2019

Integrated Annual Report

Consolidated Financial Statements

cellnex

Cellnex Telecom, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2019 and Consolidated Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. in the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Cellnex Telecom, S.A.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Cellnex Telecom, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2019, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill, other intangible assets and property, plant and equipment	
Description	**Procedures applied in the audit**
Notes 6 and 7 to the accompanying consolidated financial statements as at 31 December 2019 contain, for each of the cash-generating units (CGUs) identified by the Group, a description of the goodwill, other intangible assets and property, plant and equipment purchased as part of the acquisitions of infrastructure for mobile telecommunications operators. In this connection, each year the Group tests each of the aforementioned CGUs for impairment using discounted cash flow-based valuation techniques, for which purpose it employs cash flow projections aligned with projected earnings and investments in non-current assets and current assets, as well as other assumptions obtained from each CGU's business plan, irrespective of whether there are indications of impairment, given the sensitivity of the key assumptions used. Also, a discount rate is determined on the basis of the economic situation in general and of that of each CGU in particular.	Our audit procedures included, among others, obtaining and analysing the impairment tests conducted by the Group, verifying their clerical accuracy and also analysing the consistency of the future cash flow estimates considered in those tests with the approved business plans. Also, we evaluated the reasonableness of the key assumptions considered (such as revenue growth, cost inflation and the discount rate), and performed a sensitivity analysis of those key assumptions and an analysis of their consistency with the actual data relating to the performance of the CGUs. In addition, we involved our internal valuation experts in order to evaluate, mainly, the methodology employed by the Group in the impairment tests conducted, the discount rates considered and the terminal value, expressed in perpetuity growth terms, of the projected future cash flows. Lastly, we checked that the disclosures included in Notes 6 and 7 to the accompanying consolidated financial statements in connection with this matter were in conformity with those required by the applicable accounting regulations.

Impairment of goodwill, other intangible assets and property, plant and equipment	
Description	**Procedures applied in the audit**
The performance of these estimates requires the directors to make significant judgements and estimates. As a result of this circumstance, together with the significance of the aforementioned assets at the reporting date, this matter was determined to be a key matter in our audit.	

Business combinations	
Description	**Procedures applied in the audit**
The Group performed several business combinations in 2019, as described in Notes 2-i and 5 to the accompanying consolidated financial statements as at 31 December 2019. These combinations are complex transactions which include contractual agreements the recognition of which in the consolidated financial statements requires the directors to make significant judgements and estimates. Also, in order to preliminary determine the fair value of the assets acquired, liabilities and contingent liabilities assumed, and of the goodwill arising on the acquisition date, significant judgements and estimates need to be made, and therefore the Group was assisted by experts engaged by it for this purpose.	Our audit procedures included, among others, obtaining and analysing the contractual documentation, placing particular emphasis on the transfer of the risks associated with the business in order to determine the timing of the recognition of the acquisition of that business. For each business combination, we obtained the provisional analysis performed by the Group to determine the fair value of the assets acquired and liabilities assumed, and we verified the clerical accuracy of the calculations performed and the reasonableness of the main assumptions considered therein.

Business combinations	
Description	**Procedures applied in the audit**
The accompanying consolidated financial statements include the provisional determination of the fair value of the assets and liabilities acquired as a result of the business combinations performed in 2019. In this connection, current legislation allows the allocation of fair value to be re-estimated during a period of one year from the acquisition date. Consequently, the analysis of these transactions was a key audit matter in our audit.	To this end, we analysed the consistency of the future cash flow forecasts considered in the analysis performed with the assumptions obtained from the business plan relating to the businesses acquired. In addition, we evaluated the reasonableness of the key assumptions considered (such as revenue growth, cost inflation and the discount rate), and performed a sensitivity analysis of those key assumptions. With regard to the external experts engaged by the Group, we evaluated their competence, capability and objectivity, and obtained an understanding of their work as experts and of the appropriateness of that work for use as audit evidence. Also, we involved our internal valuation experts in order to evaluate, mainly, the methodology employed by the Group in the analysis conducted, the discount rates considered and the terminal value, expressed in perpetuity growth terms, of the projected future cash flows. Lastly, we checked that the disclosures included in Notes 2-i and 5 to the accompanying consolidated financial statements in connection with this matter were in conformity with those required by the applicable accounting regulations.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2019, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

a) A specific level that applies to the consolidated non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was provided in the consolidated directors' report and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2019 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and Audit and Control Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit and control committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description in Appendix I to this document forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and control committee dated 24 February 2020.

Engagement Period

The Annual General Meeting held on 27 April 2017 appointed us as auditors for a period of three years from the year ended 31 December 2016.

Previously, we were designated by the sole shareholder for the period of three years and have been auditing the consolidated financial statements uninterruptedly since the year ended 31 December 2013 and, therefore, since the year ended 31 December 2015, the year in which the Parent became a Public Interest Entity.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Ana Torrens Borrás
Registered in ROAC under no. 17762

25 February 2020

Appendix I to our auditor’s report

Further to the information contained in our auditor’s report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.

- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit and control committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit and control committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit and control committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Cellnex Telecom, S.A. and Subsidiaries

Consolidated Financial Statements for the Year ended 31 December 2019

Translation of a report originally issued in Spanish and of 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 25). In the event of a discrepancy, the Spanish-language version prevails.

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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 Notes 2 and 25). In the event of a discrepancy the Spanish-language version prevails.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2019

(Thousands of Euros)

	Notes	31 December 2019	31 December 2018
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	Note 6	2,986,142	1,903,742
Intangible assets	Note 7	5,738,235	1,904,332
Right-of-use assets	Note 14	1,251,117	573,565
Investments in associates	Note 8	2,832	2,803
Financial investments	Note 9	146,909	25,314
Trade and other receivables	Note 10	18,427	14,229
Deferred tax assets	Note 16.d	136,581	55,322
Total non-current assets		10,280,243	4,479,307
CURRENT ASSETS			
Inventories		2,149	3,864
Trade and other receivables	Note 10	365,083	192,695
Receivables from associates	Note 22	84	79
Financial investments	Note 9	2,015	1,378
Cash and cash equivalents	Note 11	2,351,555	455,870
Total current assets		2,720,886	653,886
TOTAL ASSETS		13,001,129	5,133,193

The accompanying Notes 1 to 25 and Appendices I and II attached form an integral part of the consolidated balance sheet at 31 December 2019.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2019

(Thousands of Euros)

	Notes	31 December 2019	31 December 2018
NET EQUITY			
Share capital and attributable reserves			
Share capital	Note 12.a	96,332	57,921
Treasury shares	Note 12.a	(4,222)	(5,572)
Share premium	Note 12.b	3,886,193	314,522
Reserves	Note 12.c	191,871	126,002
Profit for the year	Note 12.g	(9,245)	(14,983)
		4,160,929	477,890
Non-controlling interests	Note 12.f	889,907	137,476
Total net equity		5,050,836	615,366
NON-CURRENT LIABILITIES			
Bank borrowings and bond issues	Note 13	5,093,696	2,996,773
Lease liabilities	Note 14	944,529	423,955
Derivative financial instruments	Note 13	3,593	1,255
Provisions and other liabilities	Note 17.a	401,720	236,533
Employee benefit obligations	Note 17.b	17,972	16,196
Deferred tax liabilities	Note 16.d	827,860	333,306
Total non-current liabilities		7,289,370	4,008,018
CURRENT LIABILITIES			
Bank borrowings and bond issues	Note 13	48,426	130,833
Lease liabilities	Note 14	207,498	102,382
Employee benefit obligations	Note 17.b	22,975	35,465
Payables to associates	Note 22	25	2
Trade and other payables	Note 15	381,999	241,127
Total current liabilities		660,923	509,809
TOTAL NET EQUITY AND LIABILITIES		13,001,129	5,133,193

The accompanying Notes 1 to 25 and Appendices I and II attached form an integral part of the consolidated balance sheet at 31 December 2019.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of Euros)

	Notes	2019	2018
Services		1,000,023	867,449
Other operating income		30,822	30,422
Operating income	Note 18.a	1,030,845	897,871
Staff costs	Note 18.b	(144,171)	(172,650)
Other operating expenses	Note 18.c	(243,387)	(209,807)
Change in provisions		154	983
Losses on fixed assets	Notes 6 and 7	(135)	(1,021)
Depreciation and amortisation	Notes 6, 7, and 18.e	(500,814)	(402,846)
Operating profit		142,492	112,530
Financial income		1,254	3,461
Financial costs		(127,430)	(97,831)
Interest expense on lease liabilities		(70,408)	(54,454)
Net financial profit/(loss)	Note 18.f	(196,584)	(148,824)
Profit of companies accounted for using the equity method	Note 8	82	113
Profit/(loss) before tax		(54,010)	(36,181)
Income tax	Note 16	35,507	18,439
Consolidated net profit/(loss)		(18,503)	(17,742)
Attributable to non-controlling interests	Note 12.f	(9,258)	(2,759)
Net profit attributable to the Parent Company		(9,245)	(14,983)
Earnings per share (in euros per share):			
Basic	Note 12.e	(0.03)	(0.06)
Diluted	Note 12.e	(0.03)	(0.06)

The accompanying Notes 1 to 25 and Appendices I and II attached form an integral part of the consolidated income statement corresponding to the year ended 31 December 2019.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of Euros)

	Notes	2019	2018
PROFIT FOR THE YEAR		(18,503)	(17,742)
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		(1,754)	(1,045)
Total consolidated comprehensive income		(20,257)	(18,787)
Attributable to:			
- Company shareholders		(10,999)	(16,028)
- Non-controlling interests		(9,258)	(2,759)
Total consolidated comprehensive income		(20,257)	(18,787)

The accompanying Notes 1 to 25 and Appendices I and II attached form an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2019.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of Euros)

	Share capital	Treasury shares	Share premium	Reserves	Profit for the year	Non-controlling interests	Net equity
At 1 January 2018 (*)	57,921	(1,859)	338,733	46,384	26,270	142,158	609,607
Impact of adopting IFRS 9	-	-	-	(7,052)	-	-	(7,052)
At 1 January 2018	57,921	(1,859)	338,733	39,332	26,270	142,158	602,555
Comprehensive income for the year	-	-	-	(1,045)	(14,983)	(2,759)	(18,787)
Distribution of 2017 profit	-	-	-	26,270	(26,270)	-	-
Change in scope	-	-	-	(462)	-	-	(462)
Treasury shares	-	(3,713)	-	215	-	-	(3,498)
Final dividend	-	-	(24,211)	-	-	(6,828)	(31,039)
Issuance of Convertible Bond	-	-	-	62,480	-	-	62,480
Foreign exchange reserves	-	-	-	(2,389)	-	4,905	2,516
Other	-	-	-	1,601	-	-	1,601
At 31 December 2018	57,921	(5,572)	314,522	126,002	(14,983)	137,476	615,366
At 1 January 2019	57,921	(5,572)	314,522	126,002	(14,983)	137,476	615,366
Comprehensive income for the year	-	-	-	(1,754)	(9,245)	(9,258)	(20,257)
Distribution of 2018 profit	-	-	-	(14,983)	14,983	-	-
Treasury shares	-	1,350	-	-	-	-	1,350
Change in scope	-	-	-	1,724	-	753,508	755,232
Final dividend	-	-	(26,620)	-	-	-	(26,620)
Foreign exchange reserves	-	-	-	3,796	-	6,657	10,453
Capital Increases and other equity contributions	38,411	-	3,598,291	67,467	-	-	3,704,169
Employee remuneration payable in shares	-	-	-	8,367	-	-	8,367
Other	-	-	-	1,252	-	1,524	2,776
At 31 December 2019	96,332	(4,222)	3,886,193	191,871	(9,245)	889,907	5,050,836

The accompanying Notes 1 to 25 and Appendices I and II attached form an integral part of the statement of changes in the consolidated equity corresponding to the year ended 31 December 2019.

(*) 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.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of Euros)

	Notes	2019	2018
Profit/(loss) for the year before tax		(54,010)	(36,181)
Adjustments to profit-			
Depreciation	Note 18.e	500,814	402,846
Gains/(losses) on derecognition and disposals of non-current assets		135	1,021
Changes in provisions		(154)	(983)
Interest and other income		(1,254)	(3,461)
Interest and other expenses		197,838	152,285
Share of results of companies accounted for using the equity method	Note 8	(82)	(113)
Other income and expenses		2,290	1,487
Changes in current assets/current liabilities-			
Inventories		1,715	(2,316)
Trade and other receivables		(61,334)	1,585
Other current assets and liabilities		59,520	2,765
Cash flows generated by operations			
Interest paid		(147,932)	(119,797)
Interest received		599	840
Income tax received/(paid)		(25,262)	(20,219)
Current provisions and Employee benefit obligations		(53,326)	16,519
Total net cash flow from operating activities (I)		419,557	396,278

The accompanying Notes 1 to 25 and Appendices I and II attached form an integral part of the consolidated statement of cash flows corresponding to the year ended 31 December 2019.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of Euros)

	Notes	2019	2018
Business combinations and changes in the scope of consolidation		(3,059,586)	(38,154)
Purchases of property, plant and equipment and intangible assets	Note 6 and 7	(894,224)	(575,912)
Non-current financial investments		(3,235)	(10,967)
Total net cash flow from investing activities (II)		(3,957,045)	(625,033)
Acquisition of treasury shares		-	(5,035)
Issue of equity instruments	Notes 12 and 13	3,683,375	62,480
Proceeds from issue of bank borrowings	Note 13	1,656,330	543,404
Bond issue	Note 13	1,026,032	591,615
Repayment and redemption of bank borrowings	Note 13	(651,344)	(603,663)
Repayment of bond issues and other loans	Note 13	(62,835)	-
Net repayment of other borrowings	Note 13	(26,978)	(11,220)
Net payment of lease liabilities	Note 14	(174,151)	(151,596)
Dividends paid	Note 12	(26,620)	(24,211)
Dividends to non-controlling interests		(808)	(6,987)
Dividends received		109	713
Total net cash flow from financing activities (III)		5,423,110	395,500
Foreign exchange differences		10,063	(6,048)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS (I)+(II)+(III)		1,895,685	160,697
Cash and cash equivalents at beginning of year	Note 11	455,870	295,173
Cash and cash equivalents at end of year		2,351,555	455,870

The accompanying Notes 1 to 25 and Appendices I and II attached form an integral part of the consolidated statement of cash flows corresponding to the year ended 31 December 2019.

Cellnex Telecom, S.A. and Subsidiaries
Notes to the consolidated financial statements for the year ended on 31 December 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.

2. Basis of presentation

a) Basis of presentation

The consolidated financial statements of Cellnex Telecom, S.A. and Subsidiaries for the year ended on 31 December 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 authorised for issue by the Directors of the Parent Company at the meeting of the Board of Directors held on 25 February 2020.

These consolidated financial statements have been prepared in accordance with the regulatory financial reporting framework applicable to the Group which is established by the International Financial Reporting Standards (hereinafter “IFRS”) adopted by the European Union (hereinafter, “EU-IFRS”) and taking into consideration all of the accounting principles and standards and the valuation criteria that must be applied, as well as the Commercial Code, the Spanish Limited Liability Companies Act and other applicable commercial legislation, so that they show a true image of the equity and financial situation of the Cellnex Group at 31 December 2019 and the results of its operations, the changes in net equity and the consolidated cash flows that have occurred within the Group during the financial year ended on that date.

Given that the accounting principles and valuation criteria applied when preparing the Group’s consolidated financial statements at 31 December 2019 may differ from those used by some of the companies within the Group, the adjustments and reclassifications needed to standardise the principles and criteria, and adapt them to the EU-IFRS, have been carried out as part of the consolidation process. These adjustments have not had a significant impact on the Group’s consolidated annual accounts.

The consolidated financial statements of Cellnex Telecom, S.A., as well as its individual annual accounts and the annual accounts of the companies forming part of the Group will be submitted to their respective General Meetings of Shareholders/Partners or Shareholder/Sole Shareholder within the legally established deadlines. The Directors of the Parent Company consider that these accounts will be approved without any significant changes.

Moreover, the Group's consolidated financial statements corresponding to the financial year ended on 31 December 2018 were approved by the shareholders of the Parent Company on 9 May 2019.

b) Adoption of IFRSs

The Cellnex Group's consolidated financial statements are presented in accordance with EU-IFRSs, in conformity with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002. In Spain, the requirement to prepare consolidated financial statements in accordance with EU-IFRSs is also regulated by Final Provision Eleven of Law 62/2003, of 30 December, on tax, administrative, labour and social security measures.

The principal accounting policies and measurement bases adopted by the Group are presented in Note 3.

(I) Standards and Interpretations effective during the present year

The following new accounting standards, amendments and interpretations came into force in 2019:

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 Early adoption is permitted only if IFRS 15 is adopted at the same time.
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

New standards, amendments and interpretations		Obligatory Application in Annual Reporting Periods Beginning On or After:
	Approved for use in the European Union	
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 7,052 thousand, as of 1 January 2018.

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

At the date of formal preparation of these consolidated 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:
	Approved for use in the European Union	
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. In particular, the amendments clarify: • that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.	1 January 2020
Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7	The amendments modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform.	1 January 2020
	Not yet approved for use in the European Union (1)	
Modification to IFRS 3 - Definition of a Business (published in October 2018)	The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.	1 January 2020
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)

(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) Accounting policy relating to the Cellnex Switzerland Put Option ("DTCP Put Option")

In December 2019, DTCP exercised its rights to transfer the total amount of its shareholding in Cellnex Switzerland to Cellnex Telecom (see Note 17.a.i. of the accompanying consolidated financial statements). As a result, Cellnex Telecom acquired an additional 9% (DTCP stake in Cellnex Switzerland at the date of execution) of the share capital of Cellnex Switzerland for CHF 109,876 thousand (with a Euro value of EUR 101,231 thousand as of 31 December 2019), which was paid in cash. Following this acquisition, as at 31 December 2019, Cellnex Telecom held 72% of the share capital of Cellnex Switzerland.

At the 2019 year-end, following a thorough review of the contractual terms, the Company's Directors decided to record the adjustments to the redemption liability directly in equity. This accounting treatment is supported by the guidance in paragraph 23 of IFRS 10 to recognise any adjustments related to changes in the parent's ownership interest that do not result in the parent losing or gaining control over a subsidiary as ownership transactions. Upon initial recognition of the redemption liability, the risks and rewards not transferred to the parent were recognised as non-controlling interests.

The impact in 2019 derived from subsequent changes in the DTCP Put Option liability carrying amount, which amounted to EUR 35 million, were thus registered in the reserves of the accompanying consolidated balance sheet.

d) Presentation currency of the Group

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

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

The preparation of the consolidated financial statements under IFRS requires certain accounting estimates to be made and certain elements of judgement to be considered by the Management of the Company. These are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events, which are considered reasonable under the circumstances. Although the estimates considered have been made with the best information available as of the date of preparing these consolidated financial statements, in accordance with IAS 8, any future amendment to these estimates would be applied prospectively as of that moment, acknowledging the effect of the change on the estimate made in the consolidated income statement for the financial year in question.

The main estimates and judgements considered in preparing the consolidated financial statements are as follows:

a) Useful lives of property, plant and equipment (see Note 3.a).

   The determination of useful lives of property, plant and equipment requires estimates of the assets' level of use and of expected technological changes. Assumptions regarding the level of use, technological framework and their future development, based on which the useful lives are determined, entail a significant degree of judgment, since the time and nature of future events are difficult to foresee.

b) Useful lives of intangible assets (see Note 3.b).

   The intangible assets associated with the telecom infrastructures are amortised over the shorter of the term of the corresponding ground lease (taking into consideration renewals) or up to 20 years, as the Company considers these intangibles to be directly related to the infrastructure assets.

c) Useful lives of right-of-use assets.

   Right-of-use assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

   In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

d) The measurement of non-financial assets and goodwill in order to determine the existence of impairment losses on these assets (see Notes 3.b and 3.c).

   The determination of impairment losses requires the use of estimates on the recoverable amount based on impairment tests. The estimated recoverable amount for non-financial assets and goodwill is based mainly on impairment tests performed using discounted cash flows.

e) Derivatives or other financial instruments (see Notes 3.d, 3.e, 9 and 13).

The fair value of financial instruments traded on official markets is based on the market prices at the consolidated balance sheet date. The quoted market price used for financial assets is the current bid price.

The fair value of the financial instruments not quoted on active markets is determined using valuation techniques. The Group uses various methods and makes assumptions based on the existing market conditions at each consolidated balance sheet date. To determine the fair value of the remaining financial instruments, other techniques, such as estimated discounted cash flows, are used. The fair value of the interest rate swaps is calculated as the present value of the estimated cash flows.

The carrying amount, less the provision for impairment losses on accounts receivable and payable, is similar to their fair value.

The fair value of financial liabilities, for the purposes of presenting financial information, is estimated by discounting future contractual cash flows at the current market interest rate the Group would have access to for similar financial instruments.

When financial assets not measured at fair value through profit or loss are initially recognised, the Group measures them at their fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset. In this sense, the Group determines the classification of its financial assets at initial recognition.

f) Fair value of assets and liabilities in business combinations (see Note 5).

The identifiable assets acquired and the identifiable liabilities and contingencies assumed in a business combination are initially measured at their acquisition-date fair value, regardless of the scope of non-controlling interests. The excess of the acquisition cost over the fair value of the Group’s share in the identifiable net assets acquired is recognised as goodwill. If the acquisition cost is lower than the fair value of the acquired subsidiary’s net assets, the difference is recognised directly in the consolidated statement of comprehensive income for the financial year.

g) Provisions for staff obligations (see Notes 3.m and 17.b).

The calculation of pension expenses, other post-retirement expenses or other post-retirement liabilities requires the application of several assumptions. At the end of each financial year, the Group estimates the provision needed to meet the commitments for pensions and similar obligations, in accordance with the advice of independent actuaries. Changes affecting these assumptions may result in different amounts for the expenses and liabilities recorded. The most significant assumptions for measuring pension and post-retirement benefits liabilities are retirement age, inflation and the discount rate used. The assumptions about social security coverage are also essential for determining other post-retirement benefits. Any future changes to these assumptions would have an impact on the future pension expenses and liabilities.

h) Deferred tax assets and income tax (see Notes 3.l and 16).

The calculation of the income tax expense requires the interpretation of tax legislation in the jurisdictions where the Group operates. The determination of expected outcomes with regards to outstanding disputes and litigation requires significant estimates and judgements to be made. The Group assesses the recoverability of deferred tax assets based on the estimates of future taxable income and the ability to generate sufficient income during the periods in which these deferred taxes are deductible.

i) Provisions: the probability of occurrence and the amount of the undetermined contingent liabilities (see Notes 3.o and 17).

The Group makes an estimate of the amounts to be settled in the future, including those corresponding to contractual obligations and outstanding litigation. These estimations are subject to interpretations of the current facts and circumstances, forecasts of future events and estimates of the financial effects of these events.

The consolidated financial statements have been prepared on the historical cost basis, except in the cases specifically mentioned in these Notes, such as the items measured at fair value.

The consolidated financial statements have been prepared on the basis of uniformity in recognition and measurement. When a new standard amending existing measurement bases becomes applicable, it is applied in accordance with the transition criterion provided in the standard.

Certain amounts in the consolidated income statement and the consolidated balance sheet were grouped together for the sake of clarity. These items are disclosed in the Notes to the consolidated financial statements.

The distinction presented in the consolidated balance sheet between current and non-current items was made based on whether they fall due within one year or more, respectively.

In addition, the consolidated financial statements include all additional information considered necessary for their correct presentation under the company law in force in Spain.

Finally, the figures contained in all the financial statements forming part of the consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes to net equity, consolidated statement of cash flows) and the Notes to the consolidated financial statements are expressed in thousands of euros.

f) Comparative information

As required by the IFRS, the information relating to the financial year ended on 31 December 2018 contained in these consolidated financial statements for 2019 is submitted solely and exclusively for the purpose of comparison.

g) Materiality

In deciding what information to disclose in the Notes on the various items of the consolidated financial statements or other matters, the Group assessed their materiality in relation to these consolidated financial statements for 2019.

h) Consolidation principles

I) Methods of Consolidation

Subsidiaries

Subsidiaries are all companies in which the Group directly or indirectly controls the financial and operational policies, so that it exercises control over the investee company while maintaining the exposure or right to the variable results from the investment and the ability to use this control in order to influence the amount of these returns. This is generally accompanied by an ownership interest of more than the half of the voting rights.

Additionally, to assess if the Group controls another company, the following are considered: the power over the investee; exposure or rights to variable returns of the investment; and the ability to use this power over the investee to affect the amount of the investor's returns. The subsidiary companies are consolidated as from the date on which control is transferred to the Group and they are excluded from consolidation on the date in which the control ceases.

The Group consolidates subsidiaries using the full consolidation method.

Appendix I to these Notes provides details on all the subsidiaries included in the scope of consolidation at 31 December 2019.

Associates

Associates are companies over which the Group exercises significant influence and with which it has a long-term relationship that fosters and influences its business even though it has a small representation in the management and control bodies. Along with this representation, the Group generally holds between 20% and 50% of the company's voting rights, unless it can be clearly demonstrated that such influence does not exist or unless the Group holds less than 20% of those rights and it can be clearly demonstrated that said influence does exist.

The investments in associates are recorded using the equity method and are initially recognised at cost. The investments of the Parent Company in associates include, as per IAS 28, goodwill (net of any accumulated impairment losses) identified in the acquisition, and are recognised under "Investments in associates" in the consolidated balance sheet.

In the case of associates acquired in stages, IAS 28 does not specifically define how to determine the cost of the acquisition. Therefore, the Group interprets the cost of an investment in an associate acquired in stages to be the sum of the amounts paid at each acquisition plus the share of the profits and other changes in shareholders' equity less any impairment that may have arisen.

Thereafter, the Group's share of the profit (loss) and reserves of associates is recognised in the consolidated income statement and as consolidation reserves (other comprehensive income), respectively, with the value of the shareholding as the balancing entry in both cases. Dividends received and/or accrued after acquisitions are adjusted against the amount of the investment.

If the Group's share of the losses of an associate is equal to or greater than the value of its financial investment, including any other outstanding account receivable not guaranteed, further losses will not be recognised unless obligations have been incurred, guarantees have been furnished or payments have been made on behalf of the associate, which would entail the recognition of a financial liability.

Appendix II to these Notes provides details on the associates included in the scope of consolidation using the equity method at 31 December 2019.

II) Standardisation of accounting reference periods and valuation

The reporting periods for all companies included in the scope of consolidation end on 31 December. For the purposes of the consolidation process, the respective financial statements prepared under IFRS principles were used. In accordance with current legislation, these companies present individual annual accounts as set forth in the applicable standards.

The measurement bases applied by the Group companies are largely consistent. However, where necessary, adjustments were made to standardise the measurement bases and ensure that the accounting policies of the companies included in the scope of consolidation were uniform with the policies adopted by the Group.

III) Business combinations

The subsidiaries acquired by the Group are accounted for using the acquisition method in accordance with the revised IFRS 3. Acquisition cost is the fair value of the assets acquired and the equity instruments issued, and of the liabilities incurred or assumed at the acquisition date, plus any asset or liability resulting from a contingent consideration arrangement. Costs that are directly attributable to the transaction are recognised directly in the consolidated income statement for the year in which the transaction takes place.

The identifiable assets acquired, the contingent assets and liabilities assumed and any non-controlling interest in a business combination are initially measured at their acquisition-date fair value. For each business combination, the Group may elect to recognise any non-controlling interest in the acquiree at fair value or according to the proportionate share of the non-controlling interest in the acquiree's net identifiable assets.

The excess over the fair value of the net assets identified in the transaction is recognised as goodwill arising on consolidation, which is allocated to the corresponding Cash-Generating Units (hereinafter, CGUs).

The Group makes a provisional allocation of the purchase price for the business combination at the acquisition date; this initial assessment is reviewed, as appropriate, within 12 months from the date control is obtained.

The resulting goodwill is allocated to the various CGUs expected to benefit from the business combination's synergies, regardless of any other acquired assets and liabilities allocated to these CGUs or groups of CGUs.

However, if the acquisition cost is below the fair value of the acquiree's net assets, such as in a bargain purchase, the difference is recognised as a gain directly in the consolidated statement of comprehensive income.

Goodwill arising on consolidation is not systematically amortised and is subject to an annual impairment test, as indicated in Note 3.b.iv.

In a business combination achieved in stages, when control is obtained, the assets and liabilities of the business acquired, including any previously held interest, must be remeasured at fair value. Any resulting gain or loss with respect to previously recognised assets and liabilities must be recognised in the consolidated income statement, without generating any additional goodwill.

In the case of acquisitions of associates in stages, goodwill is calculated for each acquisition based on the cost and the interest in the fair value of the net assets acquired on each acquisition date.

