Cellnex Telecom, S.A.

Financial Statements
for the year ended
31 December 2017 and
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.

Deloitte, S.L.
Avda. Diagonal, 654
08034 Barcelona
España

Tel: +34 932 80 40 40
www.deloitte.es

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 FINANCIAL STATEMENTS

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Cellnex Telecom, S.A. (the Company), which comprise the balance sheet as at 31 December 2017, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2017, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

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 Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of investments in Group companies and associates	
Description	**Procedures applied in the audit**
The Company has ownership interests in the share capital of Group companies and associates that are not listed on regulated markets (see Note 8). The Company tests the investees engaging in the operation of infrastructure for mobile telecommunications operators for impairment each year, irrespective of whether there are indications of impairment, given the sensitivity of the key assumptions in the business plan. Those impairment tests are performed using discounted cash flow-based valuation techniques, for which purpose it employs cash flow projections aligned with projected earnings, investments in non-current assets and current assets, as well as other assumptions obtained from each investee's business plan. Also, a discount rate is determined on the basis of the economic situation in general and on that of each investee in particular. The performance of these estimates requires the directors to make significant judgements and estimates. As a result of the foregoing, as well as the significance of the investments held, this matter was determined to be a key matter in our audit.	Our audit procedures included, among others, obtaining and analysing the impairment tests conducted by the Company, and we verified the clerical accuracy of the estimated future cash flows considered in those tests and analysed their consistency with the approved business plans. 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 and an analysis of their consistency with the actual data relating to the performance of the investments held. We involved our in-house valuation specialists in order to evaluate, mainly, the methodology employed by the Company 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 evaluated whether the disclosures included in Note 8 to the accompanying financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

Other Information: Directors' Report

The other information comprises only the directors' report for 2017, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

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

a) A specific level that applies to the non-financial information statement, as well as to certain information included in the 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 directors' report and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those 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 the 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 in the preceding paragraphs, we have checked that the specific information described in section a) above has been provided and that the other information in the directors' report is consistent with that contained in the financial statements for 2017 and its content and presentation are in conformity with the applicable regulations.

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

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

In preparing the financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

A further description of our responsibilities for the audit of the 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 Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit and control committee dated 15 February 2018.

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 financial statements uninterruptedly since the year ended 31 December 2013 and, therefore, since the year ended 31 December 2015, the year in which the Company became a Public Interest Entity.

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

Ana Torrens Borrás
Registered in ROAC under no. 17762

15 February 2018

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 financial statements.

Auditor's Responsibilities for the Audit of the 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 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 entity's internal control.

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

- Conclude on the appropriateness of the use by the 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 Company'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 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 Company to cease to continue as a going concern.

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

We communicate with the entity'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 entity'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 entity's audit and control committee, we determine those matters that were of most significance in the audit of the 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.

Financial Statements
for the year ended
31 December 2017 and
Directors' Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 20). In the event of a discrepancy, the Spanish-language version prevails.

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CELLNEX TELECOM , S.A.

BALANCE SHEET AT 31 DECEMBER 2017

(Thousands of Euros)

ASSETS	Notes	31 December 2017	31 December 2016	LIABILITIES	Notes	31 December 2017	31 December 2016
NON-CURRENT ASSETS:				**EQUITY:**			
Intangible assets-	Note 6	**7,508**	**4,718**	**NET EQUITY**	Note 11		
Computer software		7,508	4,718	**Capital**		**57,921**	**57,921**
Property, plant and equipment-	Note 7	**2,555**	**1,710**	**Share premium**		**338,733**	**338,733**
Land and buildings		306	155	**Reserves-**		**57,713**	**47,728**
Plant and other items of property, plant and equipment		2,170	1,530	Legal and bylaw reserves		11,584	11,584
Property, plant and equipment under construction		79	25	Other reserves		46,129	36,144
Investments in Group companies and associates-		**3,012,456**	**2,274,885**	**(Treasury shares)**		**(1,859)**	**(2,694)**
Equity instruments	Note 8.1	3,012,456	1,920,731	**Profit for the year**		**19,381**	**29,234**
Non-current loans to Group companies and associates	Note 17.3	-	354,154	**(Interim dividend)**		**(10,194)**	**(10,194)**
Non-current investments-	Note 9	**837**	**543**	**VALUATION ADJUSTMENTS-**			
Equity instruments		294	210	Hedging operations		**123**	-
Derivatives	Note 9.1	164	-	**Total equity**		**461,818**	**460,728**
Other financial assets		379	333				
Deferred tax assets	Note 13.6	**1,611**	**425**	**NON-CURRENT LIABILITIES:**			
Total non-current assets		**3,024,967**	**2,282,281**	**Non-current provisions**	Note 16.4	**1,451**	**3**
				Non-current borrowings-	Note 12	**2,369,424**	**1,676,186**
				Bond issues		1,869,145	1,397,939
				Bank borrowings		500,279	278,247
CURRENT ASSETS:				**Deferred tax liabilities**	Note 13.6	**41**	**-**
Trade and other receivables-		**10,365**	**2,102**	**Total non-current liabilities**		**2,370,916**	**1,676,189**
Trade receivables		58	43				
Receivables from Group companies and associates	Note 17.3	2,326	1,206	**CURRENT LIABILITIES:**			
Sundry receivables		237	383	**Current borrowings-**	Note 12	**46,228**	**17,420**
Staff		30	-	Bond issues		29,474	12,527
Current tax assets		5,886	458	Bank borrowings		1,588	1,540
Other tax receivables from Public Authorities	Note 13.2	1,828	12	Other financial liabilities		15,166	3,353
Current investments in Group companies and associates-		**25,731**	**92,937**	**Payables to Group companies and associates-**	Note 17.3	**343,123**	**367,421**
Current loans to Group companies and associates	Note 17.3	25,731	92,937	Current payables to Group companies and associates-		343,123	367,421
Current accruals		**1,010**	**818**	**Trade and other payables-**		**13,578**	**13,133**
Cash and cash equivalents-	Note 10	**173,590**	**156,753**	Other payables		7,021	4,469
Cash		118,574	97,742	Staff	Note 16.4	5,063	1,751
Cash equivalents		55,016	59,011	Other payables to Public Authorities	Note 13.2	1,494	6,913
Total current assets		**210,696**	**252,610**	**Total current liabilities**		**402,929**	**397,974**
TOTAL ASSETS		**3,235,663**	**2,534,891**	**TOTAL EQUITY AND LIABILITIES**		**3,235,663**	**2,534,891**

The accompanying Notes 1 to 20 and Appendix I are an integral part of the balance sheet at 31 December 2017.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 20). In the event of a discrepancy, the Spanish-language version prevails.

CELLNEX TELECOM, S.A.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

(Thousands of Euros)

	Notes	2017	2016
ONGOING OPERATIONS:			
Revenue-	Note 15.1	**84,256**	**81,491**
Dividends		83,088	70,924
Interest income		1,168	10,567
Other operating income-	Note 15.2	**6,642**	**4,798**
Non-core and other current operating income		6,642	4,798
Staff costs-	Note 15.3	**(9,368)**	**(4,851)**
Wages, salaries and similar expenses		(8,743)	(4,405)
Employee benefit costs		(625)	(446)
Other operating expenses-		**(19,589)**	**(22,559)**
Outside services	Note 15.4	(19,496)	(20,083)
Taxes other than income tax		(93)	(2,476)
Depreciation and amortisation	Notes 6 and 7	**(2,116)**	**(903)**
Profit from operations		**59,825**	**57,976**
Finance income-		**13**	**60**
Borrowings from Group companies and associates		-	-
Borrowings from third parties		13	60
Finance costs-		**(62,606)**	**(41,489)**
Borrowings from Group companies and associates	Note 17.3	(94)	(561)
Borrowings from third parties		(62,512)	(40,928)
Change in fair value of financial instruments		**637**	**(393)**
Exchange differences		**299**	**(22)**
Net financial profit/loss	Note 15.5	**(61,657)**	**(41,844)**
Profit before tax		**(1,832)**	**16,132**
Income tax	Note 13.4	21,213	13,102
Profit for the year		**19,381**	**29,234**

The accompanying Notes 1 to 20 and Appendix I are an integral part of the income statement for 2017.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 20). In the event of a discrepancy, the Spanish-language version prevails.

CELLNEX TELECOM, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017
A) STATEMENT OF RECOGNISED INCOME AND EXPENSE
(Thousands of Euros)

	2017	2016
PROFIT FOR THE YEAR PER INCOME STATEMENT	**19,381**	**29,234**
Income and expense recognised directly in equity	123	-
Transfers to the income statement	-	-
Total recognised income and expense	**19,504**	**29,234**

The accompanying Notes 1 to 20 and Appendix I are an integral part of the statement of recognised income and expense for 2017.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 20). In the event of a discrepancy, the Spanish-language version prevails.

CELLNEX TELECOM, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017
B) STATEMENT OF TOTAL CHANGES IN EQUITY

(Thousands of Euros)

	Capital	Share premium	Reserves	(Treasury shares)	Profit for the year	(Interim dividend)	Valuation adjustments	Total
Total balance 2015	**57,921**	**338,733**	**46,599**	**-**	**21,539**	**(9,267)**	**-**	**455,525**
Total recognised income and expense	-	-	-	-	29,234	-	-	29,234
Transactions with shareholders or owners								
Distribution of dividends	-	-	(10,889)	-	-	(10,194)	-	(21,083)
Transactions with treasury shares (net)	-	-	(254)	(2,694)	-	-	-	(2,948)
Distribution of the result for the year 2015	-	-	12,272	-	(21,539)	9,267	-	-
Total balance 2016	**57,921**	**338,733**	**47,728**	**(2,694)**	**29,234**	**(10,194)**	**-**	**460,728**
Total recognised income and expense	-	-	-	-	19,381	-	123	19,504
Transactions with shareholders or owners								
Distribution of dividends	-	-	(9,806)	-	-	(10,194)	-	(20,000)
Transactions with treasury shares (net)	-	-	751	835	-	-	-	1,586
Distribution of the result for the year 2016	-	-	19,040	-	(29,234)	10,194	-	-
Total balance 2017	**57,921**	**338,733**	**57,713**	**(1,859)**	**19,381**	**(10,194)**	**123**	**461,818**

The accompanying Notes 1 to 20 and Appendix I are an integral part of the statement of total changes in equity for 2017.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 20). In the event of a discrepancy, the Spanish-language version prevails.

CELLNEX TELECOM, S.A.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

(Thousands of Euros)

	Notes	2017	2016
CASH FLOWS - OPERATING ACTIVITIES (I)		**20,532**	**50,926**
Profit for the year before tax		**(1,832)**	**16,132**
Adjustments to profit-		**63,773**	**42,747**
Depreciation and amortisation charge	Notes 6 and 7	2,116	903
Gains/(losses) on derecognition and disposal of financial instruments		(637)	393
Finance income		(13)	(60)
Finance costs	Note 15.5	62,606	41,489
Exchange differences		(299)	22
Changes in working capital-		**423**	**25,066**
Trade and other receivables		171	(5,975)
Other current assets and liabilities		(192)	3,700
Trade and other payables		444	27,341
Other cash flows from operating activities-		**(41,832)**	**(33,019)**
Interest paid		(39,750)	(24,218)
Interest received		64	49
Income tax recovered (paid)		(3,588)	(8,853)
Other receivables and payables		1,442	3
CASH FLOWS - INVESTING ACTIVITIES (II)		**(690,371)**	**(668,355)**
Payments due to investments-		**(690,371)**	**(668,355)**
Group companies and associates	Note 17.3	(683,119)	(664,672)
Property, plant and equipment and intangible assets		(7,122)	(3,529)
Other financial assets		(130)	(154)
CASH FLOWS - FINANCING ACTIVITIES (III)		**686,676**	**773,242**
Proceeds and payments relating to equity instruments		**1,586**	**(2,948)**
Acquisition of own equity instruments (net)		1,586	(2,948)
Proceeds and payments relating to financial liabilities		**705,090**	**797,273**
Proceeds from issue of bank borrowings	Note 12.2	427,777	271,731
Bond issues	Note 12.1	467,159	801,804
Debt issues with Group companies and associates (cash pooling)	Note 17.3	(6,569)	103,738
Repayment and redemption of bank borrowings	Note 12.2	(183,277)	(380,000)
Dividends paid and returns on other equity instruments-		**(20,000)**	**(21,083)**
Dividends	Note 11.4	(20,000)	(21,083)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III)		**16,837**	**155,813**
Cash and cash equivalents at beginning of period		156,753	940
Cash and cash equivalents at end of period		173,590	156,753

The accompanying Notes 1 to 20 and Appendix I are an integral part of the statement of cash flows for 2017.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 20). In the event of a discrepancy, the Spanish-language version prevails.

Cellnex Telecom, S.A.

Notes to financial statements
for the year ended
31 December 2017

1. General information

Cellnex Telecom, S.A. ("the Company") was incorporated in Barcelona on 25 June 2008. Its registered office is at Calle Juan Esplandiú nº 11 (Madrid). On 1 April 2015 it underwent a name change 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, on its own account or for 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 these facilities and services under any type of contractual arrangement permitted by law, especially administrative concessions.

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

The Company is the Parent of a group of subsidiaries, and under current legislation it is required to draw up separate consolidated financial statements. The consolidated financial statements of the Cellnex Group for 2016 were drawn up by the Directors at a Board meeting on 16 February 2017.

The main figures of the consolidated financial statements for 2017, which were drawn up in accordance with Final Provision Eleven of Law 62/2003 of 30 December, under International Financial Reporting Standards adopted by the European Union, are as follows:

	Thousands of Euros
	2017
Total assets	4,056,166
Equity (of the Parent)	502,440
Equity (of non-controlling interests)	142,474
Income from consolidated operations	789,343
Profit for the year attributable to the parent	32,933
Profit for the year attributable to non-controlling interests	2,140

Figures in all the accounting statements (balance sheet, income statement, statement of changes in equity and statement of cash flows) and the notes to the financial statements are expressed in thousands of euros, which is the Company's presentation and functional currency, unless otherwise stipulated.

2. Basis of presentation

2.1. Regulatory financial reporting framework applicable to the Company

The accompanying financial statements were prepared by the Directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

- The Spanish Commercial Code, the Spanish Limited Liability Companies Law, Spain's Law on Structural Changes and other business legislation.

- Spain's National Charter of Accounts approved by Royal Decree 1514/2007 and sector-specific adaptations, and also Royal Decree 1159/2010 of 17 September amending certain portions of the National Charter of Accounts.

- The mandatory rules approved by the Spanish Accounting and Audit Institute to implement the National Charter of Accounts and supplementary regulations.

- Any other applicable Spanish accounting regulations.

2.2. True and fair image

These financial statements were drawn up on the basis of the Company's accounting records and are presented in accordance with the applicable regulatory financial reporting framework, especially the accounting principles and criteria laid down therein. They were drawn up by the Directors of the Company in order to express a true and fair image of its assets, financial position, results from its operations, changes in equity and changes in cash flows, in accordance with the aforementioned current legislation in force. They will be submitted for approval by the General Meeting of Shareholders, and it is expected that they will be approved without any changes.

The 2016 financial statements were approved by the General Shareholders' Meeting of Cellnex Telecom, S.A. on 27 April 2017.

2.3. Non-mandatory accounting principles applied

No non-mandatory accounting principles were applied. However, the directors drew up these financial statements in due consideration of all mandatory accounting principles and standards with a significant impact on the statements. All mandatory accounting principles were applied.

2.4. Key issues in relation to the measurement and estimation of uncertainty

Preparation of the financial statements requires the Company to make a number of accounting estimates and judgments. These estimates and judgments are reviewed constantly and are based on historical experience and other factors, including expectations of future events, which are considered reasonable under the circumstances.

Although the estimates used were made on the basis of the best information available at the date on which the financial statements were drawn up, any future modification to these estimates would be applicable prospectively as of that time, and the effect of the change on the estimates would be recognised in the income statement for the year concerned.

The main estimates and judgments considered in drawing up the financial statements are the following:

- Recoverable amount of investments in Group companies and associates and loans to Group companies (see Notes 4.4 and 8).

- The criterion of recognition of deferred taxes (see Notes 4.7 and 13).

- Assessment of litigations, commitments and contingent assets and liabilities at year-end (see Notes 4.9 and 16).

- Valuation of derivatives and other financial instruments (see Notes 9.1 and 12.3).

2.5. Comparative information

The application of the accounting criteria in 2017 and 2016 has been uniform, therefore there are no transactions or operations that have been recorded following different accounting principles that could lead to discrepancies in the interpretation of the comparative figures for both periods.

The information in the accompanying notes to the 2017 financial statements is presented for the purposes of comparison with information relating to 2016.

2.6. Correction of errors

No significant errors in the preparation of the accompanying financial statements were detected that required the figures disclosed in the 2016 financial statements to be restated.

2.7. Grouping of items

Certain items on the balance sheet, income statement, statement of changes in equity and statement of cash flows are grouped together to make them easier to understand; however, whenever the amounts involved are material, the information is broken down in the notes concerned.

2.8. Going concern

At 31 December 2017 and 2016, the accompanying balance sheet show a negative working capital of EUR 192,233 thousand and EUR 145,364 thousand respectively. This was due to the credit facilities (cash pooling) signed by the Company with Cellnex Italia, S.r.L., Retevisión-I, S.A.U., Tradia Telecom, S.A.U. and Shere Group Limited (see Note 17.3), which were classified as current on the accompanying balance sheet as their maturity date is in the following twelve month, and they may be renewed tacitly. The Company's Directors drew up these financial statements on the going-concern principle, with consideration given, as mitigating factors, to the belief that generating cash flows on operations in accordance with the Cellnex Group business plan will be sufficient to fund the operations planned for 2018, and the acknowledgement by Cellnex Italia, S.r.L., Retevisión-I, S.A.U., Tradia Telecom, S.A.U. and Shere Group Limited that they will not enforce these credit facilities.

In addition, the Company holds loans and credit facilities for an overall of EUR 1,035,418 thousand and EUR 669,100 thousand, which have not been drawn down at 31 December 2017 and 31 December 2016, respectively (see Note 12).

3. Proposed distribution of profit

The distribution of 2017 profit proposed by the Company's Directors for approval by the General Shareholders' Meeting is as follows:

	Thousands of Euros
Basis of distribution:	
Profit for the year	19,381
	19,381
Distribution:	
Interim dividend	10,194
Other reserves	9,187
	19,381

Dividends to be distributed to shareholders are recognised as a liability in the financial statements from the moment when the dividends are approved by the General Shareholders' Meeting (or by the Board of Directors, in the case of interim dividends) until they are paid.

In 2017 an interim dividend totalling EUR 10,194 thousand was paid out, equivalent to EUR 0.044 gross per share, payable for each of the shares that make up the share capital of the Company (EUR 10,194 thousand equivalent to EUR 0.044 gross per share, in 2016).

In accordance with the requirements of Article 277 of the Spanish Limited Liability Companies Law, a provisional accounting statement prepared by the Company showing sufficient profit for the period to permit distribution of the interim dividend and a liquidity statement establishing that there is sufficient cash to make the interim dividend payment in both periods are set out below:

2017

	Thousands of Euros
Net profit for the period 01/01/2017 to 30/09/2017	**14,099**
To deduct:	
Legal reserve	-
Available for interim dividend	14,099
Total interim dividend 2017	**10,194**
Available in lines of credit for Cellnex Telecom, S.A. at 30/09/2017	1,130,116
Available in bank accounts at 30/09/2017	259,966
Collections-Payments scheduled up to 31/12/2017	(169,647)
Liquidity available prior to payment	**1,220,435**
Interim dividend	(10,194)
Liquidity available after payment	**1,210,241**

2016

	Thousands of Euros
Net profit for the period 01/01/2016 to 31/10/2016	**21,855**
To deduct: Legal reserve Available for interim dividend	 - 21,855
Total interim dividend 2016	**10,194**
Available in lines of credit for Cellnex Telecom, S.A. at 31/10/2016 Available in bank accounts at 31/10/2016 Collections-Payments scheduled up to 31/12/2016	615,000 71,473 (87,618)
Liquidity available prior to payment	**598,855**
Interim dividend	(10,194)
Liquidity available after payment	**588,661**

4. Accounting policies and measurement bases

The main accounting policies and measurement bases used by the Company in drawing up its financial statements for 2017 and 2016, in accordance with Spain's National Charter of Accounts, were as follows:

4.1. Intangible assets

The intangible assets indicated below are recognised at acquisition cost less accumulated amortisation and any loss due to impairment, with their useful life being evaluated on the basis of prudent estimates. When the useful life of these assets cannot be estimated reliably they are amortized over a period of ten years.

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.

Computer software

This 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 on a straight-line basis over a useful life of 4 years. Computer software maintenance costs are charged to the income statement in the year in which they are incurred.

4.2. Property, plant and equipment

Property, plant and equipment are stated at acquisition or production cost less accumulated depreciation and any loss due to impairment, in accordance with the principle set forth in Note 4.3.

Staff costs and other costs directly related to property, plant and equipment are capitalised as part of the investment until brought into 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 asset, provided that the carrying amount of the assets replaced and derecognised from inventories is known or can be estimated.

The costs of major overhauls are capitalised and depreciated over their estimated useful lives, while recurring upkeep and maintenance costs are charged to the income statement in the year in which they are incurred.

The depreciation of property, plant and equipment, except for land, which is not depreciated, is calculated systematically on a straight-line basis, using the estimated 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:

Item	Useful life in years
Plant and other items of property, plant and equipment	10 - 25

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 income statement for the year (see Note 4.3).

4.3. Impairment of non-financial assets

The Company evaluates, at each balance sheet date, whether there is any indication of impairment in the value of any asset. If any such indication exists, or when an annual impairment test is required (in the case of assets with an indefinite useful life), the Company estimates the asset's recoverable amount, which is the greater of the fair value of an asset less costs to sell and its value in use.

To determine the value in use of an asset, the future cash inflow that the asset is expected to generate is discounted from its present value using an interest rate that reflects the current value of money at long-term rates and the specific risks of 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 from 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 income statement for the year.

With the exception of goodwill, where impairment losses are irreversible, the Company 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 income statement for the year.

4.4. *Financial assets*

Financial assets are initially recognised at the fair value of the consideration given plus directly attributable transaction costs.

Since 1 January 2010, fees paid to tax advisors or other professionals in relation to the acquisition of investments in Group companies which exercise control over the subsidiary are recognised directly in the income statement.

The Company's financial assets are classified as:

a) Loans and receivables

Loans and receivables are financial assets originating from the sale of goods or the rendering of services in the originary course of the Company’s business, or those that are not of commercial origin, are not equity instruments or derivative, have fixed or determinable payments and are not traded on an active market.

This account mainly relates to:

- 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 on initial recognition. This value is reduced, if necessary, by provision for bad debts (impairment loss) whenever there is objective evidence that the amount owed will not be collected in full, with an impact on the income statement for the year.

- Receivables from loans with group companies, associates, or related entities which are measured at their nominal value (which does not differ significantly from their amortised cost using the effective interest method).

At year-end, the necessary valuation adjustments due to impairment are performed if there is objective evidence that the total receivable will not be collected.

b) Equity investments in Group companies and associates

Group companies are deemed to be those related to the Company as a result of control relationship and associates are companies over which the Company exercises significant influence.

These are stated at cost less any accumulated valuation adjustments due to impairment and, if a hedge of a net investment in a foreign operation is designated, adjusted by the part of the hedge that meets the criteria for qualifying as an effective hedge. Nevertheless, when there is an investment prior to its classification as a Group company or associate, the cost of the investment is its carrying amount before it is classified as such. The preceding valuation adjustments recognised directly in equity are maintained until the asset is derecognised.

