.
- Other network services. In the security field, the priority of innovative activity is to incorporate broadband into their IT systems and study how this will be complemented with Cellnex's TETRA solutions, mainly for video-intensive applications. Furthermore, the digital market offers Cellnex the opportunity to expand its services, gaining weight in the value chain and generating a complementary business model. Specifically, Cellnex has detected a great opportunity in Smart sensoring solutions and the IoT.

Cellnex has an efficient and consolidated Innovation Model based on streamlined integration processes, as well as on standardising the development of innovative activity comprising two types of project:

- Technological surveillance based on an evaluation of the current technological context to identify potential opportunities for the company.
- R&D+I activities, consisting mainly of research, development, creating and launching new products and services.

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 Cellnex. Some examples of these stakeholders are: technology start-ups, universities and key players from other sectors.

It is worth pointing out that the innovation model, based on three pre-defined phases, focuses not only on developing new business and/or products, but also on developing incremental improvements to current services and products. We have seen a significant increase in customer satisfaction in this regard.

The Cellnex Innovation Model fosters a culture of innovation throughout the company that encourages everyone to continue working in line with the vision of cross-cutting integration of innovation and work with multidisciplinary teams, both inside and outside the company.

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 Responsibility (CR) policy that the Board of Directors approved in 2016 which sets out Cellnex's CR strategy and commitment to best practices in the countries in which it operates, on the basis of international reference standards. This commitment is set forth in the company's 2016-2020 CR 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. Specifically, the plan consists of six areas of action:

- Corporate Social Responsibility governance
- Communication & Reporting
- Add value to society
- Ethical management and good governance
- Sustainable development of the business
- People development

Based on this Master 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 Group's staff, customers, suppliers and contractors, administrations, shareholders, the community and partners in shared projects.

1.9. Employees

The Cellnex team is distributed geographically in Spain, Italy, France, the Netherlands, the United Kingdom and Switzerland. This multidisciplinary team is key to a successful business project, which enables Cellnex Telecom to be one of the main telecommunications infrastructure operators in Europe.

The workforce is predominantly male, reflecting the current situation of the sector. Regarding equality, inclusion, diversity and integration, the Group is working on developing the Equality Plan and meeting the objectives set at four years, analysing the pilots in order to roll this out to all employees, working together with Futureway on inclusion issues to try to incorporate students at risk of social exclusion and, developing a diversity and inclusion programme.

In relation to attracting, recruiting and retaining talent, the main challenges for 2019 are:

- Consolidating and following up the "Ignición Project", reinforcing the talent acquisition initiatives, and optimising and standardising recruitment and identification of potential in the countries.
- Developing and implementing the recruiting and on-boarding modules and developing this latter in Italy, France and Switzerland.
- Rolling out the Talent Review process to other countries.

- Completing the project to define posts and professional careers.
- Extending the Succession Plan to the rest of managers .
- Developing the "Rueda Project", fostering mobility opportunities, creating pools of available talent to assign according to project, fostering employer branding, etc.

2. OTHER INFORMATION

2.1. Shareholder Remuneration

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 2019, in order to comply 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 to shareholders charged to the share premium reserve for EUR 11,816 thousand, which represented EUR 0.03956 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 2018 financial year was EUR 0.081 gross per share, which represents EUR 24,211 thousand (EUR 22,010 thousand corresponding to the distribution for the 2017 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, such circumstances and factors may modify this Dividend Policy. In any case, any future amendment on this policy will be duly announced.

The Dividend Policy aims at keeping the appropriate balance between, shareholder remuneration, Company's profit generation and Company's growth strategy, ensuring an adequate capital structure.

2.2. Business outlook

In relation to the business outlook for financial year 2019, Cellnex's forecasts point to growth in the various key indicators (Adjusted EBITDA and Recurring Leveraged Free Cash Flow ("RLFCF")), while maintaining the 10% annual increase of the dividend paid out, based on the policy agreed for the 2016-2019 period:

- Estimated Adjusted EBITDA for the year: between EUR 640 and EUR 655 million
- Growth of the RLFCF around 10%
- Maintenance Capex to revenues between 3%-4%
- Expansion Capex to revenues around 10% (excluding BTS programs)
- 10% increase in the cash pay out to shareholders for 2019

The Cellnex's organisational strategy is based on the following solid milestones, to achieve the outlook:

- Innovation, entrepreneurial culture and leadership.
- First independent neutral operator in Europe, based on the Group's capacity to harness synergies from integrating new assets.
- Industrial model and long term commitment with the customers.
- Discipline and rigour in investment criteria, ensuring attractive returns for our shareholders, being focused on generating RLFCF.
- Anticipation, bringing value to the 5G ecosystem.