As indicated in Note 2.h.i., goodwill relating to acquisitions of associates and multi-group companies is included as an increase in the value of the respective investment and is recognised in accordance with Note 3.b.iv.

IV) Elimination of inter-company transactions

Inter-company transactions and balances are eliminated, as are unrealised gains vis-a-vis third parties on transactions between or among Group companies. Unrealised losses are also eliminated, unless there is evidence of an impairment loss on the transferred asset.

Gains and losses from transactions between the Group and its associates and multi-group companies are recognised in the Group's financial statements only to the extent that they arise from the interests of other investors in associates and multi-group companies not related to the investor.

V) Transactions with non-controlling interests

Transactions with non-controlling interests are recognised as transactions with the owners of the Group's equity. Therefore, in purchases of non-controlling interests, the difference between the consideration paid and the corresponding proportion of the carrying amount of the subsidiary's net assets is recognised with an impact on net equity. Likewise, gains or losses through the disposal of non-controlling interests are also recognised in the Group's net equity.

In the event that it ceases to have control or significant influence, the remaining investment is remeasured at its fair value, and any gain or loss relative to the previously recognised investment is recognised with an impact in the year's consolidated income statement. Additionally, any amount previously recognised in other comprehensive income with regards to this company is recorded as if the Group had directly sold all the related assets and liabilities. Should this occur, the amounts previously recognised under other comprehensive income would be reclassified to the consolidated income statement for the year. If the decrease in the investment in an associate does not imply a loss of significant influence, the proportional share previously recognised under other comprehensive income is reclassified to the consolidated income statement.

VI) Translation of financial statements denominated in foreign currencies

The financial statements of the foreign companies, none of which operate in a hyperinflationary economy, presented in a functional currency (that of the main economic area in which the entity operates) other than the presentation currency of the consolidated financial statements (the euro), are translated to euros using the year-end exchange rate method, according to which:

- Equity is translated at the historical exchange rate.
- Items in the income statement are translated using the average exchange rate for the period as an approximation of the exchange rate at the transaction date.
- The other balance sheet items are translated at the year-end exchange rate.

As a result, exchange differences are included under "Reserves – Translation differences" in equity in the consolidated balance sheet.

VII) Other

Currency translation differences arising from the translation of a net investment in a foreign operation and from loans and other instruments in a currency other than euro designated as hedges of those investments are recognised in equity. When the investment is sold, any exchange differences are recognised in the consolidated income statement as part of the gain or loss on the sale.

Adjustments to goodwill and to fair value arising from the acquisition of a foreign operation are considered assets and liabilities of the foreign operation and are translated using the year-end exchange rate.

i) Changes in the scope of consolidation

Movements in 2019

Acquisitions and incorporations

The most significant changes in the scope of consolidation and in the companies included in it during the 2019 financial year were as follows:

Name of the Company	Company with direct shareholding and % acquired/maintained		Consolidation method
Acquisitions/incorporations:			
Iliad7, S.A.S. (1)	Cellnex France Groupe	70%	Full
Swiss Infra Services SA (2)	Swiss Towers AG	90%	Full
Cignal Infrastructure Limited (3)	Cellnex Telecom, S.A.	100%	Full
Cellcom Ireland Limited (3)	Cignal Infrastructure Limited	100%	Full
National Radio Network Limited (3)	Cignal Infrastructure Limited	100%	Full
Cellnex Switzerland (4)	Cellnex Telecom, S.A.	9%	Full
On Tower Netherlands BV (5)	Cellnex Netherlands BV	100%	Full
On Tower Netherlands 1 BV (5)	On Tower Netherlands BV	100%	Full
On Tower Netherlands 2 BV (5)	On Tower Netherlands BV	100%	Full
On Tower Netherlands 3 BV (5)	On Tower Netherlands BV	100%	Full
On Tower Netherlands 4 BV (5)	On Tower Netherlands BV	100%	Full
On Tower Netherlands 5 BV (5)	On Tower Netherlands BV	100%	Full
On Tower Netherlands 6 BV (5)	On Tower Netherlands BV	100%	Full
Capital increases:			
Cellnex Switzerland (6)	Cellnex Telecom, S.A.	9%	Full

(1) 23/12/2019; (2) 05/08/2019; (3) 09/09/2019; (4) 16/12/2019; (5) 12/07/2019; (6) 30/07/2019

I) Iliad7, S.A.S.

In the first half of 2019, the Group entered into a long-term industrial alliance with the Iliad7 group of companies by virtue of which, Cellnex, through its fully owned subsidiary Cellnex France Groupe, has acquired 70% of the share capital of Iliad 7, S.A.S. ("Iliad7"), owner of approximately 5,700 sites located in France. Additionally, Cellnex has agreed to the deployment of 2,500 sites in France in a seven-year term.

The actual cash outflow for Cellnex in relation to this transaction (Enterprise Value) has been EUR 1.4 billion (see Note 5).

The transaction was completed in December 2019, following the settlement of several administrative authorizations. Thus, Iliad7 has been fully consolidated within the Cellnex Group as of the acquisition date, such that as at 31 December 2019 the value of all of its assets and liabilities has been included in the consolidated balance sheet and the corresponding impact of operations in the consolidated income statement for the year.

II) Swiss Infra Services

In the first half of 2019, the Group entered into a long-term industrial alliance with Matterhorn Telecom, S.A. ("Matterhorn") by virtue of which Swiss Towers purchased 90% of the share capital of Swiss Infra Services SA ("Swiss Infra") owner of approximately 2,800 sites located in Switzerland for a total amount of approximately EUR 770 million. Additionally, Cellnex agreed to the deployment of 500 additional sites in Switzerland in an eight-year term.

This transaction was completed in the second half of 2019, following the satisfaction of the closing conditions which included the granting of several administrative authorizations.

Thus, following this acquisition, Swiss Infra has been fully consolidated within the Cellnex Group as of the acquisition date, such that as at 31 December 2019 the value of all of its assets and liabilities has been included in the consolidated balance sheet and the corresponding impact of operations in the consolidated income statement for the year.

III) Cignal subgroup

During the second half of 2019, Cellnex Telecom (through the Parent Company Cellnex Telecom, S.A.) acquired 100% of the share capital of Cignal Infrastructure Limited ("Cignal") from InfraVia Capital Partners, owner of 546 sites in Ireland for a total amount of EUR 210 million (Enterprise Value). Additionally, Cignal will deploy up to 600 new additional sites by 2026.

Thus, following this acquisition, Cignal has been fully consolidated within the Cellnex Group as of the acquisition date, such that as at 31 December 2019 the value of all of its assets and liabilities has been included in the consolidated balance sheet and the corresponding impact of operations in the consolidated income statement for the year.

IV) Cellnex Switzerland

During the second half of 2019, in the context of the Swiss Infra Services acquisition (see Notes 2.i.ii and 5), Cellnex Switzerland carried out a capital increase amounting to CHF 460 million, which was fully subscribed by Cellnex Telecom and Swiss Life. As a consequence, the stake that Cellnex held in Cellnex Switzerland increased from 54% to 63% at the date of the aforementioned transaction. By not subscribing to this capital increase, Deutsche Telekom Capital Partners ("DTCP") reduced its stake in Cellnex Switzerland from 18%, to 9% at the date of this transaction.

In addition, pursuant to the put option agreement entered into with DTCP in 2017, as it was reasonable to expect, the latter exercised its rights to transfer the total amount of its shareholding in Cellnex Switzerland to Cellnex Telecom. As a result, Cellnex Telecom acquired, during the second half of 2019, an additional 9% of the share capital of Cellnex Switzerland for CHF 109,876 thousand (with a Euro value of EUR 101,231 thousand as of 31 December 2019). Following this acquisition, as at 31 December 2019 Cellnex Telecom held 72% of the share capital of Cellnex Switzerland.

V) On Tower Netherlands subgroup

During the second half of 2019, Cellnex Telecom (through its subsidiary Cellnex Netherlands BV) reached an agreement to acquire 100% of the share capital of On Tower Netherlands BV ("On Tower Netherlands") 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. As a result of this acquisition, Cellnex acquired 114 additional sites.

Thus, following this acquisition, On Tower Netherlands has been fully consolidated within the Cellnex Group as of the acquisition date, such that as at 31 December 2019 the value of all of its assets and liabilities has been included in the consolidated balance sheet and the corresponding impact of operations in the consolidated income statement for the year.

Transactions between companies in the scope of consolidation

Also, in 2019, the following transactions were performed between companies in the scope of consolidation, which, accordingly, did not have an impact on these consolidated financial statements:

Selling/ Spun-off company	Buying/ Resulting company	Comments	Date
Mergers:			
Galata S.p.A Video Press Production, S.r.L. BRT Tower, S.r.L. DFA Telecomunicazioni, S.r.L. Sintel, S.r.L	Galata, S.p.A	Merger by absortion of Galata, S.p.A (absorbing company) with Video Press Production, S.r.L., BRT Tower, S.r.L., DFA Telecomunicazioni, S.r.L. and Sintel, S.r.L (absorbed companies).	01/08/2019

In addition, during 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.

Movements in 2018

Acquisitions and incorporations

The changes to the scope of consolidation that occurred during the 2018 financial year with a significant impact on the consolidated financial statements for that financial year were as follows:

Name of the Company	Company with direct shareholding and % acquired/maintained		Consolidation method
Acquisitions/incorporations:			
Zenon Digital Radio, S.L. [(1)]	Tradia Telecom, S.A.U.	100%	Full
Xarxa Oberta de Comunicació i Tecnologia de Catalunya, S.A. [(2)]	Tradia Telecom, S.A.U.	100%	Full
Towerlink France, S.A.S.[(3)]	Cellnex France S.A.S.	100%	Full
Nearby Sensors, S.L. [(4)]	Tradia Telecom, S.A.U.	15%	Equity
Liquidations:			
Shere Group Netherlands BV [(5)]	Shere Midco Ltd	100%	Full
Infr'asset, S.A.S. [(6)]	Cellnex France Groupe, S.A.S.	100%	Full
SGL Reserve Ltd (formerly Cellnex UK Limited) [(7)]	Cellnex Telecom, S.A.	100%	Full

[(1)] 08/03/2018; [(2)] 12/07/2018; [(3)] 30/11/2018; [(4)] 13/11/2018; [(5)] 26/04/2018; [(6)] 23/04/2018; [(7)] 21/12/2018

I) Acquisition of Zenon Digital Radio, S.L.

In the first quarter of 2018, Tradia Telecom, S.A.U. (a subsidiary in which the Group has a 100% stake) acquired, from Palol Inversiones, S.L.U., 100% of Zenon Digital Radio, S.L. ("Zenon") for a total of EUR 2 million. The main corporate purpose of the acquired company, located in Barcelona, includes the commercialization, development, installation and maintenance of TETRA systems (Other Network Services business segment).

II) Acquisition of Xarxa Oberta de Catalunya

During the second half of 2018, Cellnex reached an agreement for the acquisition of 100% of the share capital of Xarxa Oberta de Comunicació i Tecnologia de Catalunya, S.A. ("XOC") from Imagina, a subsidiary of the Mediapro Group. The acquisition price of the shares amounted to approximately EUR 33 million. Additionally, through this agreement, Cellnex acquires a set of assets for an amount of EUR 3 million, which, until the aforementioned date of acquisition, were owned by companies of the group to which Imagina belongs, and on the terms agreed by both parties.

As a result of the above, the total acquisition price of the transaction, amounted to EUR 36 million .The actual cash outflow in relation to this transaction (Enterprise Value) has been EUR 34 million following the incorporation of EUR 2 million of cash balances on the balance sheet of the acquired company (see Note 5).

The XOC is a concessionary company dedicated to the management, maintenance and construction of the fiber optic network of the Generalitat de Catalunya, and the expiration date of the concession is 2031.

III) Towerlink France, S.A.S.

During the second half of 2018, Cellnex France, S.A.S. created the subsidiary Towerlink France, S.A.S. ("Towerlink France") with a share capital of EUR 1 thousand through the creation of 1,000 shares with a nominal value of EUR 1 per share. Subsequently, on 5 December 2018, Towerlink France increased its share capital to EUR 20 thousand. The capital increase was subscribed by Cellnex France by 99.9%, while the remaining 0.01% was subscribed by Bouygues Telecom.

As a result of this transaction, at 31 December 2018, Cellnex, through his wholly owned subsidiary, Cellnex France, holds a 99.9% stake in Towerlink France.

IV) Nearby Sensors, S.L.

During the second half of 2018, Cellnex Telecom and Nearby Sensors signed an agreement for the incorporation of Cellnex, through its fully owned subsidiary Tradia Telecom, in the shareholding of the start-up with a contribution of EUR 0.5 million equivalent to a 15% stake.

Nearby Sensor, 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.

For Cellnex, the investment in Nearby Sensor is part of the open and collaborative innovation Group's strategy, identifying entrepreneurial initiatives that start from frontier research in universities and knowledge centres and end up translating into innovative value and service proposals within the field of connectivity and telecommunications.

Transactions between companies in the scope of consolidation

Also, in 2018, the following transactions were performed between companies in the scope of consolidation, which, accordingly, did not have an impact on these consolidated financial statements:

Selling/Spun-off company	Buying/Resulting company	Comments	Date
Disposals:			
Cellnex Telecom, S.A. (1)	Cellnex Telecom España, S.L.U.	Transfer of 100% of the ownership interest in Retevisión-I, S.A.U. by Cellnex Telecom, S.A.	14/02/2018
Cellnex Telecom, S.A. (1)	Cellnex Telecom España, S.L.U.	Transfer of 100% of the ownership interest in Tradia Telecom, S.A.U. by Cellnex Telecom, S.A.	14/02/2018
Cellnex Telecom, S.A. (1)	Cellnex Telecom España, S.L.U.	Transfer of 100% of the ownership interest in On Tower Telecom Infraestructuras, S.A.U. by Cellnex Telecom, S.A.	14/02/2018
Retevisión-I, S.A.U.	Cellnex Telecom, España, S.L.U.	Sale of the investment in Gestora del Espectro, S.L. by Retevisión-I, S.A.U	09/10/2018
Infracapital Alticom BV	Cellnex Netherlands BV	Sale of the investment in Alticom Holding BV by Infracapital Alticom BV	29/12/2018
Alticom Holding BV	Cellnex Netherlands BV	Sale of the investment in Alticom BV and Breedlink BV by Alticom Holding BV	29/12/2018
Mergers:			
Alticom BV (2) Infracapital Alticom BV (2) Alticom Holding BV (2)	Alticom BV	Merger by absortion of Alticom BV (absorbing company) with Infracapital Alticom BV and Alticom Holding BV (absorbed companies).	29/12/2018
Galata S.p.A OnTower Italia, S.r.L TMI, S.r.L	Galata, S.p.A	Merger by absortion of Galata, S.p.A (absorbing company) with OnTower Italia, S.r.L and TMI, S.r.L (absorbed companies).	01/10/2018

(1) This contribution to Cellnex Telecom España, S.L.U. of 100% of the shares of Retevisión-I, S.A.U., Tradia Telecom, S.A.U. and On Tower Telecom Infraestructuras, S.A.U. until then owned by Cellnex Telecom, S.A., was made for their carrying amount of EUR 977 million. In turn, Cellnex Telecom, S.A. made an equity contribution to Cellnex Telecom España, S.L.U. for the same amount.

(2) At 29 December 2018 with effect as per 1 January 2018 a reorganization of the companies under Cellnex Netherlands BV took place. Infracapital Alticom BV sold its investment in subsidiaries of Alticom Holding BV to its immediate parent Cellnex Netherlands BV at cost for an amount of EUR 85 million. At the same time, Alticom Holding BV sold its investment in subsidiaries in Alticom BV and Breedlink BV to Cellnex Netherlands BV at cost for an amount of EUR 57 million and EUR 1 million, respectively. Once all the subsidiaries had as immediate parent Cellnex Netherlands BV, Infracapital Alticom BV and Alticom Holding BV merged into Alticom BV. The merger resulted in a merger reserve in Alticom BV for an amount of EUR 142 million.

In addition, as at 31 December 2018 Shere Group Limited changed its name to Cellnex UK Limited. Moreover, the company formerly called Cellnex UK Limited changed its name to SGL Reserve. Additionally, on 1 July 2018, a business transfer of the company SGL Reserve Limited (formerly Cellnex UK Limited) was executed to the company Cellnex UK Limited (formerly known as Shere Group Limited). This operation has had no impact on these consolidated financial statements.

3. Accounting policies and measurement bases

The main accounting policies used when preparing the consolidated financial statements, in accordance with those established by the International Financial Reporting Standards adopted by the European Union (EU-IFRS), as well as the interpretations in force when drawing up these consolidated accounts, were as follows:

a) Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and any accumulated impairment losses.

With reference to the acquisition of telecom infrastructures, the price agreed upon in the commercial sale and purchase agreement refers to the acquisition of an asset with two components: the physical asset (tower and other equipment and fixtures) and an intangible asset ‘customer network service contracts and network location’ in order to be able to provide the service to mobile operators. This is in turn related to the subsequent services contract with the mobile operator and the subrogation of all the rental contracts with third parties that the mobile operator previously had, and which includes the corresponding operating permits or licences. However, there being two types of assets, and given that the intangible portion cannot be segregated as an intangible asset, the accounting treatment applied records the full amount of the purchase under the “Property, plant and equipment”, which is depreciated according to the useful life thereof on the basis of technical studies.

Grants related to assets received reduce the cost of acquisition of property, plant and equipment, and are recognised when the entity complies with conditions attaching to collection. These grants are taken to profit or loss on a straight-line basis over the useful life of the asset financed, with a reduction in the depreciation charge for the year.

Staff costs and other expenses, as well as net borrowing costs directly related to property, plant and equipment, are capitalised as part of the investment until the assets are put to use.

Costs incurred to renovate, enlarge or improve items of property, plant and equipment which increase the capacity or productivity or extend the useful life of the asset are capitalised as part of the cost of the related asset, provided that the carrying amount of the assets replaced and derecognised from inventories is known or can be estimated.

The costs of upkeep and maintenance are charged to the consolidated income statement in the year in which they are incurred.

The depreciation of property, plant and equipment is calculated systematically, using the straight-line method, over the useful life of the assets, based on the actual decline in value caused by their use and by wear and tear.

The depreciation rates used to calculate the depreciation of the various items of property, plant and equipment are as follows:

Asset	Useful life
Buildings and other constructions	7-50 years
Plant and machinery	3-17 years
Tooling	3-14 years
Other facilities	3-14 years
Furniture	5-10 years
Computer equipment	3-5 years
Other property, plant and equipment	4-13 years

When an asset's carrying amount exceeds its estimated recoverable amount, the carrying amount is immediately reduced to its recoverable amount, and the effect is taken to the consolidated income statement for the year, and the related provision is recognised. The Group therefore periodically determines whether there is any indication of impairment.

Gains or losses arising from the sale or disposal of an asset in this item are determined as the difference between carrying amount and sale price, and are recognised in the accompanying consolidated income statement under "Losses on fixed assets".

Provision for asset retirement obligation

This relates to the Group's best estimate of the legal obligation in relation to the retirement of tangible assets with long useful lives, such as, for example, infrastructures for mobile telecommunications operators. It is calculated using estimates of the present value of the cash payments required to dismantle the assets, taking into consideration all the information available at the balance sheet date.

b) Intangible assets

The intangible assets indicated below are stated at acquisition cost less accumulated amortisation and any impairment losses, useful life being evaluated on the basis of prudent estimates. Any grants related to assets reduce the cost of acquisition of the intangible asset and are recognised when the entity complies with the conditions attaching to collection. Grants are credited to profit and loss on a straight-line basis over the useful life of the asset financed, with a reduction in the amortisation charge for the year.

The carrying amount of intangible assets is reviewed for possible impairment when certain events or changes indicate that their carrying amount may not be recoverable.

I) Computer software

Refers mainly to the amounts paid for access to property or for usage rights on computer programmes, only when usage is expected to span several years.

Computer software is stated at acquisition cost and amortised over its useful life (between 3 and 5 years). Computer software maintenance costs are charged to the consolidated income statement in the year in which they are incurred.

II) Intangible assets in telecom infrastructures

This heading records the amounts paid in the business combinations that correspond to the fair value of the net assets acquired, mainly consisting of:

- *Concession intangible assets*

  Includes the contracts signed with mobile operators as well as the locations of the telecom infrastructures used, which are subject to administrative concession.

  The amount recognised represents the discounted cash flow that the site where the infrastructure is located will generate from the various operators. This asset is depreciated in the period over which the Group is able to obtain income from the network coverage area. In this case, the only intangible asset recorded by the Group corresponds to the business combination of the company TowerCo S.p.A. and it is amortised on a straight-line basis until 2038.

- *Customer Network Services Contracts*

  This intangible asset relates to the customer base existing at the acquisition date due to the Group's infrastructure service contracts with the anchor carrier and to the future returns expected to be generated because of the relationships with customers beyond the periods covered by the contracts.

- *Network Location*

This intangible asset represents the incremental revenues and cashflows from addition infrastructure service agreements with carriers not yet present at the date of acquisition. The Network Location is considered an intangible asset, valued independently from the remaining intangible assets, because it meets the requirement of separability, given that the excess available capacity can be used to offer network access services to third parties.

For the valuation of these intangible assets, the Company has used the Multi-Period Earnings methodology, according to the financial projections of the different businesses affected. This method considers the use of other assets in the generation of the projected cashflows of a specific asset in order to isolate the economic benefit generated by the intangible asset. The contribution of the other assets such as fixed assets, working capital, labour and other intangible assets to the total cash flows is estimated through charges for contributing assets. This adjustment is made to separate the value of the specific assets from the portion of the purchase price that has already been allocated to net tangible assets and other intangible assets used. Therefore, the value of intangible assets is the present value of cash flows after potentially attributable taxes, net of the return on the fair value attributable to the tangible and intangible assets.

Acquired Customer Network Services Contracts and Network Location intangibles are amortised over the shorter of the term of the corresponding ground lease taking into consideration lease renewals or up to 20 years, as the Company considers these intangibles to be directly related to the infrastructure assets.

III) Other intangible assets

This heading includes the concessions for use acquired by the Group, which are measured at acquisition or production cost and amortised on a straight-line basis over the contractual period of between 10 and 40 years.

IV) Goodwill

Goodwill generated in various business combinations represents the excess of the acquisition cost over the fair or market value of all the Group's or the Company's identifiable net assets acquired at the acquisition date.

Given that goodwill is considered as an asset of the acquired company/group (except that generated prior to 1 January 2004), in the application of the IFRS 1 they were considered as assets of the acquiree.

Any impairment of goodwill recognised separately (that of subsidiaries and joint ventures) is reviewed annually through an impairment test (or in intermediate periods if there are signs of impairment), to determine whether its value has declined to a level below the carrying amount, and any impairment loss is recognised in consolidated profit or loss for the year, as applicable (see Notes 3.c). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill included in the carrying amount of the investment in associates is not tested separately. Rather, under IAS 36, whenever there is an indication that the investment may be impaired, the total carrying amount of the investment is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with the carrying amount.

The loss or gain on the sale of an entity includes the carrying amount of its goodwill.

c) Impairment losses on non-financial assets

The Group assesses, at each reporting date, whether there is an indication than an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required (in the case of goodwill), the Group estimates the asset's recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows that the asset is expected to generate are discounted to their present value using an interest rate that reflects the current time value of money and the risks specific to the assets.

In the event that the asset analysed does not generate cash flows that are independent of those from other assets (as is the case for goodwill), the fair value or value in use of the cash-generating unit that includes the asset (smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets) is estimated. In the event of an impairment loss for a cash-generating unit, the loss is first allocated to reduce the carrying amount of any goodwill allocated and then to the other assets pro rata on the basis of the carrying amount of each asset.

Impairment losses (excess of an asset's carrying amount over the recoverable amount) are recognised in the consolidated income statement for the year.
With the exception of goodwill, where impairment losses are irreversible, the Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

An impairment loss recognised in prior periods is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In such a case, the carrying amount of the asset is increased to its recoverable amount. The increased carrying amount shall not exceed the carrying amount that would have been determined, net of amortisation or depreciation, had no impairment loss been recognised for the asset in prior years. This reversal would be recognised in the consolidated income statement for the year.

d) Investments and other financial assets (excluding derivative financial instruments)

When financial assets not measured at fair value through profit or loss are initially recognised, the Group measures them at their fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset.

The Group determines the classification of its financial assets at initial recognition. At 31 December 2019, financial assets were classified into the following categories:

I) Current and non-current financial investments

Advances to customers

This heading of the consolidated balance sheet includes, with regards to the acquisitions of telecom infrastructures undertaken by the Group, the multi-annual commercial costs assumed by the Group, in order to obtain the service provision services agreements with the mobile telephone operators that will generate future economic profit, through the purchase, from these operators, of the telecom infrastructures, the dismantling of which has been agreed to along with the related cost. It must be noted that the dismantling expenses do not represent a legal obligation to dismantle the telecom infrastructures, but rather a commercial decision made by the Group and these costs will be capitalised as they are incurred.

These amounts are recognised as an advance of the subsequent services agreement with the mobile telephone operator, which is recognised in the accompanying consolidated income statement on a straight-line basis as a reduction to "revenue from services rendered" according to the term of the services agreement entered into with the operator.

Other advance payments

Other Advance Payments includes payments made to the seller in the context of business combinations, which relate to assets included in purchase price which have not yet been transferred as at 31 December 2019. Once these assets are transferred, the corresponding amount will be reclassified to the appropriate balance sheet item in accordance with the related Purchase Price Allocation.

II) Trade and other receivables

This heading mainly corresponds to:

- Loans granted to associates, multi-group or related parties, which are measured at amortised cost using the effective interest method. This value is reduced by the corresponding valuation adjustment for the impairment of the asset, as applicable.

- Deposits and guarantees recognised at their nominal value, which does not differ significantly from their fair value.

- Trade accounts receivable, which are measured at their nominal amount, which is similar to fair value at initial recognition. This value is reduced, if necessary, by the corresponding provision for bad debts (impairment loss) whenever there is objective evidence that the amount owed will not be partially or fully collected. This amount is charged against the consolidated income statement for the year.

The Group derecognises financial assets when they expire or the rights over the cash flows of the corresponding financial asset have been assigned and the risks and benefits inherent to their ownership have been substantially transferred, such as in the case of firm asset sales, non-recourse factoring of trade receivables in which the Group does not retain any credit or interest rate risk, sales of financial assets under an agreement to repurchase them at fair value and the securitisation of financial assets in which the transferor does not retain any subordinated debt, provide any kind of guarantee or assume any other kind of risk.

However, the Group does not derecognise financial assets, and it recognises a financial liability for an amount equal to the consideration received in transfers of financial assets in which substantially all the risks and rewards of ownership are retained, such as in the case of note and bill discounting, with-recourse factoring, sales of financial assets subject to an agreement to buy them back at a fixed price or at the selling price plus a lender's return and the securitisation of financial assets in which the transferring group retains a subordinated interest or any other kind of guarantee that absorbs substantially all the expected losses.

In addition, the Group estimates a provision for impairment in accordance with an expected loss model in financial assets valued at amortized cost, mainly trade receivables. The measurement of the expected credit losses is a function of: the probability of default, the loss given the default (i.e., the magnitude of the loss if there is a predetermined value) and the exposure at the predetermined value.

The Group has made this estimate taking into consideration, among other aspects, the diversity of clients according to their type or segment, grouped by country or geography, as well as differentiating their sector or industry, choosing an appropriate credit spreads curve for each of them. financial assets, as well as an analysis of historical defaults of the Group.

At least at each reporting date, the Group determines whether there is any indication that an asset or group of assets is impaired, so that any impairment loss can be recognised or reversed in order to adjust the carrying amount of the assets to their value in use.

e) Derivative financial instruments

The Group uses derivative financial instruments to manage its financial risk, arising mainly from changes in interest rates and exchange rates (see Note 4). These derivative financial instruments, whether or not classified as hedges, were classified either at fair value (both initially and subsequently), using valuations based on the analysis of discounted cash flows using assumptions that are mainly based on the market conditions at the reporting date and adjusting for the bilateral credit risk in order to reflect both the Group's risk and the counterparty's risk.

According to IAS 39, all derivative financial instruments are recognised as assets or liabilities on the consolidated balance sheet at their fair value, with changes in fair value recognised in consolidated income statement for the year. However, with hedge accounting, the effective portion of the hedge (fair value hedges, cash flow hedges and hedges of a net investment in a foreign currency) is recognised in equity.

At the inception of the hedge, the Group documents the relationship between the hedging instruments and the hedged items, as well as its risk management objective and the strategy for undertaking the hedge. The Group also documents how it will assess, both initially and on an ongoing basis, whether the derivatives used in the hedges are highly effective for offsetting changes in the fair value or cash flows attributable to the hedged risk.

The fair value of the derivative financial instruments used for hedging purposes is set out in Note 13, and the change in the hedging reserve recognised in consolidated equity is set out in Note 12.