If there is objective evidence that the carrying amount is not recoverable, the necessary adjustments are made for the difference between the carrying amount and the recoverable amount, the latter being understood as the greater of its fair value less costs to sell and the present value of the cash flows generated by the investment. Unless there is better evidence of the recoverable amount, the estimate of the impairment of the investments takes into account the equity of the investee adjusted by the amount of the unrealised gains at the date of measurement. Valuation adjustments and, as appropriate, their reversal, are recognised on the income statement in the year in which they arise.

The Company derecognises a financial asset when the right to receive the asset’s cash flows has expired or has been transferred and substantially all the risks and rewards of ownership have been transferred.

The assets that are designated as hedges are subject to the valuation requirements of hedge accounting (see Note 4.6).

4.5. *Financial liabilities*

This category includes trade and non-trade payables. These borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement for at least twelve months after the balance sheet date.

Trade payables falling due within one year and which do not have a contractual interest rate are stated, both initially and afterwards, at nominal value when the effect of not discounting the cash flows is not material.

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

If existing debts are renegotiated, it is considered that there are no substantial modifications to the financial liabilities when the lender for the new loan is the same party that extended the initial loan and the present value of the cash flows, including net commissions, does not differ by more than 10% from the present value of the cash flows payable from the original liability calculated using the same method.

4.6. *Derivative financial instruments and hedge accounting*

The Company uses derivative financial instruments to manage its financial risk, arising mainly from changes in interest rates and exchange rates (see Note 5). These derivative financial instruments were classified as cash flow hedges and recognised 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 Company's risk and the counterparty's risk.

At the inception of the hedge, the Company documents the relationship between the hedging instruments and the hedged items, in addition to its risk management objective and the strategy for undertaking the hedge. The Company 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 Notes 9.1 and 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:

a) 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 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 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 profit or loss for the year under “Change in fair value of financial instruments”.

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

b) Hedges of a net investment in currencies other than the euro

The Company finances its major foreign investments in the same functional currency in which they are held so as to reduce the foreign currency risk. This is carried out by obtaining financing in the corresponding currency or by entering into cross-currency and interest-rate swaps.

The exchange-rate component of hedges of net investments in foreign operations in subsidiaries, jointly controlled entities and associates are accounted for as a fair value hedge.

The changes in fair value of the designated derivatives, which meet the conditions for qualifying as hedges of net investments in foreign operations, are recognised in the income statement under “Change in fair value of financial instruments”, together with any changes in the fair value of the hedged investment in subsidiaries, jointly controlled entities or associates that is attributable to foreign-exchange risk.

c) 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 Company does not use any derivative instruments which do not qualify as hedging instruments.

d) 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 as level 1, 2 or 3 depending on the extent to which inputs used are observable and the importance of the inputs for measuring fair value in its entirety, as described below:

- Level 1 - Inputs are based on quoted prices (unadjusted) for identical instruments in active markets.

- Level 2 – Inputs are based on quoted prices for similar instruments in active markets (not included in level 1), prices quoted for identical or similar instruments in markets that are not active and 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.

To determine the fair value of its derivatives, the Company 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 Company and by the counterparties are estimated on the basis of the credit default swap (CDS) prices observed in the market.

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.

4.7. Income tax

The income tax expense or income includes the portion relating to the expense or income for current tax and the portion corresponding to the deferred tax expense or income.

Current income tax expense is the amount the Company pays as a result of income tax settlements for a given year. Tax credits and other tax benefits applied to taxable profit, excluding tax withholdings, prepayments and tax loss carryforwards from previous years, reduce current income tax expense.

Deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences, measured as the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, as well as unused tax losses and tax credits. These amounts are measured by applying to the corresponding temporary difference or tax asset, the tax rate at which the asset is expected to be realised or the liability is expected to be settled.

Deferred tax liabilities are recognised in respect of all taxable temporary differences, with the exception of those arising from initial recognition of goodwill or other assets and liabilities in an operation that does not affect either taxable profit or accounting profit and is not a business combination.

Deferred tax assets are recognised only to the extent that it is considered likely the Company will have sufficient taxable profit in the future against which the deferred tax assets can be offset.

Deferred tax assets and liabilities arising from operations that are charged or credited directly to equity accounts are also recognised with a balancing entry under equity.

The deferred tax assets recognised are reconsidered at each closing date, and any necessary corrections are made if there are any doubts concerning future recovery. Deferred tax assets not recognised on the balance sheet are also assessed at each closing date, and are recognised if it is likely they will be recovered with future tax gains.

4.8. ***Employee benefits***

Under the respective collective bargaining agreements, the Company has the following obligations with its 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 Company 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 on the 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 undertakes certain actuarial and investment risks, the liability recognised on the balance sheet is the present value of the obligations at the balance sheet 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 credit unit 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 on the income statement, but are presented on the statement of recognised income and expense.

(ii) Termination benefits

Termination benefits are paid to employees as a result of the decision to terminate their employment contract before the normal retirement date, or when the employee voluntarily accepts to resign in exchange for such compensation. The Company 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 termination benefits. If a mutual agreement is required, a provision is only recorded in situations in which the Company has decided that it will consent to termination of the employees when this has been requested by them.

(iii) 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.

(iv) Long-term Incentive Plan

The amounts considered by the Company in relation to the Long Term Incentive Plans which were formalised in 2015 and 2017 with the objective to retain key personnel and incentivise the sustainable creation of value for the shareholders, is based on the variables described below:

On 10 April 2015 the Long Term Incentive Plan (2015-2017) was approved for certain employees. This plan accrues from May 2015 until 31 December 2017 and is payable once the Group's annual accounts corresponding to the 2017 financial year have been approved. The beneficiaries of the Plan are the Chief Executive Officer, the Senior Management and some key employees of the Cellnex Group (up to a maximum of 32 people). 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%:

- The share price appreciation calculated between the initial starting price of the IPO and the average price in the last quarter of 2017, weighted by the volume ("vwap"), following a scale of achievement.
- The attainment of certain performance parameters according to the market consensus and the constant scope of consolidation, following a scale of attainment.

With regards to the LTIP (2015-2017) dated 10 April 2015 for the benefit of certain employees, the weighted average degree of fulfilment of the following two objectives was 111%. For the first objective, which was related to Cellnex share price appreciation, the percentage of attainment was 120% and for the second objective, which was related to the Adjusted EBTIDA figure obtained as at 31 December 2017, the percentage of attainment was 102%.

The cost of the LTIP (2015-2017) for Cellnex, anticipating that the maximum degree of fulfilment of the objectives will be obtained, is currently estimated at EUR 4.4 million.

In addition, on 27 April 2017 the Group approved the LTIP (2017-2019) for certain employees, which is divided into two phases

- 2017-2018: this accrues from 1 January 2017 until 31 December 2018 and is payable once the Group's annual accounts corresponding to the 2018 financial year have been approved.
- 2018-2019: this accrues from 1 January 2018 until 31 December 2019 and is payable once the Group's annual accounts corresponding to the 2019 financial year have been approved.

The beneficiaries are the CEO, Senior Management and several key employees of the Cellnex Group (up to a maximum of 50 staff approximately). The amount receivable by the beneficiaries will be determined by the degree of fulfilment of certain objectives regarding Cellnex's relative share price performance, and the attainment of certain performance parameters according to the market consensus and the constant scope of consolidation, following a scale of attainment.

The cost of the Long Term Incentive Plan (2017-2019) for Cellnex if it were to reach the maximum level of achievement of the objectives is estimated at approximately EUR 5.8 million.

4.9. Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation (legal, contractual 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.

The provisions are measured at the present value of the disbursements expected to be necessary to settle the liability. Adjustments to the provision due to its restatement are recognised as borrowing costs as they accrue.

Provisions expiring in one year or less and that do not have a material financial impact are not discounted.

When it is expected that part of the disbursement required to settle the provision will be refunded by a third party, the refund is recognised as a separate asset, provided it is practically bound to be received.

Contingent liabilities are possible obligations arising as a result of past events, the emergence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company.

4.10. Recognition of revenue and expenses

On the basis of the consultation to Spain's Accounting and Audit Institute (ICAC) resolved on 23 July 2009, concerning accounting classification of the revenue and expenses of a holding company in individual accounts, income from dividends and interest accruing from the financing of investees were classified under "Revenue".

Income and expenses are recognised on an accrual basis, i.e., when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the reporting date, provided that the outcome of the transaction can be estimated reliably.

Interest income from financial assets is recognised using the effective interest method.

4.11. Leases

When assets belonging to the company are used in operating leases, the assets are posted on the balance sheet according to their type. Income from leases is recognised using the straight-line method over the term of the lease.

4.12. Cash and cash equivalents

For the purposes of the statement of cash flows, “Cash and cash equivalents” includes the Company's cash and current deposit accounts with an initial maturity of three months or less. The carrying amount of these assets is similar to their fair value.

4.13. Treasury shares

If the Company acquires treasury shares, these are recognised in the balance sheet under “Treasury shares” and deducted from 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 of the Company.

4.14. Related party transactions

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

For balance sheet presentation purposes, Group companies are considered as those that are direct or indirect subsidiaries of Cellnex Telecom, S.A., and associates are considered as companies that have this status with respect to companies controlled by Cellnex Telecom, S.A.; and other related companies are deemed to be those with significant influence over Cellnex Telecom, S.A., with the right to nominate a director or with a shareholding above 5% (see Note 11).

4.15. Transactions in currencies other than the euro

Transactions in currencies other than the euro are translated into the functional currency of the Company (the euro) using the exchange rates in effect on the transaction date. Gains and losses on currencies other than the euro arising from the settlement of these transactions and from the translation of monetary assets and liabilities held in currencies other than the euro at the year-end exchange rates are recognised in the income statement.

4.16. Activities affecting the environment

The Company's activities and business purpose are such that it has no environmental impact, and therefore it is not necessary to incur any expenses or invest to meet the environmental requirements laid down in law.

4.17. Current and non-current items

Current assets are those related to the normal operating cycle that is generally considered to be one year, as well as those assets whose maturity, disposal or realization is expected to occur in the short term from the closing date of the year. Financial assets held for trading, with the exception of financial derivatives whose settlement period is greater than one year and cash and other equivalent liquid assets. Assets that do not meet these requirements are classified as non-current.

Similarly, current liabilities are liabilities linked to the normal operating cycle, financial liabilities held for trading, with the exception of financial derivatives whose settlement period is greater than one year and, in general, all the obligations whose maturity or extinction will occur in the short term. Otherwise, they are classified as non-current.

5. Financial risk management

5.1. Factors of financial risk

The activities of the Company and the Group, of which it is the Parent, are exposed to various financial risks: exchange-rate risk, interest-rate risk, credit risk, liquidity risk and inflation risk.

Financial risk management of the companies in the Cellnex Group is controlled by the General Finance Department following authorisation by the most senior executive officer of Cellnex, as part of the respective policy adopted by the Board of Directors.

a) Foreign-exchange risk

Foreign-exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

The foreign-exchange risk on net assets of Company operations in non-euro currencies is managed, mainly, by raising debt in the corresponding currencies and/or through the use of cross-currency and interest-rate swaps.

The strategy of hedging foreign currency risk in Company investments in non-euro currencies must tend towards a full hedge of this risk, and must be implemented over a reasonable period of time depending on the market and the prior evaluation of the effect of the hedge.

b) Interest rate risk

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

Borrowings issued at floating rates expose the Company to cash flow interest rate risk, while fixed-rate borrowings expose it to fair value interest rate risk. Additionally any increase in interest rates would increase the Company’s finance costs related to variable-rate indebtedness and increase the costs of refinancing existing indebtedness and the cost of 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 income statement in a multi-annual setting.

The Company may use derivative financial instruments to manage its financial risk, arising mainly from changes in interest rates. These derivative financial instruments were classified as cash flow hedges and recognised at fair value (both initially and subsequently), using valuations based on the analysis of discounted cash flows with assumptions that are mainly based on the market conditions at the balance sheet date for unlisted derivative instruments (see Notes 4.6, 9.1 and 12).

On December 31, 2017 there is financing granted by third parties covered by interest rate hedging mechanisms (see Notes 9.1 and 12).

c) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as other debts, including outstanding receivables and committed transactions.

To mitigate this credit risk, the Company 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.

During the years for which information is reported, no credit limits were exceeded and management does not expect to incur losses as a result of default by any of the counterparties indicated above.

d) Liquidity risk

The Group carries out prudent management of liquidity risk, which involves maintaining cash and having access to a sufficient amount of finance through established credit facilities as well as the ability to liquidate market positions.

e) Inflation risk

Most of the Company's services contracts are indexed to inflation through part of its operating expenses and infrastructure lease agreements. The same is true of its other contracts.

5.2. Fair value measurements

The fair value of financial instruments not quoted on active markets is determined using valuation techniques. The Company uses a variety of methods and makes assumptions based on the existing market conditions at each balance sheet date.

6. Intangible assets

The changes in this heading on the balance sheets in 2017 and 2016 are as follows:

2017

	Thousands of Euros
	Computer software
At 31 December 2016	
Cost	5,533
Accumulated amortisation	(815)
Carrying amount	**4,718**
Carrying amount at beginning of period	4,718
Additions	4,560
Amortisation charge	(1,770)
Carrying amount at end of period	**7,508**
At 31 December 2017	
Cost	10,093
Accumulated amortisation	(2,585)
Carrying amount	**7,508**

2016

	Thousands of Euros
	Computer software
At 31 December 2015	
Cost	1,252
Accumulated amortisation	(36)
Carrying amount	**1,216**
Carrying amount at beginning of period	1,216
Additions	4,281
Amortisation charge	(779)
Carrying amount at end of period	**4,718**
At 31 December 2016	
Cost	5,533
Accumulated amortisation	(815)
Carrying amount	**4,718**

The additions of the 2017 and 2016 exercises correspond to the improvement and adaptation of software developments.

All the intangible assets described in the table above have definite useful lives.

At 31 December 2017 and 2016, no totally amortised intangible assets were in operation.

It is Company policy to take out all the insurance policies considered necessary to safeguard against any risks that might affect its intangible assets.

7. Property, plant and equipment

The changes in this heading on the balance sheets in 2017 and 2016 were as follows:

2017

	Thousands of Euros			
	Land and buildings	Plant and other items of property, plant and equipment	Property, plant and equipment under construction	Total
At 31 December 2016				
Cost	155	1,668	25	1,848
Accumulated amortisation	-	(138)	-	(138)
Carrying amount	**155**	**1,530**	**25**	**1,710**
Carrying amount at beginning of period	155	1,530	25	1,710
Additions	158	953	80	1,191
Amortisation charge	(8)	(338)	-	(346)
Transfers	1	25	(26)	-
Carrying amount at end of period	**306**	**2,170**	**79**	**2,555**
At 31 December 2017				
Cost	314	2,646	79	3,039
Accumulated amortisation	(8)	(476)	-	(484)
Carrying amount	**306**	**2,170**	**79**	**2,555**

2016

	Thousands of Euros			
	Land and buildings	Plant and other items of property, plant and equipment	Property, plant and equipment under construction	Total
At 31 December 2015				
Cost	-	500	-	500
Accumulated amortisation	-	(14)	-	(14)
Carrying amount	**-**	**486**	**-**	**486**
Carrying amount at beginning of period	-	486	-	486
Additions	155	1,168	25	1,348
Amortisation charge	-	(124)	-	(124)
Carrying amount at end of period	**155**	**1,530**	**25**	**1,710**
At 31 December 2016				
Cost	155	1,668	25	1,848
Accumulated amortisation	-	(138)	-	(138)
Carrying amount	**155**	**1,530**	**25**	**1,710**

The additions of the 2017 and 2016 periods correspond mainly to the adaptation and improvement of the offices where the Company carries out its activity.

All the PPE described in the table above (excluding “lands”) have definite useful lives.

At 31 December 2017 and 2016, no totally depreciated property, plant and equipment were in operation.

It is Company policy to take out all the insurance policies considered necessary to safeguard against any risks that might affect its property, plant and equipment.

8. Investments in Group companies and associates

8.1. Equity instruments

The breakdown of direct and indirect shareholdings in Group companies and associates, together with their carrying amount, the breakdown of equity and the dividends received from them, is shown in Appendix I.

At 31 December 2017 and 2016 there were no investees which, with a stake of less than 20%, it may be concluded there was significant influence or, in the case of investees with a stake of more than 20%, it may be concluded there was no significant influence.

The detail of this item is as follows:

2017

Shareholding in Group companies	Thousands of Euros
At 31 December 2016	**1,920,731**
Additions-	
On Tower Telecom Infraestructuras, S.A.U.	367,254
Cellnex France, S.A.S.	438,091
Cellnex France Groupe, S.A.S.	1,050
Cellnex Switzerland AG	165,482
Cellnex Netherlands BV	403,085
Cellnex Telecom España, S.L.U.	3
Disposals-	
Shere Group Limited	(283,240)
	1,091,725
At 31 December 2017	**3,012,456**

2016

Shareholding in Group companies	Thousands of Euros
At 31 December 2015	**1,314,126**
Additions-	
Cellnex Netherlands, B.V.	112,066
Cellnex France, S.A.S.	80,000
Shere Group Limited	414,539
	606,605
At 31 December 2016	**1,920,731**

The main additions in 2017 relate to the following transactions:

i) On Tower Telecom Infraestructuras, S.A.

On January 10, 2017, the company On Tower Telecom Infraestructuras, S.A. (Sole proprietorship 100% owned by Cellnex Telecom, S.A.), formalized an increase in share capital in the amount of EUR 36,725 thousand with an issue premium of EUR 330,529 thousand. This capital increase, for a total amount of EUR 367,254 thousand, was subscribed by Cellnex Telecom, S.A. by offsetting part of the credit rights derived from a long-term credit agreement granted to the company on December 17, 2013.

ii) Cellnex France, S.A.S..

On January 11, 2017, the company Cellnex France, S.A.S. (Sole proprietorship 100% owned by Cellnex Telecom, S.A.), formalized an increase in share capital in the amount of EUR 1,980 thousand with an issue premium of EUR 69,309 thousand. This capital increase, for a total amount of EUR 71,289 thousand, was subscribed by Cellnex Telecom, S.A. by offsetting part of the credit rights derived from a short-term credit agreement granted to the company on September 29, 2016.

Additionally, dated December 18, 2017 Cellnex France, S.A.S. It formalized a second capital increase in the amount of EUR 10,288 thousand with an issue premium for an amount of EUR 356,514 thousand. This capital increase, for a total amount of EUR 366,802 thousand, was subscribed by Cellnex Telecom, S.A. by offsetting part of the credit rights derived from a short-term credit agreement granted to the company on September 29, 2016.

iii) Cellnex France Groupe, S.A.S..

On March 23, 2017, Cellnex Telecom, S.A. It formed the Cellnex France Groupe, S.A.S., through the creation of 1,050 thousand shares with a par value of 1 euro fully paid at the time of incorporation.

iv) Cellnex Switzerland AG

During the second quarter of 2017, Cellnex Telecom, S.A. formed the Swiss company Cellnex Switzerland AG ("Cellnex Switzerland") with a capital stock of CHF 100 thousand through the creation of 100,000 shares with a nominal value of CHF 1 Swiss franc per share.

Subsequently, on May 23, 2017, the Company proceeded to sell 46,320 shares of Cellnex Switzerland, representing 46% of the share capital of the aforementioned company to Swiss Life GIO II EUR Holding S.a.r.l. ("Swiss Life") and DTCP NL II C.V. ("Deutsche Telekom Capital Partners", DTCP) for a total amount of CHF 46,320.

After the aforementioned operation, the Company holds a representative stake of 54% of the capital stock of Cellnex Switzerland.

In addition, on July 24, 2017, a capital contribution of CHF 193,594 thousand was made to finance the purchase of the Swiss Towers AG Company. This capital contribution did not mean an increase in the shares that the Company has in Cellnex Switzerland.

v) Cellnex Netherlands BV

On September 7, 2017, the Company executed a capital contribution amounting to EUR 125,000 thousand on the company Cellnex Netherlands BV ("Cellnex Netherlands") to finance the purchase of the subgroup Infracapital Alticom. This capital contribution did not mean an increase in the shares that the Company has in Cellnex Netherlands.

Additionally, Cellnex Netherlands acquired of 100% of the shares of Shere Masten, B.V., up to the date owned by Shere Group Netherlands, B.V., for its book value of EUR 278 million.

To finance this acquisition Cellnex Telecom, S.A. made a capital contribution to Cellnex Netherlands for the same amount.

vi) Cellnex Telecom España, S.L.U.

On August 2, 2017, the Company established the company Cellnex Telecom España, S.L.U. with a share capital of EUR 3 thousand, fully disbursed at the time of incorporation.

vii) Changes in the portfolio as a result of the exchange rate:

During the current financial year 2017, the net investment coverage in foreign businesses of certain companies as Shere Group Limited and Cellnex Switzerland resulted in a decrease in the cost of the investment in these investees amounting to EUR 5,157 thousand and EUR 5,000 thousands, respectively (increase of EUR 5,904 thousand and EUR 0 thousand respectively in 2016). This variation was made with a balancing entry in the income statement for the year (under the heading "Variation in the fair value of financial instruments") due to the effect of the exchange rate on the part of the coverage considered as effective coverage, said impact being offset due to the effect of the contracted coverage (see Note 12), also recorded in the same section of the income statement (see Note 15.5).

The main additions in 2016 relate to the following transactions:

viii) Cellnex Netherlands BV

On 27 May 2016 the Company reached an agreement to acquire 100% of the share capital of Protelindo Netherlands, BV (which, in turn, owned all the shares of Protelindo Towers, BV), a subsidiary of the Indonesian telecommunications towers group PT Sarana Menara Nusantara for EUR 112 million. As a result of the acquisition, Cellnex directly owns all the shares of Protelindo Netherlands BV and, consequently, all the shares of Protelindo Towers BV.

On 1 July 2016 Protelindo Netherlands B.V. changed its name to Cellnex Netherlands B.V. On 24 October 2016 Protelindo Towers B.V. changed its name to Towerlink Netherlands B.V.

ix) Cellnex France, S.A.S.

On 8 July 2016 Cellnex Telecom, S.A. incorporated the company Cellnex France, S.A.S. with a share capital of EUR 1. Subsequently, on 13 Septermber 2016, Cellnex France, S.A.S. increased its share capital by EUR 19,999 with a share premium of EUR 79,980 thousand, of which, EUR 2 thousand were used to constitute its legal reserve. This increase in share capital, for the amount of EUR 80,000 thousand, was fully subscribed by Cellnex Telecom.

x) Subgroup Shere Group

On 29 September 2016, the Company signed a contract with Arcus Infrastructure Partners and other minority shareholders to purchase 100% of the share capital of Shere Group Limited, owner of 1,004 sites located in the Netherlands and UK for a total of EUR 409 million. The transaction was completed on 15 October 2016, following several administrative authorizations.

8.2. Impairment

As indicated in Note 4.4, at the end of the year, the Company evaluates whether any of the investments recorded in books show signs of impairment and, if applicable, their recoverable value.

For this purpose, the method for estimating the recoverable value from the net equity value was used first.

In those cases in which when applying said method it has been shown that the book value was higher, the recoverable amount of the investment has been determined based on the present value of the future cash flows derived from the investment, calculated by estimating their share in the cash flows expected to be generated by the investee, or the market value (price of recent similar transactions in the market) minus the costs associated with the sale.

In those cases in which the main activity of the investee is holding company shares, the recoverable amount has been calculated based on the aggregation of the present value of the future cash flows derived from the investment of its subsidiaries.