2.3. Market figures: Cellnex on the stock market

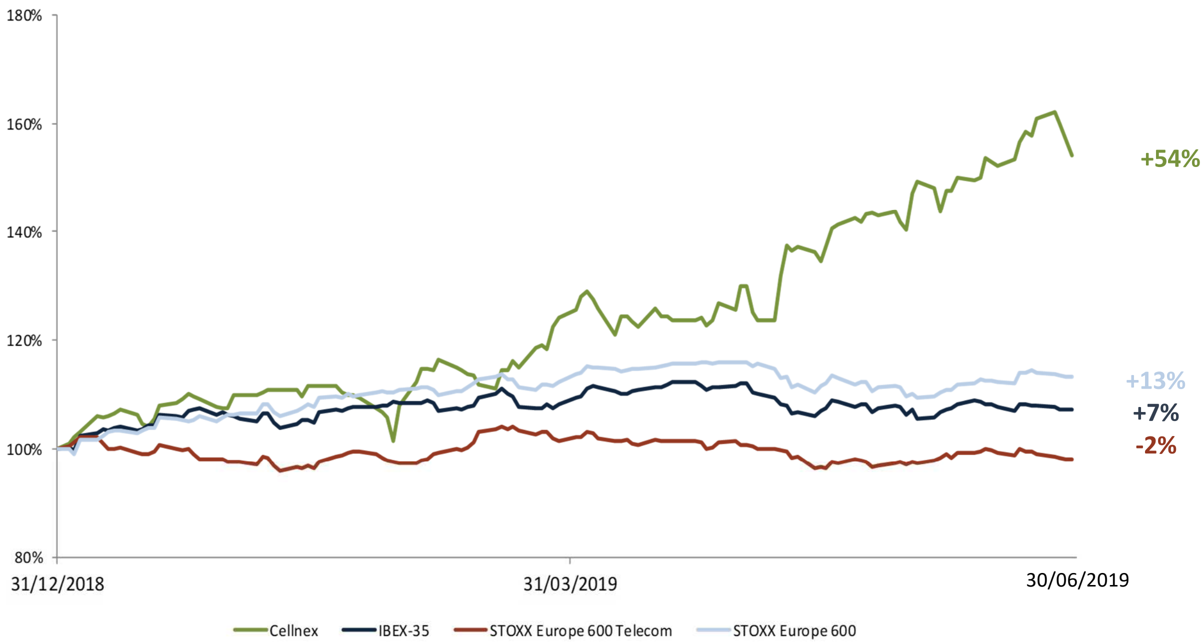
On 20 June 2016, the IBEX 35 Technical Advisory Committee approved Cellnex Telecom's (CLNX: SM) inclusion in the benchmark index of Spain's stock exchange, the IBEX 35, which brings together the principal companies on the Spanish stock exchange in terms of capitalisation and turnover. This milestone 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 +50% - is a recommendation to buy.

As at 30 June 2019, the share capital of Cellnex Telecom increased by EUR 16,747 thousand to EUR 74,668 thousand (EUR 57,921 thousand at the end of 2018), represented by 298,673,053 cumulative and indivisible ordinary registered shares of EUR 0.25 par value each, fully subscribed and paid (see Note 11.a of the accompanying interim consolidated financial statements).

Cellnex's share price experienced a 54% increase during 2019, closing at EUR 32.54 per share. The average volume traded has been approximately 1,026 thousand shares a day. The IBEX 35 and the STOXX Europe 600 increased by 13% and 7% respectively and the STOXX Europe 600 Telecom decreased by 2% during the same period.

Cellnex's market capitalization stood at EUR 9,718 million at the period ended on 30 June 2019, 147% higher than at start of trading on 7 May 2015, compared to a 18% drop in the IBEX 35 in the same period.

The evolution of Cellnex shares during 2019, 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 2019 and 31 December 2018 is as follows:

	30 June 2019	31 December 2018
Number of shares	298,673,053	231,683,240
Stock market capitalisation at period/year end (millions of euros)	9,718	5,187
Share price at close (EUR/share)	32.54	22.39
Maximum share price for the period (EUR/share)	34.18	24.52
Date	24/06/2019	29/11/2018
Minimum share price for the period (EUR/share)	21.09	19.7
Date	01/01/2019	13/02/2018
Average share price for the period (EUR/share)	27.14	22.26
Average daily volume (shares)	1,025,562	769,574

2.4. Treasury shares

In accordance with the authorisation approved by the Board of Directors, at 30 June 2019 the Company held 199,943 treasury shares (0.067% 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 2019, the treasury shares transactions carried out, are disclosed in Note 11.a to the accompanying interim condensed consolidated financial statements.

2.5. Environment

Cellnex bases its activity on the principles of sustainability and responsibility and has therefore defined Sustainable Business Development as one of the basic pillars of its CR Master Plan. This involves the company committing to sustainability, environmental preservation and efficiency by setting goals, and more specifically by implementing concrete actions and programmes for all the companies of the Group.