Hedge accounting, when considered to be such, is discontinued when the hedging instrument expires or is sold, terminated or exercised or when it no longer qualifies for hedge accounting. Any accumulated gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net accumulated gain or loss recognised in equity is transferred to net profit or loss for the year.

Classification on the balance sheet as current or non-current will depend on whether the maturity of the hedge at year-end is less or more than one year.

The criteria used to account for these instruments are as follows:

I) Cash-flow hedge

The positive or negative variations in the valuation of the derivatives qualifying as cash flow hedges are charged, in their effective portion, net of the tax effect, to consolidated equity under “Reserves – Hedging reserves”, until the hedged item affects the income (or when the underlying part is sold or if it is no longer probable that the transaction will take place), which is when the accumulated gains or losses in net equity are released to the consolidated income statement for the year.

Any positive or negative differences in the valuation of the derivatives corresponding to the ineffective portion are recognised directly in the consolidated income statement for the year under “Change in fair value of financial instruments”.

This type of hedge corresponds primarily to those derivatives entered into by the Group companies that convert floating rate debt to fixed rate debt.

II) Hedges of a net investment in a foreign operation

In certain cases, Cellnex finances its activities in the same functional currency in which its foreign investments are held so as to reduce the currency risk. This is carried out by obtaining financing in the corresponding currency or by entering into cross currency and interest rate swaps.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognised in equity, while the ineffective portion of the gain or loss is recognised immediately in the consolidated income statement for the year.

Cumulative gains or losses in equity are included in the income statement on disposal of the foreign operation.

III) Derivatives not recognised as hedges

In the case of derivatives that do not qualify as hedging instruments, the positive or negative difference resulting from the fair value adjustments are taken directly to the income statement for the year.

The Group does not use any derivative instruments, which do not qualify as hedging instruments.

IV) Fair value and valuation techniques

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, irrespective of whether that price is directly observable or estimated using another valuation technique.

For financial reporting purposes, fair value measurements are classified into level 1, 2 or 3 depending on the extent to which inputs used are observable and the importance of those inputs for measuring fair value in its entirety, as described below:

- Level 1 - Inputs are based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs are based on quoted prices for similar assets or liabilities in active markets (not included in level 1), prices quoted for identical or similar assets or liabilities in markets that are not active, techniques based on valuation models for which all relevant inputs are observable in the market or can be corroborated by observable market data.
- Level 3 - In general, inputs are unobservable and reflect estimates based on market assumptions to determine the price of the asset or liability. Unobservable data used in the valuation models are significant in the fair values of the assets and liabilities.

In order to adopt IFRS 13, the Group must adjust the valuation techniques it uses for obtaining the fair value of its derivatives. The Group includes an adjustment for bilateral credit risk in order to reflect both its own risk, as well as counterparty risk in the fair value of its derivatives.

To determine the fair value of its derivatives, the Group uses valuation techniques based on expected total exposure (which includes both current exposure as well as potential exposure) adjusted for the probability of default and loss given default of each counterparty.

The expected total exposure of the derivatives is obtained using observable market inputs such as interest rate, exchange rate and volatility curves in accordance with the market conditions at the measurement date. The inputs used for the probability of default by the Group and by the counterparties are estimated on the basis of the credit default swap (CDS) prices observed in the market, when these exists.

In addition, in order to reflect the credit risk in the fair value the market standard of 40% is applied as a recovery rate, which relates to the CDS in relation to senior corporate debt.

As at 31 December 2019 and 2018 the Group had derivative financial instruments (see Note 13).

f) Inventories

Inventories comprise mainly technical equipment which, after installation, will be sold. Inventories are measured at acquisition price, less any necessary valuation adjustments and the corresponding impairment.

g) Net equity

The share capital is represented by ordinary shares. The costs of issuing new shares or options, net of tax, are recognised directly against equity, as a reduction to reserves. Dividends on ordinary shares are recognised as a reduction to equity when approved. Acquisitions of treasury shares are recognised at their acquisition cost and are deducted from equity until disposal.

The gains and losses obtained on the disposal of treasury shares are recognised under “Reserves” in the consolidated balance sheet.

h) Earnings per share

Basic earnings per share are calculated by dividing consolidated profit or loss for the year attributable to the Company by the weighted average number of ordinary shares outstanding during the year, excluding the average number of shares of the Company held by the Group.

Diluted earnings per share are calculated by dividing the consolidated profit or loss for the year attributable to ordinary shareholders adjusted for the effect attributable to the dilutive potential ordinary shares by the weighted average number of

ordinary shares outstanding in the year, adjusted by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares of the Parent Company.
For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period.

i) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, demand deposits in banks and highly liquid, current investments with a maturity of three months or less.

The Group is not subject to any limits regarding drawing down funds beyond those established in certain contracts for bank borrowings (see Note 13).

j) Treasury Shares

If any Group company or the Parent Company acquires treasury shares of Cellnex, these are recognised in the consolidated balance sheet under "Treasury shares" and deducted from consolidated equity and measured at their acquisition cost without recognising any valuation adjustment.

When these shares are sold, any amount received, net of any additional directly attributable transaction costs and the corresponding effect of the tax on the gain generated, is included in equity attributable to shareholders of the Parent Company.

k) Financial liabilities

Borrowings, debentures and similar liabilities are initially recognised at fair value, including the costs incurred in raising the debt. In subsequent periods, they are measured at amortised cost. Any difference between the funds obtained (net of the costs required to obtain them) and the repayment value, if any and if significant, is recognised in the consolidated income statement over the term of the debt at the effective interest rate.

Borrowings with floating interest rates hedged with derivatives that change the interest rate from floating to fixed are measured at fair value of the hedged item. Changes in the borrowings are taken to income, thus offsetting the impact on profit and loss of the change in the derivative instrument's fair value. The borrowings with floating interest rates hedged with derivatives are not significant.

The Group considers that the terms of financial liabilities are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

Financial liabilities are derecognised when the obligations giving rise to them cease to exist. In the case of an exchange of debt instruments between the Group and a third party with substantially different terms, the Group derecognises the original financial liability and recognises the new financial liability. The difference between the carrying amount of the original liability and the consideration paid, including attributable transactions costs, is recognised in the consolidated income statement for the year.

l) Income tax

The income tax expense (credit) is the total amount accrued in this connection during the year, representing both current and deferred tax.

Both the current and the deferred tax expense (credit) are recognised in the consolidated income statement. However, the tax effect from items that are recognised directly in other comprehensive income or in equity is recognised in other comprehensive income or in equity.

The deferred taxes are calculated using the balance sheet liability method based on the temporary differences that arise between the tax bases of the assets and liabilities and their carrying amounts in the consolidated financial statements, according to the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date and which are expected to apply when the corresponding deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities that arise from temporary differences with subsidiaries, jointly controlled entities and/or associates are always recognised, unless the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not be reversed in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which to offset the deductible temporary differences or the unused tax losses or unused tax credits can be utilised. Any deferred tax assets that arise due to temporary differences with subsidiaries, jointly controlled entities and/or associates are recognised if, in addition, it is probable that they will be reversed in the foreseeable future.

The recoverability of deferred tax assets is assessed when they are generated, and at the end of each reporting period, depending on the earnings forecasts for the companies included in their respective business plans.

Lastly, the tax effect that may arise as a result of including the results and reserves of the subsidiaries in the Company is not included in the accompanying consolidated financial statements since, pursuant to IAS 12, it is considered that no transfers of reserves that are subject to additional taxation will be made. Given that the Company controls the timing of the distribution, it is not probable that such distribution will occur in the foreseeable future, but rather that the results and reserves will be used as finance resources at each company.

m) Employee benefits

Under the respective collective bargaining agreements, different Group companies have the following obligations with their employees:

I) Post-employment obligations:

Defined contribution obligations

In relation to defined contribution employee welfare instruments (which basically include employee pension plans and group insurance policies), the Group makes fixed contributions to a separate entity and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. Consequently, the obligations under this type of plan are limited to the payment of contributions, the annual expense of which is recognised in the consolidated income statement for the year as the obligations arise.

Defined benefit obligations

Defined benefit obligations relate mainly to bonuses or payments for retirement from the company and temporary and/or life-time annuities.

With regard to these obligations, where the company assumes certain actuarial and investment risks, the liability recognised on the balance sheet is the present value of the obligations at the reporting date less the fair value of any plan assets at that date not arranged with related parties.

The actuarial valuation of the defined benefits is made annually by independent actuaries using the projected unit credit method to determine both the present value of the obligations and the related current and past service costs. The actuarial gains and losses arising from changes in the actuarial assumptions are recognised in the year in which they occur. They are not included in the consolidated income statement, but presented in the consolidated statement of comprehensive income.

II) Other long-term benefits

Regarding other long-term employee benefits, relating mainly to length of service at the company, the liability recognised on the balance sheet coincides with the present value of the obligations at the reporting date as they do not include any plan assets.

The projected unit credit method is used to determine both the current value of the liabilities at the balance sheet date and the cost of the services provided in the current and prior years. The actuarial gains and losses that arise from changes in the actuarial assumptions are recognised, unlike the post-employment liabilities, in the year in which they occur on the consolidated income statement for the year.

III) Severance pay

Severance pay is given to employees as a result of the decision to terminate their work contract before the normal retirement age or when the employee voluntarily accepts to resign in exchange for such compensations. The Group recognises these benefits when it is demonstrably committed to terminate the employment of the employees in accordance with a formal detailed plan without the possibility of withdrawal or to provide severance pay. If a mutual agreement is required, a provision is only recorded in situations in which the Group has decided to give its consent to the resignation of the employees when this has been requested by them.

IV) Obligations arising from plans for termination of employment

Provisions for obligations relating to plans for termination of employment of certain employees (such as early retirement or other forms of employment termination) are calculated individually based on the terms agreed with the employees. In some cases, this may require actuarial valuations based on both demographic and financial assumptions.

V) Long Term Incentive Plan

The amounts considered by the Group in relation to the Long-term Incentive Plans ("LTIP") which were formalised in 2017, 2018 and 2019 with the objective to retain key personnel and incentivise the sustainable creation of value for the shareholders, is based on the variables described below:

Rolling Long-term Incentive Plan (2017-2019)

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

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

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

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

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

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

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

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

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

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

As at 31 December 2019, the cost of the Phase II (2018-2019) is EUR 9.2 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.

Rolling Long-term Incentive Plan (2018-2020)

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

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

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

As at 31 December 2019, the estimated cost of the LTIP (2018-2020) is approximately EUR 6.9 million, if it were to achieve the maximum level of achievement of the objectives, the estimated cost would be approximately EUR 8.6 million.

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

Rolling Long-term Incentive Plan (2019-2021)

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

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

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

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

As at 31 December 2019, the estimated cost of the 2019-2021 LTIP is approximately EUR 8.8 million. The cost of the 2019-2021 LTIP assuming full achievement of the Company's objectives is estimated at approximately EUR 11 million.

n) Government grants

Government grants related to property, plant and equipment are deducted from the carrying value of the non-current assets in question and are taken to income over the expected useful lives of the assets concerned. In addition, the Group accounts for grants, donations or gifts and inheritances received as follows:

a) Non-refundable capital subsidies, donations and legacies: these are measured at the fair value of the amount or the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss, except for grants received from shareholders or owners, which are recognised directly in non-current liabilities and do not give rise to the recognition of any income.

b) Refundable grants: when refundable, they are recognised as non-current liabilities.

c) Operating subsidies: They are posted to the results at the time they are granted, except if they are used to finance the operating losses of future financial years, in which case they are recorded in said financial years. If they are granted to finance specific expenses, they are recorded as the financial expenses are accrued.

o) Provisions and contingencies

On the date of drawing up these consolidated financial statements, the Group differentiates between:

a) Provisions, understood as credit balances covering present obligations at the reporting date as a result of past events which could give rise to a loss for the Group, which is certain as to its nature but uncertain as to its amount and/or timing.

b) Contingent liabilities, understood as possible obligations arising as a result of past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the consolidated entities.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of the provision is the present value of the future cash flows estimated to settle the present obligation.

Provisions recognised relate to the estimated amounts required to meet probable or certain liabilities stemming from ongoing litigation, compensation or other items resulting from the Group's activity that entail future payments that have been measured on the basis of currently available information. They are recognised as soon as the liability or obligation requiring compensation or payment to a third party arises, and bearing in mind the other conditions set forth in IFRSs.

Provision for asset retirement obligation

This relates to the Group's best estimate of the legal obligation in relation to the retirement of tangible assets with long useful lives, such as, for example, infrastructures for mobile telecommunications operators. It is calculated using estimates of the present value of the cash payments required to dismantle the assets, taking into consideration all the information available at the balance sheet date.

Due to the uncertainties inherent to the estimations necessary for determining the amount of the provision, the actual expenses may differ from the amounts originally recognised on the basis of the estimates made.

p) Revenue recognition

Revenue from the rendering of services is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably.

The various services are provided through services agreements for the infrastructure, in order to distribute the broadcasting or mobile signals, for a certain amount and for a certain length of time. The Group recognises revenue on a straight-line basis over the period in which the services are provided as established in the respective contracts. Also, on request of its customers the Group carries out certain works and studies such as adaptation, engineering and design services on the Cellnex network (hereinafter "Engineering Services"), which represent a separate income stream and performance obligation under IFRS 15. The costs incurred in relation to these services can be internal costs or outsourced. The revenue in relation to these services is generally recognised as the costs are incurred.

The various activities that contribute to the Group's revenue from the rendering of services are organised and administered separately based on the nature of the services provided:

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.

The services that the Group provides to its customers include infrastructure support services, which in turn include the access of infrastructure networks to telecommunications operators that use wireless technologies. The Group acts as a neutral[1] carrier for mobile network operators and other telecommunications operators that normally require complete access to the infrastructure network to provide services to the end customers.

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[1] Neutral: without mobile network operator as a shareholder having (i) more than 50% of the voting rights or (ii) the right to appoint or dismiss the majority of the members of the board.

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 (see Note 2.i).

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividends income from investments is recognised when the shareholders' right to receive payment has been established, e.g., when the shareholders' meetings of the investees approve the dividend payment.

q) Expense recognition

Expenses are recognised in the consolidated income statement when there is a decrease in the future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets. The register of an expense should occur based on the actual flow of goods and services, irrespective of when the corresponding payments are made. Any payment that may be made for all of a service received during a given period of time will be considered a prepaid expense recognised on the asset side of the consolidated balance sheet under "Trade and other receivables" and will be taken to the consolidated income statement when the service is received by the Group.

Expenses are recorded immediately when a payment generates no future economic benefits or when it does not comply with the requirements to be registered as an asset.

An expense is also recorded when a liability is recorded and no corresponding asset is simultaneously recorded as would be the case for liabilities for guarantees.

r) Leases

a) The Group as Lessee

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 3.c.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “other expenses” in the statement of profit or loss (see note 18.c).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

b) The Group as Lessor

The Group enters into lease agreements as a lessor with respect to its telecom infrastructures via Master Lease Agreements ("MLA") where required, however the Group also offers Master Service Agreements ("MSA") where appropriate. Cellnex provides to its customers in the Telecom Infrastructure Services access to the Group's telecom infrastructures for MNOs to co-locate their equipment on the Group's infrastructures.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

s) Activities affecting the environment

Each year, costs arising from legal environmental requirements are either recognised as an expense or capitalised, depending on their nature. The amounts capitalised are depreciated over their useful life.

It was not considered necessary to make any provision for environmental risks and expenses, given that there are no contingencies in relation to environmental protection (see Note 20).

t) Related Party Transactions

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.

u) Consolidated statement of cash flows

The following terms are used in the consolidated statement of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and equivalent financial assets, which are short-term, highly liquid investments that are subject to a low risk of changes in value.
- Operating activities: the principal revenue-producing activities and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that produce changes to the size and composition of the net assets and of the liabilities which do not form part of the operating activities.

In the preparation of the consolidated statement of cash flows, "Cash and cash equivalents" were considered to include cash on hand, demand deposits at banks and other short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

v) Transactions in foreign currencies

Transactions in foreign currencies are translated into the functional currency of the Group (the euro) using the exchange rates prevailing at the date of the transaction. Exchange gains and losses arising on settlement of these transactions and translation of monetary assets and liabilities held in foreign currency at the closing rates are recognised in the consolidated income statement, unless they are deferred to equity, as in the case of cash flow hedges and hedges of net investments in foreign operations, as noted in section e) of this Note.

4. Financial and capital risk management

a) Financial risk factors

The Group's activities are exposed to various financial risks, the most significant of which are foreign currency risk, interest rate risk, credit risk, liquidity risk, inflation risk and risks related to Group Indebtedness. The Group can use derivatives and other protection mechanisms to hedge certain interest rate and foreign currency risks.

Financial risk management is controlled by the Corporate Finance and Treasury Department following authorisation by the most senior executive officer of Cellnex Telecom, as part of the respective policies adopted by the Board of Directors.

I) 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, since 2016 the Group also operates and holds assets in the UK and in Switzerland following completion of the Swiss Towers Acquisition, both countries outside de 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. This hedge 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.

In relation to foreign currency risk, the contributions to the main aggregates of the consolidated income statement of the

Group by companies operating in a functional currency other than the euro were as follows:

31 December 2019

Company	Functional currency	Income	%
		Thousands of Euros	
Shere Group UK	GBP	13,535	1%
Cellnex Switzerland subgroup	CHF	84,993	8%
Contribution in foreign currency		98,528	9%
Total Cellnex Group		1,030,845	

31 December 2018

Company	Functional currency	Income	%
		Thousands of Euros	
Shere Group UK	GBP	9,168	1%
Cellnex Switzerland subgroup	CHF	56,041	6%
Contribution in foreign currency		65,209	7%
Total Cellnex Group		897,871	

The contribution to the main aggregates of the consolidated balance sheet of the Group by companies operating in a functional currency other than the euro was as follows:

31 December 2019

Company	Functional currency	Total assets	%	Equity	%
				Thousands of Euros	
Shere Group UK	GBP	268,975	2%	274,476	5%
Cellnex Switzerland	CHF	1,915,252	15%	792,913	16%
Contribution in foreign currency		2,184,227	17%	1,067,389	21%
Total Cellnex Group		13,001,129		5,050,836	

31 December 2018

Company	Functional currency	Total assets	%	Equity	%
				Thousands of Euros	
Shere Group UK	GBP	150,004	3%	128,837	21%
Cellnex Switzerland	CHF	639,682	12%	292,861	48%
Contribution in foreign currency		789,685	15%	421,698	69%
Total Cellnex Group		5,133,193		615,366	

The estimated sensitivity of the consolidated income statement and of the consolidated equity to a 10% change in the exchange rate of the main currencies in which the Group operates with regard to the rate in effect at year-end is as follows:

	Thousands of Euros	
	2019	
Functional currency	Income	Equity [(1)]
10% change:		
GBP	(1,230)	(24,952)
CHF	(7,727)	(72,083)

(1) Impact on equity from translation differences arising in the consolidation process.

	Thousands of Euros	
	2018	
Functional currency	Income	Equity [(1)]
10% change:		
GBP	(861)	(11,712)
CHF	(5,095)	(26,624)

(1) Impact on equity from translation differences arising in the consolidation process.

The effects on the Group's equity would be partially offset by the impact on equity from the net investment hedges, which were entered into for the initial investment amount.

II) 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 13 of the accompanying consolidated financial statements).

As at 31 December 2019 there are financing granted from third parties covered by interest rate hedging mechanisms (see Note 13 of the accompanying consolidated financial statements).

III) 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 mobile network operators 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, together with geographic and customer diversification, specially the greater relative weight of customers with higher credit quality, helps to mitigate this risk.

The Group depends on the continued financial strength of its customers, some of which operate with substantial leverage and some of them 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 in 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.

The 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.

To mitigate this credit risk, the Group carries out derivative transactions and spot transactions mainly with banks with strong credit ratings as qualified by international rating agencies. The solvency of these institutions, as indicated in each institution's credit ratings, is reviewed periodically in order to perform active counterparty risk management.

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.

IV) 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 6.1 billion, considering cash and available credit lines, as at the date of approval for issue of these consolidated financial statements, and has no immediate debt maturities (the maturities of the Group's financial obligations are detailed in Note 13).

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

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

V) Inflation risk

A significant portion of the Group's operating costs could rise as a result of higher inflation. 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.

VI) Risks 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 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, cash restriction, pledge of assets, amongst others.

- Affecting the Group current corporate rating with a potential downgrade from a rating agency, which can make obtaining new financing more difficult and expensive.

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

b) Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern to deliver returns to its shareholders and to maintain an optimal capital structure and lower costs. In this regard, Group's management is continuously assessing different alternatives to maintain a flexible approach regarding the capital structure, these alternatives being issuing straight bonds, convertible bonds, reaching agreements with minority shareholders at the business unit level such as Cellnex Switzerland, or even executing a potential capital increase. In order to do so, the management of the Company takes into consideration both market conditions, the M&A pipeline and the feasibility to sign or to have signed M&A deals in the previous/future weeks. Cellnex has the ambition to execute such pipeline (in part or entirely) in accordance with its strict financial M&A criteria and expand its existing portfolio of telecom infrastructures consistently with the Business Strategy of the Company.

The Group monitors capital using a leverage ratio along with other financial ratios (e.g. net debt as a multiple of EBITDA and recurring leveraged free cashflow), in line with standard industry practice.

One leverage ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings, as given in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as given in the consolidated balance sheet, plus net debt.

As stated in the previous section 4.a.VI, the Group's borrowings may increase and its impact on the leverage ratio can affect the current corporate rating. A potential downgrade from a rating agency could make it more difficult and costly to obtain new financing.

The leverage ratios at 31 December were as follows:

	Thousands of Euros	
	31 December 2019	31 December 2018
Bank borrowings (Note 13)	1,636,450	585,561
Bonds issues (Note 13)	3,501,124	2,510,176
Lease liabilities (Note 14)	1,152,027	526,337
Derivative financial instruments (Note 13)	3,794	1,435
Other financial liabilities (Note 13)	4,347	31,689
Cash and cash equivalents (Note 11)	(2,351,555)	(455,870)
Net Borrowings (1)	3,946,187	3,199,328
Net equity (Note 12)	5,050,836	615,366
Total capital (2)	8,997,023	3,814,694
Leverage ratio (1)/(2)	44%	84%

5. Business combinations

The Company typically acquires telecommunications infrastructures from telecommunications carriers or other infrastructure operators and subsequently integrates those infrastructures into its existing network. The financial results of the Company's acquisitions have been included in the Company's consolidated financial statements for the year ended 31 December 2019 from the date of respective acquisition. 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 arrangements, the timing of the transfer of title or rights to the assets as well as the customary regulatory approvals, which may be accomplished in phases.

As a result of the business combinations performed during 2019 and 2018, and following a prudent approach, the vast majority of the difference between the book value of the assets acquired and the purchase price paid has been assigned to assets subject to deprecation or amortization. Thus, the resulting goodwill mainly corresponds to the net deferred tax recognised resulting from the higher fair value attributed to the net assets acquired in comparison with their tax bases. Furthermore, provision for other responsibilities captures mainly provisions for contingent liabilities made during the Purchase Price Allocation process which are a result of present obligations arising from past events, where the fair value can be reliably measured.

Business combinations for 2019

The main relevant business combinations for the 2019 year end are detailed below:

Iliad France Acquisition

In the first half of 2019, the Group entered into a long-term industrial alliance with the Iliad7 group of companies by virtue of which, Cellnex signed a contract with Iliad, S.A. to purchase (through its fully owned subsidiary Cellnex France Groupe) 70% of the share capital of Iliad7 (owner of approximately 5,700 sites located in France), for an estimated aggregate consideration of approximately EUR 1.4 billion, (the "Iliad France Acquisition"). Additionally, Cellnex has agreed, to the deployment of 2,500 sites in France, in a seven-year term. The transaction was completed in the last quarter of 2019, once several administrative and an anti-trust authorizations were satisfied. Thus, the Iliad France Acquisition, has been fully consolidated within the Cellnex Group as of the completion date, such that as at 31 December 2019 the value of all of its assets and liabilities has been included in the consolidated balance sheet. In accordance to the aforementioned, there has been no contribution to the operating income and net profit in the accompanying consolidated income statement. Otherwise, if Iliad France Acquisition, had been completed on 1 January 2019, and consequently, it had been fully consolidated for the year ended 31 December 2019, it would have contributed an operating income and net loss for an amount of approximately EUR 151 million and EUR 11 million, respectively. Furthermore, the shareholder agreement sets out the conditions for Iliad, S.A.'s right to sell its 30% (and not less than 30%) non-controlling interest in ILIAD7 to Cellnex France Groupe, at a price to be calculated pursuant to said agreement. The price of this acquisition is uncertain and will undoubtedly be inflationary given the favourable performance of such assets. Cellnex France Groupe has the right, but not the obligation to purchase this non-controlling interest, and therefore, no liability has been recorded in the accompanying consolidated balance sheet as of 31 December 2019.

Iliad France agreements

In connection with the Iliad France Acquisition, the Group entered into the following additional agreements: (i) an agreement for the sale and purchase of 70% of the shares in ILIAD7 (the "Iliad France SPA"), which contains certain representations and warranties of Iliad, S.A. and certain indemnification obligations in case of breach thereof; (ii) a shareholders' agreement to regulate the relationship between Cellnex France Groupe and Iliad, S.A., as shareholders of Iliad7 (the "Iliad SHA"): once the transaction was completed, Cellnex France Groupe and Iliad, S.A., as shareholders of ILIAD7, entered into a shareholders' agreement which sets forth, among other matters, certain rights and obligations of both parties as shareholders of ILIAD7 and the procedures for the conduct of the affairs and the management of ILIAD7 (including certain financial and business restrictions and policies) and govern transfers of the shares of ILIAD7; and (iii) a master agreement (the "Iliad Master Agreements"): once the transaction was completed, Iliad7 and Free Mobile entered into a master agreement whereby Iliad7 will provide co-location services to Free Mobile at the sites managed by Iliad7 and will undertake to build at least 50 new sites on a yearly basis in coordination with Free Mobile. The initial term of the Iliad Master Agreements is 20 years, subject to

automatic extensions for successive 10-year periods, on an all-or-nothing basis. Additionally, the Iliad Master Agreements regulate the terms under which Free Mobile will build a minimum of 2,500 and potentially up to 4,500 sites in France by 31 December 2026, although there is no firm commitment to go beyond the minimum contracted sites.

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

	Thousands of Euros
Total acquisition price [(1)]	2,005,142
Fair value of the net assets acquired	1,395,089
Resulting goodwill	**610,053**

[(1)] The amount that Cellnex France Groupe would have paid for 100% of Iliad7. The Group has a 70% stake in Iliad7 (see Note 2.i).

The fair value at the date of acquisition of the assets and liabilities of the acquired business has been determined, for the most part, using valuation techniques. The main valuation methods used were the analysis of discounted cash flows generated by the identified assets, based on criteria similar to those mentioned in Note 3.c. With regards to the Iliad France Acquisition, considering that IFRS 3 allows the reassessment of the allocation process during a period of one year and given the complexity of identifying the acquired intangible assets, the Group has decided to perform a purchase price allocation with the participation of an independent third party expert. The potential value of the sites is mainly due to the characteristics and quality of the physical locations, which translates into a certain expectation of increasing their "customer ratio". This can be attributed to certain sets of intangible assets, of which each individual element is necessary to realise the full value. Thus, the fair value amount of the acquired net assets includes the valuation of the intangible assets identified that individually meet the identifiability criteria of IAS 38 (Intangible Assets), and consists of "Customer Network Services Contracts" and "Network Location" as defined in Note 3. b) ii) of the accompanying consolidated financial statements. The goodwill, which in turn includes the net recognition of any deferred taxes resulting from the higher fair value attributed to the net assets acquired in comparison with the tax bases, derives from the synergies and other additional future cash flows expected to arise following acquisition by the Group. Among other effects, this transaction allows Cellnex to 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. The assets and liabilities arising from the Iliad France Acquisition are as follows:

Debit/(Credit)			Thousands of Euros
			Value acquired
	Fair value	Carrying value	Revaluation
Other intangible assets	1,473,400	-	1,473,400
Right-of-use assets	256,974	256,974	-
Property, plant and equipment	378,477	386,977	(8,500)
Trade and other receivables long term	116	116	-
Trade and other receivables short term	3,439	3,439	-
Cash and cash equivalents	341	341	-
Lease liabilities long term	(179,805)	(179,805)	
Provisions and other liabilities long term	(127,804)	(9,681)	(118,123)
Lease liabilities short term	(55,848)	(55,848)	
Trade and other payables	(17,507)	(17,507)	-
Net deferred tax assets /(liabilities)	(336,694)	-	(336,694)
Net assets	**1,395,089**	**385,006**	**1,010,083**
Non-controlling interests	(418,527)	(115,502)	(303,025)
Net assets acquired	**976,562**	**269,504**	**707,058**
Total acquisition price	2,005,142	2,005,142	
Cash in from other shareholders	(601,543)	(601,543)	
Cash and cash equivalents	(341)	(341)	
Cash outflow in the acquisition	**1,403,258**	**1,403,258**	

Finally, at the date of signing these consolidated financial statements for the ended on 31 December 2019, Cellnex is in the process of finalizing the allocation of the fair value of the assets and liabilities acquired by means of the analysis of the discounted cash flows generated by the assets identified, and therefore, in accordance with IFRS 3, the Group has one year from the date of completion of the operation to complete the measurement process.