In order to determine this current value of the future cash flows derived from the investment, the following has been mainly carried out:

- All cash generating units (CGU), except for TowerCo and Commscon, were projected up to 2040 in line with the duration of service contracts in the telecommunications infrastructure services business segment. Since TowerCo's business is based on a concession agreement with Atlantia, this CGU was projected until the end of the concession in 2038. Commscon's business has a different market dynamics and the average duration of the contract is 9 years.

- The projections of income and expenses of the impairment tests of the previous year have been reviewed to evaluate possible deviations. In this sense, no significant deviations have been observed in the review of the impairment tests for 2016 with respect to the results for the year 2017.

- The corresponding projections of income and expenses have been made, according to the following general criteria:

  - In terms of business activity, the growth of the consumer price index (CPI) in each country in which the company operates, provided by the corresponding official bodies of each country (affected), has been taken as a reference for its estimation. by the correctors that are applicable in each case), in the activity of the Infrastructure business for mobile telecommunications operators has been estimated taking as reference the expected growth based on the agreements they have with different customers and the possibilities of co-location in based on the configuration and distribution of the acquired network, and other specific aspects that could affect future activity.

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

  - Additionally, the Group considered the impact of the maintenance of the infrastructure that will be carried out, using the best estimates available based on the Group's experience and taking into account the projected return of the activity.

- The residual value calculated in each of the prepared tests, through the evaluation of the reasonableness of the perpetuity growth rate used.

- The cash projections obtained from the projection of income and expenses carried out according to the above-mentioned criteria, have been updated to the discount rate resulting from adding to the cost of money without risk in the long term, the risk premium assigned by the market to the country where the activity of the company is carried out, the risk premium assigned by the market to each business (both considering a long-term vision).

- In general, the projections are based on the 2018 budget and the last approved long-term projection.

As a result of the foregoing, during the 2017 and 2016 periods the need to record impairment losses in any of the investments recorded under this heading has not been revealed.

As of December 31, 2017 and 2016, there is no provision for impairment of the value of the shares held in Group companies and associates.

8.3. Other information

The Company has no commitments in relation to its investees other than the financial investments made, with the exception of the balances held with those companies, which are included in Note 17.3

9. Current and non-current financial investments

The breakdown of financial investments by categories is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
	Non-current	Non-current
Investment fund	294	210
Derivatives	164	-
Deposits and guarantees	379	333
Total	**837**	**543**

The Company join a venture capital fund in the ICT sector, with an undertaking to subscribe six hundred thousand shares with a nominal value of one euro each. The initial disbursement amounted to EUR 90 thousand, accounting for 15% of the equity undertaken by the Company.

In 2017 and 2016 additional contributions were made in the amount of EUR 84 and 60 thousand in each financial year.

Deposits and guarantees also included the amount of the deposit made in respect of the office rental contract (see Note 16.3).

In the "Derivatives" heading, the Company records the fair value of the cash flow hedging derivatives related to the issuance of floating rate debentures issued during the year (see note 12.1).

9.1. Derivative financial instruments

The Company uses derivative financial instruments to hedge the risks to which its activities, operations and future cash flows are exposed. Within the framework of these operations, the Company has contracted certain hedging financial instruments according to the following detail:

a) Cash flow hedge

2017

			Thousands of Euros				
	Classification	Type	Contracted amount	Expiration	Inefficacy Registered in P&L	Fair Value	
						Asset	Liabilitie
Interest rate swap	Interest rate coverage	Variable to fixed	60,000	07/04/2026	-	126	-
Interest rate swap	Interest rate coverage	Variable to fixed	20,000	07/04/2026	-	38	-
						164	**-**

2016

At the end of 2016, the Company had not contracted derivative financial instruments to hedge cash flows.

b) Hedges of a net investment in currencies other than the euro

2017

	Classification	Thousands of Euros				
		Contracted amount	Expiration(*)	Inefficacy Registered in P&L	Fair Value	
					Asset	Liabilitie
Loan in sterling	Exchange rate coverage	131,297	30/11/2019	-	-	119,361
Loan in Swiss francs	Exchange rate coverage	165,229	30/06/2019	-	-	150,208

(*)The loans subscribed as hedging instruments have been contracted with various banks with different maturities. The closest expiration is indicated in the table above.

2016

	Classification	Thousands of Euros				
		Contracted amount	Expiration(*)	Inefficacy Registered in P&L	Fair Value	
					Asset	Liabilitie
Loan in sterling	Exchange rate coverage	136,039	30/11/2019	-	-	123,672

(*)The loans subscribed as hedging instruments have been contracted with various banks with different maturities. The closest expiration is indicated in the table above.

10. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Cash	118,574	97,742
Cash equivalents	55,016	59,000
Bank interest	-	11
Total	**173,590**	**156,753**

At 31 December 2017 the Company had fixed-term deposits with two banks, in the total amount of EUR 55,016 thousand (EUR 59,000 thousand on 31 December 2016). It was created on 19 October 2017, with a 92-day maturity (30 December 2016 and 13 day maturity in 2016).

11. Net equity

11.1. Capital and treasury shares

Share capital

At 31 December 2017 and 2016, Company share capital was composed of 231,683,240 ordinary registered shares, cumulative and indivisible, each with a nominal value of EUR 0.25, fully subscribed and paid up.

According to communications issued to the Spanish National Securities Market Commission (CNMV) on the number of company shares, the shareholders with significant direct or indirect stakes in the Company's share capital were as follows at 31 December 2017 and 2016:

	% stake	
	2017	2016
Abertis Infraestructuras, S.A.	34.00%	34.00%
Blackrock, Inc (1)	4.99%	5.54%
MFS Investment Management (2)	5.11%	0.00%
Criteria Caixa, S.A.U.	5.00%	5.00%
Threadneedle Asset Management Ltd (3)	4.90%	7.76%
Total	**54.00%**	**52.30%**

(1) Corresponds to managed collective institutions with a percentage lower than 5%. In addition, there is a total holding of 1.06% through financial instruments connected to shares in the Company. At the year-end 2016, this shareholding was through Blackrock Advisors, LLC of 3.22% and the rest corresponded to managed collective institutions with a percentage lower than 3%. In addition, there was a total holding of 0.38% through financial instruments connected to shares in the Company.

(2) MFS Investment Management controls 4.51% of the rights to vote through Massachusetts Financial Services Company. The remaining collective institutions have a shareholding lower than 3%.

(3) Threadneedle Asset Management Ltd controls 4.90% of the rights to vote across several investment funds and other accounts. None of the above mentioned funds and/or accounts have a shareholding higher than 3%. At 2016 year-end Threadneedle Asset Management Ltd controlled 7.76 % 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 %.

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

In accordance with the agreements of the Annual General Shareholders' Meeting and in accordance with the terms established in article 297.1(b) of the Spanish Limited Liability Companies Act, to delegate to the company's Board of Directors the power to increase the share capital, in one go or in various successive increases, by up to half of the current share capital at any time within five years of the date on which this decision was adopted. The granting of the power to exclude pre-emptive subscription rights is explicitly set out, in accordance with the provisions of article 506 of said Act (although this power will be limited to capital increases carried out up to an amount equivalent to 20% of the Company's share capital on the date that the decision became effective); and all of these powers may be delegated to any of the Board members.

Furthermore, in accordance with these AGSM ("Annual General Shareholders Meeting") agreements, the following powers were delegated to the Board of Directors of the Company:

i. The power to issue convertible bonds up to an amount of EUR 750 million.
ii. The power to purchase treasury shares up to a limit of 10% of the share capital of the Company.

In addition, the Annual General Meeting of Shareholders on 30 June 2016 approved the modification of the AGM rules in order to adjust the drafting thereof to comply with the modification in article 406 of the Spanish Companies Act, which was altered due to article 45 of the Law 5/2015, such that the Board of Directors has the authority to agree the issuance and placement in regulated markets of bonds, and agree to confer guarantees for the issuance of bonds. The Annual General Shareholders' Meeting is authorized to agree the issuance of bonds convertible to shares or bonds that offer the bondholders a share in corporate earnings.

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.

The acquisition of treasury shares has been carried out by means of a liquidity contract [(1)] signed by Cellnex on 31 May 2016 with Santander Investment Bolsa, Sociedad de Valores, S.A.U. in order to manage its portfolio of treasury shares.

The liquidity contract lasts for twelve months and can be renewed tacitly at yearly intervals. The number of shares initially subject to the agreement amounts to 139,000 shares and the amount transferred to the cash account amounts to EUR 2,000 thousand. As at 31 December 2017 the Company has registered a profit of EUR 743 thousand (a loss of EUR 267 thousand in 2016), net of fees and commissions as a result of these operations and this has been taken as a reserve movement in the balance sheet.

As a result of the operations carried out, the balance of treasury shares as at 31 December 2017 represents 0.04% of the share capital of Cellnex Telecom, S.A. (0,09% as at 31 December 2016.)

The movement in the portfolio of treasury shares in 2017 were as follows:

	Number (Thousands of Shares)	Average price	Purchases /Sales (Thousands of Euros)
At 1 January 2017	197	13.675	2,694
Purchases	15,827	17.112	270,817
Sales	(15,937)	17.045	(271,652)
At 31 December 2017	**87**	**21.427**	**1,859**

11.2. Share premium

In 2013, as a result of corporate restructuring due to the contribution of the terrestrial telecommunications business to the Company, its share premium was increased by EUR 338,733 thousand.

At 31 December 2017 and 2016, there were no changes in this heading.

(1) Liquidity contract in accordance with the CNMV circular 1/2017 of 26 April covering liquidity contracts for the purpose of their acceptance as market practice.

11.3. Reserves

The breakdown of this account is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Legal reserve	11,584	11,584
Voluntary reserves	45,653	36,411
Other reserves	476	(267)
	57,713	**47,728**

Legal reserve

In accordance with the Revised Spanish Limited Liability Companies Law, 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 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 2017 and 2016, the legal reserve had reached the legally established minimum.

Voluntary reserves

Voluntary reserves are unrestricted.

11.4. Dividends

On April 27, 2017, the General Shareholders' Meeting of Cellnex approved the payment of a complementary dividend for the year 2016 of EUR 0.042325 gross per share, which accounted for EUR 9,806 thousand.

As detailed in Note 3, during fiscal year 2017, an interim dividend of EUR 10,194 thousand was distributed, representing EUR 0.044 gross for each of the shares comprising the share capital of the company. the Company (EUR 10,194 thousand at the end of 2016, representing EUR 0.044 gross per share).

12. Current and non-current debt

The breakdown, by category, of short and long term debts payable is as follows:

	Thousands of Euros					
	Debits and payables					
	31/12/2017			31/12/2016		
	Corriente	No corriente	Total	Corriente	No corriente	Total
Bond Issues	29,474	1,869,145	1,898,619	12,527	1,397,939	1,410,466
Loans and credit facilities	1,588	500,279	501,867	1,540	278,247	279,787
Derivatives	181	-	181	-	-	-
Other financial liabilities	14,985	-	14,985	3,353	-	3,353
Total	**46,228**	**2,369,424**	**2,415,652**	**17,420**	**1,676,186**	**1,693,606**

During the period ended at 31 December 2017, Cellnex has increased its gross financial debt (which does not include "Derivative financial instruments" or "Other financial liabilities") by EUR 710,233 thousand, up to EUR 2,400,486 thousand, mainly due to the issue of EUR 475,000 thousand in bonds and the drawdown in loans and credit facilities as explained below.

As at 31 December 2017, Cellnex weighted average cost of debt (considering both the drawn and undrawn borrowings) would be 2.0% (2.0% as at 31 December 2016) and the weighted average cost of debt (considering only the drawn down borrowings) was 2.5% (2.5% as at 31 December 2016).

The Cellnex's borrowings were arranged under market conditions, therefore their fair value do 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 Company prioritises securing sources of financing at Parent Company level. The aim of this policy is to secure financing at a lower cost and longer tenure 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 at 31 December 2017 and 31 December 2016, the breakdown of the Group's borrowings (i) by maturity, (ii) by type of debt and (iii) by currency was as follows (excluding debt with companies accounted for using the equity method):

(i) *Borrowings by maturity*

2017

	Thousands of Euros							
	Limit	Current	Non-current					Total
			2019	2020	2021	2022	2023 and subsequent years	
Bond issues	1,890,000	32,962	-	-	-	600,000	1,290,000	1,922,962
Accrual of bond arrangement expenses		(3,488)	(3,641)	(3,805)	(3,980)	(3,570)	(5,859)	(24,343)
Loans and credit facilities	1,538,398	2,135	179,725	625	80,625	625	240,754	504,489
Accrual of loans and credit facilities arrangement expenses		(547)	(559)	(414)	(341)	(303)	(458)	(2,622)
Derivatives	-	181	-	-	-	-	-	181
Other financial liabilities	-	14,985	-	-	-	-	-	14,985
Total	**3,428,398**	**46,228**	**175,525**	**(3,594)**	**76,304**	**596,752**	**1,524,437**	**2,415,652**

2016

	Thousands of Euros							
	Limit	Current	Non-current					Total
			2018	2019	2020	2021	2022 and subsequent years	
Bond issues	1,415,000	15,254	-	-	-	-	1,415,000	1,430,254
Accrual of bond arrangement expenses		(2,727)	(2,808)	(2,892)	(2,978)	(3,067)	(5,316)	(19,788)
Loans and credit facilities	947,598	1,708	72,706	125,792	-	80,000	-	280,206
Accrual of loans and credit facilities arrangement expenses		(168)	(68)	(69)	(70)	(44)	-	(419)
Other financial liabilities	-	3,353	-	-	-	-	-	3,353
Total	**2,362,598**	**17,420**	**69,830**	**122,831**	**(3,048)**	**76,889**	**1,409,684**	**1,693,606**

(ii) *Borrowings by type of debt*

	Thousand of Euros					
	31/12/2017			31/12/2016		
	Limit	Drawn	Undrawn	Limit	Drawn	Undrawn
Bond issues	1,890,000	1,890,000	-	1,415,000	1,415,000	-
Loans and credit facilities	1,538,398	502,980	1,035,418	947,598	278,498	669,100
Total	**3,428,398**	**2,392,980**	**1,035,418**	**2,362,598**	**1,693,498**	**669,100**

As at 31 December 2017, the total limit of loans and credit facilities available was EUR 1,538,398 thousands (EUR 947,598 thousands as at 31 December 2016), of which EUR 1,139,533 thousands in credit facilities and EUR 398,865 thousands in loans (EUR 867,598 thousands in credit facilities and EUR 80,000 thousands in loans as at 31 December 2016).

Furthermore, of the EUR 1,538,398 thousand of loans and credit facilities available (EUR 947,598 thousand as at 31 December 2016), EUR 456,898 thousand (EUR 267,598 thousand as at 31 December 2016) can be drawn down either in Euros (EUR) or in other currencies, such as Pound Sterling (GBP), Swiss franc (CHF) and US dollar (USD).

As at 31 December 2017 the amount drawn down of the loans and credit facilities was EUR 502,980 thousand (EUR 278,498 thousand drawn down as at 31 December 2016).

(iii) Borrowings by currency

	Thousand of Euros	
	31/12/2017(*)	31/12/2016(*)
Euro	2,100,165	1,535,221
GBP	175,316	178,592
CHF	167,136	-
Total	**2,442,617**	**1,713,813**

(*) 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 avoiding the incorporation of accrual expenses

As described in Note 4.6 of these annual accounts, the foreign exchange risk on the net investment of operations of Company denominated in non-Euro currencies is managed by means of borrowings denominated in the corresponding foreign currency.

In this regard, as at 31 December 2017 and 2016, the Company maintains borrowings in GBP, which act as a natural hedge of the net investment of the Shere UK Group. These borrowings amount to GBP 155,546 thousand with a Euro value of EUR 175,316 thousand (GBP 152,907 thousand with a Euro value of EUR 178,592 thousand as at 31 December 2016) and are held by means of various credit facilities denominated in GBP. These non-derivate financial instruments are assigned as net investment hedges against the net assets of the Shere UK Group. The maturities of these borrowings are between 2019 and 2021.

In addition, as at 31 December 2017, the Company maintains borrowings in CHF, which act as a natural hedge of the net investment in Cellnex Switzerland. Such borrowings amount to CHF 195,583 thousand with a Euro value of EUR 167,136 thousand (CHF zero with a Euro value of EUR zero at 31 December 2016) and are held by means of various facilities denominated in CHF. These non-derivate financial instruments are assigned as net investment hedges against the net assets of Cellnex Switzerland. The maturity of these borrowings is in 2023.

12.1. Bond issues

In May 2015 the Company established a Euro Medium Term Note (EMTN) Programme. This Programme is registered on the Irish Stock Exchange and is renewed annually. As at 31 December 2017, this EMTN Programme allows the issue of bonds in the aggregate amount of up to EUR 3,000 million and the latest renewal date is May 2017.

In March 2016 Cellnex was added to the list of companies whose corporate bonds are eligible for the Corporate Sector Purchase Programme (CSPP) by European Central Bank (ECB).

Since July 2015, under the aforementioned EMTN Programme, Cellnex has issued the bonds described in the table below, all of them addressed to qualified investors:

2017

Issue date	Duration	Maturity date	Fitch / S&P rating	ISIN	Fixed coupon payable per annum	Thousands of Euros	
						Amount of issue	**Amount of issue at 31 December 2017**
27/07/2015	7 years	27/07/2022	BBB-/BB+	XS1265778933	3.125%	600,000	600,000
10/08/2016	8 years	16/01/2024	BBB-/BB+	XS1468525057	2.375%	750,000	750,000
16/12/2016	16 years	20/12/2032	BBB-/NA	XS1538787497	3.875%	65,000	65,000
18/01/2017	8 years	18/04/2025	BBB-/BB+	XS1551726810	2.875%	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
						1,890,000	**1,890,000**

(1) Coupon covered with an interest rate hedge derivative. See section of derivative financial instruments.

2016

Issue date	Duration	Maturity date	Fitch / S&P rating	ISIN	Fixed coupon payable per annum	Thousands of Euros	
						Amount of issue	**Amount of issue at 31 December 2017**
27/07/2015	7 years	27/07/2022	BBB-/BB+	XS1265778933	3.125%	600,000	600,000
10/08/2016	8 years	16/01/2024	BBB-/BB+	XS1468525057	2.375%	750,000	750,000
16/12/2016	16 years	20/12/2032	BBB-/NA	XS1538787497	3.875%	65,000	65,000
						1,415,000	**1,415,000**

The bond issues have certain associated costs, customary in this type of transactions, such as arrangement expenses and advisers' fees. These amount to EUR 7,841 thousand in relation to the bonds issued in 2017 (EUR 13,196 thousand in 2016), which the Company defers over the life of the bonds and are taken to the income statement following a financial criteria. In this regard, an amount of EUR 24,343 thousand and EUR 19,788 thousand was deducted from bond issues in the Balance Sheet as at 31 December 2017 and 31 December 2016 respectively.

The arrangement expenses and adviser's fees accrued in the Income Statement for the period ended 31 December 2017 in relation to the bond issues amounted to EUR 3,286 thousand (EUR 1,759 thousand in 2016).

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.

This put option can only be triggered if a change of control event occurs (whether due to the acquisition of 50% of shares with voting rights or due to obtaining the right to appoint or dismiss the majority of the members of the Company's Board of Directors) and there is a rating downgrade caused by this change of control event.

Bonds obligations and restrictions

As at 31 December 2017 and 2016, the 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.

12.2. Loans and credit facilities

As at 31 December 2017, the total limit of loans and credit facilities available was EUR 1,538,398 thousands (EUR 947,598 thousands as at 31 December 2016), of which EUR 1,139,533 thousands in credit facilities and EUR 398,865 thousands in loans (EUR 867,598 thousands in credit facilities and EUR 80,000 thousands in loans as at 31 December 2016).

During the period ended at 31 December 2017, the Company has formalized two loans in the amount of EUR 56,500 thousand and EUR 100,000 thousand, with a fixed interest rate of 3.25%, and a variable with a margin referenced in EURIBOR, respectively, and a maturity date of 2027 and 2029.

In addition, the Company has contracted new credit policies with a limit of EUR 275,000 thousand, a variable interest rate and a margin referenced in EURIBOR and due between 2019 and 2021, with the possibility of extending them for an additional year.

In the context of the acquisition of Swiss Towers in Switzerland, the Company entered into a syndicated loan agreement with a limit of CHF 190,000 thousand (EUR 162,365 thousand). In addition, the Company drew down CHF 5,100 thousand (EUR 4,358 thousand) from its available credit facility in CHF. As at 31 December 2017, the total amount of drawn down debt and accrued interest not paid in CHF was CHF 195,583 thousand (EUR 167,136 thousand).

As at 31 December 2017 Cellnex signed a loan agreement with the European Investment Bank (EIB) for an amount of EUR 100,000 thousands with an estimated maturity of 12 years. Such loan has been arranged at very competitive terms and includes an obligation of the Parent Company with regards to its corporate rating. As of the date hereof, Cellnex is in compliance with all its obligations under the EIB agreement.

Clauses regarding changes of control

Loans and credit policies include an early termination clause for change of control, either by the acquisition of more than 50% of the shares with voting rights or by obtaining the right to appoint or dismiss the majority of the members of the Board of Directors of the Company.

Loans and credit facilities obligations and restrictions

As at 31 December 2017 and 2016, the Company has no restrictions regarding the use of capital resources derived from the loans and credit facilities.

Submitted guarantees and financial ratios

As at 31 December 2017 and 2016, all the loans and credit facilities entered into by the Company are unsecured and unsubordinated, have no guarantees or shares pledged, rank pari passu with the rest of the unsecured and unsubordinated borrowings, and do not require the Company's to comply with any financial ratio.

12.3 Derivative financial instruments

The Company hedges the interest rate risk on a portion of the financing in euros bearing floating interest rates through IRSs. In an 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 derivative offsets the interest payable on the borrowings. The end result is a fixed interest rate payment on the hedged borrowings.

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

The Company 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 Company performs potential interest rate and foreign exchange 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 credit facilities and loans tied to variable interest rates, cashflows in foreign currencies and variations in investments in foreign currencies.

As mentioned above, the bond issued in April 2017 amounting to EUR 80 million, and maturing in April 2026, has been covered by interest rate hedging derivatives, which convert the interest rate of the bond from variable to fixed. The total amount and maturity of derivative financial instruments coincides with that of the bond. By using such derivative financial instruments, the fixed interest rate resulting from the bond is 2.945%.

As of December 31, 2016, the Group had not contracted any derivative financial instrument.

12.4 Other financial liabilities

The heading "other financial liabilities" corresponds to the outstanding balance with fixed asset suppliers as a result of the acquisitions of fixed assets undertaken by the Company during the current year (see Notes 6 and 7)

In addition, during 2017, the Company reached some recourse factoring agreements for a total amount of EUR 12,992 thousand, in relation to balances for tax receivables. It corresponds to VAT receivable generated as Parent Company of the Tax Group derived from the acquisition of mobile telecom infrastructures that amounts to EUR 8,590 thousand, and current tax assets amounting to EUR 4,402 thousand (see Note 13.2).

12.5 Corporate rating

As at 31 December 2017 Cellnex holds a long term "BBB-" (Investment Grade) with negative outlook according to the international credit rating agency Fitch Ratings Ltd. and a long-term "BB+" with stable outlook according to the international credit rating agency Standard & Poor's Financial Services LLC.

13. Income tax and tax situation

13.1. Tax-related disclosures

The sole shareholder of Cellnex Telecom, S.A. until May 7, 2015, Abertis Infraestructuras, S.A., culminated on that date the process of going public (OPV) of the aforementioned company. As a result of the foregoing, all the Spanish companies that make up the Cellnex Group are taxed under the tax consolidation regime, for the purposes of Corporate Tax, being Cellnex Telecom, S.A. the parent company of the Tax Group with respect to which the dominant entity holds a stake equal to or greater than 75%.