As such the company has an Environmental Policy based on respecting the environment, protecting and preserving biodiversity, using renewable energies, mitigation 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 Sustainable Business Development pillar is defined on the basis of the following goals, each of which consists of several specific actions:

1. Putting environmental management of Cellnex in Spain at the same level as the rest of the companies in the Cellnex group;

2. Promoting energy efficiency, increasing the use of renewable energy as much as possible and fostering the implementation of efficiency measures at the company's premises;

3. Committing to sustainable mobility;

4. Developing a carbon management framework in Spain to include the strategic perspectives to be worked on and focused on a set of actions, framed in different lines of management, that must be approved, funded and implemented to achieve the carbon management objectives established;

5. Minimising the risks and fostering the business opportunities derived from climate change identified in relation to Cellnex Telecom's activity in Spain;

6. Progressively reducing the carbon footprint in Spain, Italy and France;

7. Protecting and respecting the ecosystems affected by Cellnex's activity;

8. Promoting a sustainable culture within the Cellnex organisation; measuring and communicating environmental performance and reporting this on an annual basis in international organisations (CDP, GRI, DJSI, UNGC, FTSE, etc.).

2.6. Post balance sheet events

New Convertible Bond

On 5 July 2019 Cellnex placed EUR 850 million senior unsecured convertible bonds ("The Convertible Bond"). The Convertible Bond was issued at par and will mature on 5 July 2028. Any Bonds which have not been previously converted, redeemed or repurchased and cancelled by this time, are redeemed in full at a redemption price equal to 108.57% of their principal amount, implying a yield to maturity of 1.40% per annum.

The Convertible Bond accrues fixed interest at a rate of 0.50% per annum, payable annually in arrears on 5 July of each year, starting on 5 July 2020. The initial conversion price of the Convertible Bond is EUR 57.1756, which represents a premium of 70% over the volume weighted average price of a Cellnex Share on the Spanish Exchanges (Bolsa de Valores), from the time between market opening and market closing on the day of placement. The initial conversion price of the Convertible Bond is subject to customary adjustments.

As a result of the agreed redemption price, the effective conversion price will be EUR 62.1, therefore the effective conversion premium will be 84.6%. The initial amount of underlying Shares of the Convertible Bond represent approximately 5.0% of the total issued share capital of Cellnex as at 25 June 2019.

The Convertible Bond is rated BBB- by Fitch and is trading on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange. It allows Cellnex to increase its weighted average debt maturity, to improve its weighted average cost of borrowing and to continue to maintain its liquidity position.

This issuance follows on from the first convertible bond offering performed by Cellnex, for a total of EUR 800 million, in two tranches: an initial EUR 600 million placement in January 2018, tapped by an additional EUR 200 million placement in January 2019 (which consolidated and formed a single series with that of January 2018).

Loans and credit facilities

On 2 July 2019 Cellnex signed a EUR 100 million loan with the Spanish Official Credit Institute (ICO) to finance the Group's international expansion. The loan with ICO has a final maturity of twelve years, including a two-year interest-only period, from the date of signature. The proceeds will be used to finance new investments abroad, such as in France.

On 17 July 2019 Cellnex Group signed a total of EUR 2.6 billion financing with a pool of banks to increase its liquidity position and to finance the acquisitions of Iliad and Salt towers signed on 7 May 2019 as explained in the note 18.b.The financing consists of the following three facilities agreements:

- Cellnex signed a syndicated loan of CHF 183,000 thousand, which replaces the existing CHF 190,000 thousand facility while extending the maturity for one additional year until 2024,
- Swiss Towers signed a syndicated facilities agreement of CHF 620,000 thousand consisting of a CHF 400,000 thousand term loan and a CHF 220,000 thousand revolving facility both maturing in 2024 (these facilities replace the existing CHF 180,000 thousand), and
- Cellnex signed a syndicated facilities agreement consisting of a EUR 1,500,000 thousand multicurrency revolving credit and a CHF 450,000 thousand term loan to fund the equity contribution into Cellnex Switzerland AG to finance the Salt towers acquisition and to refinance the existing CHF 190,000 thousand facility.

Acquisition of On Tower Netherlands subgroup

On 12 July 2019 Cellnex Telecom (through its subsidiary Cellnex Netherlands BV) reached an agreement to acquire 100% of the share capital of On Tower Netherlands BV from its shareholders which, in turn, owns all the shares of On Tower Netherlands 1 BV, On Tower Netherlands 2 BV, On Tower Netherlands 3 BV, On Tower Netherlands 4 BV, On Tower Netherlands 5 BV and On Tower Netherlands 6 BV, for an amount of EUR 40 million (Enterprise Value). As a result of the acquisition, Cellnex directly owns all the shares of On Tower Netherlands BV and, consequently, all the shares of its subsidiaries. The actual cash outflow in relation to this transaction was EUR 39 million following the incorporation of EUR 1 million of cash balances on the balance sheet of the acquired subgroup.

Cellnex financed the acquisition of 100% of the share capital of On Tower Netherlands subgroup using existing cash and credit facilities.

Changes in shareholders

On 11 July 2019, Edizione sold a 5% stake of ConnecT (which holds 29.9% of Cellnex) to Abu Dhabi Investment Authority (“ADIA”) and Singapore's sovereign wealth fund (“GIC”).

As a result of the above, Edizione remains ConnecT's largest shareholder with a 55% stake, while ADIA and GIC each hold 22.5% stake in ConnecT.

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 2019, and which is detailed below on a non-exhaustive illustrative basis:

- 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 Capital Increase (https://www.cellnextelecom.com/content/uploads/2019/05/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/).

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, 25 July, 2019