Iliad Italy Acquisition

In the first half of 2019, the Group entered into a long-term industrial alliance with the Iliad group of companies by virtue of which, Cellnex entered into an agreement to acquire (through its fully owned subsidiary Galata) a business unit containing approximately 2,200 sites located in Italy from Iliad Italia, S.p.A. for an estimated aggregate consideration of approximately EUR 600 million, (the "Iliad Italy Acquisition"). Additionally, Cellnex has agreed, to the deployment of 1,000 sites in Italy in a seven-year term. The transaction has been completed in the last quarter of 2019, once several administrative authorizations have been satisfied. Thus, the Iliad Italy Acquisition, has been fully consolidated within the Cellnex Group as of the completion date, such that as at 31 December 2019 the value of all of its assets and liabilities has been included in the consolidated balance sheet. In accordance to the aforementioned, there has been no contribution to the operating income and net profit in the accompanying consolidated income statement. Otherwise, if Iliad Italy Acquisition, had been completed on 1 January 2019, and consequently, it had been fully consolidated for the year ended 31 December 2019, it would have contributed an operating income and net profit for an amount of approximately EUR 47 million and EUR 3 million, respectively. Furthermore, the transfer of the aforementioned business unit will be performed in one or more tranches, and the infrastructures involved are being gradually integrated into, and operated by Galata. This gradual process allows for the completion of formal administrative procedures with landlords and local administrations. As of 31 December 2019 approximately 80% of the total sites have been transferred to Cellnex.

Iliad Italy agreements

In connection with the Iliad Italy Acquisition, the Group has entered into the following additional agreements: (i) an agreement for the sale and purchase of a business unit containing approximately 2,200 sites located in Italy (the "Iliad Italy Framework Agreement"), which contains certain representations and warranties by Iliad Italia, S.p.A. and certain indemnification obligations in case of a breach thereof, and does not include indirect taxes (RETT); and (ii) a master agreement (the "Iliad Master Agreements"): once the transaction was completed, Galata and Iliad Italia, S.p.A. entered into a master agreement whereby Galata will provide co-location services to Iliad Italia, S.p.A. at the sites managed by Galata. The initial term of the Iliad Master Agreements is 20 years, subject to automatic extensions for successive 10-year periods, on an all-or-nothing basis and with undefined maturity. Additionally, the Iliad Master Agreements will regulate the terms under which Iliad Italia, S.p.A. will build a minimum of 1,000 and potentially up to 2,000 sites in Italy by December 31, 2025, although there is no firm commitment to go beyond the minimum contracted sites.

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

	Thousands of Euros
Total acquisition price [1]	600,000
Fair value of the net assets acquired	565,091
Resulting goodwill	34,909

[1] The acquisition price contains the amount paid by Galata for the business unit containing approximately 2,200 sites in Italy.

The fair value at the date of acquisition of the assets and liabilities of the acquired business has been determined, for the most part, using valuation techniques. The main valuation methods used were the analysis of discounted cash flows generated by the identified assets, based on criteria similar to those mentioned in Note 3.c. With regards to the Iliad Italy Acquisition, considering that IFRS 3 allows the reassessment of the allocation process during a period of one year and given the complexity of identifying the acquired intangible assets, the Group has decided to perform a purchase price allocation with the participation of an independent third party expert. The potential value of the sites is mainly due to the characteristics and quality of the physical locations, which translates into a certain expectation of increasing their “customer ratio”. This can be attributed to certain sets of intangible assets, of which each individual element is necessary to realise the full value. Thus, the fair value amount of the acquired net assets includes the valuation of the intangible assets identified that individually meet the identifiability criteria of IAS 38 (Intangible Assets), and consists of “Customer Network Services Contracts” and “Network Location” as defined in Note 3. b) ii) of the accompanying consolidated financial statements. The goodwill, which in turn includes the net recognition of any deferred taxes resulting from the higher fair value attributed to the net assets acquired in comparison with the tax bases, derives from the synergies and other additional future cash flows expected to arise following acquisition by the Group. Among other effects, this transaction decisively allows Cellnex to strengthen its footprint in the Italian market.

The assets and liabilities arising from the Iliad Italy Acquisition are as follows:

Debit/(Credit)			Thousands of Euros
			Value acquired
	Fair value	Carrying value	Revaluation
Other intangible assets	383,700	-	383,700
Right-of-use assets	103,981	-	103,981
Property, plant and equipment	90,200	-	90,200
Non-current financial investments	120,000	-	120,000
Provisions and other liabilities long term	(37,676)	-	(37,676)
Lease liabilities long term	(98,654)	-	(98,654)
Lease liabilities short term	(5,326)	-	(5,326)
Net deferred tax assets /(liabilities)	8,866	-	8,866
Net assets acquired	565,091	-	565,091
Total acquisition price	600,000	600,000	
Cash and cash equivalents	-	-	
Cash outflow in the acquisition	600,000	600,000	

Finally, at the date of signing these consolidated financial statements for the ended on 31 December 2019, Cellnex is in the process of finalizing the allocation of the fair value of the assets and liabilities acquired by means of the analysis of the discounted cash flows generated by the assets identified, and therefore, in accordance with IFRS 3, the Group has one year from the date of completion of the operation to complete the measurement process.

Swiss Infra Services Acquisition

As detailed in Note 2.i, during the first half of 2019, the Group entered into a long-term industrial alliance with Matterhorn Telecom, S.A. ("Matterhorn") by virtue of which Swiss Towers purchased 90% of the share capital of Swiss Infra Services SA ("Swiss Infra") owner of approximately 2,800 sites located in Switzerland for a total amount of approximately EUR 770 million (the "Swiss Infra Acquisition"). Additionally, Cellnex agreed to the deployment of 500 additional sites in Switzerland in an eight-year term. Thus, following this acquisition, Swiss Infra has been fully consolidated within the Cellnex Group as of the acquisition date, such that as at 31 December 2019 the value of all of its assets and liabilities has been included in the consolidated balance sheet and the corresponding impact of operations in the consolidated income statement for the period. The operating income and net loss contribution since acquisition amounted to EUR 21 million and EUR 6 million, respectively, corresponding to the impact of 100% of financial results of Swiss Infra Services Acquisition in the accompanying consolidated income statement. In addition, if Swiss Infra Services Acquisition, had been completed on 1 January 2019, and consequently, it had been fully consolidated for the year ended 31 December 2019, it would have contributed an operating income and net loss for an amount of approximately EUR 62 million and EUR 7 million, respectively. This transaction was completed during the second half of 2019, following the satisfaction of the closing conditions which included the granting of several administrative authorizations.

Salt agreements

In connection with the Swiss Infra Services Acquisition, Swiss Towers entered into several agreements, including: (i) an agreement for the sale and purchase of 90% of the share capital of Swiss Infra (the "Salt SPA"), which contains certain representations and warranties by the parties and certain indemnification obligations in case of a breach thereof; (ii) a shareholders agreement to regulate the relationship between Swiss Towers and Matterhorn, as shareholders of Swiss Infra (the "Salt SHA"): once the transaction was completed, Swiss Towers and Matterhorn, as shareholders of Swiss Infra, entered into a shareholders' agreement setting forth, among other things, the rights and obligations of both parties as shareholders of Swiss Infra and the procedures for the conduct of the affairs and the management of Swiss Infra (including certain financial and business restrictions and policies) and governing the transfers of the shares of Swiss Infra; and (iii) a master agreement between Swiss Infra and Salt Mobile S.A. ("Salt Mobile"), a subsidiary of Matterhorn (the "Salt Master Agreement"): once the transaction was completed, Swiss Infra and Salt Mobile entered into a master services agreement for the provision of co-location services to Salt Mobile in Switzerland. The initial term of the Salt Master Agreement is 20 years, subject to automatic extensions for successive 10-year periods. Additionally, the Salt Master Agreement regulates, among other things, the terms under which Salt Mobile will build a minimum of 500 and potentially up to 880 sites by 30 June 2027, although there is no firm commitment to go beyond the minimum contracted sites.

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

	Thousands of Euros
Total acquisition price [1]	919,678
Fair value of the net assets acquired	727,258
Resulting goodwill	192,420

[1] The amount paid by Swiss Towers for 100% of Swiss Infra. The Group has a 65% stake in Swiss Infra (see Note 2.i.ii).

The fair value at the date of acquisition of the assets and liabilities of the acquired business has been determined, for the most part, using valuation techniques. The main valuation methods used were the analysis of discounted cash flows generated by the identified assets, based on criteria similar to those mentioned in Note 3.d. With regards to the Swiss Infra Services Acquisition, considering that IFRS 3 allows the reassessment of the allocation process during a period of one year and given the complexity of identifying the acquired intangible assets, the Group has decided to perform a purchase price allocation with the participation of an independent third party expert. The potential value of the sites is mainly due to the characteristics and quality of the physical locations, which translates into a certain expectation of increasing their "customer ratio". This can be attributed to certain sets of intangible assets, of which each individual element is necessary to realise the full value. Thus, the fair value amount of the acquired net assets includes the valuation of the intangible assets identified that individually meet the identifiability criteria of IAS 38 (Intangible Assets), and consists of "Customer Network Services Contracts" and "Network Location" as defined in Note 3. b) ii) of the accompanying consolidated financial statements. The goodwill, which in turn includes the net recognition of any deferred taxes resulting from the higher fair value attributed to the net assets acquired in comparison with the tax bases, derives from the synergies and other additional future cash flows expected to arise following acquisition by the Group. Among other effects, this transaction allows Cellnex to strengthen its footprint in the Swiss market.

The assets and liabilities arising from the Swiss Infra Acquisition are as follows:

Debit/(Credit)			Thousands of Euros
			Value acquired
	Fair value	Carrying value	Revaluation
Other intangible assets	844,946	-	844,946
Right-of-use assets	135,529	135,529	-
Property, plant and equipment	68,701	72,730	(4,029)
Trade and other receivables long term	640	640	-
Cash and cash equivalents	92	92	-
Lease liabilities long term	(104,542)	(104,542)	-
Provisions and other liabilities long term	(41,695)	(35,800)	(5,895)
Lease liabilities short term	(23,208)	(23,208)	-
Provisions and other liabilities short term	(2,171)	(2,171)	-
Trade and other payables	(731)	(731)	-
Net deferred tax assets /(liabilities)	(150,303)	-	(150,303)
Net assets	727,258	42,539	684,719
Non-controlling interests [1]	(313,594)	(18,343)	(295,251)
Net assets acquired	413,664	24,196	389,468
Total acquisition price	919,678	919,678	
Cash in from other shareholders	(91,968)	(91,968)	
Cash and cash equivalents	(92)	(92)	
Deferred payment	(57,835)	(57,835)	
Cash outflow in the acquisition	769,783	769,783	

[1] Corresponding to the stake in Swiss Infra Services at the date of acquisition, different from that hold at 2019 year-end (See Note 2 i.ii.).

Given the date on which the Swiss Infra Services Acquisition has been completed, at the date of signing these consolidated financial statements for the ended on 31 December 2019, Cellnex is in the process of finalizing the allocation of the fair value of the assets and liabilities acquired by means of the analysis of the discounted cash flows generated by the assets identified, and therefore, in accordance with IFRS 3, the Group has one year from the date of completion of the operation to complete the measurement process.

Cignal subgroup Acquisition

As detailed in Note 2.i, during the second half of 2019, Cellnex Telecom (through the Parent Company Cellnex Telecom, S.A.) acquired 100% of the share capital of Cignal from InfraVia Capital Partners, owner of 546 sites in Ireland for a total amount of EUR 210 million (Enterprise Value). Additionally, Cignal will deploy up to 600 new additional sites by 2026 ("The Cignal subgroup Acquisition"). Thus, following this acquisition, Cignal has been fully consolidated within the Cellnex Group as of the acquisition date, such that as at 31 December 2019 the value of all of its assets and liabilities has been included in the consolidated balance sheet and the corresponding impact of operations in the consolidated income statement for the year. In accordance to the aforementioned, the operating income and net loss contribution since acquisition amounted to EUR 3 million and EUR 3 million, respectively, corresponding to the impact of 100% of financial results of Cignal subgroup Acquisition in the accompanying consolidated income statement. In addition, if Cignal subgroup Acquisition, had been completed on 1 January 2019, and consequently, it had been fully consolidated for the year ended 31 December 2019, it would have contributed an operating income and net profit for an amount of approximately EUR 11 million and EUR 2 million, respectively. This transaction was completed during the second half of 2019.

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

	Thousands of Euros
Total acquisition price	111,928
Fair value of the net assets acquired	56,987
Resulting goodwill	54,941

The fair value at the date of acquisition of the assets and liabilities of the acquired business has been determined, for the most part, using valuation techniques. The main valuation methods used were the analysis of discounted cash flows generated by the identified assets, based on criteria similar to those mentioned in Note 3.c. With regards to the Cignal subgroup Acquisition, considering that IFRS 3 allows the reassessment of the allocation process during a period of one year and given the complexity of identifying the acquired intangible assets, the Group has decided to perform a purchase price allocation with the participation of an independent third party expert. The asset consists of a young portfolio of telecom sites with a current tenancy ratio of c.2x, and serves the densification needs of mobile operators beyond their own footprints. The potential value of the sites is mainly due to the characteristics and quality of the physical locations, which translates into a certain expectation of increasing their "customer ratio". This can be attributed to certain sets of intangible assets, of which each individual element is necessary to realise the full value. Thus, the fair value amount of the acquired net assets includes the valuation of the intangible assets identified that individually meet the identifiability criteria of IAS 38 (Intangible Assets), and consists of "Customer Network Services Contracts" and "Network Location" as defined in Note 3.b.ii of the accompanying consolidated financial statements. The goodwill, which in turn includes the net recognition of any deferred taxes resulting from the higher fair value attributed to the net assets acquired in comparison with the tax bases, derives from the synergies and other additional future cash flows expected to arise following acquisition by the Group.

The assets and liabilities arising from the Cignal subgroup Acquisition are as follows:

Debit/(Credit)			Thousands of Euros
			Value acquired
	Fair value	Carrying value	Revaluation
Other intangible assets	82,391	3,091	79,300
Property, plant and equipment	97,823	97,823	-
Trade and other receivables short term	(57)	(57)	-
Cash and cash equivalents	2,485	2,485	-
Provisions and other liabilities long term	(10,000)	-	(10,000)
Loans from Group companies long term	(106,991)	(106,991)	-
Trade and other payables	(1)	(1)	-
Net deferred tax assets /(liabilities)	(8,663)	-	(8,663)
Net assets acquired	56,987	(3,650)	60,637
Total acquisition price	111,928	111,928	
Cash and cash equivalents	(2,485)	(2,485)	
Cash outflow in the acquisition	109,443	109,443	

Finally, given the date on which the Cignal subgroup Acquisition has been completed, at the date of signing these consolidated financial statements for the ended on 31 December 2019, Cellnex is in the process of finalizing the allocation of the fair value of the assets and liabilities acquired by means of the analysis of the discounted cash flows generated by the assets identified, and therefore, in accordance with IFRS 3, the Group has one year from the date of completion of the operation to complete the measurement process.

Business combinations for 2018

The initial accounting for the business combination involving Xarxa Oberta de Catalunya described in Note 6 of the 2018 consolidated financial statements is now considered to have been completed, since one year has elapsed since the acquisition made during the second half of 2018. The comparative income statement for the 2019 year-end would not have been materially different due to the above consideration.

The main relevant business combinations for the 2018 year end are detailed below:

Acquisition of Xarxa Oberta de Comunicació i Tecnologia de Catalunya, S.A ("XOC")

As indicated in Note 2.i., during the second half of 2018, Cellnex reached an agreement for the acquisition of 100% of the share capital of Xarxa Oberta de Comunicació i Tecnologia de Catalunya, S.A. ("XOC") from Imagina, a subsidiary of the Mediapro Group. The acquisition price of the shares has amounted to approximately EUR 33 million. Additionally, through this agreement, Cellnex acquired a set of assets for an amount of EUR 3 million, which, until the aforementioned date of acquisition, were owned by companies of the group to which Imagina belongs, and on the terms agreed by both parties. As a result of the above, the total acquisition price of the transaction, amounted to EUR 36 million. The actual cash outflow in relation to this transaction (Enterprise Value) has been EUR 34 million following the incorporation of EUR 2 million of cash balances on the balance sheet of the acquired company. The XOC is a concessionary company dedicated to the management, maintenance and construction of the fiber optic network of the Generalitat de Catalunya, and the expiration date of the concession is 2031. The Group financed the acquisition of 100% of the share capital of XOC using existing a mix of cash and credit facilities available. Thus, following this acquisition, the XOC has been fully consolidated within the Cellnex Group such that as at 31 December 2018 the value of all of its assets and liabilities was included in the consolidated balance sheet and the corresponding impact of operations in the consolidated income statement for the year. The fair value of 100% of the net assets acquired (determined using discounted cashflows generated by the assets identified) amounted to EUR 29.3 million, therefore goodwill for an amount of EUR 3.4 million was registered, which included the recognition of the deferred taxes for an amount of EUR 6.4 million relating to the step up in fair value assigned to the net assets acquired compared to their tax bases. The fair value at the date of acquisition of the assets and liabilities of the acquired business was determined, for the most part, using valuation techniques. The main valuation methods used were the analysis of discounted cash flows

generated by the identified assets, based on criteria similar to those mentioned in Note 3.c. With regards to the acquisition of Xarxa Oberta de Catalunya assets, the purchase price allocation (PPA) process was carried out without the participation of an independent third-party expert given that IFRS 3 (Revised) does not require that PPA processes be carried out with an independent expert and; the Group has an internal team with sufficient knowledge and experience in the sector in which the acquired business operates and in PPA processes. The fair value of the net assets acquired included the valuation of the intangible assets identified, consisting mainly of intangible assets that relate to contracts entered into with mobile operators. The goodwill, which in turn included the net recognition of any deferred taxes resulting from the higher fair value attributed to the net assets acquired in comparison with the tax bases, derived from the synergies and other additional future cash flows expected to arise following the acquisition by the Group. Among other effects, this allowed the Group to strengthen and supplement its "Other Network Services" business.

The assets and liabilities of Xarxa Oberta de Catalunya(*) arising from the acquisition of all interest in the company were as follows:

Debit/(Credit)			Thousands of Euros
			Value acquired
	Fair value	Carrying value	Revaluation
Cash and cash equivalents	1,579	1,579	-
Property, plant and equipment	19,033	19,033	-
Non-current financial investments	3,774	3,774	-
Other intangible assets	27,689	2,049	25,640
Trade and other current assets	3,235	3,235	-
Trade payables and other liabilities	(11,914)	(11,914)	-
Provisions	(8,098)	(4,098)	(4,000)
Net deferred tax assets /(liabilities)	(5,959)	451	(6,410)
Net assets acquired	29,339	14,109	15,230
Total acquisition price	32,795	32,795	
Cash and cash equivalents	(1,579)	(1,579)	
Cash outflow in the acquisition	31,216	31,216	

(*) The operating income and net profit[2] contribution since acquisition amounted to EUR 7 million and EUR 1 million, respectively, corresponding to the impact of 100% of financial results of XOC in the accompanying consolidated income statement. In addition, if XOC, had been acquired on 1 January 2018, and consequently, this Company had been fully consolidated for the year ended 31 December 2018, it would have contributed an operating income and net profit for an amount of EUR 13 million and EUR 3 million, respectively.

At the date of signing these consolidated financial statements, this business combination described in Note 6 of the consolidated annual accounts for the 2018 financial year is considered to be definitive as twelve months have elapsed since the acquisition. The comparative income statement for the year ended 31 December 2019 would not have been materially different due to the above consideration.

[2] Net profit including the additional depreciation of revalued assets.

6. Property, plant and equipment

The changes in this heading in the consolidated balance sheet during 2019 and 2018 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 year	1,545,308	269,439	88,995	1,903,742
Changes in the consolidation scope (Note 5)	640,195	3,353	6,213	649,761
Additions	406,104	97,910	136,041	640,055
Disposals (net)	(1,221)	(233)	(319)	(1,773)
Transfers	69,969	7,716	(77,768)	(83)
Foreign exchange differences	7,263	454	81	7,798
Depreciation charge	(153,725)	(59,633)	-	(213,358)
Carrying amount at close	2,513,893	319,006	153,243	2,986,142
At 31 December 2019				
Cost	3,055,421	701,283	153,243	3,909,947
Accumulated depreciation	(541,528)	(382,277)	-	(923,805)
Carrying amount	2,513,893	319,006	153,243	2,986,142

	Thousands of Euros			
	Land and buildings	Plant and machinery and other fixed assets	Property, plant and equipment under construction	Total
At 1 January 2018				
Cost	1,431,335	522,136	77,690	2,031,161
Accumulated depreciation	(263,054)	(260,848)	-	(523,902)
Carrying amount	1,168,281	261,288	77,690	1,507,259
Carrying amount at beginning of year	1,168,281	261,288	77,690	1,507,259
Changes in the consolidation scope (Note 6)	4,851	14,216	-	19,067
Additions	455,303	35,260	68,604	559,167
Disposals (net)	(393)	1,045	-	652
Transfers	39,118	18,149	(57,299)	(32)
Foreign exchange differences	3,330	(24)	-	3,306
Depreciation charge	(125,182)	(60,495)	-	(185,677)
Carrying amount at close	1,545,308	269,439	88,995	1,903,742
At 31 December 2018				
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

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 in 2019

Changes in the scope of consolidation and business combinations

The movements in 2019 due to changes in the scope of consolidation and business combinations mainly correspond to the impact of:

- the acquisition of Iliad7 (EUR 378,477 thousand, see Notes 2.i and 5).
- the acquisition of Swiss Infra (EUR 68,701 thousand, see Notes 2.i and 5).
- the acquisition of business unit containing approximately 2,200 sites in Italy (EUR 90,200 thousand, see Note 5).
- the acquisition of Cignal subgroup (EUR 97,823 thousand, see Notes 2.i and 5).
- the acquisition of On tower Netherlands subgroup (EUR 14,139 thousand, see Note 2.i.)

Signed acquisitions and commitments

France

At 31 December 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 3,504 sites have been transferred to Cellnex as at 31 December 2019.

During 2019, 701 sites were acquired in relation to the aforementioned agreements, for an amount of approximately EUR 135 million. In addition, the fixed assets in progress corresponding to those sites which were under construction at the end of 2019, amounted to EUR 138 million. Thus, the total investment in France in 2019, amounted to EUR 273 million, approximately.

Spain

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

Orange Spain will be the main customer of this portfolio of telecom sites, with whom Cellnex has signed an inflation-linked Master Lease Agreement for an initial period of 10 years that can be extended by one subsequent period of 10 years and subsequent undefined periods of 1 year on an all-or-nothing basis, and which presents an initial tenancy ratio of c.1.8x. Thus, at 31 December 2019, in accordance with the agreement reached in 2018, Orange Spain will be the anchor tenant of a total portfolio of 1,875 sites.

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

Cellnex has financed this acquisition with available cash.

Switzerland

At 31 December 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 acquires telecommunications infrastructures from telecommunications carriers or other tower operators and subsequently integrates those sites into its existing network. The date of acquisition, and by extension the point at which the 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 31 December 2019 and 2018 the Group had not entered into any additional framework agreements with any other customers.

In addition, during 2019 and 2018 there were additions associated with the business expansion and maintenance of the Group's operations.

Movements in 2018

Changes in the scope of consolidation and business combinations

Additions in 2018 due to changes in the scope of consolidation and business combinations are mainly due to the acquisition of XOC as detailed in Notes 2.i and 5.

Signed acquisitions and commitments

France

Agreements reached during 2016 and 2017

At 31 December 2018, in accordance with the agreements reached with Bouygues during 2016 and 2017, Cellnex, through its subsidiary Cellnex France, had commitments to acquire and build up to 5,100 sites that will be gradually transferred to Cellnex until 2022. Of the proceeding 5,100 sites, a total of 2,803 sites were transferred to Cellnex as at 31 December 2018.

During 2018, 1,205 sites were acquired in relation to the aforementioned agreements, for an amount of approximately EUR 350 million. In addition, the fixed assets in progress corresponding to those sites which were under construction at the end of 2018, amounted to EUR 44 million. Thus, the total investment in France in 2018, amounted to EUR 400 million, approximately.

Extension of the partnership during 2018

On 10 December 2018, Cellnex Telecom announced that it had reached an additional agreement with Bouygues that will reinforce and extend the cooperation and partnership started in 2016. Under the terms of this new agreement, Cellnex Telecom will commit up to EUR 250 million over five years for the construction of up to 88 strategic telecom centers, also called ‘Central Offices’ and ‘Metropolitan Offices’, with capacity to house data processing capabilities. Such deployment is expected to be carried out until 2024, with the execution expected to be primarily backloaded. In addition, under this

agreement, Cellnex may also acquire up to 62 additional 'Mobile Switching Centers' and 'Metropolitan Offices', which would be gradually transferred to Cellnex from 2020 to 2021.Therefore, will play a key role in the future deployment of 5G networks, as they will also provide processing capabilities in order to reduce data latency.

These new assets, once all have been built and acquire, will contribute an estimated up to EUR 39 million of additional Adjusted EBITDA[3].

Bouygues Telecom will be the main customer of these assets and thus, both companies, Cellnex and Bouygues Telecom, also signed an agreement for the provision of services (Master Service Agreement) in line with the existing contracts between the companies.

In relation to the aforementioned contract, no sites were transferred to Cellnex as at 31 December 2018.

As a result to the above, at 31 December 2018, in accordance with the agreements reached with Bouygues during 2016, 2017 and 2018, Cellnex, through its subsidiaries Cellnex France and Towerlink France, committed to acquire and build up to 5,250 sites that will be gradually transferred to Cellnex until 2024.

Spain

On 18 December 2018, Cellnex Telecom acquired to MNOs, 375 sites in 2018 for an amount of EUR 45 million, which were totally transferred to Cellnex as of 31 December 2018.

In addition, on 31 January 2018, Cellnex reached a new agreement with MASMOVIL by which the Group acquired 85 sites in Spain for an amount of EUR 3.4 million, approximately.

Switzerland

On 19 December 2018, the agreement with Sunrise dated 24 May 2017 was extended, as detailed below:

- An additional acquisition of 133 sites in Switzerland for an amount of CHF 39 million (EUR 34 million), which were transferred to Swiss Towers on 1 January 2019.
- An extension of the build-to-suit project with Sunrise agreed in the following terms: i) up to 75 additional sites to be build (increasing the agreement to build sites from up to 400 to up to 475 sites).

These new assets will contribute an estimated up to EUR 3 million of additional Adjusted EBITDA.

[3] Note that all Bouygues transactions have a common characteristic "up to" as Bouygues has not the obligation to reach the highest number of sites.

Property, plant and equipment abroad

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

	Thousands of Euros	
	Net book value	
	31 December 2019	31 December 2018
Italy	353,865	228,054
Netherlands	83,482	78,095
France	1,445,472	843,813
United Kingdom	11,443	9,326
Switzerland	185,320	89,866
Ireland	100,415	-
Total	2,179,997	1,249,154

Fully depreciated assets

At 31 December 2019, fully depreciated property, plant and equipment amounted to EUR 1,005 million (EUR 846 million at 31 December 2018).

Change of control clauses

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

Purchase commitments at year-end

At year-end the Group held purchase agreements for property, plant and equipment assets amounting to EUR 2,582 million (EUR 953 million in 2018).

Impairment

At 2019 and 2018 year-end, the Directors of the Parent Company have not identified any indications of impairment related to the property, plant and equipment.

Despite this, and in view of the relevance of the recently acquired assets related to telecom infrastructures (those not related to business combinations), the Directors of the parent company have decided to disclose the hypotheses used to evaluate any loss due to impairment, as the price agreed upon in the purchase negotiations refers to an asset with two components: a physical asset (tower and other fixtures and fittings) and an intangible asset, 'customer network service contracts and network location' in order to be able to provide the service to mobile operators. This evaluation is based on the calculation of the fair value of the corresponding cash generating unit.

The fair value was calculated as follows:

- The period over which the related investment is expected to generate cash flows was determined.