During the year 2016, the Company became the parent company of a new group of fiscal consolidation for the purposes of the Value Added Tax in Spain.

The Company has pending verification of all taxes not legally prescribed. In relation to Corporate Tax, the years that are pending verification are from the year 2013 onwards. Due to interpretative differences of the current fiscal regulations applicable to some operations, fiscal liabilities of a contingent nature of difficult objective quantification could be revealed in the future. In any case, the consequences that could arise should not significantly affect the annual accounts of the Company.

For their part, during 2015 they were opened to the company Abertis Infraestructuras, S.A. general inspection actions in relation to the consolidated Corporate Tax for the years 2010 and 2011, and in relation to the Value Added Tax of the group of entities for the period July-December 2011. In this regard, it should be noted that Cellnex Telecom , SA was, in the years 2010 and 2011, an entity dependent on the tax consolidation group of Abertis. Likewise, with regard to value added tax, the company Adesal Telecom, S.L. It was part of the group of VAT companies of the Abertis group in the period between July and December of the 2011 financial year.

During the year 2016, the scope of the inspection actions was extended to include the consolidated Corporate Tax for the years 2012 and 2013 and the Value Added Tax of the group of entities for the period February - December 2012 and 2013. Likewise, with regard to value added tax, Adesal Telecom, SL companies and On Tower Telecom Infraestructuras, S.A.U. They also formed part of the group of VAT companies of the Abertis group in the period between February and December of 2012. For their part, the companies Adesal Telecom, S.L., On Tower Telecom Infrastructures, S.A.U., Retevisión-I, S.A.U. and Tradia Telecom, S.A.U. They formed part of said group of VAT companies in the period between February and December of the 2013 financial year.

At the date of preparation of these financial statements, the inspection proceedings have been concluded, without affecting Cellnex Telecom, S.A. nor to any of its subsidiaries.

13.2. Current balances with public authorities

Details of current balances with public authorities are as follows:

Receivables

	Thousands of Euros	
	31/12/2017	31/12/2016
VAT refundable	1,828	12
Total	**1,828**	**12**

Payables

	Thousands of Euros	
	31/12/2017	31/12/2016
VAT payable	-	5,606
Personal Income tax withholdings	309	128
Social security taxes payable	22	13
Other taxes payable	1,163	1,166
Total	**1,494**	**6,913**

"Other taxes payable" is totally accounted for by the provisional withholding from the Company in respect of capital returns, pursuant to the provisions of Article 128 of Law 27/2014, as a result of the interim dividends distributed to shareholders in 2017 and 2016.

At the close of this fiscal year, a total of EUR 8,590 thousand had been allocated under factoring with recourse contracts (EUR 0 thousand at the end of 2016). In this sense, the Company maintains the debit balance of VAT on factored companies and presents a financial account to be paid as it considers that the risks and benefits inherent to its ownership have not been substantially transferred to financial entities.

13.3. *Reconciliation between net accounting income and taxable income*

Reconciliation between net accounting income and taxable income for income tax purposes is as follows:

2017

	Thousands of Euros		
	Increases	Decreases	Total
Net accounting income for the period			19,381
Income tax for the period			(21,213)
Permanent differences:			
Donations	67	-	67
Dividends (Note 15.1)	-	(83,088)	(83,088)
Temporary differences:			
Arising in the year	4,747	(3)	4,744
Taxable income	**4,814**	**(83,091)**	**(80,109)**

2016

	Thousands of Euros		
	Increases	Decreases	Total
Net accounting income for the period			29,234
Income tax for the period			(13,102)
Permanent differences:			
Donations	16	-	16
Dividends (Note 15.1)	-	(70,924)	(70,924)
Temporary differences:			
Arising in the year	1,366	(3)	1,363
Taxable income	**1,382**	**(70,927)**	**(53,413)**

The temporary differences correspond, mainly, to the provisions related to the Long Term Incentive Plan, which are not deductible until the moment of their payment (see Note 16.4)

13.4. Reconciliation between net accounting income and income tax expense

The standard income tax rate for 2017 and 2016 is 25%.

Reconciliation between net accounting income and income tax expense is as follows:

	Thousands of Euros	
	2017	2016
Profit (Loss) before tax	(1,832)	16,132
Theoretical tax	458	(4,033)
Impact on tax expense from (permanent differences):		
Donations	(17)	(4)
Dividends	20,772	17,731
Income tax expense for the year	**21,213**	**13,694**
Other tax effects	-	(592)
Other tax effects	**-**	**(592)**
Income tax expense	**21,213**	**13,102**

In 2017 and 2016, dividends from companies in the consolidated tax group that were eliminated for the purposes of determining consolidated taxable income were considered permanent differences.

13.5. Breakdown of income tax expense

The main items of income tax expense in the year are as follows:

	Thousands of Euros	
	2017	2016
Current tax	20,027	13,353
Deferred tax	1,186	341
Tax from prior years/other	-	(592)
Income tax expense	**21,213**	**13,102**

The item "Tax from previous years/other" includes the amount settled in accordance with the Company's final tax return for the year 2015.

Tax withholdings and prepayments totalled EUR 14 thousand (EUR 12 thousand in 2016).

13.6. 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		
	31/12/2017		31/12/2016
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets
At 1 January	**425**	**-**	**92**
Debits/(credits) in income statement	1,186	-	341
Changes in tax rates	-	41	-
Other tax effects	-	-	(8)
At 31 December	**1,611**	**41**	**425**

	Thousands of Euros	
	31/12/2017	31/12/2016
(Debits)/credits in income statement		
Deferred tax assets	1,186	341
(Debits)/credits in equity		
Deferred tax liabilities	41	-
Other tax effects	-	(8)
Total debit to deferred tax expense	**1,227**	**333**

The breakdown of the deferred taxes is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Deferred tax assets:		
Employee benefit obligations	1,611	425
Total deferred tax assets	**1,611**	**425**
Deferred tax liabilities:		
Derivative hedge	41	-
Total deferred tax liabilities	**41**	-

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

Deferred tax assets include the temporary differences recognised at year-end. At 31 December 2017 and 2016, the Company did not have any unused tax credits or deductions unrecognised.

Expected schedule for reversal the deferred tax assets and liabilities

In most cases, the use of the Company's deferred tax assets and liabilities is conditional upon the future performance of the business activities, the tax regulations of the country in which it operates, and the strategic decisions to which it may be subject. Under the assumption used, it is estimated that the deferred tax assets and liabilities recognised in the balance sheet at 31 December 2017 and 2016 will be used as follows:

	Thousands of Euros		
	2017		2016
	Temporal differences		Temporal differences
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets
Less than one year	1,020	-	-
More than one year	591	41	425
At 31 December	**1,611**	**41**	**425**

14. Foreign currency balances and transactions

The detail of the most significant balances and transactions in foreign currency, valued at the year-end exchange rate and the average exchange rates for the year, respectively, is as follows:

	Thousands of Euros	
	2017	2016
Other assets	301,796	145,791
Accounts receivable	308	108
Loans received	346,877	178,592
Accounts payable	284	-
Services rendered	29	-
Services received	6,100	3,032

The breakdown of the exchange differences recognised in 2017, by type of financial instrument, is as follows:

	Thousands of Euros	
	Transactions settled during the year	
	2017	2016
Cash equivalents	(136)	-
Other payables	435	(22)
Total	**299**	**(22)**

15. Revenue and expenses

15.1. Revenue

Revenue in 2017 and 2016 was as follows:

	Thousands of Euros	
	2017	2016
Dividends (Note 17.3)	83,088	70,924
Interest income (Note 17.3)	1,168	10,567
Total	**84,256**	**81,491**

"Interest income" was generated by the Company's cash pooling operation with Group companies and by the loans to these companies (see Note 17.3). The interest rate stipulated in these operations is the market rate.

15.2. Other operating income

"Other operating income" chiefly relates to services rendered to Group companies and other related companies as management fees as well as the re-invoicing of expenses related to the building's rental and supply costs and other costs (see Notes 16.3 and 17.3).

15.3. Staff costs

The detail of staff costs is as follows:

	Thousands of Euros	
	2017	2016
Wages and salaries	8,728	4,405
Compensation	15	-
Social Security contributions	169	126
Other employee benefit costs	456	320
Staff costs	**9,368**	**4,851**

The average number of employees at the Company at the end of the 2017 and 2016, broken down by job category and gender, is as follows:

	2017			2016		
	Male	Female	Total	Male	Female	Total
Chief Executive Officer	1	-	1	1	-	1
Senior management	4	-	4	3	-	3
Other executives, senior and middle management	4	4	8	3	3	6
Other employees	1	-	1	-	1	1
Total	**10**	**4**	**14**	**7**	**4**	**11**

The number of employees at the Company in 2017 and 2016, broken down by job category and gender, was as follows:

	2017			2016		
	Male	Female	Total	Male	Female	Total
Chief Executive Officer	1	-	1	1	-	1
Senior management	4	-	4	3	-	3
Other executives, senior and middle management	6	3	9	3	4	7
Other employees	3	1	4	-	-	-
Total	**14**	**4**	**18**	**7**	**4**	**11**

The average number of employees at the Group with a level of disability of 33% or above in 2017 and 2016 was zero.

At the end of 2017, the Board of Directors is composed of nine male Directors and one female Director (nine Male Directors at the end of 2016).

15.4. Other operating expenses

The detail of "Other operating expenses" on the income statement is as follows:

	Thousands of Euros	
	2017	2016
Leases and royalties	2,509	2,063
Independent professional services	11,904	14,512
Advertising, publicity and public relations	1,971	1,228
Other external services	3,112	2,280
Total external services	**19,496**	**20,083**

15.5. Net financial profit/loss

The breakdown of financial income and costs by item is as follows:

	Thousands of Euros			
	2017		2016	
	Income	Expense	Income	Expense
Finance income and interest from third parties	13	-	60	-
Finance expenses and interest from third parties	-	62,512	-	40,928
Finance expenses and interest from Group and Associates (Note 17.3)	-	94	-	561
Change in fair value of financial instruments	80,779	80,142	7,585	7,978
Exchange differences	493	194	3	25
	81,285	**142,942**	**7,648**	**49,492**
Financial Profit/loss		**(61,657)**		**(41,844)**

The change in fair value of financial instruments for 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Gain/(Loss) on hedges	637	(393)
	637	**(393)**

This item includes mainly the net impact deriving from the accounting treatment of net investments in foreign operations as hedges (see Notes 8 and 12).

16. Commitments and obligations

16.1. Contingent liabilities

At 31 December 2017 the Company had guarantees with third parties amounting to EUR 33.0 million (EUR 36.7 million in 2016) (see Note 16.5).

16.2. Purchase commitments

At 31 December 2017 the Company had signed contracts for the purchase of property, plant and equipment and intangible assets in the respective amounts of EUR 670 thousand and EUR 400 thousand (EUR 801 thousand and EUR 362 thousand in 2016, respectively).

16.3. Operating lease commitments

The Company leases spaces, equipment and vehicles under operating leases.

Most of the leases are for one year and have a renewable option at expiry under market terms. In some cases, the lease term is greater than one year, also with renewal options.

Total future minimal rentals payable under operating leases are recurring, as all the current leases are considered to be essential for the Company's operations.

The detail of operating lease payments undertaken by the Company is as follows:

Minimum operating lease payments	Thousands of Euros	
	2017	2016
Within one year	2,041	2,448
1 to 5 years	6,729	8,029
More than 5 years	2,418	2,852
Total	**11,188**	**13,329**

The Company's main operating lease is as follows:

On 20 July 2015 a contract was signed between Parc Logístic de la Zona Franca, S.A. and the Company for the provision of corporate building management services, which included the lease of the company offices at Parc Logístic de la Zona Franca, Barcelona, for a period of 6 years. The rent paid in 2017 was EUR 1.660 thousand (EUR 1.660 thousand in 2016).

16.4. Employee benefit obligations

On 10 April 2015 the Long Term Incentive Plan (2015-2017) was approved for certain employees. This plan accrues from May 2015 until 31 December 2017 and is payable once the Group's annual accounts corresponding to the 2017 financial year have been approved. The beneficiaries of the Plan are the Chief Executive Officer, the Senior Management and some key employees of the Cellnex Group (up to a maximum of 32 people). 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%:

- The share price appreciation calculated between the initial starting price of the IPO and the average price in the last quarter of 2017, weighted by the volume (“vwap”), following a scale of achievement.

- The attainment of certain performance parameters according to the market consensus and the constant scope of consolidation, following a scale of attainment.

With regards to the LTIP (2015-2017) dated 10 April 2015 for the benefit of certain employees, the weighted average degree of fulfilment of the following two objectives was 111%. For the first objective, which was related to Cellnex share price appreciation, the percentage of attainment was 120% and for the second objective, which was related to the Adjusted EBTIDA figure obtained as at 31 December 2017, the percentage of attainment was 102%.

The cost of the LTIP (2015-2017) for Cellnex, anticipating that the maximum degree of fulfilment of the objectives will be obtained, is currently estimated at EUR 4.4 million.

Based on the best possible estimation of the related liability and taking into consideration all the available information, the Company has recognised a provision of EUR 4,078 thousand for this item in the short-term of the accompanying condensed consolidated balance sheet as at 31 December 2017.

In addition, on 27 April 2017 the Group approved the LTIP (2017-2019) for certain employees, which is divided into two phases:

- 2017-2018: this accrues from January 2017 until 31 December 2018 and is payable once the Group's annual accounts corresponding to the 2018 financial year have been approved.
- 2018-2019: this accrues from January 2018 until 31 December 2019 and is payable once the Group's annual accounts corresponding to the 2019 financial year have been approved.

The beneficiaries are the CEO, Senior Management and several key employees of the Cellnex Group (up to a maximum of 50 staff). The amount receivable by the beneficiaries will be determined by the degree of fulfilment of certain objectives regarding Cellnex's relative share price performance, and the attainment of certain performance parameters according to the market consensus and the constant scope of consolidation, following a scale of attainment.

The cost of the Long Term Incentive Plan (2017-2019) for Cellnex if it were to reach the maximum level of achievement of the objectives is estimated at approximately EUR 5.8 million.

Based on the best possible estimation of the related liability and taking into consideration all the available information, the Group has recognised a provision of EUR 1,451 thousand for this item in the long-term of the accompanying condensed consolidated balance sheet as at 31 December 2017.

16.5. Other Contingencies

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 before mentioned 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 before mentioned amounts have to be paid, Retevisión-I, S.A.U. will be responsible for paying these fines. At 31 December 2017, Cellnex Telecom, S.A. has provided three guarantees amounting to EUR 32.5 million (EUR 36.4 million at the close of 2016) to cover the disputed rulings with the National Competition Commission explained above.

On 19 May 2009, the Board of the National Competition Commission (CNC) imposed a fine of EUR 22.7 million on Abertis Telecom, S.A.U. (now Cellnex Telecom, S.A.) 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 Company filed an appeal for judicial review with the National Appellate Court against the CNC 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 CNC to recalculate that amount in accordance with the provisions of law 16/89. The CNMC has issued its decision recalculating the aforementioned amount, reducing it to EUR 18.7 million and this decision was appealed against in the National High Court on 29 September 2016. Based on the opinion of its legal advisers, at 31 December 2017 Retevisión-I, SAU has recorded a provision for a total of EUR 16 million (EUR 16 million at the close of 2016).

On 8 February 2012, the Board of the National Competition Commission (CNC) imposed a fine of EUR 13.7 million on Abertis Telecom, S.A.U. (now Cellnex Telecom, S.A.) 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 Company filed an appeal for judicial review against the decision of the CNC 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 CNC to recalculate the fine as it considered that the criteria used at the time by the CNC 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 Company did not break any competition rules. Therefore, until the appeal before the Supreme Court is resolved, the CNC will not start the process of calculating the fine. With regard to these proceedings, the Company's Directors, based on the opinion of their legal advisers, categorise the risk of this fine as possible and, therefore, have not recognised any provision.

17. Related party transactions

17.1. Directors and senior management

Remuneration received by the Company's directors in 2017 and 2016 was as follows:

i. Members of the Board of Directors accrued EUR 1,108 thousand for exercising the functions as directors of Cellnex Telecom, S.A. (EUR 870 thousand in 2016).

ii. For performing senior management duties, the CEO accrued EUR 1,120 thousand, corresponding to fixed and variable remuneration (EUR 900 thousand in 2016) and EUR 2,331 thousand for the achievement of the multi-annual objectives established in the “Long Term Incentive Plan” (2015-2017) accrued during the last three years, which will be settled during the first quarter of 2018 (0 thousand euros in 2016).

iii. In addition, the CEO of Cellnex Telecom, S.A. accrued by way of other benefits contributions to cover pensions and other remuneration in kind in the respective amounts of EUR 175 thousand and EUR 14 thousand (EUR 150 thousand and EUR 13 thousand in 2016, respectively).

Cellnex Telecom, S.A. defines Senior Management as directors that perform management duties and report directly to the CEO. Fixed and variable remuneration for 2017 for members of senior management amounted to EUR 1,148 thousand (EUR 741 thousand in 2016).

In addition, members of Senior Management accrued by way of other benefits contributions to cover pensions and other remuneration in kind in the respective amounts of EUR 83 thousand and EUR 89 thousand (EUR 55 thousand and EUR 65 thousand in 2016).

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 (see Note 16.4).

The Company has taken out an executives and directors civil liability policy for the members of the Board of Directors, the Chief Executive Officer and all the directors of the Cellnex Telecom group at a cost amounting to EUR 98.7 thousand and EUR 111.1 thousand at 31 December 2017 and 2016, respectively.

17.2. Other disclosures concerning Directors

In accordance with 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.

17.3. Group companies and associates

The financial assets and liabilities held by the Company with Cellnex Group companies and associates at year-end 2017 and 2016, with the exception of equity instruments (see Note 8), are as follows:

2017

	Thousands of Euros		
	Financial assets		Financial liabilities
	Current loans	Receivables	Current borrowings
Adesal Telecom, S.L.	313	-	-
Alticom, BV	-	6	-
Cellnex France, S.A.S.	-	807	-
Cellnex France Groupe, S.A.S.	100	-	-
Cellnex Italia, S.r.L.	-	27	4,303
Cellnex Netherlands, BV	-	5	-
Cellnex UK, Limited	-	307	-
Cellnex Switzerland, AG	-	63	-
Galata, S.p.A.	-	4	-
On Tower Telecom Infraestructuras, S.A.U.	16,342	305	9,582
Retevisión-I, S.A.U.	6,559	342	260,332
Shere Group, Limited	-	73	5,556
Swiss Towers, AG	-	209	-
Tradia Telecom, S.A.U.	2,417	178	63,350
Total	**25,731**	**2,326**	**343,123**

2016

	Thousands of Euros			
	Financial assets			Financial liabilities
	Non-current loans	Current loans	Receivables	Current borrowings
Adesal Telecom, S.L.	-	590	-	-
Cellnex France, S.A.S.	-	71,719	79	-
Cellnex Italia, S.r.L.	-	-	41	74,000
Cellnex UK	-	-	64	-
Galata, S.p.A.	-	-	5	-
On Tower Telecom Infraestructuras, S.A.U.	354,154	15,678	9	1,315
Radiosite Limited	-	-	3	-
Retevisión-I, S.A.U.	-	3,906	696	237,018
Shere Masten, BV	-	-	5	-
TowerCo, S.p.A.	-	-	5	-
Tradia Telecom, S.A.U.	-	1,044	299	55,088
Total	**354,154**	**92,937**	**1,206**	**367,421**

Under the caption "Loans to companies of the non-current group and associates", the Company had a credit policy registered with the company On Tower Telecom Infraestructuras, SAU, signed on December 17, 2013, which was renegotiated during the 2015 financial year. It meant the extension of the limit to EUR 500 million, with expiration on December 31, 2018, tacitly renewable for two-year periods. The outstanding balance of said policy as of December 31, 2016 amounted to EUR 354,154 thousand. In addition, there were interest accrued and not collected in the amount of EUR 2,540 thousand as of December 31, 2016, recorded in the caption of the accompanying balance sheet "Investments in group companies and current associates". As detailed in Note 8 of this report, on January 10, 2017, On Tower Telecom Infraestructuras, SA formalized an increase in share capital in the amount of EUR 36,725 thousand with an issue premium for an amount of EUR 330,529 thousand. This capital increase, for a total amount of EUR 367,254 thousand, was subscribed by Cellnex Telecom, S.A. by offsetting part of the credit rights derived from the policy described above. As of December 31, 2017, there is no balance under the heading "Loans to companies of the non-current group and associates" of the attached balance sheet.

In addition, this caption also includes a credit facility secured by the Company with On Tower Telecom Infraestructuras, S.A.U. which was renegotiated in 2015, increasing the limit to EUR 60 million and extending the repayment date to 31 December 2017, and tacitly renewable on a yearly basis. The balance drawn down on the facility at the 2017 year-end was EUR 16,014 thousand (EUR 12,036 thousand at 31 December 2016), and interest accrued and not collected totalled EUR 9 thousand (EUR 13 thousand at 31 December 2016).

The caption "Current Investments in group companies and associates" includes the account receivable from the amount drawn from the credit policy that the Company subscribed on June 1, 2017 with Cellnex France Groupe, SAS, with a limit of 5 million of euros and maturity December 31, 2017, tacitly renewable for semi-annual periods, at a market interest rate. At the closing date of these annual accounts, the amount drawn down on this policy is 100 thousand euros (0 thousand euros at the end of 2016).

On September 29, 2016, the Company subscribed a credit policy with the company of the Cellnex France Group, S.A.S., with a limit of 30 million euros and half-yearly maturity from the disposition date, tacitly renewable for periods of the same duration. On 1 November 2017, the limit of was extended to 400 million. As of December 31, 2017, the policy was not drawn down. The balance drawn at the close of the 2016 financial year was 71,664 thousand euros, and accrued and not paid interest amounted to 55 thousand euros.

Finally, at the 2017 year-end, this caption includes a current balance receivable with the Group companies related to the consolidated tax payments that amount to EUR 1,499 thousand (EUR 6,629 thousand in 2016).

The Company recognised the following amounts under "Current payables to Group companies and associates":

a) Amount drawn from the credit policy that the Company subscribed on June 23, 2015 with Cellnex Italia, SrL, with a limit of EUR 30 million and an annual maturity from the disposition date, tacitly renewable for annual periods, at a certain rate of market interest. During the 2016 financial year, said credit policy was renegotiated, which entailed the extension of the limit to EUR 150 million. As of December 31, 2017 the amount drawn down on this policy is EUR 4,300 thousand (EUR 74,000 thousand at the end of 2016), and accrued and unpaid interest amount to EUR 0 thousand (EUR 0 thousand at closing of the year 2016).

b) Amount drawn from the credit policy that the Company subscribed on December 17, 2013 with Retevisión-I, SAU, with a limit of EUR 300 million and expiration December 31, 2017, tacitly renewable for annual periods, at a rate of market interest. As of December 31, 2017, the amount drawn down on this policy is EUR 258,842 thousand (EUR 237,018 thousand as of December 31, 2016).

c) Amount drawn from the credit policy that the Company subscribed on January 15, 2017 with Shere Group Limited, with a limit of GBP 20 million and a maturity of January 15, 2018, tacitly renewable for half-yearly periods, at an interest rate of market. As of December 31, 2017 the amount drawn down on this policy is EUR 5,552 thousand (GBP 4,800 thousand) (EUR 0 thousand at the end of 2016), and accrued and unpaid interest amount to EUR 4 thousand (EUR 0 thousand at closing of the year 2016). In addition, on January 15, 2017 a credit policy was signed with Shere Group Limited, with a limit of EUR 25 million and a maturity of January 15, 2017, tacitly renewable for half-yearly periods, at an interest rate of market. As of December 31, 2017 the policy was not drawn down.

d) Amount drawn from the credit policy that the Company subscribed on December 17, 2013 and modified on August 1, 2017 with Tradia Telecom, SAU, with a limit of EUR 100 million and maturity December 31, 2017, tacitly renewable annual periods, at a market interest rate. As of December 31, 2017, the amount drawn down on this policy is EUR 61,544 thousand (EUR 54,955 thousand at the end of 2016). Interest accrued and not paid to Tradia Telecom, S.A.U. for the amounts used of the policy described above, amounting to EUR 1 thousand (EUR 0 thousand as of December 31, 2016).The borrowings with Group companies and associates described above have short repayment dates.

e) Credit balances with the Group companies that are part of the fiscal consolidation group, by consolidated tax regime amounting to EUR 4,103 thousand (EUR 1,448 thousand at the end of 2016).