- The respective revenue and expense projections were made using the following general criteria:

  - For revenue, trends were forecast assuming an increase in the consumers' price index (CPI) of each country in which the aforementioned assets operates, and a 2% fix escalator in France.
  - For expenses, trends were considered in light of expected changes in the CPI corresponding to each country where the Group operates and the projected activity of the business.
  - In addition, the Group considered the impact of infrastructure maintenance and expansion to be carried out, using the best estimates available based on the Group's experience and taking into account the projected performance of the activity. Current Market guidance given in relation to the ratio of maintenance and expansion capex to revenues amounts to c.3% and c.5-10%, respectively.

The cash inflow projections based on the revenue and expense projection made as set forth above were discounted at the rate resulting from adding, to the long-term cost of money, the risk premium assigned by the market to each country where the activity takes place and the risk premium assigned by the market to each business (over the long term in both cases).

Projections for the first years are generally based on the closing 2019 and on the most recent medium-term projection and, after approximately year ten, on the activity growth rate evident from the service contracts. Projections covers a period higher than five years of cash flows after closing, due to the duration of the existing service contracts with customers.

The most significant assumptions used in determining the fair value of the tangible fixed assets were as follows:

2019

The discount rate before tax[4] considered for On Tower Telecom Infraestructuras, S.A.U., Cellnex France, S.A.S. and Swiss Towers was 6.2%, 6.0% and 5.2%, respectively.

The activity growth rate[5] considered for On Tower Telecom Infraestructuras, S.A.U., Cellnex France, S.A.S. and Swiss Towers was 3.0%, 3.0% and 3.0%[6] per annum, respectively.

The 'terminal g', considered for all CGUs was 2.5% which was in line with a general inflation rate.

All CGUs have been projected until 2040 in line with the duration of the service contracts in the Telecom Infrastructure Services business segment.

2018

The discount rate before tax considered for On Tower Telecom Infraestructuras, S.A.U., Cellnex France, S.A.S. and Swiss Towers was 7.1%, 6.4% and 5.7%, respectively.

The activity growth rate considered for On Tower Telecom Infraestructuras, S.A.U., Cellnex France, S.A.S. and Swiss Towers was 2.5%, 5.0% and 2.0% per annum, respectively.

The 'terminal g', considered for all CGUs was 1.5% which was in line with a general inflation rate.

All CGUs have been projected until 2040 in line with the duration of the service contracts in the Telecom Infrastructure Services business segment.

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[4] The discount rate before tax has been calculated as the discount rate after tax (R) divided by 1 minus the tax rate of the corresponding country (t). That is: R/1-t.
[5] Relates to revenue. The compound growth rate or CAGR reflects the increments built into the contracts related to the assets.
[6] Proforma basis 2019.

Sensitivity to changes in the key assumptions

With regards to the impairment tests carried out on the business of On Tower Telecom Infraestructuras, S.A.U. Cellnex France, S.A.S. and Swiss Towers, the recoverable amount obtained (determined based on the fair value as indicated previously) exceeds the carrying value of the assigned assets to such an extent that even if the hypothesis used were changed there would be no significant risk of impairment. The carrying amount of these assets stands at approximately EUR 1,742 million at 2019 year-end (EUR 1,342 million at 2018 year-end).

The impairment tests carried out demonstrate that the unit to which the assets are allocated is deemed capable of recovering the net carrying value recognised at 31 December 2019 and 2018. Consequently, there is no need to recognise any provision for impairment. In accordance with the sensitivity analysis performed, any changes in the discount rates of +50 basis points; in terminal growth rate “g” of -50 basis points; and in activity of -500 basis points could be made without recognising any impairment in the assets recognised by the Group at 31 December 2019 and 2018.

Thus, the recoverable amount obtained exceeds the carrying amount of the fixed assets, although the sensitivity analyses conducted on the projections evidence clearly a high tolerance (above 20%) to changes in the key assumptions used.

Asset revaluation pursuant to Act 16/2012, of 17 December

With regard to assets located in Spain, in 2012 several Spanish Group companies took advantage of Act 16/2012, of 27 December, resulting in an increase in the value of the assets through an accounting revaluation for EUR 41 million in the separate financial statements of the Spanish companies, which is not included in the cost of the assets for IFRS purposes. The tax effect of this revaluation has been recorded as a deferred tax asset in the accompanying consolidated financial statements (Note 16).

Insurance

The Group takes out all insurance policies considered necessary to cover possible risks which might affect its property, plant and equipment. At 31 December 2019 and 2018, the Group’s Directors considered that the insurance coverage was sufficient to cover the risks relating to its activities.

Other disclosures

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

7. Intangible assets

The changes in this heading in the consolidated balance sheet during 2019 and 2018 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 5)	905,553	2,818,277	-	3,723,830
Additions	-	182,437	7,847	190,284
Transfers	(6,209)	5,815	237	(157)
Foreign exchange differences	4,612	25,522	-	30,134
Amortisation charge	-	(103,817)	(6,371)	(110,188)
Carrying amount at close	1,486,410	4,227,851	23,974	5,738,235
At 31 December 2019				
Cost	1,486,410	4,530,286	56,721	6,073,417
Accumulated amortisation	-	(302,435)	(32,747)	(335,182)
Carrying amount	1,486,410	4,227,851	23,974	5,738,235

				Thousands of Euros
	Goodwill	Intangible assets for telecom infrastructure services	Computer software and other intangible assets	Total
At 1 January 2018				
Cost	566,557	1,461,195	36,518	2,064,270
Accumulated amortisation	-	(123,344)	(20,410)	(143,754)
Carrying amount	566,557	1,337,851	16,108	1,920,516
	566,557	1,337,851	16,108	1,920,516
Carrying amount at beginning of year	12,759	25,640	2,050	40,449
Changes in the scope of consolidation (Note 6)	-	1,239	10,026	11,265
Additions	-	(2)	-	(2)
Transfers	-	-	42	42
Foreign exchange differences	3,138	10,163	1	13,302
Amortisation charge	-	(75,274)	(5,966)	(81,240)
Carrying amount at close	582,454	1,299,617	22,261	1,904,332
At 31 December 2018				
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

Intangible assets for telecom infrastructure services

The breakdown of the net book value of intangible assets for telecom infrastructure services is set out below:

	Thousands of Euros	
	31 December 2019	31 December 2018
Concession intangibles	75,634	79,745
Customer network services contracts	3,599,867	1,050,083
Location intangibles	552,349	169,789
Net intangibles for telecom infrastructure service	4,227,851	1,299,617

Goodwill

Gross goodwill and the accumulated losses in value recognised at 31 December 2019 and 2018, respectively, are detailed as follows:

	Thousands of Euros	
	31 December 2019	31 December 2018
Gross goodwill	1,486,410	582,454
Accumulated valuation adjustments	-	-
Net goodwill	1,486,410	582,454

The detail of goodwill, classified by cash-generating unit, at 31 December 2019 and 2018 is as follows:

	Thousands of Euros	
	31 December 2019	31 December 2018
Galata	213,026	170,630
Tradia Telecom	42,014	42,014
TowerCo	2,995	2,995
Adesal	363	363
Commscom	11,835	11,835
Towerlink Netherlands	35,307	35,307
Shere Masten	66,089	66,089
Shere Group UK (1)	29,405	29,221
OnTower Italia (2)	-	508
Swiss Towers (1)	152,615	149,339
Infracapital Alticom subgroup	60,019	60,019
TMI (2)	-	1,373
Zenon Digital Radio	660	2,638
XOC	3,456	3,456
Sintel (2)	-	2,438
BRT Tower (2)	-	951
DFA Telecomunicazioni (2)	-	3,278
On Tower Netherlands BV	10,525	-
Swiss Infra Services	193,111	-
Cignal Infrastruscture subgroup	54,941	-
Iliad 7	610,053	-
Goodwill	1,486,410	582,454

(1) This goodwill is related to assets in a non-euro currency thus its value in Euros is affected by the variations in the prevailing exchange rate.

(2) These companies have been merged into Galata, as described in the Note 2.i.

The main variations in the 2019 and 2018 financial year are due to changes in the scope of consolidation and business combinations, as detailed in Note 2.i., which mainly corresponds to the effect of the deferred tax on intangible assets acquired.

The goodwill amounting to EUR 42,014 thousand at 31 December 2019 and 2018, relates to the difference between the carrying amount of the assets contributed in the capital increases through non-monetary contributions and the estimated market value of the line of business contributed by Centre de Telecomunicacions i Tecnologies de la Informació (CTTI) of the Catalonia Autonomous Community Government to Tradia Telecom, S.A.U. in 2000. This goodwill was allocated to the overall business corresponding to the activity of the company Tradia Telecom, S.A.U.

Movements

Changes in the scope of consolidation and business combinations

The movements in 2019 due to changes in the scope of consolidation and business combinations in intangible assets for telecom infrastructure services mainly correspond to the impact of:

- the acquisition of Iliad7 (EUR 1,473,400 thousand, see Notes 2.i and 5).
- the acquisition of Swiss Infra (EUR 844,946 thousand, see Notes 2.i and 5).
- the acquisition of business unit containing approximately 2,200 sites in Italy (EUR 383,700 thousand, see Note 5).
- the acquisition of Cignal subgroup (EUR 82,391 thousand, see Notes 2.i and 5).
- the acquisition of On tower Netherlands subgroup (EUR 26,952 thousand, see Note 2.i).

Additions for the 2018 financial year due to changes in the scope of consolidation and business combinations were mainly due to the acquisition of XOC as detailed in Notes 2.i and 6.

Signed acquisitions and commitments

During 2019, 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 31 December 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).

Agreement with El Corte Inglés ("ECI") in Spain

In the last quarter of 2019, Cellnex Telecom (through its subsidiary Ontower Telecom Infraestructuras) and ECI signed a long-term strategic agreement according to which Cellnex acquired the rights to operate and market the connectivity infrastructure of approximately 400 buildings located mainly throughout Spain for a period of 50 years. The acquisition price amounted to approximately EUR 60 million, approximately. The aforementioned rights have been totally transferred to Cellnex as of 31 December 2019.

Intangible assets abroad

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

	Thousands of Euros	
	Net book value	
	31 December 2019	31 December 2018
Italy	1,092,675	695,871
Netherlands	556,572	541,170
France	2,083,457	1
United Kingdom	247,760	134,631
Switzerland	1,462,123	440,696
Ireland	135,984	-
Total	5,578,571	1,812,369

Fully depreciated assets

At 31 December 2019, fully depreciated intangible assets amounted to EUR 31,694 thousand (EUR 25,974 thousand at 31 December 2018).

Purchase commitments at the end of the year

At 31 December 2019, the Group held purchase agreements for intangible assets amounting to EUR 1,130 thousand (EUR 37 thousand at 31 December 2018).

Impairment

As indicated in Notes 3.b and 3.c, at the end of each reporting period goodwill is assessed for impairment based on a calculation of the fair value of their respective cash-generating unit or their market value (price of similar, recent transactions in the market), if the latter is higher.

Prior to preparing revenue and expense projections, those projections made as part of the impairment tests for the prior year were reviewed to assess possible variances. In the review of the 2018 impairment tests with regard to the 2019 results, no significant variances were detected.

The fair value was calculated as follows:

- The period over which the related investment is expected to generate cash flows was determined.
- The respective revenue and expense projections were made using the following general criteria:

  - For revenue, trends were forecast assuming a different increase for each cash-generating unit of the consumer price index (CPI) in each country (with the exception of 2% fix escalator in France) in which the assets are used or the business operates.

  - For expenses, trends were considered in light of expected changes in the respective CPIs and the projected performance of the business.

  - In addition, the Group considered the impact of infrastructure maintenance and expansion to be carried out, using the best estimates available based on the Group's experience and taking into account the projected performance of the activity. Current Market guidance given in relation to the ratio of maintenance and expansion capex to revenues amounts to c.3% and c.5-10%, respectively.

  - Taxes have been also considered in the projections in a country by country basis.

The cash inflow projections based on the revenue and expense projection made as set forth above were discounted at the rate resulting from adding, to the long-term cost of money, the risk premium assigned by the market to each country where the activity takes place and the risk premium assigned by the market to each business (over the long term in both cases).

Projections for the first years are generally based on the closing 2018 and on the most recent medium-term projection and, after approximately year ten, on the activity growth rate evident from the service contracts. Projections covers a period higher than five years of cash flows after closing, due to the duration of the existing service contracts with customers.

The most significant assumptions used in determining the fair value of the main cash-generating units in 2019 and 2018 with the most relevant intangible assets and goodwill were as follows:

2019

The discount rate before tax considered for Tradia Telecom, Towerco, Galata, Commscon, Towerlink Netherlands, Shere Group UK, Shere Masten, Swiss Towers and Infracapital Alticom was 6.6%, 7.5%, 7.5%, 7.5%, 5.4%, 6.0%, 5.4%, 5.2% and 5.4% respectively.

The activity growth rate considered for Tradia Telecom was 1.5% per annum, for Swiss Towers, Towerco, Galata, Towerlink Netherlands, Shere Group UK, Shere Masten and Infracapital Alticom was 3.0% per annum. The Commscon's growth rate was determined at 11.9% per annum due to the highly dynamic market and growth opportunities.

The 'terminal g', considered for all CGUs was 2.5% apart from Tradia Telecom, which represented 1.0% due to the broadcasting component, which was in line with a general inflation rate.
All CGUs apart from TowerCo and Commscon have been projected until 2040 in line with the duration of the service contracts in the Telecom Infrastructure Services business segment. As the TowerCo business is based on a concession agreement with Atlantia, this CGU has been projected until the end of the concession in 2038. Commscon's business has different market dynamics, as a result, this CGU has been projected until 2028.

2018

The discount rate before tax considered for Tradia Telecom, Towerco, Galata, Commscon, Towerlink Netherlands, Shere Group UK, Shere Masten, Swiss Towers and Infracapital Alticom was 7.1%, 8.4%, 8.4%, 8.4%, 5.4%, 5.6%, 5.4%, 5.7% and 5.4% respectively.

The activity growth rate considered for Tradia Telecom was 1.2% per annum, for Swiss Towers was 2.0% per annum, and for Towerco, Galata, Towerlink Netherlands, Shere Group UK, Shere Masten and Infracapital Alticom was 2.5% per annum. The Commscon's growth rate was determined at 11.5% per annum due to the highly dynamic market and growth opportunities.

The 'terminal g', considered for all CGUs was 1.5% apart from Tradia Telecom, which represented 1.0% due to the broadcasting component, which was in line with a general inflation rate.

Sensitivity to changes in the key assumptions

With regards to the impairment tests performed both on the goodwill the recoverable amount obtained (determined based on the fair value as indicated previously) exceeds the carrying value of the goodwill and assigned assets to such an extent that even if the hypothesis used were changed significantly there would be no significant risk of impairment.

The impairment tests carried out demonstrate that the unit to which the recognised goodwill or intangible assets in telecom infrastructures are allocated is deemed capable of recovering the net value recognised at 31 December 2019 and 2018. Consequently, there is no need to recognise any provision for impairment. In accordance with the sensitivity analysis performed, any changes in the discount rates of +50 basis points; in terminal growth rate "g" of -50 basis points; and in activity of -500 basis points could be made without recognising any impairment to goodwill recognised by the Group at 31 December 2019 and 2018.

Thus, the recoverable amount obtained exceeds the carrying amount of the assets, although the sensitivity analyses conducted on the projections evidence clearly a high tolerance (above 20%) to changes in the key assumptions used.

Other disclosures

At 31 December 2019 and 2018, the Group did not have significant intangible assets subject to restrictions or pledged as collateral on liabilities.

8. Investments in associates

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

	Thousands of Euros	
	2019	2018
At 1 January	2,803	3,280
Profit for the year	82	113
Changes in perimeter	302	123
Others	(355)	(713)
At 31 December	2,832	2,803

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

	Thousands of Euros	
	Value of the shareholding	
	31 December 2019	31 December 2018
Torre Collserola, S.A.	1,958	1,960
Consorcio de Telecomunicaciones Avanzadas, S.A. (COTA)	659	761
Nearby Sensors, S.L.	162	82
Nearby Computing, S.L.	53	-
Total	2,832	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 7. No indication was found of a need to recognise any provision for impairment in the consolidated income statement for the 2019 financial year.

9. Current and non-current financial investments

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

	Thousands of Euros					
	31 December 2019			31 December 2018		
	Non-current	Current	Total	Non-current	Current	Total
Advances to customers	26,909	2,015	28,924	25,314	1,378	26,692
Other advance payments	120,000	-	120,000	-	-	-
Current and non-current financial investments	146,909	2,015	148,924	25,314	1,378	26,692

Advances to customers

The changes in “advances to customers” during 2019 and 2018 were as follows:

	Thousands of Euros		
			2019
	Non-current	Current	Total
At 1 January	25,314	1,378	26,692
Additions	4,438	-	4,438
Charge to the consolidated income statement	-	(2,290)	(2,290)
Transfer	(2,290)	2,290	-
Others	(553)	637	84
At 31 December	26,909	2,015	28,924

	Thousands of Euros		
			2018
	Non-current	Current	Total
At 1 January	17,694	921	18,615
Additions	9,107	457	9,564
Charge to the consolidated income statement	-	(1,487)	(1,487)
Transfer	(1,487)	1,487	-
At 31 December	25,314	1,378	26,692

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 (See Note 3.d).

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 and 2018, 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 31 December 2019 this amount was recorded as a reduction to revenues amounting to EUR 2,290 thousand and EUR 1,487 thousand, respectively.

Transfers

The transfers from the 2019 and 2018 financial years are due to the classification under “Current financial investments” of the part that is expected to be charged during the next financial year to the consolidated income statement.

Other advance payments

This caption includes payments made to Iliad Italy, S.p.A. in the context of the Iliad Italy Acquisition, as described in Note 5, which relate to sites in the business unit not yet transferred as at 31 December 2019. The transfer will take place in further tranches in the months following the year end 2020.

10. Trade and other receivables

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

	Thousands of Euros					
	31 December 2019			31 December 2018		
	Non-current	Current	Total	Non-current	Current	Total
Trade receivables (gross)	-	267,573	267,573	-	132,345	132,345
Allowances for doubtful debts (impairments)	-	(13,609)	(13,609)	-	(14,283)	(14,283)
Trade receivables	-	253,964	253,964	-	118,062	118,062
Current tax assets	-	89,156	89,156	-	51,858	51,858
Receivables with other related parties (Note 22.d)	-	324	324	-	50	50
Other receivables	18,427	21,639	40,066	14,229	22,725	36,954
Trade and other receivables	18,427	365,083	383,510	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 31 December 2019 and 2018, the account had no significant past-due balances that were not provided for.

The balance of public-sector debtors as at 31 December 2019 and 2018, amounted to EUR 16,867 thousand and EUR 23,527 thousand, respectively.

At 2019 year-end the amount utilized under the non-recourse factoring agreements stood at EUR 9.9 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 31 December 2019 the limit under the non-recourse factoring agreements stood at EUR 210 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. At 31 December 2018, the amount utilized under this non-recourse factoring agreement stood at EUR 5 million. At 31 December 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	2018
At 1 January	14,283	7,736
Impact of IFRS 9	-	7,047
At 1 January after IFRS 9	14,283	14,783
Disposals	(1,027)	(1,144)
Net changes	353	644
At 31 December	13,609	14,283

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	
	31 December 2019	31 December 2018
Corporate income tax	7,228	5,582
VAT receivable	80,217	43,422
Other taxes	1,711	2,854
Current tax assets	89,156	51,858

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

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

At 31 December 2019 and 2018 "Other receivables" comprises:

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

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

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

11. Cash and cash equivalents

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

	Thousands of Euros	
	31 December 2019	31 December 2018
Cash on hand and at banks	2,271,555	405,870
Term deposits at credit institutions maturing in less than 3 months	80,000	50,000
Total	2,351,555	455,870

12. 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.

At 31 December 2019, in accordance with the capital increases detailed below, the share capital of Cellnex Telecom increased by EUR 38,411 thousand to EUR 96,332 thousand (EUR 57,921 thousand at the end of 2018), represented by 385,326,529 cumulative and indivisible ordinary registered shares of EUR 0.25 par value each, fully subscribed and paid.

March 2019 Capital Increase

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.

October 2019 Capital Increase

On 7 October 2019, the Parent Company's Board of Directors, in accordance with the authorization granted by the Annual General Shareholders' Meeting of Cellnex, held on 9 May 2019, approved a capital increase (hereinafter, the "Capital Increase") through cash 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 86,653,476 ordinary registered shares (hereinafter, "New Shares") at a subscription price (nominal plus share premium) of EUR 28.85 per each new share. Thus, the Capital Increase amounted to approximately EUR 2,500 million, which has been fully subscribed.

Preferential subscription rights were assigned to all Cellnex shareholders who acquired shares up to 10 October 2019 and whose transactions were registered in Iberclear up to 14 October 2019 (both inclusive). Each share in circulation at that time granted the right to receive a preferential subscription right (31 rights were required to subscribe 9 new shares). The pre-emptive subscription period ended on 25 October 2019.

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

The funds from the capital increase will be used to support the acquisition of the Arqivas's Telecoms division (as detailed below), as well as Cellnex's active projects pipeline.

On 5 November 2019, the public deed for the Capital Increase, granted on 4 November 2019, was duly registered.

On 7 November 2019, the 86,653,476 New Shares were admitted to trading on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia.

Significant shareholders

In accordance with the notifications concerning the number of shares held made to the National Securities Market Commission, the shareholders who hold significant shareholdings in the share capital of the Parent Company, both directly and indirectly, greater than 3% of the share capital at 31 December 2019 and 2018, are as follows:

	% ownership	
Company	31 December 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]	4.28%	-
Blackrock, Inc. [3]	4.98%	4.75%
Canada Pension Plan Investment Board	3.16%	3.16%
Permian Investment Partners, LP	-	3.16%
	47.32%	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.

At 31 December 2019, ConnecT is positioned as a reference shareholder in Cellnex Telecom, S.A., holding a 29.9% stake in its share capital.

Changes in 2019

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.

Changes in 2018

Changes in Abertis shareholding on Cellnex

In the context of the tender offer over Abertis ("the tender offer"), during 2018, the relevant facts detailed below took place, in relation to the shareholding structure of Cellnex:

On 23 March 2018, Atlantia announced that it had made a request to Hochtief, subject to the positive outcome of the tender offer, to adopt the appropriate actions for the sale by Abertis of all or part of its 34% stake in Cellnex Telecom, by virtue of the Call Option granted to Atlantia by Hochtief.

Likewise, Atlantia accepted the proposal from Edizione, S.r.L. ("Edizione") dated March 20, 2018, by virtue of which Edizione granted to Atlantia a Put Option on 29.9% of Cellnex share capital, subject to the positive outcome of the tender offer.

On 5 June, 2018, Abertis concluded the process of accelerated placement of shares of Cellnex Telecom, S.A. among qualified investors. The placement consisted of a block of 9,499,013 ordinary shares of the Company, representing 4.1% of its issued share capital, at a purchase price of EUR 22.45 per share. As a result of that placement, at that date Abertis held ordinary shares of Cellnex Telecom, representing 29.9% of its issued share capital.

On July 12, 2018, Abertis sold to Connect S.p.A. 69,273,289 ordinary shares in Cellnex, which represented 29.9% of the total share capital of the latter, at a price of EUR 21.50 per share. Connect is a subsidiary fully controlled by Sintonia S.p.A., a subholding company wholly owned by Edizione S.r.l. ("Edizione").

Thus, as of 31 December 2018, Connect was positioned as a reference shareholder in Cellnex Telecom, S.A., holding a 29.9% stake in its share capital.

Shareholders' agreement entered into between Sintonia, ConnecT, Infinity and Raffles

On 9 October 2018, Edizione announced through a regulatory information notice ("hecho relevante") that Sintonia and ConnecT, both entities under its control, had executed a shareholders agreement with Infinity, an entity ultimately wholly-owned by the Abu Dhabi Investment Authority ("ADIA"), and Raffles, an entity ultimately wholly-owned by GIC Pte. Ltd. ("GIC"), governing the terms of the minority investment by Infinity and Raffles in the share capital of ConnecT and their commitment to inject up to EUR 1,500 million of further new equity in ConnecT to support the Company's growth in the next four years.

On 12 October 2018, Edizione announced through a regulatory information notice ("hecho relevante") the successful closing of this investment and the commencement of the Shareholders Agreement. Following completion Sintonia holds approximately 60% of ConnecT's share capital and each of Infinity and Raffles hold approximately 20% of ConnecT's share capital.

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

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

Furthermore, the ordinary general shareholder's meeting of Cellnex resolved to delegate in favour of the Parent Company's Board of Directors (also with a term of 5 years, i.e., until May 2024) the faculty to issue debentures, bonds and other similar fixed-income securities, convertible (including contingently) into shares of the Company, preference 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 31 December 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 17.b.

During 2019, the Parent Company has registered a profit of EUR 316 thousand (a profit of EUR 215 thousand at 31 December 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 31 December 2019 amounts to 199,943 shares and represents 0.052% of the share capital of Cellnex Telecom, S.A. (0.11% as at 31 December 2018).

The use of the treasury shares held at 31 December 2019 will depend on the agreements reached by the Corporate Governance bodies.

The movement in the portfolio of treasury shares during 2019 and 2018 has been as follows:

2019

	Number (Thousands of Shares)	Average Price	Purchases/Sales (Thousands of Euros)
At 1 January	264	21.117	5,572
Purchases	-	-	-
Sales/Others	(64)	21.117	(1,350)
At 31 December	200	21.117	4,222

2018

	Number (Thousands of Shares)	Average Price	Purchases/Sales (Thousands of Euros)
At 1 January	87	21.427	1,859
Purchases	4,365	21.921	95,680
Sales/Others	(4,188)	21.961	(91,967)
At 31 December	264	21.117	5,572

b) Share premium

As at 31 December 2019 the share premium of Cellnex Telecom increased by EUR 3,572 million to EUR 3,886 million (EUR 315 million at the end of 2018) mainly due to the Capital Increases described in Note 12.a.

During 2019, a cash pay out to shareholders of EUR 26,620 thousand was declared from the share premium account (See Note 12.d).

c) Reserves

The breakdown of this account is as follows:

	Thousands of Euros	
	31 December 2019	31 December 2018
Legal reserve	11,584	11,584
Reserves from retained earnings	131,719	213,870
Reserves of consolidated companies	49,618	(96,361)
Hedge reserves	(2,965)	(929)
Foreign exchange differences	1,915	(2,162)
Reserves	191,871	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 31 December 2019, because of the capital increases explained in Note 12.a, 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 Convertible Bonds in January and July (see Note 13). At 31 December 2019, the convertible bond reserve increased by EUR 67,467 thousand to EUR 129,947 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 31 December 2019 and 2018 is as follows:

	Thousands of Euros	
	31 December 2019	31 December 2018
Cellnex Switzerland (CHF)	(1,968)	(2,575)
Shere Subgroup (GBP)	3,883	413
Total	1,915	(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 legislation in force in Spain.

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

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

During 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. In addition, on 14 November 2019, the Board of Directors, approved the distribution of a dividend charged to the share premium reserve in the amount of EUR 14,804 thousand, which represented EUR 0.03842 per share.

Along with the final cash dividend of EUR 11,818 thousand to be paid in 2020 (pursuant to the corresponding approval by AGM), the total cash dividend distribution against 2019 equity will have increased by 10% in relation to the dividend distributed against 2018 equity.

Thus, the Directors of Cellnex Telecom, S.A. will submit for approval of the Annual General Meeting (AGM) the following proposal for the distribution of the results of the year ended 31 December 2019:

	Thousands of Euros
Basis of distribution (Profit and Loss)	7,415
Distribution:	
Legal reserve	7,415
Total	7,415

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	
	2019	2018
Profit/(loss) attributable to the Parent Company	(9,245)	(14,983)
Weighted average number of shares outstanding (Note 12.a)	296,092,308	231,419,541
Basic EPS attributable to the Parent Company (euros per share)	(0.03)	(0.06)
Diluted EPS attributable to the Parent Company (euros per share) [*]	(0.03)	(0.06)

[*] Note that, as of 31 December 2019, the effect of the conversion of convertible bonds (Note 13) would not dilute the earnings per share attributable to the Parent Company. Additionally, the share-based remuneration (Note 17 b) ii)) has no significant impact on the diluted earnings per share attributable to the Parent Company.

f) Non-controlling interests

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

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

				Thousands of Euros	
	Country	%[*] owned by Cellnex as of 31/12/2019	%[*] owned by Cellnex as of 31/12/2018	31 December 2019	31 December 2018
Cellnex Switzerland [(1)]	Switzerland	72%	54%	206,227	139,950
Swiss Towers [(1)]	Switzerland	72%	54%	(8,692)	(4,589)
Swiss Infra [(2)]	Switzerland	65%	-	88,713	-
Adesal Telecom	Spain	60%	60%	2,117	2,115
Iliad7	France	70%	-	601,542	-
Total				889,907	137,476

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

[(1)] As detailed in Note 2.i.iv, during the second half of 2019, Cellnex Switzerland carried out a capital increase amounting to CHF 460 million, which was fully subscribed by Cellnex Telecom and Swiss Life. As a consequence, the stake that Cellnex held in Cellnex Switzerland increased from 54% to 63% at the date of the aforementioned transaction. By not subscribing to this capital increase, Deutsche Telekom Capital Partners ("DTCP") reduced its stake in Cellnex Switzerland from 18%, to 9% at the date of this transaction. In addition, pursuant to the put option agreement entered into with DTCP in 2017, as it was reasonable to expect, the latter exercised its rights to transfer the total amount of its shareholding in Cellnex Switzerland to Cellnex Telecom.