In addition, dated January 15, 2017, the Company subscribed a credit policy with the company of the group, Cellnex Netherlands, BV, with a limit of 20 million euros and half-yearly maturity from the disposition date, tacitly renewable for periods of the same duration. As of December 31, 2017 the policy was not drawn down.

Debts with Group companies and associates, previously described, have a short-term maturity.

The Company's transactions with Cellnex Group companies and associates in 2017 and 2016 are as follows:

2017

	Thousands of Euros				
	Income			Expenses	
	Dividends	Services rendered	Accrued interest	Services received	Accrued interest
Alticom, BV	-	7	-	-	-
Cellnex France, S.A.S.	-	889	1,143	-	-
Cellnex Italia, S.r.L.	7,156	647	-	2	8
Cellnex Netherlands, BV	-	5	-	-	-
Cellnex UK, Limited	-	-	-	311	-
Cellnex Switzerland, AG	-	329	-	-	-
Galata, S.p.A.	-	4	-	-	-
On Tower Telecom Infraestructuras, S.A.U.	-	501	25	-	1
Retevisión-I, S.A.U.	59,558	2,777	-	-	41
Shere Group, Limited	-	73	-	-	34
Swiss Towers, AG	-	191	-	-	-
Tradia Telecom, S.A.U.	16,374	1,023	-	-	10
Total	**83,088**	**6,446**	**1,168**	**313**	**94**

2016

	Thousands of Euros				
	Income			Expenses	
	Dividends	Services rendered	Accrued interest	Services received	Accrued interest
Cellnex France, S.A.S.	-	7	78	-	-
Cellnex Italia, S.r.L.	-	41	-	-	97
Cellnex UK Limited	-	-	-	320	-
Galata, S.p.A.	-	5	-	-	-
On Tower Telecom Infraestructuras, S.A.U.	-	256	10,489	-	-
Radiosite Limited	-	3	-	-	-
Retevisión-I, S.A.U.	56,924	3,145	-	-	392
Shere Masten BV	-	5	-	-	-
TowerCo, S.p.A.	-	5	-	-	-
Tradia Telecom, S.A.U.	14,000	1,130	-	-	72
Total	**70,924**	**4,597**	**10,567**	**320**	**561**

Financial interest with the various Group companies are those accrued on loans and financial debt held by the Company, as mentioned above.

17.4. *Other related parties*

Other related parties, in addition to the Group companies and associates indicated in Note 17.3 above and as defined in Spain's National Charter of Accounts, include shareholders (and their subsidiaries) of Cellnex Telecom, S.A. that exercise significant influence over it, those with the right to appoint a director or those with a stake of more than 3%.

During the third quarter of 2017, there was a change of control in CaixaBank whereby Criteria Caixa (a significant shareholder of Cellnex) no longer exercises control over CaixaBank. In this regard, as of 31 December, 2017, Caixabank no longer has the status of a related company of Cellnex. However, in accordance with the disclosures required by IAS 34, the transactions carried out with Caixabank during the nine-month period ended on that date are detailed below.

In addition to the dividends paid to shareholders, the breakdown of balances and transactions carried out with significant shareholders during 2017 and 2016 and at the reporting dates is as follows:

The main transactions carried out by the Group with related parties in 2017 relate to payments to VidaCaixa, S.A Seguros y Reaseguros and SegurCaixa Adeslas, S.A. de Seguros Generales y Reaseguros in the amount of EUR 101 thousand and EUR 4 thousand, respectively for termination benefits and contributions to pension plans and life insurance policies (EUR 138 thousand and EUR 18 thousand in 2016).

<u>Services rendered and received</u>

The transactions carried out with Abertis Group companies and associates during the 2017 and 2016 financial years are as follows:

2017

	Thousands of Euros	
	Income	Expenses
	Services rendered	Services received
Abertis Autopistas España, S.A.	197	-
Abertis Infraestructuras, S.A.	-	47
Autopistas, concesionaria española, S.A.	-	22
Autopistes de Catalunya, S.A.	-	1
Infraestructures Vìàries de Catalunya, S.A.	-	13
Total	**197**	**83**

2016

	Thousands of Euros	
	Income	Expenses
	Services rendered	Services received
Abertis Autopistas España, S.A.	201	-
Abertis Infraestructuras, S.A.	-	58
Autopistas, concesionaria española, S.A.	-	21
Infraestructures Vìàries de Catalunya, S.A.	-	13
Total	**201**	**92**

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

Other

The assets and liabilities held by the Group in Abertis Group companies and associates are as follows:

2017

	Thousands of Euros	
	Assets	Liabilities
	Account receivables	Account payables
Abertis Autopistas España, S.A.	177	-
Abertis Infraestructuras, S.A.	-	14
Autopistas, concesionaria española, S.A.	-	21
Infraestructures Viàries de Catalunya, S.A.	-	13
Total	**177**	**48**

2016

	Thousands of Euros	
	Assets	Liabilities
	Account receivables	Account payables
Abertis Autopistas España, S.A.	117	-
Abertis Infraestructuras, S.A.	-	14
Autopistas, concesionaria española, S.A.	-	21
Infraestructures Viàries de Catalunya, S.A.	-	13
Total	**117**	**48**

18. Other information

18.1. Audit fees

In 2017 and 2016 the fees for financial audit and other services provided by the auditor of the Company's financial statements, Deloitte, S.L., or by companies related to these auditors as a result of control, common ownership or common management, were as follows:

	Thousands of Euros	
	2017	2016
Audit of financial statements	562	454
Verification services	282	287
Total audit services and other related services	**844**	**741**
Tax advisory services	21	62
Other services	19	-
Total professional services	**884**	**803**

18.2 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 report with regard to the average supplier payment period for commercial transactions, is set up below:

	Thousands of Euros	
	2017	2016
Total payments in the year	18,009	15,303
Total payments outstanding	2,085	892
Average payment period to suppliers (days)	45 days	45 days
Ratio of transactions paid (days)	46 days	46 days
Ratio of transactions outstanding (days)	36 days	26 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.

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 balance sheet.

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.

18.3 Modification or termination of contracts

There has been no conclusion, modification or early termination of any contract between the Company and any of its partners or Directors or person acting on their behalf, affecting operations outside the ordinary traffic of the Company or that has not been carried out under normal conditions.

19. Events after the reporting period

Spain corporate reorganisation

Additionally, on 14 February 2018, the following operations occurred between Spanish companies within the scope of consolidation in which Cellnex holds a 100% shareholding, and as such this did not have an impact on the consolidated financial statements for 2018:

- Acquisition by 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., for their carrying amount of EUR 977 million.

- To finance the acquisition, Cellnex Telecom, S.A. made an equity contribution to Cellnex Telecom España, S.L. for the same amount.

-

2018 convertible bond

On 8 January, 2018, Cellnex Telecom priced the issuance of EUR 600 million of convertible bonds . The shares underlying the bonds are equivalent to 6.8% of the company's share capital, based on the initial conversion price. The bonds' conversion price into Cellnex shares has initially been set at EUR 38.0829 representing a premium of 70% over the volume weighted average price of a share on the Spanish Stock Exchange between market opening at that date and pricing of the offering.

The bonds will carry a coupon of 1.5% payable annually in arrears. 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 initially issued have been converted and/or redeemed and/or purchased and cancelled. The Terms and Conditions of the bonds include a change of control put clause, at the option of bondholders, which could result in early repayment.

The Issuance was rated by Fitch, with a rating of BBB-, which is the company's current rating. Cellnex intends to seek admission to trading for the bonds on the Open Market (*Freiverkehr)* of the Frankfurt Stock Exchange.

Treasury shares purchase program

During January 2018, Cellnex purchased 67,505 treasury shares, representing 0,03% of the total shares outstanding, with an average price of EUR 21,55 per share, valuing the total stake at that time at EUR 1,458 thousands.

20. Explanation added for translation to English

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain (see Note 2.1). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Cellnex Telecom, S.A.
Appendix I to the Notes to the 2017 financial statements
(Thousands of Euros)

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Direct Ownership Interests

Company	Registered Office	Activity	% Direct ownership	Ownership net value	Auditor	Net equity: Share Capital	Net equity: Share premium and reserves (interim dividend deducted)	Operating profit/loss	Profit for the year	Dividends received
2017:										
Direct ownership:										
Retevisión I, S.A.U.(*)	Juan Esplandiú, 11 28007 Madrid	Terrestrial telecommunications infrastructure operator	100%	368,938	Deloitte	81,270	268,074	77,740	61,838	59,558
Tradia Telecom, S.A.U. (*)	Avenida del Parc Logístic 12-20 08040 Barcelona	Terrestrial telecommunications infrastructure operator	100%	127,121	Deloitte	131,488	11,141	20,195	19,857	16,374
On Tower Telecom Infraestructuras, S.A.U.(*)	Juan Esplandiú, 11 28007 Madrid	Terrestrial telecommunications infrastructure operator	100%	395,711	Deloitte	66,725	322,968	12,707	9,316	-
Cellnex Italia, S.r.L. (*)	Via Carlo Veneziani 58, 00148 Roma (Italia)	Holding	100%	789,610	Deloitte	789,610	(14)	(1,317)	30,557	7,156
Cellnex UK Limited (**)	55 Old Broad Street, London, EC2M 1RX, Reino Unido	Holding	100%	-	-	-	5	38	38	-
Cellnex Netherlands, BV (*)	Dr. Lelykade 22, Unit 9, 2583CM's - Gravenhage	Holding	100%	515,151	Deloitte	-	467,607	(129)	(127)	-
Cellnex France, S.A.S. (*)	1, Avenue de la Cristallerie, 92310 Sèvres	Holding	100%	518,091	Deloitte	12,288	505,249	(8,058)	(9,501)	-

(*) Audited financial statements at 31 December 2017.

(**) Unaudited financial statements at 31 December 2017.

This appendix forms an integral part of Note 8 to the 2017 financial statements, with which it should be read.

Company	Registered Office	Activity	% Direct ownership	Ownership net value	Auditor	Net equity: Share Capital	Net equity: Share premium and reserves (interim dividend deducted)	Operating profit/loss	Profit for the year	Dividends received
2017:										
Shere Group Limited (*)	River Court, Albert Dr, Woking GU21 5RP, Reino Unido	Holding	100%	131,299	Deloitte	-	(90,410)	(114,801)	163,263	-
Cellnex France Groupe, S.A.S. (**)	1, Avenue de la Cristallerie, 92310 Sèvres	Holding	100%	1,050	-	1,050	-	(895)	(895)	-
Cellnex Telecom España, S.L.U. (**)	Juan Esplandiú, 11 28007 Madrid	Holding	100%	3	-	3	-	-	-	-
Cellnex Switzerland AG (*)	Postastrasse 12 CH-6301, Zug, Switzerland	Holding	54%	165,482	Deloitte	88	313,773	(2,357)	(3,492)	-
Total share				**3,012,456**						**83,088**

(*) Audited financial statements at 31 December 2017.

(**) Unaudited financial statements at 31 December 2017.

This appendix forms an integral part of Note 8 to the 2017 financial statements, with which it should be read.

Cellnex Telecom, S.A.
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(Thousands of Euros)

Indirect Ownership Interests

Company	Registered office	Activity	% ownership interest	Company holding the interest ownership	Auditor	Net equity		Operating profit/loss	Profit for the year
						Share Capital	Share premium and reserves (interim dividend deducted)		
2017:									
Indirect ownership interest									
TowerCo, S.p.A. (*)	Via Alberto Bergammini 50, Rome Italy	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S.r.L.	Deloitte	20,100	5,826	9,424	6,572
Galata, S.p.A (*)	Via Carlo Veneziani 56L, 00148 Rome, Italy	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S.r.L.	Deloitte	1,000	266,680	33,902	25,132
Adesal Telecom, SL (*)	Ausias March 20, Valencia	Provision of related services for terrestrial telecommunications concessions and operators.	60.08%	Tradia Telecom, S.A.U.	Deloitte	3,228	2,339	1,323	1,179

(*) Audited financial statements at 31 December 2017.

(**) Unaudited financial statements at 31 December 2017.

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Company	Registered office	Activity	% ownership interest	Company holding the interest ownership	Auditor	Net equity		Operating profit/loss	Profit for the year
						Share Capital	Share premium and reserves (interim dividend deducted)		
2017:									
Gestora del Espectro, S.L. (**)	Juan Esplandiú, 11 28007 Madrid	Development, implementation, management and marketing of terrestrial telecommunications services.	100%	Retevisión-I, S.A.U.	-	3	(1)	-	-
TowerLink Italia, S.r.L (**)	Via Carlo Veneziani 58, 00148 Rome, Italy	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S.r.L.	-	10	-	-	-
Commscon Italia, S.r.L. (*)	Via Carducci 32, 20123 Milano	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S.r.L.	Deloitte	100	1,795	1,061	739
Towerlink Netherlands, B.V. (*)	Dr. Lelykade 22, Unit 9, 2583CM's - Gravenhage	Terrestrial telecommunications infrastructure operator	100%	Cellnex Netherlands, BV	Deloitte	-	66,383	3,766	2,990
On Tower Italia, S.r.L. (**)	Via Carlo Veneziani 56L, 00148 Rome, Italy	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S.r.L.	-	40	103	198	142
Shere Midco Limited (*)	River court, Albert Dr, Woking GU21 5RP, United Kingdom	Holding	100%	Shere Group Limited	Deloitte	-	(92,561)	(112,561)	165,577

(*) Audited financial statements at 31 December 2017.

(**) Unaudited financial statements at 31 December 2017.

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Company	Registered office	Activity	% ownership interest	Company holding the interest ownership	Auditor	Net equity		Operating profit/loss	Profit for the year
						Share Capital	Share premium and reserves (interim dividend deducted)		
2017:									
Shere Group Netherlands B.V. (*)	Leeghwaterstraat 21, 2811 DT Reeuwiik, Netherlands	Holding	100%	Shere Midco Ltd	Deloitte	18	(76,749)	(189,029)	89,913
Shere Masten B.V. (*)	Leeghwaterstraat 21, 2811 DT Reeuwiik, Netherlands	Terrestrial telecommunications infrastructure operator	100%	Shere Group Netherlands BV	Deloitte	18	191,360	15,109	10,280
Watersite Holding Limited (*)	River court, Albert Dr, Woking GU21 5RP, United Kingdom	Terrestrial telecommunications infrastructure operator	100%	Shere Midco Ltd	Deloitte	29,703	(11,900)	197	(130)
Radiosite Limited (*)	River court, Albert Dr, Woking GU21 5RP, United Kingdom	Terrestrial telecommunications infrastructure operator	100%	Shere Midco Ltd	Deloitte	31,878	(9,002)	2,327	1,649
QS4 Limited (*)	River court, Albert Dr, Woking GU21 5RP, United Kingdom	Terrestrial telecommunications infrastructure operator	100%	Shere Midco Ltd	Deloitte	1,977	2,829	410	370
Shere Consulting Limited (*)	River court, Albert Dr, Woking GU21 5RP, United Kingdom	Terrestrial telecommunications infrastructure operator	100%	Shere Midco Ltd	Deloitte	2,598	(2,288)	(17)	(16)

(*) Audited financial statements at 31 December 2017.

(**) Unaudited financial statements at 31 December 2017.

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Company	Registered office	Activity	% ownership interest	Company holding the interest ownership	Auditor	Net equity		Operating profit/loss	Profit for the year
						Share Capital	Share premium and reserves (interim dividend deducted)		
2017:									
Infr'asset Management, S.A.S. (**)	1 Avenue de la Cristallerie, 92310 Sèvres	Terrestrial telecommunications infrastructure operator	100%	Cellnex France Groupe, S.A.S.	-	60	(112)	(116)	(118)
Infracapital Alticom BV (*)	Branderweg 7, 8042 PD, Zwolle	Holding	100%	Cellnex Netherlands, BV	Deloitte	50	70,528	(14)	565
Alticom Holding BV (*)	Branderweg 7, 8042 PD, Zwolle	Holding	100%	Infracapital Alticom BV	Deloitte	18	45,909	-	13
Alticom BV (*)	Branderweg 7, 8042 PD, Zwolle	Terrestrial telecommunications infrastructure operator	100%	Alticom Holding BV	Deloitte	18	45,605	485	473
Breedlink BV (*)	Branderweg 7, 8042 PD, Zwolle	Terrestrial telecommunications infrastructure operator	100%	Alticom Holding BV	Deloitte	-	469	(149)	(167)
Swiss Towers AG (*)	Binzmühlestrasse 130, 8050 Zúrich, Switzerland	Terrestrial telecommunications infrastructure operator	54%	Cellnex Switzerland AG	Deloitte	880	55,290	4,927	3,084
TMI, S.r.L. (**)	Via Carlo Veneziani 56L, 00148 Rome, Italy	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S.r.L.	-	10	-	-	-

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(**) Unaudited financial statements at 31 December 2017.

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(Thousands of Euros)

Direct Ownership Interests

Company	Registered office	Activity	% direct ownership interest	Net value of ownership interest	Auditor	Equity		Operating profit	Profit for the year	Dividends received
						Share Capital	Share premium and reserves (after deducting interim dividends)			
2016:										
Retevisión I, S.A.U.(*)	Avenida del Parc Logístic nº 12-20, 08040 Barcelona	Terrestrial telecommunications infrastructure operator	100%	368,938	Deloitte	81,270	269,974	73,730	57,659	56,924
Tradia Telecom, S.A.U. (*)	Avenida del Parc Logístic nº 12-20, 08040 Barcelona	Terrestrial telecommunications infrastructure operator	100%	127,121	Deloitte	131,488	9,655	18,069	17,859	14,000
On Tower Telecom Infraestructuras, S.A.U.(*)	Avenida del Parc Logístic nº 12-20, 08040 Barcelona	Terrestrial telecommunications infrastructure operator	100%	28,457	Deloitte	30,000	(6,179)	8,865	(1,381)	-
Cellnex Italia, S.r.L. (antes Smartowers Italy, S.r.L.) (*)	Via Carlo Veneziani 58, 00148 Roma (Italia)	Holding	100%	789,610	Deloitte	789,610	(213)	(904)	7,356	-
Cellnex UK Limited (**)	55 Old Broad Street, London, EC2M 1RX, Reino Unido	Holding	100%	-	-	-	-	-	-	-
Cellnex Netherlands, BV (antes Protelindo Netherlands, BV) (*)	Dr. Lelykade 22, Unit 9, 2583CM's - Gravenhage	Holding	100%	112,066	Deloitte	-	64,509	13	13	-
Cellnex France, S.A.S. (*)	30 Rue Godot de Mauroy, 75009 Paris	Holding	100%	80,000	Deloitte	20	79,980	(387)	(555)	-
Shere Group Limited (*)	River Court, Albert Dr, Woking GU21 5RP, Reino Unido	Holding	100%	414,539	Deloitte	157,495	30,360	1	(13)	-
Total ownership interest				**1,920,731**						**70,924**

(*) Audited financial statements at 31 December 2017.

(**) Unaudited financial statements at 31 December 2017.

This appendix forms an integral part of Note 8 to the 2017 financial statements, with which it should be read.

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Indirect Ownership Interests

Company	Registered office	Activity	% direct ownership interest	Company holding the interest	Auditor	Equity: Share Capital	Equity: Share premium and reserves (after deducting interim dividends)	Operating profit	Profit for the year
2016:									
Consorcio de Telecomunicaciones Avanzadas, S.A.(*)	c/Uruguay, parcela 13R, nave 6, Parque Empresarial Magalia, Alcantarilla (Murcia)	Provision of related services for terrestrial telecommunications concessions and operators	29.50%	Tradia Telecom, S.A.U.	Áreas Auditores	1,000	1,742	250	200
Torre de Collserola, S.A.(*)	Ctra. Vallvidrera a Tibidabo, s/n Barcelona	Construction and operation of terrestrial telecommunications infrastructure	41.75%	Retevisión-I, S.A.U.	Deloitte	5,520	918	11	(11)
Adesal Telecom, S.L.(*)	c/Ausías March 20, Valencia	Provision of related services for terrestrial telecommunications concessions and operators	60.08%	Tradia Telecom, S.A.U.	Deloitte	3,228	4,763	2,911	2,575
Gestora del Espectro, S.L (**)	Avda. Parc Logístic, 12-20. 08040	Development, implementation, Management and marketing of terrestrial telecommunication services	100%	Retevisión I, S.A.U.	-	3	(1)	-	-
TowerCo, S.p.A. (*)	Via Alberto Bergamini 50, Roma, Italia	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S.r.L.	Deloitte	20,100	14,958	10,084	7,012
Galata, S.p.A. (*)	Via Carlo Veneziani 56L, 00148 Roma (Italia)	Terrestrial telecommunications infrastructure operator	90%	Cellnex Italia, S.r.L.	Deloitte	1,000	266,481	20,112	13,326

(*) Audited financial statements at 31 December 2017.

(**) Unaudited financial statements at 31 December 2017.

This appendix forms an integral part of Note 8 to the 2017 financial statements, with which it should be read.

Company	Registered office	Activity	% direct ownership interest	Company holding the interest	Auditor	Equity: Share Capital	Equity: Share premium and reserves (after deducting interim dividends)	Operating profit	Profit for the year
2016:									
Towerlink Italia, S.r.L. (**)	Via Carlo Veneziani 58, Roma, Italia	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S.r.L.	-	10	-	-	-
Commscon Italia, Sr.L. (*)	Via Carducci 32, 20123 Milano	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S.r.L	Deloitte	100	2,148	126	76
Sirtel, S.r.L. (**)	Via Carlo Veneziani 58, 00148 Roma, Italia	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S.r.L.	-	40	110	-	-
Towerlink Netherlands, BV (antes Protelindo Towers, BV) (*)	Dr. Lelykade 22, Unit 9, 2583CM's - Gravenhage	Terrestrial telecommunications infrastructure operator	100%	Cellnex Netherlands, BV	Deloitte	-	63,634	3,171	2,749
Shere Midco Ltd (*)	River Court, Albert Dr, Woking GU21 5RP, Reino Unido	Holding	100%	Shere Group Limited	Deloitte	179,766	(76)	(12)	(10)
Shere Group Netherlands BV (*)	Leeghwaterstraat 21, 2811 DT Reeuwijk, Países Bajos	Holding	100%	Shere Midco Ltd	Deloitte	18	200,641	-	(1,737)
Shere Masten BV (*)	Leeghwaterstraat 21, 2811 DT Reeuwijk, Países Bajos	Terrestrial telecommunications infrastructure operator	100%	Shere Group Netherlands BV	Deloitte	18	188,985	3,856	3,294
Watersite Holding Limited (*)	River Court, Albert Dr, Woking GU21 5RP, Reino Unido	Terrestrial telecommunications infrastructure operator	100%	Shere Midco Ltd	Deloitte	28,379	(3,516)	382	185
Radiosite Limited (*)	River Court, Albert Dr, Woking GU21 5RP, Reino Unido	Terrestrial telecommunications infrastructure operator	100%	Shere Midco Ltd	Deloitte	30,457	15,625	819	(160)
QS4 Limited (*)	River Court, Albert Dr, Woking GU21 5RP, Reino Unido	Terrestrial telecommunications infrastructure operator	100%	Shere Midco Ltd	Deloitte	1,888	2,784	51	45
Shere Consulting Limited (*)	River Court, Albert Dr, Woking GU21 5RP, Reino Unido	Terrestrial telecommunications infrastructure operator	100%	Shere Midco Ltd	Deloitte	2,482	(2,053)	(235)	(235)
Total									

(*) Audited financial statements at 31 December 2017.