As a result, Cellnex Telecom acquired, during the second half of 2019, an additional 9% of the share capital of Cellnex Switzerland. Following this acquisition, as at 31 December 2019 Cellnex Telecom held 72% of the share capital of Cellnex Switzerland.

As a result of the aforementioned, as of 31 December 2019 Cellnex held, indirectly, a stake of 72% in Swiss Towers.

[(2)] As detailed in Note 2.i.ii, in the first half of 2019, the Group entered into a long-term industrial alliance with Matterhorn Telecom, S.A. ("Matterhorn") by virtue of which Swiss Towers purchased 90% of the share capital of Swiss Infra owner of approximately 2,800 sites located in Switzerland for a total amount of approximately EUR 770 million. As a result, as of 31 December 2019, Cellnex held, indirectly, a stake of 65% in Swiss Infra.

The changes in this heading were as follows:

	Thousands of Euros	
	2019	2018
At 1 January	137,476	142,158
Profit/(loss) for the year	(9,258)	(2,759)
Dividends	-	(6,828)
Changes in the scope of consolidation	753,508	-
Exchange differences	6,657	4,905
Others	1,523	-
At 31 December	889,907	137,476

As regards the main non-controlling interest, the summarised financial information in relation to the assets, liabilities, operating results and cashflow relating to the corresponding company/subgroup incorporated in the consolidation process is as follows:

31 December 2019

	Thousands of Euros			
	Cellnex Switzerland	Swiss Towers	Swiss Infra [1]	Iliad7 [2]
Non-current assets	739,897	1,039,330	199,338	642,480
Current assets	3,714	26,774	24,420	8,058
Total assets	743,611	1,066,104	223,758	650,538
Non-current liabilities	337	622,751	146,656	189,487
Current liabilities	919	105,890	31,587	75,758
Total liabilities	1,256	728,641	178,243	265,245
Net assets	742,355	337,463	45,515	385,293
Income	67	65,150	20,755	-
Expenses	(1,327)	(11,107)	(1,761)	-
Gross operating profit	(1,260)	54,043	18,994	-
Profit attributable to the shareholders	8,175	5,871	3,383	-
Operating activities	(4,135)	50,420	8,835	(192)
Investment activities	(297,901)	(811,151)	(26)	-
Financing activities	279,355	745,538	-	-
Cash flows	(22,681)	(15,193)	8,809	(192)

[1] Company over which control was obtained in August 2019 (see Note 2.i); hence, only five months of the aggregates of its income and cash flows have been included in the consolidated statement of profit or loss and the consolidated statement of cash flows for the year, respectively.

[2] Company over which control was obtained at the end of December 2019 (see Note 2.i); hence, only the period since the acquisition date of the aggregates of its income and cash flows have been included in the consolidated statement of profit or loss and the consolidated statement of cash flows for the year, respectively.

31 December 2018

	Thousands of Euros
	Cellnex Switzerland subgroup
Non-current assets	591,234
Current assets	49,858
Total assets	641,092
Non-current liabilities	236,627
Current liabilities	40,694
Total liabilities	277,321
Net assets	363,771
Income	48,340
Expenses	(8,292)
Gross operating profit	40,048
Profit attributable to the shareholders	13,935
Operating activities	41,154
Investment activities	(17,511)
Financing activities	(18,702)
Cash flows	4,941

g) Profit/(loss) for the year

The contribution of each company in the scope of consolidation to consolidated profit/(loss) is as follows:

	Thousands of Euros	
	2019	2018
Cellnex Telecom, S.A.	(114,734)	(88,818)
Cellnex Telecom España, S.L.U.	(1,984)	(1,368)
Retevisión-I, S.A.U.	86,286	45,781
Tradia Telecom, S.A.U.	24,024	15,650
On Tower Telecom Infraestructuras, S.A.U.	16,767	5,777
Adesal Telecom, S.L.	2	141
Towerco, S.p.A.	2,819	3,339
Galata, S.p.A.	(1,261)	17,905
Cellnex Italia, S.r.L.	(695)	(315)
Commscon Italia, S.r.L.	1,172	(949)
On Tower Italia, S.r.L.	-	55
Cellnex Netherlands, Group	17,483	3,976
Cellnex France, S.A.S.	(17,510)	(13,468)
Cellnex UK subgroup (formerly Shere Group subgroup)	(5,632)	(767)
Cellnex Switzerland AG	(1,780)	(2,661)
Swiss Towers AG	(4,719)	(659)
SGL Reserve (formerly Cellnex UK)	-	(280)
TMI, S.r.L.	-	41
Cellnex France Groupe, S.A.S.	(4,279)	(140)
Infr'asset Management, S.A.S.	-	28
Sintel, S.r.L.	-	100
Zenon Digital Radio, S.L.	67	354
Xarxa Oberta de Comunicació i Tecnología de Catalunya, S.A.	2,274	1,281
BRT Tower, S.r.L.	-	9
DFA Telecomunicazioni, S.r.L.	-	10
Towerlink France, S.A.S.	(103)	(6)
Swiss Infra Services AG	(6,104)	-
Cignal subgroup	(2,577)	-
On Tower Netherlands subgroup	1,103	-
Springbok Mobility, S.A.S.	(57)	-
Towerlink Portugal	111	-
Spanish companies accounted using equity method	82	-
Net profit attributable to the Parent Company	(9,245)	(14,983)

13. Borrowings

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

	Thousands of Euros					
	31 December 2019			31 December 2018		
	Non-current	Current	Total	Non-current	Current	Total
Bond issues and other loans	3,460,798	40,326	3,501,124	2,410,286	99,890	2,510,176
Loans and credit facilities	1,630,027	6,423	1,636,450	582,730	2,831	585,561
Derivative financial instruments	3,593	201	3,794	1,255	180	1,435
Other financial liabilities	2,871	1,476	4,347	3,757	27,932	31,689
Borrowings	5,097,289	48,426	5,145,715	2,998,028	130,833	3,128,861

During the year ended at 31 December 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 2,041,837 thousand to EUR 5,137,574 thousand.

The increase in the Group’s bond issues and other loans is mainly due to the two issuances of convertible bonds that have been carried out during 2019, as detailed in section “Convertible bond issues” of this note, as well as the issuance of a straight bond (EUR 60,500 thousand).

Additionally, the increase of loans and credit facilities is mainly due to the fact that the Group has entered into several financing agreements, as detailed below:

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 Iliad Acquisition and the Swiss Infra Services Acquisition (see Note 5 of the accompanying consolidated financial statements). The financing consists of the following three facilities agreements:

i) A syndicated loan of CHF 183,000 thousand, which mainly replaced the CHF 190,000 thousand facility while extending the maturity until 2024,
ii) a syndicated facilities agreement entered into by Swiss Towers for 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 facility of CHF 180,000 thousand granted in favour of Cellnex Switzerland and include a covenant restricting the distribution of dividends by Cellnex Switzerland and Swiss Towers -but not Cellnex- based on leverage levels); and
iii) a syndicated facilities agreement consisting of a EUR 1,500,000 thousand multicurrency revolving credit agreement, refinancing existing EUR 500,000 thousand revolving credit facility and a new CHF 450,000 thousand term loan to fund the equity contribution into Cellnex Switzerland to finance the Swiss Infra Acquisition from Salt and to refinance partially the existing CHF 190,000 thousand facility.

On 5 November 2019 Cellnex Group signed a GBP 2 billion financing consisting of a GBP 1,400,000 thousand term loan facility with a maturity of up to 3 years and a GBP 600,000 thousand term loan facility entered into by Cellnex UK, guaranteed by Cellnex Group, with a 5-year bullet maturity to finance the Arqiva Acquisition (see Note 19.b of the accompanying consolidated financial statements). As of the date hereof, these facilities remain undrawn.

In addition, during the year ended 31 December 2019, Cellnex has amended certain credit facilities for a total of EUR 370,000 thousand and GBP 100,000 thousand to extend its maturities and reduce margins. In addition, Cellnex has cancelled a credit facility by EUR 10,000 thousand.

As of 31 December 2019 and 2018, the average interest rate of all available borrowings would have been 1.5% and 1.9% respectively, in the event they had been entirely drawn down. The average weighted interest rate as of 31 December 2019 of all available borrowings drawn down was 1.7% (2.2% as of 31 December 2018).

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:

31 December 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]	31/12/2019
Bond issues	2,510,176	963,197	-	-	-	27,751	3,501,124
Loans and credit facilities and other financial liabilities[1]	618,685	978,008	-	37,541	-	10,357	1,644,591
Borrowings	3,128,861	1,941,205	-	37,541	-	38,108	5,145,715

(1) Which also includes Derivative financial instruments.
(2) It mainly includes arrangement expenses accrued and change in interest accrued not paid.

31 December 2018

Thousands of Euros

	01/01/2019	Cash flows	Changes in the scope of consolidation	Exchange rate	Transfers to liabilities held for sale	Other [2]	31/12/2019
Bond issues	1,898,619	591,615	-	147	-	19,795	2,510,176
Loans and credit facilities and other financial liabilities[1]	676,297	(71,479)	925	7,896	-	5,046	618,685
Borrowings	2,574,916	520,136	925	8,043	-	24,841	3,128,861

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

31 December 2019

Thousands of Euros

		Current	Non-current					
	Limit	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total
Bond issues and other loans (*)	3,600,500	47,039	-	600,000	-	750,000	2,142,687	**3,539,726**
Arrangement expenses	-	(6,713)	(6,962)	(6,629)	(6,051)	(4,677)	(7,570)	**(38,602)**
Loans and credit facilities (*)	5,877,303	9,715	32,500	223,374	116,169	1,076,758	192,125	**1,650,641**
Arrangement expenses	-	(3,292)	(3,335)	(2,943)	(2,836)	(1,564)	(221)	**(14,191)**
Derivative financial instruments	-	201	-	-	-	-	3,593	**3,794**
Other financial liabilities	-	1,476	694	707	509	531	430	**4,347**
Total	9,477,803	48,426	22,897	814,509	107,791	1,821,048	2,331,044	5,145,715

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

Borrowings by type of debt

Thousands of Euros

	Notional as of 31 December 2019 (*)			Notional as of 31 December 2018 (*)		
	Limit	Drawn	Undrawn	Limit	Drawn	Undrawn
Bond issues and other loans	3,600,500	3,600,500	-	2,552,835	2,552,835	-
Loans and credit facilities	5,877,303	1,643,971	4,233,332	1,606,398	586,471	1,019,927
Total	9,477,803	5,244,471	4,233,332	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 31 December 2019, the total limit of loans and credit facilities available was EUR 5,877,303 thousand (EUR 1,606,398 thousand as of 31 December 2018), of which EUR 2,290,227 thousand in credit facilities and EUR 3,587,076 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 5,877,303 thousand of loans and credit facilities available (EUR 1,606,398 thousand as of 31 December 2018), EUR 5,472,678 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 31 December 2019 the total amount drawn down of the loans and credit facilities was EUR 1,643,971 thousand (EUR 586,471 thousand drawn down as of 31 December 2018).

Borrowings by currency

	Thousands of Euros	
	31 December 2019 (*)	31 December 2018 (*)
Euro	3,784,121	2,664,708
GBP	331,631	167,909
CHF	1,082,756	327,840
Borrowings	5,198,508	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, especially in IFRS9.

As described in Note 4.a of the accompanying 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 31 December 2019 and 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 282,152 thousand with a Euro value of EUR 331,631 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 during 2019 is due to the agreement with BT as explained in Note 7 of the accompanying consolidated financial statements. These non-derivative 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 31 December 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 639,525 thousand with a Euro value of EUR 589,207 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 are between 2024 and 2026.

Furthermore, the Group also maintained through its subsidiary Swiss Towers additional borrowings in CHF amounting to CHF 535,698 thousand with a Euro value of EUR 493,549 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 31 December 2019 and 2018 is as follows:

	Thousands of Euros	
	31 December 2019	31 December 2018
Bond issues	3,501,090	2,447,318
Promissory notes and commercial paper	34	62,858
Bond issues and other loans	3,501,124	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 31 December 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:

31 December 2019

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

(1) Coupon hedged by Interest Rate Swaps. See Derivative financial instruments section.

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 16,321 thousand as of 31 December 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 38,602 thousand and EUR 27,900 thousand was deducted from bond issues in the consolidated balance sheet as of 31 December 2019 and 31 December 2018, respectively. The arrangement expenses and advisor's fees accrued in the consolidated income statement for the year ended 31 December 2019 in relation to the bond issues amounted to EUR 5,619 thousand (EUR 4,339 thousand as of 31 December 2018).

II) Convertible bond issues

January 2019 issuance of convertible bonds

On 8 January 2019, Cellnex Telecom successfully placed additional senior unsecured convertible bonds due 2026 (the "New Bonds") which were, from the Issue Date (21 January 2019), consolidated and form a single series with the existing convertible bonds 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.

Furthermore, as a result of the issue of 86,653,476 Ordinary Shares at subscription price of EUR 28.85 (see Note 12.a) each by way of conferring subscription rights to shareholders of record as of 14 October 2019, the conversion price has been adjusted to EUR 33.6902 (from EUR 35.8205 previously), effective 11 October 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.

July 2019 issuance of convertible bonds

On 5 July 2019 Cellnex placed a new issuance of senior unsecured convertible bonds ("The Convertible Bond") which 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.

Furthermore, as a result of the issue of 86,653,476 Ordinary Shares at subscription price of EUR 28.85 (see Note 11.a) each by way of conferring subscription rights to shareholders of record as of 14 October 2019, the conversion price has been adjusted to EUR 53.7753 (from EUR 57.1756 previously), effective 11 October 2019.

The Convertible Bond is rated BBB- by Fitch and is trading on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange.

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

31 December 2019

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

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 31 December 2019 and 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 31 December 2019, the amount utilized under the ECP Programme was not drawn down (EUR 44,200 thousand as of 31 December 2018), in GBP was not drawn down (not drawn down as of 31 December 2018), and in CHF was also not drawn down (CHF 21,000 thousand as of 31 December 2018 with a Euro value of EUR 18,635 thousand).

Bonds obligations and restrictions

As at 31 December 2019 and 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 31 December 2019, the total limit of loans and credit facilities available was EUR 5,877,303 thousand (EUR 1,606,398 thousand as of 31 December 2018), of which EUR 2,290,227 thousand in credit facilities and EUR 3,587,076 thousand in loans (EUR 1,287,415 thousand and EUR 318,983 thousand respectively as of 31 December 2018).

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. The financing consists of the following three facilities agreements:

i) a syndicated loan of CHF 183,000 thousand, which mainly replaced the CHF 190,000 thousand facility while extending the maturity for one additional year until 2024,

ii) a syndicated facilities agreement entered into by Swiss Towers for 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 facility of CHF 180,000 thousand granted in favor of Cellnex Switzerland and include a covenant restricting the distribution of dividends by Cellnex Switzerland and Swiss Towers -but not Cellnex- based on leverage levels); and

iii) a syndicated facilities agreement consisting of a EUR 1,500,000 thousand multicurrency revolving credit agreement, refinancing existing EUR 500,000 thousand revolving credit facility and a new CHF 450,000 thousand term loan to fund the equity contribution into Cellnex Switzerland AG to finance the Swiss Infra Services Acquisition from Salt and to refinance partially the existing CHF 190,000 thousand facility.

On 5 November 2019 Cellnex Group signed a GBP 2 billion financing consisting of a GBP 1,400,000 thousand term loan facility with a maturity of up to 3 years and a GBP 600,000 thousand term loan facility entered into by Cellnex UK, guaranteed by Cellnex Group, with a 5-year bullet maturity to finance the Arqiva Acquisition. As of the date hereof, these facilities remain undrawn.

During the year ended 31 December 2019, Cellnex has amended certain credit facilities for a total of EUR 370,000 thousand and GBP 100,000 thousand to extend its maturities and reduce margins. In addition, Cellnex has cancelled a credit facility by EUR 10,000 thousand.

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 Swiss Towers, the change of control trigger is measured with respect to Cellnex Switzerland, Swiss Towers and Swiss Infra Services (as defined below). A "change of control event" is generally triggered when a third party, alone or together with others, acquires either 50% of shares with voting rights, or obtains the right to appoint or dismiss the majority of the members of the board of directors of the relevant company.

Loans and credit facilities obligations and restrictions

At 31 December 2019 and 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 31 December 2019 and 2018, the outstanding loans and credit facilities entered into by Cellnex and its subsidiaries are unsecured and unsubordinated and rank pari passu with the rest of the Group's unsecured and unsubordinated borrowings. Most of these contracts are subject to cross-default provisions and generally do not require Cellnex nor its subsidiaries to comply with any financial ratio. Certain loan and credit facilities are subject to various restrictions, including but not limited to, requiring Cellnex to maintain a minimum rating of Ba2 by Moody's Investors Service, Inc., or BB by Fitch Ratings Ltd. or Standard & Poor's Financial Services LLC, requiring shares to be pledged and provided as collateral if certain financial ratios are not satisfied, and imposing restrictions on additional indebtedness. The financing contracts of the Group do not contain any limitations on the distribution and payment of dividends, other than the syndicated facilities agreement entered into by Swiss Towers, which includes a covenant restricting the distribution of dividends by Cellnex Switzerland and Swiss Towers –but not Cellnex– based on leverage levels.

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 31 December 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 (EUR 25,268 thousand as of 31 December 2018).

Corporate rating

At 31 December 2019 Cellnex holds a long term "BBB-" (Investment Grade) with stable outlook according to the international credit rating agency Fitch Ratings Ltd. and a long-term "BB+" with stable outlook according to the international credit rating agency Standard & Poor's Financial Services LLC.

14. Leases

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

Amounts recognised in the consolidated balance sheet

As of 31 December 2019 and 2018, the amounts recognized in the consolidated balance sheet related to lease agreements are:

Right of use

		Thousands of euros
		Net book value
	31 December 2019	31 December 2018
Right of use		
Sites	1,226,262	546,080
Offices	16,180	16,222
Satellites	3,396	6,922
Vehicles	1,971	1,175
Concessions	3,308	3,166
Total	1,251,117	573,565

The additions of rights of use during 2019 amount to EUR 323,721 thousand (EUR 118,427 thousand in 2018), of which EUR 174,322 thousand relates to reassessments of existing lease contracts at the year end.

The other movements in 2019 in right of use and lease liabilities are mainly due to the changes in the scope of consolidation and business combinations as detailed in Notes 2.i and 5.

Lease liabilities

	Thousands of euros	
	31 December 2019	31 December 2018
Maturity analysis – Contractual undiscounted cash flows		
Less than one year	284,039	152,268
One to five years	739,669	272,452
More than five years	734,011	342,434
Total undiscounted lease liabilities at 31 December	1,757,719	767,154
Lease liabilities included in the statement of financial position		
Current	207,498	102,382
Non-Current	944,529	423,955
Total	1,152,027	526,337

Amounts recognised in the consolidated income statement

As of 31 December 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	(163,975)	(122,170)
Offices	(3,345)	(3,369)
Satellites	(8,145)	(8,132)
Vehicles	(1,591)	(2,007)
Concessions	(212)	(251)
Total	(177,268)	(135,929)
Financial costs		
Interest expense on lease liabilities	(70,408)	(54,454)
Other operating expenses		
Expense related to contracts with low value asset	(4,507)	(4,287)
Expense related to variable lease payments	(6,595)	(7,250)
Total	(11,102)	(11,537)

During 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 year ended on 31 December 2019 amounts to EUR 244,559 thousand (EUR 206,050 thousand in 2018), of which EUR 52,521 thousand (EUR 39,557 thousand in 2018) relates to cash advances to landlords, EUR 70,408 thousand (EUR 54,454 thousand in 2018) relates to interest payments on lease liabilities and EUR 121,630 thousand (EUR 112,039 thousand in 2018) relates to payments of lease instalments in the ordinary course of business.

Lease agreements. Cellnex Group as lessee

i) Real estate leases

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

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

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

Extension options

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

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

In the majority of areas in which the Group operates, the lease term reflected in measuring the lease liability includes unilateral options to extend the contract, since the customer contracts have the same or a longer term and do not allow the early termination of the lease. In those cases where the customer contract does allow early termination and the Group is required to assess whether it is reasonably certain to exercise an extension or termination option, the effect of revising lease terms to reflect the exercise of extension options or not exercising termination options would be to increase recognised lease liabilities by a maximum of EUR 150 million as at 31 December 2019 (EUR 100 million as at 31 December 2018). It should be noted that Group management consider it highly improbable that these maximum terms would be reached.

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.

15. Trade and other payables

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

	Thousands of Euros	
	31 December 2019	31 December 2018
Trade payables	219,626	152,429
Current tax liabilities	43,737	44,141
Other payables to related parties (Note 22.d)	702	2,504
Other payables	117,934	42,053
Trade and other payables	381,999	241,127

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

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

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

Lastly, "Other payables" is formed mainly of deferred revenues and payables to non-current asset suppliers. At 31 December 2019, this item additionally includes, in the context of the Swiss Infra Acquisition (see Note 5) and according with the relevant contractual clauses, the amount to be paid by Swiss Towers to the seller one year after the completion of the transaction, which amounted to EUR 58 million.

Information on deferral of payment to suppliers

The information required by the additional third decree of Law 15/2010 of 5 July (modified by the second final decree of Law 31/2014) prepared in accordance with the resolution issued by the Spanish Accounting and Auditing Institute (AAI) of 29 January 2016 in relation to the information to be disclosed in the annual consolidated report with regard to the average supplier payment period for commercial transactions, is set up below:

	Thousands of Euros	
	2019	2018
Total payments in the year	253,408	195,249
Total payments outstanding	9,460	3,705
Average payment period to suppliers (days)	39 days	36 days
Ratio of transactions paid (days)	39 days	36 days
Ratio of transactions outstanding (days)	34 days	41 days

In accordance with the AAI resolution, only the delivery of goods and services from the date Law 31/2014 of 3 December came into force have been taken into account, and only with regard to the Group companies situated in Spain and fully consolidated.

For the sole purpose of the disclosure of information required by this resolution, the term 'suppliers' relates to the trade payables for debts with suppliers of goods or services included in the heading 'Trade and other payables' in the short term liabilities of the consolidated balance sheet. Moreover, only amounts relating to those Spanish entities included in the consolidated entity are considered for these purposes.

Average payment period to suppliers is understood to mean the period lapsed from the delivery of goods or services by the supplier to the actual payment of the transaction.

16. Income tax and tax situation

a) Tax information

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

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

Tax audits and litigation

At 31 December 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 consolidated 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

The standard corporation tax rate in the main countries in which Cellnex conducts its operations is as follows:

	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%
Ireland (5)	12.5%/25%	n/a

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

(3) The French Parliament in December 2019 approved the Finance Law for 2020 delaying the implementation of reduced corporate income tax rate for large companies previously enacted by the 2018 Finance Bill. The progressive decrease of the French standard corporate income tax (CIT) rate from 33.3% to 25% by 2022. For fiscal years starting on or after 1 January 2018, a 28% CIT rate apply on the first EUR 500 thousand of taxable income of all entities. Taxable income in excess of EUR 500 thousand will still be subject to a 33.3% CIT rate. For financial years beginning on or after 1 January 2019, a 28% CIT rate will apply on the first EUR 500 thousand of taxable income and a 31% rate on the taxable income in excess of EUR 500 thousand. For fiscal years starting on or after 1 January 2020, 2021 and 2022 a 28%, 26.5% and 25% rate will apply for non-larger entities, respectively. For fiscal years starting on or after 1 January 2020 a 28% CIT rate will apply on the first EUR 500 thousand of taxable income and a 31% rate on the taxable income in excess of EUR 500 thousand for large entities. For fiscal years starting on or after 1 January 2021 and 2022, a 27.5% and 25% CIT rate will apply for large companies on their entire taxable profit, respectively.

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

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

The reconciliation of the theoretical tax and the tax expense recorded in the consolidated income statement for the year is as follows:

	Thousands of Euros	
	2019	2018
Consolidated profit/(loss) before tax	(54,010)	(36,181)
Theoretical tax [1]	11,292	9,254
Impact on tax expense from (permanent differences):		
Non-deductible expenses	(8,864)	(1,401)
Other deductions	3,229	2,498
Income from transfer of know-how	1,904	1,797
Income tax (expense)/credit for the year	7,561	12,148
Tax loss carryforwards	6,727	4,599
Changes in tax rates	19,153	-
Other tax effects	2,066	1,691
Other tax effects	27,946	6,291
Income tax (expense)/credit	35,507	18,439

[1] The theoretical tax charge is a blended rate calculated by applying the individual corporation tax rate in each country to the profit before tax of each individual Group company.

"Non-deductible expenses" in 2019 and 2018 include items that, in accordance with the tax legislation of the respective consolidated companies, are not taxable or deductible.

"Income from transfer of know-how" for the 2019 and 2018 financial years includes the reduction of income from certain intangible assets (Patent Box) in accordance with the provisions of Law 27/2014, of 27 November, regarding Corporation Tax.

"Changes in tax rate" in 2019 included the impact of updating the tax rate in certain subsidiaries, which has resulted in a positive impact of EUR 19 million, in the accompanying consolidated income statement.

The main components of the income tax expense for the year (for fully consolidated companies) are:

	Thousands of Euros	
	2019	2018
Current tax	(14,555)	(18,290)
Deferred tax	50,883	37,502
Tax from prior years / other	(821)	(773)
Income tax expense	35,507	18,439

"Deferred tax" in 2019 and 2018 mainly relates to the impact of the deferred tax liabilities associated with the business combinations detailed below (Note 16.d).

Tax withholdings and payments on account totalled EUR 21,903 thousand (EUR 16,343 thousand in 2018).

c) Current tax liabilities

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

	Thousands of Euros	
	31 December 2019	31 December 2018
VAT payable	25,123	25,952
Corporate income tax	9,235	11,320
Social security payable	2,023	2,525
Personal income tax withholdings	3,618	2,291
Other taxes	3,738	2,053
Current tax liabilities	43,737	44,141

d) Deferred taxes

The balance of the recognised deferred assets and liabilities, as well as their movement during the financial year, was as follows:

	Thousands of Euros			
	2019		2018	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
At 1 January	55,322	(333,306)	40,869	(349,929)
Debits/(credits) in income statement	34,339	25,773	14,965	3,555
Debits/(credits) due to incorporation into scope and business combinations	43,559	(537,863)	451	12,984
Debits/(credits) to equity	2,617	-		
Transfers	-	-	143	-
Changes in tax rates	-	19,162	-	-
Others	744	(1,626)	(1,106)	84
At 31 December	136,581	(827,860)	55,322	(333,306)

Deferred tax assets

The breakdown of the deferred tax assets is as follows:

	Thousands of Euros	
	31 December 2019	31 December 2018
Deferred tax assets:		
Business combinations [(1)]	43,559	-
Provision for third-party liabilities	9,534	9,493
Limit on depreciation and amortisation of fixed assets	4,684	5,733
Employee benefit obligations	6,550	4,702
Other provisions	4,732	3,021
Timing differences in revenue and expense recognition	1,625	372
Asset revaluation	4,864	5,493
IFRS 16	18,542	15,902
Tax credits recognised:		
Tax loss carry forwards	24,996	9,198
Limit on depreciation and amortisation of fixed assets	1,134	854
Asset revaluation	553	553
Limit on deductibility of financial expenses	15,809	-
Total	136,581	55,322

[(1)] Tax effect associated with recognising, at fair value, the net assets and liabilities acquired in various business combinations and/or changes in the scope of consolidation (Note 5).

Provision for third-party liabilities

The Group has yet to fully utilise the tax credit recognised in 2018 for the collective redundancy procedure, which at year-end 2018 was only partially paid.

Limit on depreciation and amortisation of fixed assets

Act 16/2012, limiting the deductibility of the depreciation and amortisation expenses, was approved on 27 December 2012. In general, only 70% of the amortisation and depreciation for accounting purposes on property, plant and equipment, intangible assets and investment property for tax periods beginning in 2013 and 2014, which would have been tax deductible, will be deducted from the tax base. The amortisation and depreciation for accounting purposes that was not tax deductible is deducted on a straight-line basis over a 10-year period or over the useful life of the asset from the first tax period that begins in 2015.