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Company	Registered office	Activity	% direct ownership interest	Net value of ownership interest	Auditor	Equity		Operating profit	Profit for the year	Dividends received
						Share Capital	Share premium and reserves (after deducting interim dividends)			
2016:										
Retevisión I, S.A.U.(*)	Avenida del Parc Logístic nº 12-20, 08040 Barcelona	Terrestrial telecommunications infrastructure operator	100%	368,938	Deloitte	81,270	269,974	73,730	57,659	56,924
Tradia Telecom, S.A.U. (*)	Avenida del Parc Logístic nº 12-20, 08040 Barcelona	Terrestrial telecommunications infrastructure operator	100%	127,121	Deloitte	131,488	9,655	18,069	17,859	14,000
On Tower Telecom Infraestructuras, S.A.U.(*)	Avenida del Parc Logístic nº 12-20, 08040 Barcelona	Terrestrial telecommunications infrastructure operator	100%	28,457	Deloitte	30,000	(6,179)	8,865	(1,381)	-
Cellnex Italia, S.r.L. (antes Smartowers Italy, S.r.L.) (*)	Via Carlo Veneziani 58, 00148 Roma (Italia)	Holding	100%	789,610	Deloitte	789,610	(213)	(904)	7,356	-
Cellnex UK Limited (**)	55 Old Broad Street, London, EC2M 1RX, Reino Unido	Holding	100%	-	-	-	-	-	-	-
Cellnex Netherlands, BV (antes Protelindo Netherlands, BV) (*)	Dr. Lelykade 22, Unit 9, 2583CM's - Gravenhage	Holding	100%	112,066	Deloitte	-	64,509	13	13	-
Cellnex France, S.A.S. (*)	30 Rue Godot de Mauroy, 75009 Paris	Holding	100%	80,000	Deloitte	20	79,980	(387)	(555)	-
Shere Group Limited (*)	River Court, Albert Dr, Woking GU21 5RP, Reino Unido	Holding	100%	414,539	Deloitte	157,495	30,360	1	(13)	-
Total ownership interest				**1,920,731**						**70,924**

(*) Audited financial statements at 31 December 2017.

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Radiosite Limited (*)	River Court, Albert Dr, Woking GU21 5RP, Reino Unido	Terrestrial telecommunications infrastructure operator	100%	Shere Midco Ltd	Deloitte	30,457	15,625	819	(160)
QS4 Limited (*)	River Court, Albert Dr, Woking GU21 5RP, Reino Unido	Terrestrial telecommunications infrastructure operator	100%	Shere Midco Ltd	Deloitte	1,888	2,784	51	45
Shere Consulting Limited (*)	River Court, Albert Dr, Woking GU21 5RP, Reino Unido	Terrestrial telecommunications infrastructure operator	100%	Shere Midco Ltd	Deloitte	2,482	(2,053)	(235)	(235)
Total									

(*) Audited financial statements at 31 December 2017.

(**) Unaudited financial statements at 31 December 2017.

This appendix forms an integral part of Note 8 to the 2017 financial statements, with which it should be read.

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

Cellnex Telecom, S.A.

Directors' Report
for the year ended
31 December 2017

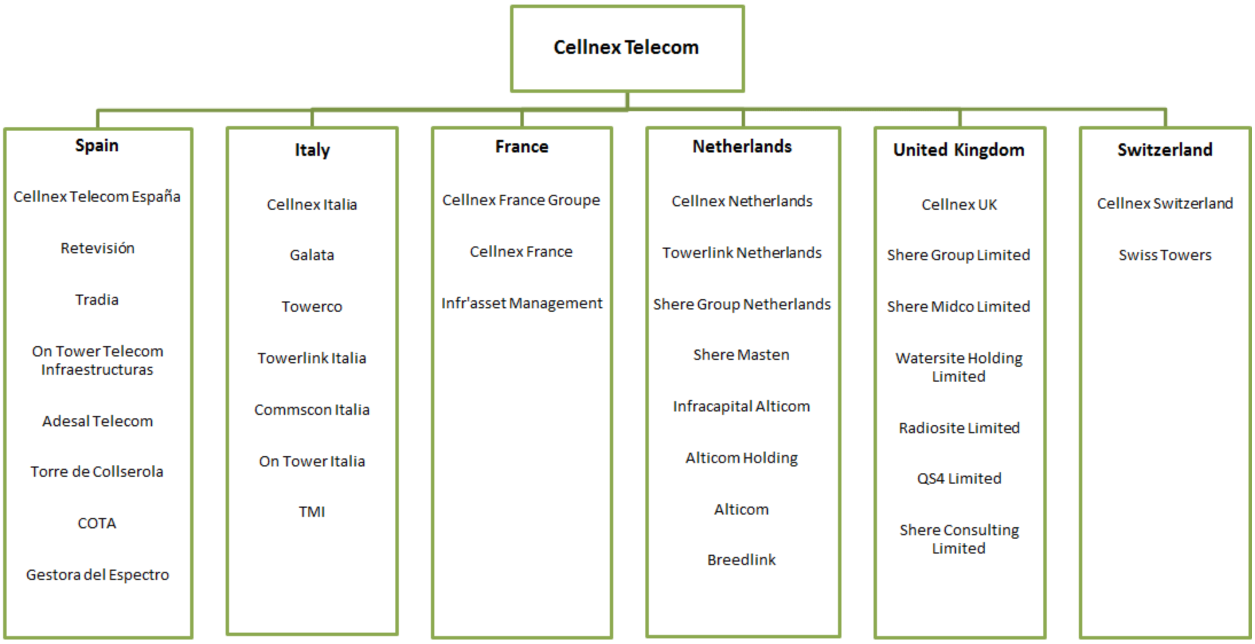
1. Information required under Article 262 of the Spanish Limited Liability Companies Law

1.1 Situation of the Company

Cellnex Telecom, S.A., hereinafter the Company, heads a business group which provides services related to infrastructure management for terrestrial telecommunications to the following markets:

- Telecom Infrastructure Services
- Broadcasting infrastructure
- Other Network Services

The organisational structure of the Cellnex Group, hereinafter Cellnex or the Group, at 31 December 2017 is summarised as follows:



The breakdown of direct and indirect shareholdings in Group companies and associates is shown in Appendix I to the financial statements.

1.2 Significant events in 2017

Cellnex's business model focuses on the **provision of services to mobile network operators (MNOs), broadcasters and other public and private companies** acting as a neutral[2] infrastructure provider. This business model is based on innovative, efficient, sustainable, independent and quality management to create value for its shareholders, customers, employees and all stakeholders.

Today, Cellnex has successfully become the leading European telecommunications infrastructure operator with more than 22,365 infrastructures located in Italy, Spain, France, the Netherlands, the UK and Switzerland, including sites and nodes. Cellnex thus provides services, through its customers, to more than 200 million people throughout Europe.

The most significant events during the 2017 financial year were as follows:

<u>Telecom Infrastructure Services</u>

This is the Group's main business by turnover. It provides a wide range of integrated network infrastructure services to enable access to the Group's wireless infrastructure by mobile network operators and other wireless telecommunications and broadband network operators, allowing such operators to offer their own telecommunications services to their customers.

Cellnex acts as a neutral carrier for mobile network operators and other telecommunication operators that usually require full access to the network infrastructure to deliver services to end users.

In this context, Cellnex offers co-location services, space in its own infrastructures for installing telecommunications equipment in rural and urban sites that are suitable for providing a range of different telecommunication services. The sites are designed and equipped with the resources to provide a high-quality service that offers both availability and network stability. The co-location service includes the provision of access to the energy point, secure conditions and conditioning of the infrastructure for the installation of customer equipment, as well as operation and maintenance services.

The value creation model involves increasing the sharing ratio of its infrastructure, by incorporating new customers who view an independent infrastructure operator as the ideal partner for deploying their services, reducing barriers to entry; or by agreements for rationalising existing networks run by a number of mobile telephone operators. Network rationalisation generates efficiencies both for itself and for mobile network operators (MNOs).

In the coming years, the market for small cells and Distributed Antenna Systems (DAS) will be the main driver of the telecommunications infrastructure sector. Users are looking for anywhere and anytime high-quality connectivity. One of the key challenges for current 4G and future 5G technologies is the exponential increase in mobile data traffic caused by the wealth of content and services offered by network access operators and the capacity developed by the new-generation terminals. In that connection, it is estimated that 5G will result in a 600% growth in mobile data traffic over the next five years. The densification of networks in open and closed spaces such as sports stadiums, skyscrapers, shopping centres, dense exteriors, airports, subway lines or railway stations, is one of the main vectors for the future deployment of 5G.

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[2] 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.

“Small cells” and DAS networks significantly increase the actual data transmission capacity that operators offer their customers thanks to densification and to greater equipment capillarity. This means that the cells (areas) covered by each antenna are smaller, helping to better distribute data traffic among connected users and transmission elements.

The acquisition of Commscon in 2016 and Alticom in 2017 consolidates Cellnex's position as a key player in the development and deployment of telephony and data coverage solutions in high-demand areas, through the implementation of advanced technologies based on "small cells" and DAS that serve various operators based on a single infrastructure and deployed equipment.

- **Milestones 2017**

Cellnex France, S.A.S.

On 31 January, 2017 Cellnex agreed with Bouygues Telecom the acquisition and building of up to a maximum of 3,000 sites in France, structured around two projects. The first one relates to the acquisition of up to 1,800 sites for a total enterprise value of EUR 500 million and involves urban sites in the main cities of France (c.85% located in areas with a population above 400,000 inhabitants) which are to be gradually transferred to Cellnex France over a period of 2 years.

Cellnex and Bouygues Telecom have also agreed on a second project for the building of up to a maximum of 1,200 sites for a total investment of EUR 354 million. This build-to-suit project relates to sites to be built over an estimated period of 5 years.

Upon completion of these projects, Cellnex France is expected to own and operate a unique portfolio of up to 5,100 sites in France, in high demand areas and ready to capture future organic growth.

These projects are fully aligned with Cellnex’s corporate purpose and with its international expansion strategy based on the acquisition of an initial portfolio of assets allowing for subsequent market consolidation, and represent a clear example of consistent delivery of the Company’s equity story based on growth.

Cellnex is thus strengthening its position in France by becoming the second largest independent tower operator, reinforcing its current long-term partnership with Bouygues Telecom and setting the foundations to continue capturing organic growth in the country through future densification needs.

Swiss Towers AG

During the third quarter of 2017, Cellnex incorporated 2,239 sites in Switzerland, through the acquisition of Swiss Towers AG in consortium with Deutsche Telekom Capital Partners and Swiss Life Asset Managers, for an acquisition price, free of cash, amounting to EUR 400 million (Enterprise Value).

The consortium that acquired Swiss Towers AG from Sunrise Communications comprises Cellnex Telecom, S.A. (54%), Swiss Life Asset Managers (28%) and Deutsche Telekom Capital Partners (18%) (see Note 8.1 of the accompanying financial statements).

The acquisition agreement includes the signing of a Master Service Agreement from Swiss Towers to Sunrise for an initial period of 20 years, renewable for a further 20 years in two 10-year periods. In addition, Cellnex and Sunrise have also agreed the deployment (build to suit) of an additional 400 sites during the next 10 years, as well as 200 DAS (Distributed Antenna System) nodes.

Following this transaction, Cellnex has become the first independent wireless telecommunications services and infrastructure operator to enter Switzerland, consolidating the Group’s position in Europe.

Alticom BV

During the third quarter of 2017, Cellnex acquired the Dutch telecom infrastructure operator Alticom from Infracapital, which operates 30 long-range, high-capacity telecommunications sites for transmission equipment for voice, data and audiovisual content operators, located throughout the Netherlands. The purchase price, free of cash (Enterprise Value), amounted to EUR 129 million (see Note 8.1 of the accompanying financial statements).

Alticom's customers include all the telecommunication and broadcast operators in the Netherlands, with whom it has contracts ranging from 5 to 10 years.

Following the acquisition of CommsCon in Italy in June 2016, the characteristics of Alticom's sites are a key element to the future roll-out of 5G. They have the capacity – and connectivity to the fibre optic backbone – to host remote or 'caching' servers to bring data processing and storage capacity to the end users of 5G-based applications which is essential for meeting the exponentially increasing demand and requirements of an increasing number of people and connected objects.

Galata S.p.A.

During the third quarter of 2017, Cellnex Italia acquired from Wind Tre the remaining 10% of the share capital of Galata. The purchase was the result of exercising the put option that Wind Tre held on this 10% after the acquisition of 90% of Galata by Cellnex Italia in March 2015.

DAS (Distributed Antenna System)

- Agreement with Atlético de Madrid to equip the new stadium with mobile broadband coverage (2G, 3G, 4G and 5G in the future). Cellnex will install a unique and exclusive network of small cells in Wanda Metropolitano Stadium (Madrid), based on DAS (distributed antenna systems) technology able to provide service to the various mobile voice and data network access operators. The contract signed with will last for ten years. This is a pioneering solution in Spain and will serve the up to 68,000 spectators that can fit into Atlético's new stadium. This will be achieved through a unique and exclusive network of up to 250 antennas, remote units, fibre network and equipment located in the technical room. Cellnex brings to the project its experience in similar solutions rolled out in large stadiums in Italy, such as San Siro in Milan (80,000 spectators, 107 remote units and 165 antennas) or the Juventus Stadium in Turin (41,000 Spectators, 38 remote units and 91 antennas).
- Cellnex and JCDecaux have reached a commercial agreement to offer a comprehensive solution to network access operators as well as Public Administrations to roll out "small cells" and DAS technologies that will speed up densification and the development of mobile broadband telecom services offered by MNOs. In order to achieve this objective, JCDecaux and Cellnex will offer joint end to end solutions to their customers in Italy and Spain to facilitate network densification from design to maintenance while streamlining site acquisition.
- 3G and 4G voice and data coverage service agreements in the Cercle de Economia and the Liceo de Barcelona in Barcelona based on a single multi-operator system implemented with a DAS system that avoids the various operators deploying redundant networks.

The Group now has a unique portfolio of assets, which have enabled new business opportunities to be developed through the sharing of the infrastructure necessary in the roll out of 4th generation mobile telephones, involving the decommissioning of duplicated infrastructure.

Broadcasting Infrastructure

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

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

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

In addition, Cellnex has established the strategic objective of positioning itself as a leader in 4K Ultra High-Definition Video technology. This technology provides an image with a resolution that is significantly better than High Definition (1280 x 720), up to sixteen times higher.

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

According to the UHF Decision, European administrations will have to publish their Roadmap that pilots the process before 30 June, 2018. In the case of Spain, it is expected that this will be a non-disruptive Plan, which will maintain the number of MUX and that facilitates the technological evolution and the renovation of the television park.

In this sense, during 2018, the Group will continue with its work of collaboration with the Administration in relation to the Roadmap, as well as in the research and implementation of technical improvements, both in the provision of Digital Terrestrial Television services (DTT), as in the on-line distribution of audiovisual content. Among such technological advances, the interactivity of the Hybrid DTT, or the quality improvement provided by the Ultra High Definition (UHD - Ultra High Definition) stand out. In addition to the 4K broadcasts on DTT, the Group will announce during the next months the latest developments in Hibernate DTT (HbbTV).

Another important point is that on 20 December 2017, the EU Court of Justice annulled the European Commission Decision adopted in June 2013, which ordered the recovery of state aid granted by Spain to the operators of DTT in areas extending coverage up to 98% of the Spanish population. The immediate consequence for Cellnex, as contractor for some of the tenders for extension of coverage, is that Cellnex no longer has to refund any amounts to the Administrations, and where the refund had already been made, the Administration must return the amounts to Cellnex.

- **Milestones 2017**

Throughout 2017 a number of Ultra High-Definition pilot trials were carried out, through collaborative projects such as:

- Broadcasting of the UHD DTT test channel from Torrespaña (Madrid), Valencina (Seville) and Collserola (Barcelona).
- Broadcast of the documentary series "Spanish World Heritage Cities": Segovia. Joint project with RTVE.

- Demonstrations during the Mobile World Congress on DTT broadcast in UHD.
- Broadcast of the final of the Champions League live in 4K. Joint project with Antena 3.
- Changing of the Royal Guard broadcast live in UHD: 4K and HDR. Joint project with RTVE.
- Demonstrations at the 4K Summit in Málaga. Broadcast of three UHD-HDR services statistically multiplexed on one DTT transmitter.
- Incorporation of the centre of Mijas in trial broadcasts in UHD over DTT to cover the city of Málaga.

Cellnex has also carried out various pilot tests in the field of **Hybrid DTT** using the HbbTV interactivity standard.

Other Network Services

In Cellnex, the "smart" concept means sharing, efficiency, security, resilience and ubiquitous connectivity. Cellnex provides the infrastructure required 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 an infrastructure operator, Cellnex can facilitate, streamline and accelerate the deployment of these services through efficient connectivity of objects and people, in both rural and urban environments, helping to build genuine Smart territories.

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

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

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

- **Milestones 2017**

Security and control

- The Maritime Rescue Company under the Spanish Ministry of Public Works, signed the "Provision of services within the Global Maritime Distress and Safety System" for the Safety of Human Life at Sea with Cellnex on 27 September 2017. The contract will come into force in August 2018 and has an initial term of four years, renewable for a further two years, for an annual amount over EUR 7 million. It gives continuity to the service Cellnex has been providing since 2009. The Group will provide the service through its network of coastal stations which allows 24/7 listening on maritime channels, all year round. The contract allows for receiving automatic alerts and distress calls, to be sent immediately to Maritime Rescue coordinators, as well as transmitting information for maritime safety and meteorological information, according to the guidelines established by Maritime Rescue and the connection between the Spanish Medical Radio Centre and any ships requesting that service. The provision of the service complies with the international conventions signed by Spain, in particular the Safety of Life at Sea (SOLAS) Convention and the International Search and Rescue Convention (SAR), which are the most important international treaties governing the safety of ships. In relation to the above, Cellnex has extensive experience managing security and emergency communications networks and services.
- The Group has been finalising the certifications relating to the extension of the TETRA network of the Catalan Railway system. In addition, a batch of spare parts has been supplied for the TETRA network mentioned above, notably the design, supply and installation to extend the coverage of the TETRA system on the Barcelona-Vallès line of the Catalan railways (FGC), on the section extending the branch line between the stations of Sabadell Plaza Mayor and the depots at Ca N'Oriach.
- Extension of the Catalonia emergency and security radiocommunications (RESCAT) network by means of two new base stations, each with twin carriers/frequencies to enhance coverage in certain areas of the territory, and the upgrade of the network to the new available technology has begun. Similarly, rollout of the project to extend the coverage of the RESCAT network in the Girona mono-bore tunnel of the AVE (Sagrera-Figueres line) has begun; the tunnel is 7,638 m long and there are also plans to offer coverage in the 13 emergency exits.
- Contract for the maintenance of the Ascó-Vandellós nuclear power plant communications and the contract for the provision of services within the global life-saving and safety system at sea. It should also be noted that the implementation of the DMR municipal network of Marbella (Andalusia) has been initiated.

Smart communications networks

- Agreement with Castellolí Parcmotor to equip the racing circuit with the necessary infrastructures and technology to enable the agents and companies working to develop the mobility of the future, advanced traffic solutions and vehicle manufacture to develop innovative products and services linked to smart mobility and connected and autonomous vehicles. The objective is to make the Castellolí Parcmotor into a benchmark environment and an innovative testing space for the development of ITS (Intelligent Transport Systems) technological solutions, particularly in the field of vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communications, which can subsequently be implemented in vehicles (future mobility), in towns and cities (smart cities) and on roads and motorways (smart roads).
- The first part of the contract with T-Systems for connectivity and co-location services in 32 Cellnex infrastructures has been completed and distributed throughout Spain, for the pan-European EAN (European Aviation Network) network
- The marketing activity relating to Back-Haul and Corporate circuits with the operators is operating according to the established forecasts.

1.3 Activity and main risks and uncertainties

The financial statements of Cellnex Telecom, S.A. reflect the consequences of its investment activity and its activity as parent company of the group, both from the point of view of the balance sheet (investments and financing) and the income statement (contributions through dividends from the different companies and borrowing costs and structure).

The Company balance sheet is chiefly composed of shareholdings in companies and the financing required for their acquisition using debt.

Due to the nature of its investment activity, the Company is exposed to certain financial risks, such as foreign currency risk, interest rate risk, credit risk, liquidity risk and Inflation risk.

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

The information concerning the risks of the Company is presented, with this same date and in the same mercantile register, in the Consolidated Management report of the Cellnex Group, which has been prepared according to internationally recognised standards. For more details, see note 5 of the attached annual accounts.

1.4 Information relating to the deferred of payments to suppliers

See the information in Note 18.2.of the accompanying financial statements

1.5 Use of financial instruments

In the year ended 31 December 2017, Cellnex Telecom, S.A. abided by the policy for use of financial instruments described in Note 5 to the accompanying financial statements.

1.6 Research and Development activities

The Company as Parent Company of Cellnex Group has not carried out any research and development activities, due to the fact that they are been developed at operative companies level. The information concerning the Group research and development acttivities is presented, in the Consolidated Management report of the Cellnex Group, which has been prepared according to internationally recognised standards.

1.7 Cellnex's Corporate Responsibility framework and People Management

Cellnex's key objective is to generate sustained value in the short, medium and long term, through responsible management of the business, incorporating the interests and expectations of the company's stakeholders.

In 2016, the Board of Directors approved the Corporate Responsibility (CR) policy, which includes Cellnex's CR strategy and commitment to the application of best practices in the countries in which it operates and on the basis of international reference standards. This commitment is developed in the Cellnex's 2012-2020 CR Master Plan, which constitutes the reference framework and the tool for systematising the strategic objectives, monitoring indicators and the actions and programmes underway for each of the axes of the Plan. Specifically, the plan consists of six areas of action:

Lines of action included in the Cellnex CSR Master Plan

Ethical management and good Governance	Governance of Corporate Responsibility	Sustainable development of the business	Contributing value to society	Communication and reporting	People Development
Promoting ethical behaviours	Providing the Master Plan with executive responsibility for Corporate Governance	Ensuring the whole company has the same level of environmental responsibility	Promoting and stimulating responsible and local procurement	Creating awareness within the company on the importance of Corporate Responsibility	Having an effective people development plan
Establishing a framework for ethical behaviour	Instrumentalising the Corporate Responsibility Master Plan	Positioning ourselves regarding analysis of the effects of EMR on health	Supporting the entrepreneurial and innovative world	Achieving greater knowledge and closeness to stakeholders	Helping people in the process of internationalisation
Having effective and sustainable corporate governance	Establishing a framework for action on Corporate Governance	Increasing environmental awareness among stakeholders	Creating value in the community	Full reporting	Promoting quality employment
Promoting an acknowledged culture of compliance			Taking a strategic approach to the relationship with the third sector	A reference in transparent corporate governance	
				Being a reference for value creation for society	

The CR Plan incorporates the best experiences of the Cellnex group companies as well as new proposals for building a better organisation day by day. With this Master Plan, Cellnex aims to create an instrument bringing together all the company's ethical, environmental and social initiatives, further establishing a long-term vision, setting commitments in accordance with internationally recognised standards that place it on the same level as the major infrastructure companies operating in Europe, specifically in the telecommunications sector. This plan also aims to improve two-way dialogue between Cellnex and all stakeholders, especially the company's staff team, customers, suppliers and contractors, administrations, shareholders, the community and partners in shared projects.