This heading also includes the limit on the amortisation of the asset revaluation given that it is amortised for tax purposes, from the first tax period beginning on or after 1 January 2015, over the tax periods in the remaining useful lives of the revalued asset, under the same terms and conditions related to renewals and extensions.

Asset revaluation

On 27 December 2012, Act 16/2012 was approved, which allowed the carrying amount of the assets to be recalculated in order to adjust such values for the effect of inflation and bring them closer to their actual value for Spanish companies. The Group adjusted the carrying amount of its assets in companies on an individual basis, initially assumed the tax cost of all assets and generated a future income tax savings which translated into deferred tax assets. This revaluation has not been included in these consolidated financial statements and only the future tax saving is reflected.

Deferred tax assets include unused tax credits and the temporary differences recognised at year-end.

The deferred tax assets indicated above were recognised in the consolidated balance sheet because the Company's Directors considered that, based on their best estimate of the Group's future earnings, it is probable that these assets will be recovered.

Tax losses carry forwards

As at 31 December 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 10.5 million (EUR 11.3 million at 31 December 2018) which related to GBP 9.8 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 13.3 million (EUR 13.4 million at 31 December 2018) which related to GBP 11.3 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, French, Dutch and Irish companies available for carry forward against future profits, amounted to EUR 45.3 million, EUR 45.3 million, EUR 0.7 million and EUR 10.2 million (EUR 19 million and EUR 23 million, from Spanish and French companies, 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 11.3 million and EUR 13.7 million, respectively (EUR 4.6 million and EUR 4.6 million, respectively in 2018) as they will be recovered in less than 10 years according to the business plan prepared by the Management. The aforementioned tax losses do not have an expiration date.

Limit on deductibility of financial expenses

Act 4/2004, limiting the deductibility of the net financial expenses, for the periods beginning on 1 January 2012. This act established that the net financial expenses will be deductible from the tax base with the limit of the 30% of the operating profit of the year. The net financial expenses that have not been deducted, may be deducted in the tax periods ending in the immediate and subsequent 18 years, together with those of the corresponding tax period and with the limit established above. As of 1 January 2015, the temporary deduction limit has been eliminated.

Deferred tax liabilities

The breakdown of the deferred tax liabilities is as follows:

	Thousands of Euros	
	31 December 2019	31 December 2018
Deferred tax liabilities:		
Business combinations [1]	(822,293)	(324,489)
Accelerated depreciation and amortisation	(5,255)	(8,896)
Amortization goodwill in Spanish companies and others	(312)	80
Total	(827,860)	(333,306)

[1] Tax effect associated with recognising, at fair value, the net assets and liabilities acquired in various business combinations and/or changes in the scope of consolidation (Note 5).

Business combinations

The detail of the deferred tax liabilities recorded at 31 December 2019 and 2018 relating to the tax effect associated with recognising, at fair value, the net assets and liabilities acquired in the main business combinations and/or changes in the scope of consolidation, is as follows:

Acquisitions	Incorporation	31 December 2019	31 December 2018
Towerco	2014	21,446	22,630
Galata	2015	111,712	115,392
Commscon	2016	2,837	3,482
Cellnex Netherlands subgroup	2016	63,858	83,041
Shere Group subgroup	2016	16,824	19,302
On Tower Italia	2016	-	463
Swiss Towers	2017	55,682	59,191
Infracapital Alticom subgroup	2017	11,968	14,825
Xarxa Oberta de Catalunya	2018	5,670	6,163
Zenon Digital Radio	2018	627	-
On Tower Netherlands	2019	5,387	-
Cignal subgroup	2019	9,747	-
Swiss Infra Services	2019	148,185	-
Iliad 7	2019	368,350	-
Total		822,293	324,489

Accelerated depreciation and amortisation

On 3 December 2010, Act 13/2010 was approved, which allowed for the accelerated depreciation of new items of property, plant and equipment and investment property used in business activities, and made available to the taxpayer in tax periods beginning in 2011, 2012, 2013, 2014 and 2015. This measure gave rise to a temporary difference between depreciation for accounting and for tax purposes.

Expected schedule for reversal of the deferred tax assets and liabilities

In most cases, the use of the Group's deferred tax assets and liabilities is conditional upon the future performance of the business activities carried out by its various subsidiaries, the tax regulations of the different countries in which they operate, and the strategic decisions to which they may be subject.

Under the assumption used, it is estimated that the deferred tax assets and liabilities recognised in the consolidated balance sheet at 31 December 2019 and 2018 will be used as follows:

	Thousands of Euros		
	31 December 2019		
	Less than one year	More than one year	Total
Deferred tax assets	17,620	118,961	136,581
Deferred tax liabilities	(49,227)	(778,633)	(827,860)

	Thousands of Euros		
	31 December 2018		
	Less than one year	More than one year	Total
Deferred tax assets	9,722	45,600	55,322
Deferred tax liabilities	(21,628)	(311,678)	(333,306)

The deferred tax assets indicated above were recognised in the attached consolidated balance sheet as the Parent's Directors consider that, based on their best estimated of the tax group's future earnings it is probable that these assets will be recovered.

17. Provisions and other liabilities and employee benefit obligations

a) Provisions and other liabilities

The detail of "Provisions and other liabilities" at 31 December 2019 and 2018 is as follows:

	Thousands of Euros	
	31 December 2019	31 December 2018
	Non-current	Non-current
Put option Cellnex Switzerland AG	-	66,515
Asset Retirement Obligation	152,803	84,275
National Competition Committee Sanction	32,473	23,000
Provision for other responsibilities [1]	196,810	41,847
Deferred income and other liabilities	19,634	20,896
Provisions and other liabilities	401,720	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 had an option to sell its stake (18% on that date) 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).

In December 2019, as it was reasonable to expect, DTCP exercised its rights to transfer the total amount of its shareholding in Cellnex Switzerland to Cellnex Telecom. The purchase price for the shares has been calculated according to certain formulae included in the DTCP Put Option agreement. Cellnex could choose to pay the purchase price either in cash or with Cellnex shares. As a result, Cellnex Telecom acquired an additional 9% (DTCP stake in Cellnex Switzerland at the date of execution) of the share capital of Cellnex Switzerland for CHF 109,876 thousand (with a Euro value of EUR 101,231 thousand as of 31 December 2019), which was paid in cash. Following this acquisition, as at 31 December 2019, Cellnex Telecom held 72% of the share capital of Cellnex Switzerland.

The impact on the caption "reserves" of the accompanying consolidated balance sheet, derived from the aforementioned DTCP Put Option provision, amounted to EUR 35 million (EUR 6 million during 2018, which was recognised in the consolidated income statement for the year). As at 31 December 2018, based on the best estimation of the DTCP Put Option and taking into account all the available information, the Group recognised a provision of EUR 67 million for this item in the

long-term of the accompanying consolidated balance sheet). See Note 2.c of the accompanying consolidated financial statements.

II) Asset Retirement Obligation

This caption includes the contractual obligation to dismantle and decommission the mobile telecom infrastructures. (See Note 3.o. of the accompanying consolidated financial statements).

III) National Competition Committee Sanction

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

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 31 December 2019, this caption also includes the recognition of a contingent consideration contemplated in the purchase contract of Commscon amounting to EUR 2 million (EUR 5 million at 2018 year-end), which is subject to the achievement of certain long term growth objectives of the company.

b) Current and non-current employee benefit obligations

The detail of “Employee benefit obligations” at 31 December 2019 and 2018 is as follows:

						Thousands of Euros
		31 December 2019			31 December 2018	
	Non-current	Current	Total	Non-current	Current	Total
Defined benefit obligations	4,421	150	4,571	3,304	92	3,396
Employee benefit obligations	13,551	22,825	36,376	12,892	35,373	48,265
Employee benefit obligations	17,972	22,975	40,947	16,196	35,465	51,661

I) Current and non-current defined benefit obligations

The pension commitments and obligations are covered using insurance policies/separate entities, with the amounts not included in the balance sheet. Nevertheless, this heading includes the hedges (relevant obligations and assets) for which there is a continued legal obligation or implied obligation to meet the agreed benefits.

Together with the above obligations, the liability side of the accompanying balance sheet includes EUR 4,421 thousand (EUR 3,304 thousand in 2018) under “Non-current provisions” and EUR 150 thousand (EUR 92 thousand in 2018) under “Current provisions”, relating to the measurement of the main employee commitments arising from certain non-current obligations related to employees’ length of service with the Group. The amounts recognised in 2019 and 2018 for these obligations as a decrease in staff costs were EUR 842 thousand and EUR 292 thousand and, as a finance cost, were EUR 15 thousand and EUR 17 thousand, respectively.

In relation to the Group's defined benefit obligations with employees, the reconciliation of the opening and ending balances of the actuarial value of these obligations is as follows:

	Thousands of Euros	
	2019	2018
At 1 January	3,396	3,334
Current service cost	473	307
Interest cost	16	17
Actuarial losses/(gains)	369	(15)
Benefits paid	(172)	(247)
Changes in the consolidation scope	489	-
At 31 December	4,571	3,396

The reconciliation of opening and ending balances of the actuarial fair value of the assets tied to these obligations is as follows:

	Thousands of Euros	
	2019	2018
At 1 January	62	-
Sponsor contributions	858	309
Benefits paid	(172)	(247)
Changes in the consolidation scope	489	-
At 31 December	1,237	62

The actuarial assumptions (demographic and financial) used constitute the best estimates on the variables that will determine the ultimate cost of providing post-employment benefits.

The main actuarial assumptions used at the reporting date are as follows:

	2019	2018
Annual discount rate	0.25%-0.30%	0.75%
Salary increase rate	0.75%-2.00%	2.00% - 2.25%

II) Current and non-current employee benefit obligations

Long Term Incentive Plan ("LTIP")

Rolling Long-term Incentive Plan (2017-2019)

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

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

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

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

4. 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;
5. 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
6. 20%; the attainment of certain Adjusted EBITDA figure according to the market consensus and the constant scope of consolidation. The scale of attainment is: 50% if the figure is 5% below the target, 100% if figure matches the target, and 125% if the target is beaten by 5% or more;

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

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

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

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

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

As at 31 December 2019, the cost of the Phase II (2018-2019) is EUR 9.2 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 6.1 million and EUR 3 million in the short-term employee benefit obligations and reserves; respectively, of the accompanying consolidated balance sheet as at 31 December 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 year-end amounted to EUR 6.3 million.

Rolling Long-term Incentive Plan (2018-2020)

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

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

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

As at 31 December 2019, the estimated cost of the LTIP (2018-2020) is approximately EUR 6.9 million, if it were to achieve the maximum level of achievement of the objectives, the estimated cost would be approximately EUR 8.6 million.

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

Based on the best possible estimation of the related liability and taking into consideration all the available information, the Group has recognised a provision of EUR 2.3 million and EUR 2.3 million in the long-term employee benefit obligations and reserves, respectively, of the accompanying consolidated balance sheet as at 31 December 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 year-end amounted to EUR 2.4 million.

Rolling Long-term Incentive Plan (2019-2021)

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

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

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

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

As at 31 December 2019, the estimated cost of the 2019-2021 LTIP is approximately EUR 8.8 million. The cost of the 2019-2021 LTIP assuming full achievement of the Company's objectives is estimated at approximately EUR 11 million.

Based on the best possible estimation of the related liability and taking into consideration all the available information, the Group has recognised a provision of EUR 2.9 million in reserves of the accompanying consolidated balance sheet as at 31 December 2019. Thus, the impact on the accompanying consolidated income statement for the 2019 year-end amounted to EUR 2.9 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 31 December 2019, the impact on the accompanying consolidated income statement for the 2019 year-end amounted to EUR 5 million. During 2019, following execution of part of this agreement, 65 employees were made redundant for a cost of EUR 19 million (111 employees were made redundant during 2018 for a cost of EUR 31 million).

The balance payable at 31 December 2019 associated with this collective redundancy procedure carried out by the Group represents expected payments related to this process, amounting to EUR 10 million and EUR 0.2 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, payments to employees have been made in relation to the aforementioned agreement amounting to EUR 1,164 thousand (cash outflows amounting to EUR 2,640 thousand in 2018), and reversals amounting to EUR 775 thousand (EUR 0 thousand in 2018). Therefore, as at 31 December 2019, the Group had a short-term provision in the accompanying consolidated balance sheet amounting to EUR 373 thousand (EUR 2,312 thousand at the 2018 year end).

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

c) Contingent liabilities

At 31 December 2019, the Group has guarantees with third parties amounting to EUR 78,329 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, the provision recorded in this regard at 31 December 2019, amounts to EUR 18.7 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, the provision recognised, by the Parent Company's Directors based on the opinion of their legal advisers, amounted to EUR 13.7 million under “non-current provisions and other liabilities” of the consolidated balance sheet at 31 December 2019 (EUR 7 million at 31 December 2018). Thus, during 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 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 31 December 2019, Cellnex Telecom, S.A. has provided three guarantees amounting to EUR 46.3 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 31 December 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. Therefore, during the first half of 2019, Cellnex has paid the aforementioned amount to the government of Castilla-La Mancha. The Group has filed an appeal against such decision.

18. Revenue and expenses

a) Operating income

The detail of operating income by item for the 2019 and 2018 financial years is as follows:

	Thousands of Euros	
	2019	2018
Services	1,003,813	870,832
Other operating income	30,822	30,422
Advances to customers	(3,790)	(3,383)
Operating income	1,030,845	897,871

“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.

Contracted revenue

The contracted revenue “Backlog” represents management’s estimate of the amount of contracted revenues that the Group expect 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. It also incorporates fixed escalators but do not include adjustments for inflation. One of the main assumptions relates to the contract renewals, and in accordance with the accompanying consolidated financial statements, contracts for services have renewable terms including, in some cases, “all or nothing” clauses and in some instances may be cancelled under certain circumstances by the customer at short notice without penalty.

The total amount, by line of business, of the Group's revenue expected from the service agreements (Telecom Infrastructure Services, Broadcasting Infrastructure and Other Network Services) entered into by the Group and that were in force at 31 December 2019 and 2018 are as follows:

Contracted revenue	Thousands of Euros			
	2019			
	Broadcasting infrastructure	Telecom Infrastructure Services	Other Network Services	Total (*)
Spain	149,008	191,094	57,499	397,600
Italy	-	309,731	-	309,731
Netherlands	-	62,681	-	62,681
France	-	109,389	-	109,389
United Kingdom	-	15,585	-	15,585
Switzerland	-	129,578	-	129,578
Ireland	-	10,334	-	10,334
Less than one year	149,008	828,392	57,499	1,034,899
Spain	72,832	652,897	91,512	817,241
Italy	-	1,136,876	-	1,136,876
Netherlands	-	201,168	-	201,168
France	-	459,696	-	459,696
United Kingdom	-	43,118	-	43,118
Switzerland	-	488,681	-	488,681
Ireland	-	33,194	-	33,194
Between one and five years	72,832	3,015,629	91,512	3,179,973
Spain	12,405	1,816,168	13,488	1,842,061
Italy	-	5,038,013	-	5,038,013
Netherlands	-	136,746	-	136,746
France	-	3,456,300	-	3,456,300
United Kingdom	-	61,616	-	61,616
Switzerland	-	4,371,081	-	4,371,081
Ireland	-	282,334	-	282,334
More than five years	12,405	15,162,260	13,488	15,188,152
Domestic	234,244	2,660,159	162,499	3,056,902
International	-	16,346,122	-	16,346,122
Total	234,244	19,006,281	162,499	19,403,024

(*) At 31 December 2019, the amount of contracted revenue does not include the impact of the infrastructures committed that have not yet been transferred to Cellnex at that date (see Note 6). If this effect were to be considered the contracted revenue of the Group as of 31 December, 2019 would increase to EUR 44 billion approximately, on a run rate basis.

Contracted revenue	Thousands of Euros			
	2018			
	Broadcasting infrastructure	Telecom Infrastructure Services	Other Network Services	Total (*)
Spain	198,980	158,354	57,720	415,053
Italy	-	251,669	-	251,669
Netherlands	-	43,307	-	43,307
France	-	82,918	-	82,918
United Kingdom	-	7,113	-	7,113
Switzerland	-	55,054	-	55,054
Less than one year	198,980	598,416	57,720	855,115
Spain	140,344	540,357	91,899	772,600
Italy	-	917,610	-	917,610
Netherlands	-	126,006	-	126,006
France	-	347,244	-	347,244
United Kingdom	-	20,636	-	20,636
Switzerland	-	223,226	-	223,226
Between one and five years	140,344	2,175,079	91,899	2,407,322
Spain	17,239	1,629,017	3,689	1,649,945
Italy	-	3,931,202	-	3,931,202
Netherlands	-	115,682	-	115,682
France	-	2,717,748	-	2,717,748
United Kingdom	-	19,922	-	19,922
Switzerland	-	2,163,826	-	2,163,826
More than five years	17,239	10,577,397	3,689	10,598,326
Domestic	356,563	2,327,727	153,308	2,837,598
International	-	11,023,165	-	11,023,165
Total	356,563	13,350,893	153,308	13,860,763

(*) At 31 December 2018, the amount of contracted revenue does not include the impact of the infrastructures committed that have not yet been transferred to Cellnex at that date (see Note 6). If this effect were to be considered the contracted revenue of the Group as of 31 December, 2018 would increase to EUR 18 billion approximately, on a run rate basis.

b) Staff costs

The detail of staff costs by item is as follows:

	Thousands of Euros	
	2019	2018
Wages and salaries	(106,114)	(90,407)
Social Security contributions	(22,351)	(19,529)
Retirement fund and other contingencies and commitments	(9,255)	(56,837)
Other employee benefit costs	(6,451)	(5,877)
Staff costs	(144,171)	(172,650)

During 2018, the main impact in this caption corresponded to the Reorganisation Plan (2018 – 2019), which consists 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 17.b of the accompanying consolidated financial statements.

At 31 December 2019, the impact, in relation to this Plan, on the accompanying consolidated income statement amounted to EUR 5 million (EUR 55 million in 2018).

The average number of employees at the Cellnex Group, its subsidiaries and associates in 2019 and 2018, broken down by job category and gender, is as follows:

			2019			2018
	Male	Female	Total	Male	Female	Total
Chief Executive Officer	1	-	1	1	-	1
Senior Management	7	-	7	6	1	7
Middle management	121	34	155	108	28	135
Other employees	1,016	341	1,357	998	298	1,296
Average number of employees	1,145	375	1,520	1,113	327	1,439

The number of employees at the Cellnex Group at the end of the 2019 and 2018 financial years, broken down by job category and gender, was as follows:

			2019			2018
	Male	Female	Total	Male	Female	Total
Chief Executive Officer	1	-	1	1	-	1
Senior Management	7	-	7	7	-	7
Middle management	138	36	174	112	30	142
Other employees	1,056	372	1,428	976	311	1,287
Number of employees at year-end	1,202	408	1,610	1,096	341	1,437

At 31 December 2019, the Board of Directors of the Parent Company is formed of 12 members, 8 of which are male, and 4 are female. At 31 December 2018, the Board of Directors of the Parent Company was formed of 12 members, 8 of which were male, and 4 were female.

c) Other operating expenses

The detail of other operating expenses by item for the 2019 and 2018 financial years is as follows:

	Thousands of Euros	
	2019	2018
Repairs and maintenance	(35,596)	(32,223)
Leases	(11,102)	(11,537)
Utilities	(84,798)	(72,312)
Other operating costs	(111,891)	(93,735)
Other operating expenses	(243,387)	(209,807)

I) Leases

The detail of lease expense by class for the 2019 and 2018 financial years is as follows:

	Thousands of Euros	
	2019	2018
Leases of low-value assets	(4,507)	(4,287)
Variable lease payments	(6,595)	(7,250)
Lease expense	(11,102)	(11,537)

At 31 December 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

As of 31 December 2019 and 2018, the items "Staff costs" and "Other operating expenses" above, contains (i) certain expenses that are non-recurring, or (ii) certain expenses that do not represent a cash flow, as detailed below:

i) Costs related to acquisitions, which mainly includes expenses incurred during acquisition processes (non-recurring item), amounted to EUR 19,208 thousand (13,607 at 2018 year-end).
ii) Tax associated with acquisitions, which relates to the stamp duty paid on the acquisition in Ireland (non-recurring item) amounted to EUR 1,077 thousand (0 at 2018 year-end).
iii) Service contract cancellation cost, which relates to the cancellation expense concerning the change of the administration and treasury services provider, amounted to EUR 1,545 thousand (0 at 2018 year-end). This change took place in order to implement a new industrial model at Group level, to guarantee the optimization and standardization of policies, processes and procedures in all the countries (non-recurring item).
iv) Redundancy provision, which mainly includes the impact in 2019 and 2018 year-end derived from the reorganisation plan detailed in Note 17.b of the accompanying consolidated financial statements (non-recurring item), amounted to EUR 5,552 thousand (56,160 at 2018 year-end).
v) Extra compensation and benefits costs, which corresponds to extra non-conventional bonus for the employees (non-recurring item), amounted to EUR 5,117 thousand (0 at 2018 year-end).
vi) LTIP remuneration payable in shares, which corresponds to the LTIP remuneration accrued at the year-end, which is payable in Cellnex shares (See Note 17.b of the accompanying consolidated financial statements, non-cash item), amounted to EUR 5,962 thousand (2,300 at 2018 year-end).

e) Depreciation and amortisation charge

The detail of "Depreciation and amortisation" in the consolidated income statement for the 2019 and 2018 financial years is as follows:

	Thousands of Euros	
	2019	2018
Property, plant and equipment (Note 6)	(213,358)	(185,677)
Right-of-use assets (Note 14)	(177,268)	(135,929)
Intangible assets (Note 7)	(110,188)	(81,240)
Total	(500,814)	(402,846)

f) Net interest expense

The detail of net interest expense by item for the 2019 and 2018 financial years is as follows:

	Thousands of Euros	
	2019	2018
Finance income and interest from third parties	606	878
Exchange gains/(losses)	648	2,583
Total interest income	1,254	3,461

	Thousands of Euros	
	2019	2018
Interest expense on lease liabilities (Note 14)	(70,408)	(54,454)
Finance costs and interest arising from third parties	(14,263)	(9,081)
Bond interest expense	(66,079)	(60,301)
Bond issue costs	-	-
Exchange gains/(losses)	-	-
Interest cost relating to provisions	(8,759)	(2,482)
Derivative financial instruments	(770)	(767)
Other finance costs	(37,559)	(25,200)
Total interest expense	(197,838)	(152,285)

19. Contingencies, commitments and obligations

a) Contingencies

As at 31 December 2019, the contingent liabilities of the Cellnex group are those detailed in Note 17.c of these consolidated financial statements.

b) Commitments and obligations

Agreement to acquire the Arqiva Group's tower operations business

Structure and rationale

On 8 October 2019, Cellnex and Cellnex UK Limited entered into an agreement with Arqiva Holdings Limited, a company of the Arqiva Group (the "Arqiva Group"), for the sale and purchase of 100% of the issued and paid up share capital of Arqiva Services Limited ("Arqiva TowerCo" and the "Arqiva Acquisition", respectively), a company to which the Arqiva Group will carve-out the UK Tower Business, following a full reorganization of assets, liabilities and activities between the Arqiva Group and Arqiva TowerCo, that will take place between signing and completion of the Arqiva Acquisition (the "Carve-Out"). Completion of the Arqiva Acquisition is subject to certain conditions precedent, as described in more detail below, and closing is expected in the second half of 2020.

The UK Tower Business has historically been part of the Telecoms & M2M business unit of the Arqiva Group, and includes 7,400 sites and related assets of single use (used exclusively for telecoms) and 900 sites and related assets of mixed-use (used for a combination of telecoms, M2M (as defined herein) and broadcasting). There is no audited historical financial information on a standalone basis or audited reported segment information available for the UK Tower Business, as the UK Tower Business has historically been combined with other businesses of the Arqiva Group for purposes of financial reporting.

The UK Tower Business's activity and assets have historically been held in, and its operations conducted through, several different entities within the Arqiva Group. As a condition precedent to the closing of the Arqiva Acquisition, the Arqiva Group will carry out the reorganization of the UK Tower Business activity, assets and liabilities, in order to consolidate the Carve-

Out by transferring the UK Tower Business and assets to Arqiva TowerCo and its subsidiaries, and transferring the non-UK Tower Business and assets of Arqiva TowerCo and its subsidiaries back to the Arqiva Group. Following the Carve-Out, the UK Tower Business will be held by Arqiva TowerCo and several wholly-owned subsidiaries of Arqiva TowerCo.

Through the Arqiva Acquisition, the Group expects to grow its presence in the United Kingdom and to position itself as a leading independent tower operator. Pursuant to the Arqiva Acquisition, the Group will acquire approximately 7,400 held sites and the rights to market approximately 900 sites), with a tenancy ratio of 1.4 per site. Following the Arqiva Acquisition, the Group will operate over 8,000 sites in the United Kingdom (excluding sites which the Group has the rights to market).

The Group will pay an aggregate consideration of approximately GBP 2 billion (EUR 2.2 billion, assuming a GBP/EUR 1.1 exchange rate as of the date of the accompanying consolidated financial statements) in connection with the Arqiva Acquisition, subject to certain potential price adjustments as described below. The Group expects to finance the Arqiva Acquisition with a combination of the capital increases and with the Proposed GBP Facilities (as defined below).

Information on Arqiva TowerCo and the UK Tower Business

Overview

Arqiva TowerCo is a private limited company incorporated under the laws of the United Kingdom on May 9, 1996. It is registered with the United Kingdom's Companies House with number 03196207. Its registered office is at Crawley Court, Winchester, Hampshire, SO21 2QAand its corporate name is Arqiva Services Limited.

UK Tower Business operations and properties

The UK Tower Business owns and operates a portfolio of wireless sites, which it licenses to MNOs and other wireless network operators. These sites provide MNOs with elevated structures in geographically favorable locations and in particular in rural areas, enabling their wireless customers to benefit from both voice and data cellular services. The Arqiva Group owns most of the physical infrastructure and offers site sharing, site operation and maintenance and installation and decommissioning services of passive equipment for its customers.

As of 30 June 2019, the UK Tower Business had approximately 7,400 held sites and the rights to market approximately 900 sites in the United Kingdom, with a tenancy ratio of 1.4 per site.

The rural site portfolio provides the UK Tower Business with a strong position in rural areas. In urban areas, the UK Tower Business installs passive equipment on rooftops. In densely populated urban areas where macro sites and rooftops are congested, the UK Tower Business also installs Small Cells equipment on street-level infrastructure (such as lampposts and CCTV locations) pursuant to UK Tower Business's concession rights. In terms of urban infrastructure, which is evolving through new technology such as Small Cells, the UK Tower Business has also built up a strong position, winning rights to street infrastructure in 14 of the 16 London boroughs which have come to market.

As of 30 June 2019 approximately 91% of the total sites within the UK Tower Business were located in rural and suburban areas and approximately 9% in urban areas. As of June 30, 2019, sites located on ground represented approximately 80% of the total sites within the UK Tower Business and sites set up on rooftops represented approximately 20% of the total sites within the UK Tower Business.

Upon completion of the Arqiva Acquisition, the Group expects to hold ownership of, or leasehold access to, the majority of its UK Tower Business sites and own the site infrastructure providing site sharing, site operation, maintenance and installation of passive equipment and decommissioning services for its customers. On the remaining active sites of the UK Tower Business, the Group will have contractual rights to provide these services. However, active equipment ownership, installation, operation and performance will be the responsibility of the customer. The Group expects to rent space on the UK Tower Business sites under contracts with national MNOs such as Vodafone, EE, Three UK, and O2, and joint ventures between MNOs such as MBNL and CTIL, as well as a broad base of non-MNO customers such as BT and Airwave. The Group also expects to receive revenue from space and equipment licensing. Energy, business rates and installation costs will be re-charged to the customer directly. The UK Tower Business's contracts in the Small Cells business will serve both landlords and network operators. The UK Tower Business currently has two MNOs as customers for Small Cells and potential opportunities are being discussed with others.

Description of the UK Tower Business

Key competitors of Arqiva's Telecom business division (which is the core business included within the UK Tower Business, and is part of the Telecoms & M2M business unit) include the joint ventures between the MNOs such as MBNL and CTIL, as well as other independent wireless site operators in the United Kingdom, the largest of which is the Wireless Infrastructure Group, an independent infrastructure provider with approximately 1,800 active sites as of June 30, 2018. The key competitors in the Small Cells area include JCDecaux, Transport for London, CTIL and BT.

Regulatory Framework

The tower segment activity that the UK Tower Business develops in the United Kingdom is not subject to sector-specific regulation.