In 2017, Cellnex published a declaration on slavery and trafficking in human beings, in response to the United Kingdom Modern Slavery Law, which condemns any practice of labour exploitation and pledges to prevent it both in its activity and its supply chain. This commitment is developed through the Group's Corporate Responsibility Policy, which sets basic guidelines and lines of action in this area. Likewise, Cellnex's Code of Ethics expresses its commitment to complying with human rights and expresses its total rejection of child labour and forced or compulsory labour, and undertakes to respect freedom of association and collective bargaining. In the supply chain, Cellnex evaluates its most critical suppliers in terms of human rights on an annual basis. In addition, in 2017 Cellnex drew up the Purchase Policy that establishes the obligation for its suppliers to comply with protection and respect for Human Rights and to be familiar with the Code of Ethics and share it with its employees and subcontractors.

In 2017, a year marked by growth of the Group, mainly through new acquisitions in Europe, Cellnex now faces the challenge of integrating the new companies into the group's organisational model, particularly in the personnel management field.

As part of the Group's new organisational vision, and responding to this challenge, in 2017 it implemented a management change project called "**Change Management**" that aims to ensure the transfer of responsibilities and to provide guidance throughout the transformation process. This project made it possible to identify which jobs were affected by the change and to accompany and monitoring the development of each individual concerned. In addition, roadshows were carried out in all countries to explain the organisational vision and organisational changes. A survey will be conducted in 2018 among all affected employees to evaluate their perception and satisfaction with the way in which the **Change Management** project is being managed.

In this European context, an **international assignments** policy was approved in 2017 to frame the situation of displaced workers during the duration of the international project. Through this policy, the idea is to provide workers an opportunity for professional development while ensuring a series of guarantees during their stay and return, related not only to supplements and economic benefits, but also in terms of taxation, work and Social Security.

In addition, the **onboarding** programme was created in 2017, and will be implemented throughout 2018. The aim is to speed up the adaptation and integration process of new people joining the organisation.

In line with this vision, Cellnex Italia is working to obtain the SA8000 Social Accountability Certification in 2018. The objective of this certification is to ensure diversity and equal opportunities for all members of the Italy team.
Objectives 2018:

- Start integrating the "The Hub" skills model in Italy.
- Survey on the commitment of employees, in Spain, Italy and corporation.
- Prepare and approve the Talent Book with coverage throughout the Cellnex Group.
- Implement a Global Intranet.

1.9 Other Information

Non-financial information

The non-financial information presented in this Director's Report is complemented with the information presented, with this same date and in the same mercantile register, in the Consolidated Management report of the Cellnex Group, which has been prepared according to internationally recognised standards. For more details, see note 5 of the attached annual accounts.

Shareholder remuneration

The Board of Directors of Cellnex Telecom, S.A. adopted a resolution to propose to the Annual General Meeting a final cash dividend of EUR 0.042325 gross per share against 2016 profit, which was paid on 11 May 2017.

During the 2017 financial year an interim cash dividend amounting to EUR 10 million was distributed, which represents EUR 0.04 gross per each share that makes up the share capital of Cellnex Telecom, S.A. (EUR 10 million at year-end 2016, representing EUR 0.04 gross per share).

Along with the final cash dividend of EUR 12 million to be paid in 2018 (pursuant to the corresponding approval by the AGM), the total cash dividend distribution against 2017 results or reserves will have increased by 10% in relation to the dividend distributed against 2016 results.

Business outlook

Following a year marked by the international consolidation and expansion of the Group, with the acquisitions executed in 2017, during 2018 the Group will continue to analyse investment and growth opportunities that comply with the strict profitability and discipline requirements that the Group applies to all its investments.

The Group will maintain its focus on the potential investments in markets where it currently operates as well as other European markets in which investment opportunities are present and comply with its requirements. The priority continues to be to grow in the Telecom Infrastructure Services segment, for which there are clearly two growth paths:

1. Organic growth, in the countries in which the Group operates, reaching service agreements with new customers that need to develop and implement their own network, along with agreements with current customers, offering services that allow them to rationalise their networks and optimise costs, through the dismantling of duplicate infrastructures and building new infrastructures in strategic sites that could offer service to one or more customers. This growth allows the Group to increase its ratio of customers by infrastructure and work with the operators to complete the deployment of 4G, reduce areas with no signal coverage and extend network densification.

2. Inorganic growth which is comprised of the acquisition of companies in the same sector as well as asset deals mainly from mobile network operators, such that, once acquired, the Group can offer additional services to the operators.

With this growth strategy the Group pursues the following objectives: increase its customer base, diversify geographically in countries with strong credit ratings, create a European platform to deliver organic growth, be ready for the implementation of 5G networks and, as a result, its improve business risk profile.

In terms of day to day operations the Group will continue consolidating recent acquisitions, maintaining permanent contact with its customers from all business segments in order to improve and extend the services currently offered and to ensure the renewal of all contracts under the most advantageous conditions for all parties.

Treasury shares

During the period ended on 31 December 2017, Cellnex Telecom, S.A. has continued to rely on a liquidity contract, maintaining a final balance of 87 thousand treasury shares at an average price per share of EUR 21.427, which represent 0.04% of the share capital.

The acquisition of treasury shares has been carried out by means of a liquidity contract[10] signed by Cellnex Telecom, S.A. on 31 May 2016 with Santander Investment Bolsa, Sociedad de Valores, S.A.U. in order to manage its portfolio of treasury shares.

Environment

<u>Responsible environmental management</u>

Cellnex has an Environmental Policy based on respecting the environment, protecting and preserving biodiversity, using renewable energies, mitigation and adaptation to climate change, and contributing to sustainable development through the efficient use of resources, as well as promoting preventive and mobility actions.

Thus, not only does Cellnex base its activity on the principles of sustainability and responsibility, but has also defined Sustainable Business Development as one of the basic pillars of its CR Master Plan. This involves the company committing to sustainability, environmental preservation and efficiency by setting goals, and more specifically by implementing concrete actions and programmes for all the companies of the Group.

[10] Liquidity contract in accordance with the CNMV circular 1/2017 of 26 April covering liquidity contracts for the purpose of their acceptance as market practice.

The Sustainable Business Development pillar is defined on the basis of the following goals, each of which consists of several specific actions:

1) Putting environmental management of Cellnex in Spain at the same level as the rest of the companies in the Cellnex group;
2) Promoting Energy Efficiency, increasing the use of renewable energy as much as possible and fostering the implementation of efficiency measures at the company's premises;
3) Committing to sustainable mobility;
4) Developing a carbon management framework in Spain to include the strategic perspectives to be worked on and focused on a set of actions, framed in different lines of management, that must be approved, funded and implemented to achieve the carbon management objectives established;
5) Minimising the risks and fostering the business opportunities derived from climate change identified in relation to Cellnex's activity in Spain;
6) Progressively reducing the carbon footprint in Spain and Italy;
7) Protecting and respecting the ecosystems affected by Cellnex's activity;
8) Promoting a sustainable culture within the Cellnex organisation; Measuring and communicating environmental performance and reporting this on an annual basis in international organisations (CDP, GRI, DJSI, UNGC, FSTE, etc.).

Within the organisation's environmental objectives defined in 2017, there were 26 goals established for improving or mitigating environmental impacts. Sixteen of these have been implemented, and the rest are almost implemented or in the process of completion.

Management Systems

Cellnex has implemented an Integrated Management System to support its organisational model, which provides a framework for adopting a systematic approach in performing processes, thereby ensuring that they are effective. It also allows a procedure to be established to guarantees the quality of the services provided and to ensure that the activity is carried out in compliance with current legislation.

As a demonstration of its commitment to quality and excellence, Cellnex Spain subgroup has maintained the following certifications, issued by TÜV Rheinland:

- ISO 9001 Standard for Quality Management
- ISO 14001 Standard for Environmental Management
- OHSAS 18001 Standard for Occupational Health and Safety Management
- UNE 166002 Standard for Management of Research, Technological Development and Innovation activities (R&D+i)
- ISO 27001 Standard for Information Security Management
- Standard ISO 14064-1 Greenhouse gases. Part 1: Specification with guidance, at organisation level, for quantifying and reporting emissions and removal of greenhouse gases.

Likewise, the Measurement and Instrumentation Laboratory is accredited under ISO 17025 Standard (CGA-ENAC-LEC) for Tests on Receivers of terrestrial digital television.

In 2017, the Management System and the corresponding Policies were adapted to the new requirements of ISO 9001 and ISO 14001 standards, the most noteworthy of which are stakeholder analysis within the context of the organisation, risk and opportunity management, and control of outsourced processes.

Internal and external audits are performed every year as an essential element for maintaining the Management System. 19 internal audits (55 auditor days) and 7 internal audits (43 auditor days) were performed in 2017.

In 2018 Cellnex Italia aims to implement a Management System based on ISO 9001, ISO 14001, OHSAS 18001, ISO 27001 and SA8000 standards.

Post balance sheet events

Spain corporate reorganisation

Additionally, on 14 February 2018, the following operations occurred between Spanish companies within the scope of consolidation in which Cellnex holds a 100% shareholding, and as such this did not have an impact on the consolidated financial statements for 2018:

- Acquisition by 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., for their carrying amount of EUR 977 million.

- To finance the acquisition, Cellnex Telecom, S.A. made an equity contribution to Cellnex Telecom España, S.L. for the same amount.

2018 convertible bond

On 8 January, 2018, Cellnex Telecom, S.A. priced the issuance of EUR 600 million of convertible bonds. The shares underlying the bonds are equivalent to 6.8% of the company's share capital, based on the initial conversion price. The bonds' conversion price into Cellnex Telecom, S.A. shares has initially been set at EUR 38.0829 representing a premium of 70% over the volume weighted average price of a share on the Spanish Stock Exchange between market opening at that date and pricing of the offering.

The bonds will carry a coupon of 1.5% payable annually in arrears. Cellnex Telecom, S.A. 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 initially issued have been converted and/or redeemed and/or purchased and cancelled. The Terms and Conditions of the bonds include a change of control put clause, at the option of bondholders, which could result in early repayment.

The Issuance was rated by Fitch, with a rating of BBB-, which is the company's current rating. Cellnex intends to seek admission to trading for the bonds on the Open Market (*Freiverkehr)* of the Frankfurt Stock Exchange.

Treasury shares purchase program

During January 2018, Cellnex Telecom, S.A. purchased 67,505 treasury shares, representing 0.03% of the total shares outstanding, with an average price of EUR 21.55 per share, valuing the total stake at that time at EUR 1,458 thousand.

2. Annual corporate governance report

The Annual Corporate Governance Report submitted by the Board of Directors of Cellnex Telecom, S.A. is included below, and consists of 77 pages numbered 1 to 77, both inclusive.

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Madrid, 15 February 2018

Note: This document is a translation of a duly approved Spanish language document, and is provided for information purposes only. In the event of any discrepancy between the text of this translation and the text of the original Spanish language document which this translation is intended to reflect, the text of the original Spanish language document shall prevail.

APPENDIX I FORM

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

ISSUER'S PARTICULARS

FINANCIAL YEAR END 2017

CORPORATE TAX ID
[C.I.F.] A64907306

Corporate Name
CELLNEX TELECOM. S.A.

Registered Office:
JUAN ESPLANDIÚ STREET11-13, 28007 MADRID

ANNUAL CORPORATE GOVERNANCE REPORT
FOR LISTED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital.

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
21/11/2014	57.920.810,00	231.683.240	231.683.240

Indicate whether different types of shares exist with different associated rights:

Yes □ **No X**

A.2 List the direct and indirect holders of significant ownership interests in your organisation at year-end, excluding directors.

Name or corporate name of the shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
THREADNEEDLE ASSET MANAGEMENT LIMITED	0	11.357.440	4,90%
BLACKROCK INC.	0	14.046.969	6,06%
FIDELITY INTERNATIONAL LIMITED	0	4.582.537	1,98%
CANTILLON CAPITAL MANAGEMENT LLC	0	7.000.164	3,02%
CRITERIA CAIXA, S.A.U.	11.584.575	0	5,00%
FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA	0	11.584.575	0,00%
ABERTIS INFRAESTRUCTURAS, S.A.	78.772.302	0	34,00%
MFS INVESTMENT MANAGEMENT	0	11.838.997	5,11%

Name or company name of the indirect owner of the shareholding	Through: Name or company name of the direct holder of the shareholding	Number of voting rights
THREADNEEDLE ASSET MANAGEMENT LIMITED	VARIOUS FUNDS, NO OBLIGATION TO REPORT INDIVIDUALLY	11.357.440

BLACKROCK INC.	VARIOUS FUNDS, NO OBLIGATION TO REPORT INDIVIDUALLY	14.046.969
FIDELITY INTERNATIONAL LIMITED	VARIOUS FUNDS, NO OBLIGATION TO REPORT INDIVIDUALLY	4.582.537
CANTILLON CAPITAL MANAGEMENT LLC	VARIOUS FUNDS, NO OBLIGATION TO REPORT INDIVIDUALLY	7.000.164
FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA	CRITERIA CAIXA, S.A.U.	11.584.575
MFS INVESTMENT MANAGEMENT	MASSACHUSETTS FINANCIAL SERVICES COMPANY	10.448.901
MFS INVESTMENT MANAGEMENT	MFS HERITAGE TRUST COMPANY	139.009
MFS INVESTMENT MANAGEMENT	MFS INSTITUTIONAL ADVISORS, INC.	231.683
MFS INVESTMENT MANAGEMENT	MFS INTERNATIONAL (U.K.) LTD	301.188
MFS INVESTMENT MANAGEMENT	MFS INVESTMENT MANAGEMENT K.K.	46.336
MFS INVESTMENT MANAGEMENT	MFS INTERNATIONAL SINGAPORE PTE. LTD.	347.524
MFS INVESTMENT MANAGEMENT	MFS INVESTMENT MANAGEMENT CANADA LTD.	324.356

Indicate the most significant movements in the shareholding structure during the year:

Name or corporate name of shareholder	**Date of the transaction**	**Description of the transaction**
THREADNEEDLE ASSET MANAGEMENT LIMITED	19/01/2017	Fell below 5% of share capital.
CITADEL MULTI-STRATEGY EQUITIES	23/02/2017	Exceeded 1% of share capital

MASTER FUND LTD		(only tax havens)
SHODERS PLC	02/03/2017	Exceeded 3% of share capital.
MFS INVESTMENT MANAGEMENT	07/03/2017	Exceeded 3% of share capital.
SHODERS PLC	07/03/2017	Fell below 3% of share capital.
MFS INVESTMENT MANAGEMENT	16/03/2017	Exceeded 5% of share capital.
SHODERS PLC	17/03/2017	Exceeded 3% of share capital.
SHODERS PLC	23/03/2017	Fell below 3% of share capital.
BLACKROCK ADVISORS, LLC	05/05/2017	Fell below 3% of share capital.
SHODERS PLC	09/05/2017	Exceeded 3% of share capital.
BLACKROCK ADVISORS, LLC	11/05/2017	Fell below 3% of share capital.
SHODERS PLC	19/05/2017	Fell below 3% of share capital.
THE GOLDMAN SACHS GROUP, INC.	22/05/2017	Exceeded 3% of share capital.
BLACKROCK ADVISORS, LLC	01/06/2017	Fell below 3% of share capital.
BLACKROCK INC.	02/06/2017	Fell below 3% of share capital.
THE GOLDMAN SACHS GROUP, INC.	06/06/2017	Fell below 3% of share capital.
FIDELITY INTERNATIONAL LIMITED	19/07/2017	Exceeded 2% of share capital (only tax havens)
CITADEL MULTI-STRATEGY EQUITIES MASTER FUND LTD	26/06/2017	Exceeded 1% of share capital (only tax havens)
CITADEL MULTI-STRATEGY EQUITIES MASTER FUND LTD	04/07/2017	Fell below 1% of share capital (only tax havens).
BLACKROCK INC.	07/07/2017	Fell below 5% of share capital.
FIDELITY INTERNATIONAL LIMITED	16/08/2017	Fell below 2% of share capital (only tax havens).
BLACKROCK INC.	11/12/2017	Exceeded 5% of share capital.
BLACKROCK INC.	14/12/2017	Fell below 5% of share capital.
THE GOLDMAN	14/12/2017	Exceeded 3% of share

SACHS GROUP, INC.		capital.
THE GOLDMAN SACHS GROUP, INC.	15/12/2017	Exceeded 3% of share capital.
THE GOLDMAN SACHS GROUP, INC.	22/12/2017	Fell below 3% of share capital.

A.3 Complete the following tables on company directors holding voting rights through company shares.

Name or corporate name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR LUIS DEULOFEU FUGUET	3.571	0	0,00%
MR TOBÍAS MARTÍNEZ GIMENO	20.000	0	0,01%
MR FRANCISCO REYNÉS MASSANET	0	4.966	0,00%
MR BERTRAND BOUDEWIJN KAN	10.000	0	0,00%
MR PIERRE BLAYAU	0	12.000	0,01%

Name or company name of the indirect owner of the share	Through: Name or company name of the direct holder of the share	Number of voting rights
MR FRANCISCO REYNÉS MASSANET	FRINVYCO, S.L.	4.966
MR PIERRE BLAYAU	HARBOUR CONSEILS	12.000

% of total voting rights held by the Board of Directors	0,02%

Complete the following tables on company directors holding voting rights through company shares.

A.4 Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities.

A.5 Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities.

Related name or corporate name
CELLNEX TELECOM, S.A.
ABERTIS INFRAESTRUCTURAS, S.A.

Type of relationship: Commercial

Brief description: The existing relationships arise from ordinary trading. See Section D.2.

Related name or corporate name
CELLNEX TELECOM, S.A.
FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA

Type of relationship: Commercial

Brief description: The existing relationships arise from ordinary trading. See Section D.2.

Related name or corporate name
CELLNEX TELECOM, S.A.
CRITERIA CAIXA, S.A.U.

Type of relationship: Commercial

Brief description: The existing relationships arise from ordinary trading. See Section D.2.

A.6 Indicate whether the company has been notified of any shareholders' agreements pursuant to Articles 530 and 531 of the Spanish Limited Liability Companies Law. Provide a brief description and list the shareholders bound by the agreement, as applicable.

Yes ☐ **No X**

Indicate whether the company is aware of the existence of any concerted actions amongst its shareholders. Give a brief description as applicable.

Yes ☐ **No X**

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year.

Not applicable.

A.7 Indicate whether any individuals or bodies corporate currently exercise control or could exercise control over the company in accordance with Article 5 of the Spanish Securities' Market Act. If so, identify.

Yes □ **No X**

Remarks

A.8 Complete the following tables on the company's treasury shares.

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
86.758	0	0,04%

(*) Through:

Explain any significant changes there have been during the year, pursuant to Royal Decree 1362/2007.

Explain the significant changes

Liquidity contract in force and as provided in the circular 1/2017, of 26 April, of the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*), on the liquidity contracts, for the purpose of its acceptance as market practice.

A.9 Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer treasury stock.

On 10 April 2015, the then company's Sole Shareholder took the decision to authorise its Board of Directors to proceed with the acquisition of treasury stock, both directly through the company itself or through group companies, in the terms set out:

a) the acquisition may be carried out as purchase, swap or payment in kind, once or several times, provided that the stock acquired, in conjunction with that already held by the company, does not exceed 10% of the share capital;
b) the price or exchange value shall fluctuate between a minimum equivalent to its face value and a maximum equivalent of the closing price of the company's stock in continuous trading at the time of acquisition;

c) the validity period for the authorisation shall be five years from the day following the day on which this decision was taken. It is expressly noted that the stock acquired as a result of this authorisation may be used both for the disposal or amortisation thereof as well as for applying the remuneration systems set out in Section 146(1)(a) of the Spanish Limited Liability Companies Law.

A.9a Estimated floating capital.

	%
Estimated floating capital	39,93

A.10 Give details of any restriction on the transfer of securities or voting rights. Indicate, in particular, the existence of any restrictions on the takeover of the company by means of share purchases on the market.

Yes ☐ **No X**

A.11 Indicate whether the General Shareholders' Meeting has agreed to take neutralisation measures to prevent a public takeover bid by virtue of the provisions of Act 6/2007.

Yes ☐ **No X**

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted.

A.12 Indicate whether the company has issued securities not traded in a regulated market of the European Union.

Yes ☐ **No X**

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.

B GENERAL SHAREHOLDERS' MEETING

B.1 Indicate the quorum required for constitution of the General Shareholders' Meeting established in the company's Bylaws. Describe how it differs from the system of minimum quorums established in the Spanish Limited Liability Companies Law.

Yes ☐ **No X**

B.2 Indicate and, as applicable, describe any differences between the Company's system of adopting corporate resolutions and the framework established in the Spanish Limited Liability Companies Law.

Yes ☐ **No X**

Describe how they differ from the rules established in the Spanish Limited Liability Companies Law.

B.3 Indicate the rules governing amendments to the company's Bylaws. In particular, indicate the majorities required to amend the Bylaws and, if applicable, the rules for protecting shareholders' rights when changing the Bylaws .

The rules included in the Spanish Limited Liability Companies Law shall be applied to the majorities required to amend the corporate bylaws.

B.4 Indicate the attendance figures for the General Shareholders' Meetings held during the year.

	Attendance data				
			% remote voting		
Date of general meeting	**% attending in person**	**% by proxy**	**Electronic means**	**Other**	**Total**
30/06/2016	46,52%	31,18%	0,00%	0,00%	77,70%
27/04/2017	40,63%	36,69%	0,00%	0,00%	77,32%

B.5 Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the General Shareholders' Meetings.

Yes X **No ☐**

Number of shares required to attend the General Shareholders' Meeting	100

B.6 Section abolished.

B.7 Indicate the address and mode of accessing corporate governance content on your company's website as well as other information on General Meetings that must be made available to shareholders on the website.

The "Shareholders and investors" section on the website www.cellnextelecom.com, provides the information required by Section 539(2) of the Spanish Law on Limited Liability Companies and by National Securities Market Commission Circular 3/2015.

C COMPANY MANAGEMENT STRUCTURE

C.1 Board of directors

C.1.1 List the maximum and minimum number of directors included in the Bylaws.

Maximum number of directors	13
Minimum number of directors	4

C.1.2 Complete the following table with Board members' details.

Name or corporate name of director	Representative	Director category	Position on the board	Date of first appointment	Date of last appointment	Election procedure
MR GIAMPAOLO ZAMBELETTI ROSSI		INDEPENDENT	DIRECTOR	16/04/2015	16/04/2015	OTHER
MR FRANCISCO JOSÉ ALJARO NAVARRO		PROPRIETARY	DIRECTOR	17/11/2014	30/06/2016	ORDINARY GENERAL MEETING
MR LUIS DEULOFEU FUGUET		PROPRIETARY	DIRECTOR	16/04/2015	16/04/2015	OTHER
MR TOBÍAS MARTÍNEZ GIMENO		EXECUTIVE	CEO	17/11/2014	30/06/2016	ORDINARY GENERAL MEETING
MR FRANCISCO REYNÉS MASSANET		PROPRIETARY	CHAIRMAN	17/11/2014	30/06/2016	ORDINARY GENERAL MEETING
MR JOSEP MARIA CORONAS GUINART		PROPRIETARY	DIRECTOR	17/11/2014	30/06/2016	ORDINARY GENERAL MEETING
MR PIERRE BLAYAU		INDEPENDENT	DIRECTOR	16/04/2015	16/04/2015	OTHER
MR LEONARD PETER SHORE		INDEPENDENT	DIRECTOR	16/04/2015	16/04/2015	OTHER
MR BERTRAND BOUDEWIJN KAN		INDEPENDENT	VICE CHAIRMAN	16/04/2015	16/04/2015	OTHER
MS MARIETA DEL RIVERO BERMEJO		INDEPENDENT	DIRECTOR	27/04/2017	27/04/2017	ORDINARY GENERAL MEETING

Total number of directors	10

Indicate any board members who left during this period.