Material Contracts

Certain Cellnex and Arqiva group companies have entered into, or will enter into on or prior to the closing date, as applicable, the following agreements in the context of the Arqiva Acquisition:

- a sale and purchase agreement, dated 8 October 2019, for the sale and purchase of 100% of the entire issued share capital of Arqiva TowerCo, between Cellnex UK Limited, Cellnex Telecom S.A. and Arqiva Holdings Limited (the "Arqiva SPA");

- a master site share agreement, to be entered into at closing, permitting Arqiva Limited rights of access to and use of the UK Tower Business sites for its broadcast and M2M businesses and the provision by Arqiva TowerCo of related site services (the "Arqiva MSSA");

- a portfolio management agreement, to be entered into at closing, permitting Arqiva TowerCo rights of access to and use of Arqiva Limited sites for its customer equipment and services and for certain exclusive rights to market site space to MNOs and to receive 100% of all revenues in relation thereto (the "Arqiva PMA");

- a transitional services agreement, to be entered into at closing, for the provision of certain transitional services to Arqiva TowerCo by Arqiva Limited from closing of the Arqiva SPA (the "Arqiva TSA"); and

- a sub-lease agreement, to be entered into on or prior to the closing date, for the lease of office space for the employees of Arqiva TowerCo with facilities services ("Arqiva MSA").

Financing of the Arqiva Acquisition

On October 8, 2019 the Group entered into a commitment and mandate letter with reputable banks in respect of a proposed GBP 2.0 billion (EUR 2.2 billion, assuming a GBP/EUR 1.1 exchange) facilities agreement designed to increase its liquidity position and to partially finance the Arqiva Acquisition). As of the date of the accompanying consolidated financial statements, the definitive agreement with respect to the Proposed GBP Facilities has not been entered into and no amounts have been drawn thereunder. Pursuant to such commitment and mandate letter, the Proposed GBP Facilities will follow standard LMA terms and conditions, will bear interest at a margin above LIBOR, will be unsecured and unsubordinated and will be composed of the following tranches: (i) a term loan facility of GBP 1,500 million that could be reduced to up to GBP 1,250 million (EUR 1,650 million, and EUR 1,375 million, respectively assuming a GBP/EUR 1.1 exchange), with a maturity of up to 3 years and which is intended to be repaid with certain bond issuances and/or cash available; and (ii) a term loan facility of GBP 500 million that could be increased to up to GBP 750 million (EUR 550 million, and EUR 825 million, respectively assuming a GBP/EUR 1.1 exchange rate), with a 5-year bullet maturity. The Proposed GBP Facilities will be cancelled, among other reasons, upon any termination of the Arqiva Acquisition. The entry into the Proposed GBP Facilities is subject to various conditions set forth in the commitment and mandate letter.

Other purchase commitments

As at 31 December 2019, the purchase commitments for tangible and intangible assets are those detailed in Notes 6 and 7 of the accompanying consolidated financial statements.

20. Environmental information

It is Group policy to pay maximum attention to environmental protection and conservation, and each investee adopts the necessary measures to minimise the environmental impact of the infrastructure and the telecommunications networks that it manages and ensure the maximum degree of integration into the surrounding area.

The Group has an environmental policy applicable to all its companies and a comprehensive environmental management system that ensures compliance with local environmental legislation and continuously improves the environmental management processes for its activities and facilities.

At year-end 2019 and 2018, the Group did not recognise any provision for potential environmental risks as it estimated that there were no significant contingencies related to potential lawsuits, indemnities or other items as its operations comply with environmental protection laws and as procedures are in place to foster and ensure compliance.

The Group incurred environmental expenses on civil engineering projects, equipment and environmental permit projects. The acquisition cost of these activities at year-end 2019 amounted to EUR 6,789 thousand (EUR 5,780 thousand in 2018), with accumulated depreciation and amortisation of EUR 3,015 thousand (EUR 2,724 thousand in 2018).

Expenses incurred to protect and improve the environment recognised directly in the income statement amounted to EUR 425 thousand (EUR 403 thousand in 2018) and related mainly to expenses arising from consultancy services and external waste management.

Potential contingencies, indemnities and other environmental risks which the Group could incur are sufficiently covered by its third-party liability insurance policies.

21. 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 2019 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 31 December 2019 and 2018 are as follows:

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

						Thousands of Euros
						31 December 2018
	Spain	Italy	France	Switzerland	Other countries	Total
Property, plant and equipment	654,588	228,054	843,813	89,866	87,421	1,903,742
Intangible assets	91,963	695,871	1	440,696	675,801	1,904,332
Right-of-use assets	196,272	180,795	129,811	58,135	8,552	573,565
Other non-current assets	72,628	17,089	6,384	1,126	441	97,668
Total non-current assets	1,015,451	1,121,809	980,009	589,823	772,215	4,479,307
Total current assets	404,729	71,592	88,479	49,858	39,228	653,886
TOTAL ASSETS	1,420,180	1,193,401	1,068,488	639,681	811,443	5,133,193
Borrowings and bond issues	2,857,988	-	-	138,785	-	2,996,773
Lease liabilities	170,669	79,750	119,090	46,846	7,600	423,955
Other non-current liabilities	120,003	181,366	(1,046)	120,496	166,471	587,290
Total non-current liabilities	3,148,660	261,116	118,044	306,127	174,071	4,008,018
Borrowings and bond issues	105,265	-	25,354	214	-	130,833
Lease liabilities	35,140	38,579	14,808	13,164	691	102,382
Other current liabilities	171,022	63,537	20,817	27,316	(6,098)	276,594
Total current liabilities	311,427	102,116	60,979	40,694	(5,407)	509,809
TOTAL LIABILITIES	3,460,087	363,232	179,023	346,821	21,168	4,517,827

Segmental reporting is set out below:

						Thousands of Euros
						2019
	Spain	Italy	France	Switzerland	Other countries	Total (*)
Operating income	504,710	266,907	104,675	84,993	69,560	1,030,845
Operating expenses	(237,683)	(87,322)	(24,205)	(14,382)	(23,947)	(387,539)
Depreciation and amortization	(136,825)	(146,330)	(87,561)	(78,147)	(51,950)	(500,814)
Net Interest	(122,520)	(26,960)	(23,930)	(17,868)	(5,306)	(196,584)
Profit of companies accounted for using the equity method	82	-	-	-	-	82
Profit/(loss) before tax	7,764	6,295	(31,021)	(25,404)	(11,643)	(54,010)
Income tax	5,133	(4,259)	9,070	3,541	22,022	35,507
Attributable non-controlling interest	1	-	-	(9,259)	-	(9,258)
Net profit attributable to the Parent Company	12,896	2,036	(21,951)	(12,604)	10,379	(9,245)

(*) 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 year ended on 31 December 2019. Additionally, this income statement by country incorporates all of the non-recurring and non-cash items detailed in section 18.d of the consolidated financial statements.

	Thousands of Euros					
	2018					
	Spain	Italy	France	Switzerland	Other countries	Total [*]
Operating income	467,787	254,393	65,686	56,041	53,964	**897,871**
Operating expenses	(263,620)	(82,495)	(14,272)	(8,133)	(13,975)	**(382,495)**
Depreciation and amortization	(135,021)	(126,397)	(56,073)	(45,588)	(39,767)	**(402,846)**
Net Interest	(105,421)	(22,566)	(11,086)	(9,315)	(436)	**(148,824)**
Profit of companies accounted for using the equity method	113	-	-	-	-	**113**
Profit/(loss) before tax	**(36,161)**	**22,936**	**(15,745)**	**(6,995)**	**(214)**	**(36,181)**
Income tax	15,053	(2,741)	2,160	823	3,144	**18,439**
Attributable non-controlling interest	94	-	-	(2,853)	-	**(2,759)**
Net profit attributable to the Parent Company	**(21,203)**	**20,194**	**(13,585)**	**(3,319)**	**2,930**	**(14,983)**

[*] 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 year ended on 31 December 2018. Additionally, this income statement by country incorporates all of the non-recurring and non-cash items detailed in section 19.d of the consolidated financial statements of 2018 financial year.

The Group has one customer that exceeds 10% of its total revenue. The total income from this customer for the year ended on 31 December 2019 amounted to EUR 201,710 thousand. During 2018 financial year, the Group had one customer that exceeded 10% of its revenue and the amount ascended to EUR 205,992 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)	235,383	667,216	101,214	**1,003,813**
Other income	-	30,822	-	**30,822**
Advances to customers	-	(3,790)	-	**(3,790)**
Operating income	**235,383**	**694,248**	**101,214**	**1,030,845**

	Thousands of Euros			
	2018			
	Broadcasting infrastructure	Telecom Infrastructure Services	Other Network Services	Total
Services (Gross)	232,773	555,719	82,340	**870,832**
Other income	-	30,422	-	**30,422**
Advances to customers	-	(3,383)	-	**(3,383)**
Operating income	**232,773**	**582,758**	**82,340**	**897,871**

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

22. Related parties

a) Directors and Senior Management

The remuneration earned by the Parent Company's directors as at 31 December 2019 and 2018 was as follows:

i. The members of the Board of Directors received EUR 1,464 thousand for exercising the duties in their capacity as directors of Cellnex Telecom, S.A. (EUR 1,373 thousand in 2018).

ii. For performing senior management duties, the Chief Executive Officer received EUR 3,195 thousand, corresponding to fixed and variable remuneration (EUR 1,225 thousand in 2018) and EUR 1,893 thousand for the achievement of the multi-annual objectives established in all the "Long Term Incentive Plan" (EUR 1,282 thousand in 2018). In 2018 he received EUR 2,331 thousand corresponding to the "Long Term Incentive Plan" (2015-2017). See Note 17.b.

iii. In addition, the Chief Executive Officer of Cellnex Telecom, S.A. received, as other benefits, contributions made to cover pensions and other remuneration in kind in the amount of EUR 250 thousand and EUR 28 thousand, respectively (EUR 175 thousand and EUR 7 thousand 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 year ended on 31 December 2019 for members of Senior Management amounted to EUR 5,671 thousand (EUR 2,813 thousand in 2018) and EUR 4,676 thousand for the achievement of the multi-annual objectives established in all the "Long Term Incentive Plan" (EUR 2,550 thousand in 2018). In 2018 they received EUR 3,107 thousand corresponding to the "Long Incentive Plan" (2015-2017). 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 335 thousand and EUR 153 thousand, respectively. In 2018 they received EUR 172 thousand and EUR 157 thousand, respectively.

As of 31 December 2018, Cellnex maintained, for a member of Senior Management, an agreement linked to his/her permanence in the Company (none existing as of 31 December 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 Senior Management of the Cellnex Telecom group at a cost amounting to EUR 288 thousand at 31 December 2019 (EUR 114.5 thousand 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 31 December 2019 and 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 12.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 31 December 2019, Edizione, together with its group of companies, is considered a related party to the Group.

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

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

I) Services rendered and received

The Group has an agreement with Hispasat, S.A., whereby the latter provides shared capacity services for certain satellite transponders over the entire life of the transponders, which is expected to last until 31 December 2022. During 2019 and 2018 the services received by Cellnex in relation to this contract amounted to EUR 10 million and EUR 5 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 31 December 2019 and 2018 amounted to EUR 4.4 million and EUR 1.8 million (although Atlantia is considered a related party since 12 July 2018).

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

23. Other disclosures

The remuneration of the auditors for 2019 and 2018 is as follows:

								Thousands of Euros
				2019				2018
	Audit of financial statements	Verification services	Tax advisory services	Other services	Audit of financial statements	Verification services	Tax advisory services	Other services
Deloitte, S.L.	847	1,566	-	-	1,037	501	-	-
Rest of Deloitte	661	103	97	-	377	160	105	-
Total	1,508	1,669	97	-	1,414	661	105	-

24. Post balance sheet events

Acquisition of Omtel in Portugal

On 2 January 2020 Cellnex Telecom (through its subsidiary Cellnex Telecom, S.A.) reached an agreement with Altice Europe and Belmont Infra Holding's to acquire 100% of the share capital of Belmont Infra Holding, S.A. from its shareholders which, in turn, owns all the shares of BIH – Belmont Infrastructure Holding, S.A. and Omtel, Estruturas de Comunicaçoes, S.A. ("OMTEL") for an equivalent Enterprise Value of approximately EUR 800 million. As a result of the acquisition, Cellnex directly owns all the shares of Belmont Infra Holding, S.A. and, consequently, all the shares of its subsidiaries. The initial consideration in relation to this transaction was EUR 300 million cash outflow paid on January 2nd and the incorporation of EUR 200 million of borrowings on the balance sheet of the acquired subgroup. The remaining balance will be paid in December 2027, at the expected fair market value estimated as of today. The acquisition comprises the roll out of 750 sites (of which 400 sites are contracted) by 2027. The estimated investment for this build to suit plan amounts to EUR 140 million.

OMTEL currently operates a nationwide portfolio of approximately 3,000 sites in Portugal, which becomes the eighth country where Cellnex operates in Europe. MEO (formerly Portugal Telecom, the incumbent MNO) is the anchor tenant of this portfolio of telecom sites, with whom Cellnex has signed an Inflation-linked Master Lease Agreement for an initial period of 20 years, to be automatically extended for 5-year periods (all-or-nothing basis) with undefined maturity.

New Bond issuances

Bond issuance for an amount of EUR 450 million

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

Bond issuance for an amount of CHF 185 million

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

Cellnex is taking advantage of favourable market conditions to lower its average cost of debt and increase its average debt maturity by issuing a new long term instrument, at highly attractive terms. The net proceeds from the Issue will be used for general corporate purposes.

25. Explanation added for translation to English

These 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.

Sitges, 25 February 2020

APPENDIX I. Subsidiaries included in the scope of consolidation at 31.12.2019

Company	Registered office	Ownership interest: Cost (Thousands of Euros)	Ownership interest: %	Company holding the interest	Consolidation method	Activity	Auditor
Direct ownership:							
Cellnex Italia, S.r.L.	Via Carlo Veneziani 58, 00148 Rome, Italy	952,310	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex Netherlands, BV	Leeghwaterstraat 21, (2811 DT) Reeuwijk, the Netherlands	516,437	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex UK Limited	1-2 Broadgate Circle, London EC2M 2QS	281,489	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex France Groupe, S.A.S.	1 Avenue de la Cristallerie, 92310 Sèvres	2,324,391	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex Telecom España, S.L.U.	Juan Esplandiú, 11-13 28007 Madrid	807,500	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex Switzerland AG	Thurgauerstrasse, 136 8152 Opfikon	579,191	72,22%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Towerlink Portugal, ULDA	Avenida Álvares Cabral, nº61 – 4º piso, 1250-017 Lisboa, Portugal	4,000	100%	Cellnex Telecom, S.A.	Full consolidation	Fixed and mobile telecommunications services provider	-
Cignal Infrastructure Services	Suite 311 Q House, 76 Furze Road, Sandyford Industrial Estate, Dublin 18, D18 YV50, Ireland	111,928	100%	Cellnex Telecom, S.A.	Full consolidation	Provision of communication sites used by Mobile Network Operators	Deloitte

Company	Registered office	Ownership interest		Company holding the interest	Consolidation method	Activity	Auditor
		Cost (Thousands of Euros)	%				
Indirect ownership interest:							
Retevision-I, S.A.U.	Juan Esplandiú, 11-13 28007 Madrid	182,504	100%	Cellnex Telecom España, S.LU.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Tradia Telecom, S.A.U.	Av, Del Parc Logístic, 12-20 08040 Barcelona	165,983	100%	Cellnex Telecom España, S.L.U.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
On Tower Telecom Infraestructuras, S.A.U.	Juan Esplandiú, 11-13 28007 Madrid	459,010	100%	Cellnex Telecom España, S.L.U.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Gestora del Espectro, S.L. (1)	Juan Esplandiú, 11-13 28007 Madrid	3	100%	Cellnex Telecom España, S.L.U.	Full consolidation	Development, implementation, management and marketing of terrestrial telecommunications services	-
Adesal Telecom, S.L.	Ausias March 20, Valencia	2,959	60.08%	Tradia Telecom, S.A.U.	Full consolidation	Provision of related services for terrestrial telecommunications concessions and operators	Deloitte
Zenon Digital Radio, S.L.	C/ Lincoln, 11, 1º3º 08006 Barcelona	2,421	100%	Tradia Telecom, S.A.U.	Full consolidation	Provision of telecommunications equipments	-
Xarxa Oberta de Comunicació i Tecnologia de Catalunya, S.A.	Av, Del Parc Logístic, 12-20 08040 Barcelona	32,795	100%	Tradia Telecom, S.A.U.	Full consolidation	Construction and operation of optic fiber telecommunications infrastructure	Deloitte
Towerco, S.p.A.	Via Alberto Bergammini 50, Rome, Italy	94,600	100%	Cellnex Italia, S.r.L..	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Galata, S.p.A.	Via Carlo Veneziani 56L, 00148 Rome, Italy	844,599	100%	Cellnex Italia, S.r.L.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
TowerLink Italia, S.r.L	Via Carlo Veneziani 58, 00148 Rome, Italy	20	100%	Cellnex Italia, S.r.L..	Full consolidation	Terrestrial telecommunications infrastructure operator	-
Commscon Italia, S.r.L.	Via Carducci 32, 20123 Milano	22,904	100%	Cellnex Italia, S.r.L	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Towerlink Netherlands, B.V.	Leeghwaterstraat 21, (2811 DT) Reeuwijk, the Netherlands	63,634	100%	Cellnex Netherlands, BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Shere Masten B.V.	Leeghwaterstraat 21, 2811 DT Reeuwijk, Netherlands	278,085	100%	Cellnex Netherlands BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Breedlink BV	Branderweg 7, 8042 PD, Zwolle	599	100%	Cellnex Netherlands BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte

Company	Registered office	Ownership interest		Company holding the interest	Consolidation method	Activity	Auditor
		Cost (Thousands of Euros)	%				
Alticom BV	Branderweg 7, 8042 PD, Zwolle	132,127	100%	Cellnex Netherlands BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
On Tower Netherlands, B.V	Axelsestraat, 58, 4537 AL, Terneuzen, the Netherlands	39,525	100%	Cellnex Netherlands BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Springbok Mobility	1, Avenue de la Cristallerie, 92310, Sèvres	600	100%	Cellnex France Groupe, S.A.S.	Full consolidation	Provision of related services for terrestrial telecommunications concessions and operators	-
Cellnex France, S.A.S.	1 Avenue de la Cristallerie, 92310 Sèvres	908,341	100%	Cellnex France Groupe, S.A.S.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Towerlink France, SAS	1, avenue de la Cristallerie (9th floor), Sèvres (92310).	20	99,99%	Cellnex France, S.A.S	Full consolidation	Terrestrial telecommunications infrastructure operator	-
Illiad 7	31, rue de la Baume – Paris (75008)	1,403,599	70%	Cellnex France Groupe, S.A.S.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Cellnex UK Midco Ltd	2 River Court, Albert Dr, Woking GU21 5RP, United Kingdom	333,106	100%	Cellnex UK Limited	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Watersite Holding Limited	2 River Court, Albert Dr, Woking GU21 5RP, United Kingdom	29,764	100%	Cellnex UK Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Radiosite Limited	2 River Court, Albert Dr, Woking GU21 5RP, United Kingdom	31,942	100%	Cellnex UK Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte

Company	Registered office	Ownership interest		Company holding the interest	Consolidation method	Activity	Auditor
		Cost (Thousands of Euros)	%				
Cellnex Connectivity Solutions Limited	2 River Court, Albert Dr, Woking GU21 5RP, United Kingdom	146,550	100%	Cellnex UK Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Cellnex UK Consulting Limited	2 River Court, Albert Dr, Woking GU21 5RP, United Kingdom	2,603	100%	Cellnex UK Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Swiss Towers AG	Thurgauerstrasse, 136 8152 Opfikon	739,869	72,22%	Cellnex Switzerland AG	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Swiss Infra Services SA	Rue du Caudray, 4,1020 Renens, Vaud	830,684	64,99%	Swiss Towers AG	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Cellcom Ireland Limited	Suite 311 Q House, 76 Furze Road, Sandyford Industrial Estate, Dublin 18, D18 YV50, Ireland	11,575	100%	Cignal Infrastructure Services	Full consolidation	Provision of communication sites used by Mobile Network Operators	Deloitte
National Radio Network Limited	Suite 311 Q House, 76 Furze Road, Sandyford Industrial Estate, Dublin 18, D18 YV50, Ireland	2,114	100%	Cignal Infrastructure Services	Full consolidation	Provision of communication sites used by Mobile Network Operators	Deloitte

(1) These companies have not submitted their financial statements for auditing as they are not required to do so.

This appendix forms an integral part of Note 2.h. to the 2019 consolidated financial statements with which it should be read.

Subsidiaries included in the scope of consolidation at 31.12.2018

Company	Registered office	Ownership interest		Company holding the interest	Consolidation method	Activity	Auditor
		Cost (Thousands of Euros)	%				
Direct ownership:							
Cellnex Italia, S.r.L.	Via Carlo Veneziani 58, 00148 Rome, Italy	845,310	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex Netherlands, BV (formerly Protelindo Netherlands, BV)	Dr. Lelykade 22, Unit 9, 2583CM's - Gravenhage	515,151	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex France, S.A.S.	1 Avenue de la Cristallerie, 92310 Sèvres	908,341	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex UK Limited (formerly Shere Group Limited)	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	130,551	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex France Groupe, S.A.S.	1 Avenue de la Cristallerie, 92310 Sèvres	1,050	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	-
Cellnex Telecom España, S.L.U.	Juan Esplandiú, 11 28007 Madrid	747,500	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	-
Cellnex Switzerland AG	Postastrasse 12 CH-6301, Zug, Switzerland	164,551	54%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Indirect ownership interest:							
Retevision-I, S.A.U.	Juan Esplandiú, 11 28007 Madrid	182,504	100%	Cellnex Telecom España, S.LU.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Tradia Telecom, S.A.U.	Av, Del Parc Logístic, 12-20 08040 Barcelona	165,983	100%	Cellnex Telecom España, S.L.U.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
On Tower Telecom Infraestructuras, S.A.U.	Juan Esplandiú, 11 28007 Madrid	459,010	100%	Cellnex Telecom España, S.L.U.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte

Company	Registered office	Ownership interest		Company holding the interest	Consolidation method	Activity	Auditor
		Cost (Thousands of Euros)	%				
Gestora del Espectro, S.L. [(1)]	Juan Esplandiú, 11 28007 Madrid	3	100%	Cellnex Telecom España, S.L.U.	Full consolidation	Development, implementation, management and marketing of terrestrial telecommunications services	-
Adesal Telecom, S.L.	Ausias March 20, Valencia	2,959	60.08%	Tradia Telecom, S.A.U.	Full consolidation	Provision of related services for terrestrial telecommunications concessions and operators	Deloitte
Zenon Digital Radio, S.L.	C/ Lincoln, 11, 1º3º 08006 Barcelona	2,421	100%	Tradia Telecom, S.A.U.	Full consolidation	Development, implementation, management and marketing of terrestrial telecommunications services	-
Xarxa Oberta de Comunicació i Tecnologia de Catalunya, S.A.	Av, Del Parc Logístic, 12-20 08040 Barcelona	32,795	100%	Tradia Telecom, S.A.U.	Full consolidation	Construction, development and exploitation of the *Generalitat de Cataluña*'s telecommunications network	Deloitte
Towerco, S.p.A.	Via Alberto Bergammini 50, Rome, Italy	94,600	100%	Cellnex Italia, S.r.L..	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Galata, S.p.A.	Via Carlo Veneziani 56L, 00148 Rome, Italy	783,931	100%	Cellnex Italia, S.r.L.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Sintel S.r.L	Via Carlo Veneziani 58, 00148 Rome, Italy	2,669	100%	Cellnex Italia, S.r.L.	Full consolidation	Terrestrial telecommunications infrastructure operator	-
TowerLink Italia, S.r.L (1)	Via Carlo Veneziani 58, 00148 Rome, Italy	20	100%	Cellnex Italia, S.r.L..	Full consolidation	Terrestrial telecommunications infrastructure operator	-
Commscon Italia, S.r.L.	Via Carducci 32, 20123 Milano	24,904	100%	Cellnex Italia, S.r.L	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
BRT Tower S.r.L	Via Carlo Veneziani 58, 00148 Rome, Italy	1,050	100%	Cellnex Italia, S.r.L	Full consolidation	Terrestrial telecommunications infrastructure operator	-
DFA Telecomunicazioni S.r.L	Via Carlo Veneziani 56L, 00148 Rome, Italy	2,400	100%	Cellnex Italia, S.r.L	Full consolidation	Terrestrial telecommunications infrastructure operator	-
Towerlink Netherlands, B.V. (formerly Protelindo Towers, B.V.)	Dr. Lelykade 22, Unit 9, 2583CM's - Gravenhage	63,634	100%	Cellnex Netherlands, BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Shere Masten B.V.	Leeghwaterstraat 21, 2811 DT Reeuwijk, Netherlands	278,085	100%	Cellnex Netherlands BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Breedlink BV	Branderweg 7, 8042 PD, Zwolle	599	100%	Cellnex Netherlands BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Alticom BV	Branderweg 7, 8042 PD, Zwolle	274,521	100%	Cellnex Netherlands BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte

Company	Registered office	Ownership interest		Company holding the interest	Consolidation method	Activity	Auditor
		Cost (Thousands of Euros)	%				
Towerlink France, SAS	1, avenue de la Cristallerie (9th floor), Sèvres (92310).	20	99,99%	Cellnex france, S.A.S	Full consolidation	Acquisition and deployment of strategic telecommunications centers with capacity to house data processing capabilities	-
Shere Midco Ltd	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	179,320	100%	Cellnex UK Limited (formerly Shere Group Limited)	Full consolidation	Holding Company	Deloitte
Watersite Holding Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	28,310	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Radiosite Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	30,381	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
QS4 Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	1,884	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Shere Consulting Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	2,476	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Swiss Towers AG	Binzmühlestrasse 130, 8050 Zúrich, Switzerland	441,968	54%	Cellnex Switzerland AG	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte

[(1)] These companies have not submitted their financial statements for auditing as they are not required to do so.

This appendix forms an integral part of Note 2.h. to the 2018 consolidated financial statements with which it should be read.

APPENDIX II. Associates included in the scope of consolidation at 31.12.2019

Company	Registered office	Ownership interest									
		Cost (Thousands of Euros)	%	Assets	Liabilities	Income	Profit/(loss)	Company holding the interest	Consolidation method	Activity	Auditor
INDIRECT SHAREHOLDINGS Through Retevisión and Tradia Telecom											
Torre de Collserola, S.A.	Ctra. de Vallvidrera al Tibidabo, s/n. Barcelona	2,022	41.75%	15,661	10,971	4,255	(4)	Retevision-I, S.A.U.	Equity method	Construction and operation of terrestrial telecommunications infrastructure	Deloitte
Consorcio de Telecomunicaciones avanzadas, S.A. (COTA)	C/ Uruguay, parcela 13R, nave 6, Parque Empresarial Magalia, Polígono Industrial Oeste Alcantarilla (Murcia)	304	29.5%	2,797	565	1,989	472	Tradia Telecom, S.A.U.	Equity method	Provision of related services for terrestrial telecommunications concessions and operators	Other auditors
Nearby Sensors, S.L.	Calle Berruguete, 60-62 08035 Barcelona	1,000	30%	1,268	270	396	(171)	Tradia Telecom, S.A.U.	Equity method	Software and IT development app; development of network telecommunication systems	-
Nearby Computing, S.L.	Calle Berruguete 60-62, 08035, Barcelona	171	24,3%	410	191	95	(19)	Tradia Telecom, S.A.U.	Equity method	Software and IT development app; development of network telecommunication systems	-

This appendix forms an integral part of Note 2.h. to the consolidated financial statements for 2019 with which it should be read.

Associates included in the scope of consolidation at 31.12.2018

Company	Registered office	Ownership interest: Cost (Thousands of Euros)	%	Assets	Liabilities	Income	Profit/(loss)	Company holding the interest	Consolidation method	Activity	Auditor
INDIRECT SHAREHOLDINGS Through Retevisión and Tradia Telecom											
Torre de Collserola, S.A.	Ctra. de Vallvidrera al Tibidabo, s/n. Barcelona	2,022	41.75%	15,812	11,118	4,306	5	Retevision-I, S.A.U.	Equity method	Construction and operation of terrestrial telecommunications infrastructure	Deloitte
Consorcio de Telecomunicaciones avanzadas, S.A. (COTA)	C/ Uruguay, parcela 13R, nave 6, Parque Empresarial Magalia, Polígono Industrial Oeste Alcantarilla (Murcia)	304	29.5%	2,785	207	1,773	374	Tradia Telecom, S.A.U.	Equity method	Provision of related services for terrestrial telecommunications concessions and operators	Other auditors
Nearby Sensors, S.L.	Calle Berruguete, 60-62 08035 Barcelona	500	15%	999	450	164	0	Tradia Telecom, S.A.U.	Equity method	IoT and smartcities services	-

This appendix forms an integral part of Note 2.h. to the consolidated financial statements for 2018 with which it should be read.