C.1.3 Complete the following tables on board members and their respective categories.

EXECUTIVE DIRECTORS

Name or corporate name of director	Post held in the company
MR TOBÍAS MARTÍNEZ GIMENO	CHIEF EXECUTIVE OFFICER

Total number of executive directors	1
% of the board	10,00%

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing appointment
MR FRANCISCO JOSÉ ALJARO NAVARRO	ABERTIS INFRAESTRUCTURAS, S.A.
MR LUIS DEULOFEU FUGUET	ABERTIS INFRAESTRUCTURAS, S.A.
MR FRANCISCO REYNÉS MASSANET	ABERTIS INFRAESTRUCTURAS, S.A.
MR JOSEP MARIA CORONAS GUINART	ABERTIS INFRAESTRUCTURAS, S.A.

Total number of proprietary directors	4
% of the board	40,00%

INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of director:
MR GIAMPAOLO ZAMBELETTI ROSSI

Profile:
He has spent much of his professional career in the chemicals/pharmaceuticals and telecoms sectors, and currently holds the position of President of RCS Investimenti and Vice-President of Unidad Editorial, S.A. He was previously Founder and Managing Director of Zambeletti Espana, President and CEO of Zambeletti Group, President of Italgas SpA, President and Managing Director of Ellem Industria Farmaceutica SpA. He served as Vice President of the pharma labs association, Farmindustria.
In 2001 he has been appointed Group Senior Vice President International Affairs of Telecom Italia. He has furthermore been a member of the Board of Directors of Telecom Italia International (Netherlands), Auna, S.A. (Spain), Avea (Turkey), Oger Telecom (Dubai), Ojer Telekomunikasyon

(Turkey) and Telekom Austria. Recently has been appointed Board Member of Banca Farmafactoring Group in Milan.
Giampaolo Zambeletti holds a degree in Chemistry from the Università degli Studi di Pavia, is an international trustee of the Friends of the Prado Museum Foundation in Madrid, and received the Isabel la Católica Award from King Felipe VI in 2015.

Name or corporate name of director:
MR PIERRE BLAYAU

Profile:
He is currently holding the position of president of CCR (Caisse Centrale de Reassurance) and an independent member of the Boards of Directors of FIMALAC and the SECP (Canal+ Group). He was previously Chief Executive Officer of Pont à Mousson, PPR, Moulinex, Geodis, and Executive Director of SNCF. He has also served as Executive Director of La Redoute, as a member of the Board of Directors of FNAC, and Independent Director of Crédit Lyonnais and President of the Board of Directors of Areva. Pierre Blayau is a Public Finance Inspector of the French Ministry of Finance, and graduated from the École Nationale d'Administration de Paris and the École Normale Supérieure de Saint-Cloud.

Name or corporate name of director:
MR LEONARD PETER SHORE

Profile:
Has extensive experience in the telecommunications and tech sector. Held the position of Chairman of Arqiva in the UK for eight years from 2007. He has also been Chairman of Uecomm, Lonely Planet Publications, the Hostworks Group and Airwave. He was Group Managing Director at Telstra in Australia, CEO of Priceline (Aust/NZ) and Managing Director of Media/Communications/Partners. He has served as a Director of Objectif Telecomunications Limited, Foxtel, SMS Management and Technology and OnAustralia. He was furthermore a member of the Advisory Board of Siemens Australia. Leonard Peter Shore holds a degree in Applied Mathematics and Computing Science from the University of Adelaide.

Name or corporate name of director:
MR BERTRAND BOUDEWIJN KAN

Profile:
He has extensive professional experience in investment banking and focused on the telecoms, media and technology sector in particular. He spent most of his career at Morgan Stanley where he became a Managing Director and Head of the European Telecoms Group. Subsequently he moved to Lehman Brothers where he was Co-Head of the Global Telecoms Team and was a member of the European Operating Committee. In 2008 he became Head of the Global Telecoms, Media and Technology Group at Nomura and served on the Investment Banking Global Executive Committee. Among other responsibilities, he is currently a member of the Board of Síminn hf., the telecoms operator in Iceland, of the Advisory Board of Wadhwani Asset Management and of the Supervisory Board of UWC Netherlands. Bertrand Kan graduated with B.Sc. and an M.Sc. degrees in Economics from the London School of Economics.

Name or corporate name of director:
MS MARIETA DEL RIVERO BERMEJO

Profile:
Marieta del Rivero has 25 years of experience in leadership roles in the world of information and communications technology, mobility and the digital services industry and is one of the most prominent profiles in the sector in Spain. She has extensive experience and a proven track record ranging from key consumers to manufacturers and suppliers of hardware, to telecom operators and software industry. Her career and executive responsibilities have included working at Telefónica, Nokia (Iberia and Corporation), Xfera Móviles, Amena and Nefitel. She is currently Partner at Seeliger & Conde, member of the advisory boards of the "Made in Mobile" technology incubator and the "Roca Salvatella" digital transformation consultancy. She is President of the International Women's Forum Spain and member the Women Corporate Directors Foundation in Spain.

Total number of independent directors	5
% of the board	50,00%

List any independent directors who receive from the company or group any amount or payment other than standard director remuneration or who maintain or have maintained during the period in question a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained the said relationship.

No

If applicable, include a statement from the board detailing the reasons why the said director may carry on their duties as an independent director.

OTHER EXTERNAL DIRECTORS

Identify the other external directors and list the reasons why these cannot be considered proprietary or independent directors and detail their relationships with the Company, its executives or shareholders.

List any changes in the category of each director that have occurred during the year.

C.1.4 Complete the following table on the number of female directors as at year-end of the past four financial years and their category.

	Number of female directors				% of total directors of each category			
	Financial year T 2017	Financial year t-1 2016	Financial year t-2 2015	Financial year t-3 2014	Financial year T 2017	Financial year t-1 2016	Financial year t-2 2015	Financial year t-3 2014
Executive	0	0	0	N.A.	0,00%	0,00%	0,00%	N.A.
Proprietary	0	0	0	N.A.	0,00%	0,00%	0,00%	N.A.
Independent	1	0	0	N.A.	20,00%	0,00%	0,00%	N.A.
Other external	0	0	0	N.A.	0,00%	0,00%	0,00%	N.A.
Total:	1	0	0	N.A.	10,00%	0,00%	0,00%	N.A.

C.1.5 Explain the measures, if applicable, that have been adopted to ensure that there is a sufficient number of female directors on the board to guarantee an even balance between men and women.

Explanation of measures

Encouraging gender diversity is a principle set out in the Board Regulations. The Board of Directors approved in 2016 a Director Selection Policy that establishes that the candidate selection process will avoid any kind of implicit bias that may involve any discrimination; that it will promote the balanced presence of men and women on the Board of Directors; and that it must aim for the underrepresented gender to be at least 30% of the total members of the Board of Directors in the shortest time possible, and by the end of 2020 at the latest.

C.1.6 Explain the measures taken, if applicable, by the Nomination Committee to ensure that the selection processes are not subject to implicit bias that would make it difficult to select female directors, and that the company makes a conscious effort to search for female candidates who have the required profile.

Explanation of measures

Within the scope of its powers, the Nomination and Remuneration Committee defines the functions and aptitudes required of the candidates who should fill each vacancy on the Board of Directors.
During the Director selection process, the Nomination and Remuneration Committee evaluates the skills and experience of each of the candidates under criteria of objectiveness, assessing the candidate's profile and evaluating the time and dedication needed for them to be able to effectively perform their task. Among these criteria, the Nomination and Remuneration Committee considers the need to promote equal opportunities between men and women, ensuring that no kind of gender-based discrimination takes place.

Explanation of reasons

The Directors' Selection Policy was approved in 2016, and in the 2017 General Meeting a female Director was appointed, following a report from the Board of Directors justifying the appointment, and as per a proposal of the Nominations & Remunerations Committee, stablishing in 10 the number of Directors. There has not been vacancies in the Board since then.

C1.6 bis Explain the conclusions of the Nomination Committee regarding verifying compliance with the director selection policy. In particular, explain how this policy is promoting the aim that in 2020 the number of female directors will represent at least 30% of the total members of the board of directors.

Explanation of conclusions

Cellnex has managed the application of its Directors' Selection Policy, and due to its application the RNC proposed to the 2017 Ordinary General Meeting the appointment of an independent female Director. Moreover, it continues to ensure the fulfillment of the objectives contained in said Policy.

C.1.7 Explain how shareholders with significant holdings are represented on the board.

The significant shareholder Abertis Infraestructuras S.A. is represented in the Board of Directors with four proprietary directors.

C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 3% of the share capital.

Provide details of any rejections of formal requests for board representation from shareholders whose equity interest is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If so, explain why these requests have not been entertained.

Yes □ **No X**

C.1.9 Indicate whether any director has resigned from office before their term of office has expired, whether that director has given the board their reasons and through which channel. If this has been done in writing, list below the reasons given by that director.

C.1.10 Indicate what powers, if any, have been delegated to the Chief Executive Officer(s).

Name or corporate name of director
MR TOBÍAS MARTÍNEZ GIMENO

Brief description:
All powers of representation, management, and power to sell assets that can be legally delegated.

C.1.11 List the directors, if any, who hold office as directors or executives in other companies belonging to the listed company's group.

Name or corporate name of director	Corporate name of the group entity	Post	Do they have executive functions?
MR TOBÍAS MARTÍNEZ GIMENO	TRADIA TELECOM, S.A.U	SOLIDARITY ADMINISTRATOR	YES
MR TOBÍAS MARTÍNEZ GIMENO	RETEVISION I, S.A.U.	SOLIDARITY ADMINISTRATOR	YES
MR TOBÍAS MARTÍNEZ GIMENO	ON TOWER TELECOM INFRAESTRUCTURAS, S.A.U.	SOLIDARITY ADMINISTRATOR	YES
MR TOBÍAS MARTÍNEZ GIMENO	CELLNEX TELECOM ESPAÑA, S.L.U.	SOLIDARITY ADMINISTRATOR	YES

C.1.12 List any company board members who likewise sit on the boards of directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the company.

Name or corporate name of director	Corporate name of the listed entity	Post
MR FRANCISCO REYNÉS MASSANET	ABERTIS INFRAESTRUCTURAS, S.A.	VICE CHAIRMAN/CEO
MR BERTRAND BOUDEWIJN KAN	SÍMINN HF	DIRECTOR

C.1.13 Indicate and, where appropriate, explain whether the company establishes rules about the maximum number of company boards on which its directors may sit.

Yes ☐ **No X**

C.1.14 Section abolished.

C.1.15 List the total remuneration paid to the board of directors in the year.

Board remuneration (thousands of euros)	2.235
Amount of rights accumulated by current directors concerning pensions (thousands of euros)	475
Amount of rights accumulated by former directors concerning pensions (thousands of euros)	0

C.1.16 List any members of senior management who are not executive directors and indicate total remuneration paid to them during the year.

Name or corporate name	Post(s)
MR JOSE MANUEL AISA MANCHO	CFO – Finance & Corporate Development Director
MR ANTONI BRUNET MAURI	Corporate and Public Affairs Director
MR JAVIER MARTÍ DE VESES ESTADES	General Secretary
MR ÁLEX MESTRE MOLINS	CCO – Business & Commercial Development Director
MR ROSA PIÑOL RAURICH	CRO – Resources & Transformation Director
MR DANIEL FERNÁNDEZ CAPO	COO – Global Business Operations Director
MR ALBERT CUATRECASAS FREIXAS	Managing Director Spain
MR GIANLUCA LANDOLINA	Managing Director Italy

Total remuneration received by senior management (thousands of euros)	2.369

C.1.17 List, if applicable, the identity of those directors who are likewise members of the boards of directors of companies that own significant holdings and/or group companies.

Name or corporate name of director	Corporate name of significant shareholder	Post
MR FRANCISCO JOSÉ ALJARO NAVARRO	SANEF, S.A.	DIRECTOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	ABERTIS AUTOPISTAS ESPAÑA, S.A.U.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	AUTOPISTAS, CONCESIONARIA ESPAÑOLA, S.A.U. (ACESA)	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	AUTOPISTES DE CATALUNYA, S.A. CONCESSIONARIA DE LA GENERALITAT DE CATALUNYA, UNIPERSONAL (AUCAT)	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	INFRAESTRUCTURES VIARIES DE CATALUNYA, S.A.	SOLIDARITY ADMINISTRATOR

	CONCES. GENE. CATALUNYA, UNIP. (INVICAT)	
MR FRANCISCO JOSÉ ALJARO NAVARRO	AUTOPISTAS AUMAR, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	IBERPISTAS, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	CASTELLANA DE AUTOPISTAS, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	AUTOPISTAS DE LEON, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL (AULESA)	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	ABERTIS TELECOM SATELITES, S.A.U.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	ABERTIS INTERNACIONAL, S.A.U.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	PARTICIPES EN BRASIL II, S.A.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	PARTICIPES EN BRASIL, S.A.	DIRECTOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	ARTERIS, S.A.	DIRECTOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	AUTOPISTA CENTRAL, S.A.	DIRECTOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	CENTRAL KORBANA, S.A.R.L.	JOINT ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	CENTRAK KORBANA SWEDEN AB	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	CENTRAL KORBANA SWEDEN HOLDINGS AB	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	ABERTIS AUTOPISTAS CHILE, S.A.	DIRECTOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	ABERTIS INDIA, S.L.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	HISPASAT, S.A.	DIRECTOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	INFRAESTRUCTURAS AMERICANAS, S.L.U.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	SOCIETAT D AUTOPISTES	SOLIDARITY ADMINISTRATOR

	CATALANES, S.A.U.	
MR FRANCISCO JOSÉ ALJARO NAVARRO	AUTOPISTAS METROPOLITANAS DE PUERTO RICO LLC (METROPISTAS)	CHAIRMAN
MR FRANCISCO JOSÉ ALJARO NAVARRO	ABERTIS MOBILITY SERVICES, S.L.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	INVERSORA DE INFRAESTRUCTURAS, S.L. (INVINSL)	DIRECTOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	ABERTIS MOTORWAYS UK LIMITED	DIRECTOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	ABERTIS FINANCE B V	DIRECTOR
MR JOSEP MARIA CORONAS GUINART	ABERTIS INDIA, S.L.	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	ABERTIS AUTOPISTAS ESPAÑA, S.A.U.	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	AUTOPISTAS, CONCESIONARIA ESPAÑOLA, S.A.U. (ACESA)	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	AUTOPISTES DE CATALUNYA, S.A. CONCESSIONARIA DE LA GENERALITAT DE CATALUNYA, UNIPERSONAL (AUCAT)	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	INFRAESTRUCTURES VIARIES DE CATALUNYA, S.A. CONCES. GENE. CATALUNYA, UNIP. (INVICAT)	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	AUTOPISTAS AUMAR, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	IBERPISTAS, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	CASTELLANA DE AUTOPISTAS, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA	AUTOPISTAS DE LEON,	SOLIDARITY

CORONAS GUINART	S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL (AULESA)	ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	ABERTIS TELECOM SATELITES, S.A.U.	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	ABERTIS INTERNACIONAL, S.A.U.	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	PARTICIPES EN BRASIL II, S.A.	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	HISPASAT, S.A.	DIRECTOR
MR JOSEP MARIA CORONAS GUINART	INFRAESTRUCTURAS AMERICANAS, S.L.U.	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	SOCIETAT D AUTOPISTES CATALANES, S.A.U.	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	ABERTIS MOBILITY SERVICES, S.L.	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	A4 HOLDING S.P.A.	DIRECTOR
MR LUIS DEULOFEU FUGUET	BIP GO	DIRECTOR
MR LUIS DEULOFEU FUGUET	SOCIETE DES AUTOROUTES PARIS NORMANDIE S A P N (S A)	CHAIRMAN
MR FRANCISCO REYNÉS MASSANET	ABERTIS INFRAESTRUCTURAS, S.A.	VICE CHAIRMAN/CEO
MR FRANCISCO REYNÉS MASSANET	HOLDING D INFRAESTRUCTURES DE TRANSPORT, S.A.S.	SOLE ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	HOLDING D INFRAESTRUCTURES DE TRANSPORT 2, S.A.S.	CHAIRMAN
MR FRANCISCO REYNÉS MASSANET	SANEF, S.A.	DIRECTOR
MR FRANCISCO REYNÉS MASSANET	ABERTIS AUTOPISTAS ESPAÑA, S.A.U.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	AUTOPISTAS, CONCESIONARIA ESPAÑOLA, S.A.U. (ACESA)	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	AUTOPISTES DE CATALUNYA, S.A. CONCESSIONARIA DE	SOLIDARITY ADMINISTRATOR

	LA GENERALITAT DE CATALUNYA, UNIPERSONAL (AUCAT)	
MR FRANCISCO REYNÉS MASSANET	INFRAESTRUCTURES VIARIES DE CATALUNYA, S.A. CONCES. GENE. CATALUNYA, UNIP. (INVICAT)	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	AUTOPISTAS AUMAR, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	IBERPISTAS, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	CASTELLANA DE AUTOPISTAS, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	AUTOPISTAS DE LEON, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL (AULESA)	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	ABERTIS TELECOM SATELITES, S.A.U.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	ABERTIS INTERNACIONAL, S.A.U.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	INVERSORA DE INFRAESTRUCTURAS, S.L. (INVINSL)	CHAIRMAN
MR FRANCISCO REYNÉS MASSANET	PARTICIPES EN BRASIL II, S.A.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	PARTICIPES EN BRASIL, S.A.	CHAIRMAN
MR FRANCISCO REYNÉS MASSANET	ARTERIS, S.A.	DIRECTOR
MR FRANCISCO REYNÉS MASSANET	ABERTIS AUTOPISTAS CHILE, S.A.	CHAIRMAN
MR FRANCISCO REYNÉS MASSANET	HISPASAT, S.A.	DIRECTOR
MR FRANCISCO REYNÉS MASSANET	INFRAESTRUCTURAS AMERICANAS, S.L.U.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	SOCIETAT D AUTOPISTES	SOLIDARITY ADMINISTRATOR

	CATALANES, S.A.U.	
MR FRANCISCO REYNÉS MASSANET	A4 HOLDING S.P.A.	DIRECTOR
MR FRANCISCO REYNÉS MASSANET	ABERTIS INDIA, S.L.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	ABERTIS MOBILITY SERVICES, S.L.	SOLIDARITY ADMINISTRATOR

List, if appropriate, any relevant relationships, other than those included under the previous heading, that link members of the Board of Directors with significant shareholders and/or their group companies.

Name or corporate name of director
DON FRANCISCO JOSÉ ALJARO NAVARRO
Name or corporate name of significant shareholder
ABERTIS INFRAESTRUCTURAS, S.A.
Relationship:
CHIEF FINANCIAL OFFICER

Name or corporate name of director
MR LUIS DEULOFEU FUGUET
Name or corporate name of significant shareholder
ABERTIS INFRAESTRUCTURAS, S.A.
Relationship:
GENERAL MANAGER OF SANEF

Name or corporate name of director
MR FRANCISCO REYNÉS MASSANET
Name or corporate name of significant shareholder
FUNDACIÓN PRIVADA ABERTIS
Relationship:
TRUSTEE

Name or corporate name of director
MR JOSÉ MARÍA CORONAS GUINART
Name or corporate name of significant shareholder
ABERTIS INFRAESTRUCTURAS, S.A.
Relationship:
NON-DIRECTOR VICE SECRETARY, SECRETARY GENERAL AND CORPORATE GENERAL MANAGER

Name or corporate name of director
MR JOSÉ MARÍA CORONAS GUINART
Name or corporate name of significant shareholder
FUNDACIÓN BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA
Relationship:
SECRETARY (NON-MEMBER) OF THE PATRONAGE

Name or corporate name of director
MR FRANCISCO REYNÉS MASSANET
Name or corporate name of significant shareholder
ABERTIS INFRAESTRUCTURAS, S.A.
Relationship:
VICECHAIRMAN / CEO

C.1.18 Indicate whether any changes have been made to the board regulations during the year.

Yes ☐ **No X**

C.1.19 Indicate the procedures for selecting, appointing, re-electing, evaluating and removing directors. List the competent bodies and the processes and criteria to be followed for each of these procedures.

The procedures for the selection, appointment, re-election, assessment and removal of directors are detailed in Sections 18 to 21 of the Board of Directors' Regulations, which read as follows:

Section 18. Appointment of Directors.
1.Directors will be appointed by the General Shareholders' Meeting or by the Board of Directors, in accordance with the provisions set out in Royal Decree 1/2010 of 2 July approving the recast text of the Spanish Limited Liability Companies Law or legal text replacing it.
2.The nominations for Directors submitted to the Board of Directors for deliberation at the General Meeting and the appointment decisions that the Board adopts in virtue of the powers of co-optation legally vested in it, must be preceded by the corresponding proposal by the Nomination and Remuneration Committee when in relation to independent directors, and by a report in the case of all other directors.

Section 19. Appointment of affiliate directors.
The Board of Directors and the Nomination and Remuneration Committee, within the scope of their remits, will ensure that the candidates selected are persons of recognized standing, competence and experience, and shall be particularly rigorous with respect to those called on to be Independent Directors provided for in Section 5 of these Regulations and under the terms of the applicable good governance standards.

Section 20. Term of office.
1.Directors shall hold office for the term provided for in the corporate Bylaws, and may be re-elected once or more times for this same term.
2.Directors appointed by co-optation shall hold their positions until the date of the first General Meeting. If a vacancy occurs once the General Meeting has been convened and before it is held, the

Board of Directors may appoint a director until the next General Meeting is held. Moreover, the director appointed by co-optation by the Board does not necessarily have to be a shareholder in the company. When, following a Nomination and Remuneration Committee report, the Board of Directors considers that the interests of the Company are in jeopardy, the director whose term of office has ended or who for any other reason ceases to hold office, may not work in any other company that has a similar corporate purpose to the Company and which is considered by the Board to be a competitor, for the period determined by the Board, which in no case will be greater than two (2) years.

Section 21. Removal of directors.
1.Directors shall resign from their positions when they have completed the period for which they were appointed and when decided on by the General Meeting under the powers legally or statutorily vested therein.
2.Directors must tender their resignation to the Board and, if the Board of Directors considers it appropriate, formally resign in the following cases:
a) when they cease to hold the executive positions with which their appointment as Director was associated. Independent directors when they complete twelve (12) years in the position;
b) when they find themselves in a situation of conflict of interests or a prohibited situation as provided for by law;
c) when they are prosecuted for an alleged criminal act or are subject to disciplinary proceedings for serious or very serious misconduct instituted by the supervisory authorities;
d) when their continued presence on the Board may jeopardise the Company's interests or when the reasons for which they were appointed cease to exist. The above circumstance shall be deemed to occur in the case of proprietary directors when the total shareholding they own or whose interests they represent is disposed of or when the reduction of such shareholding requires a reduction in the number of relevant proprietary directors.
3.Executive directors must tender their resignation to the Board once they have reached the age of 70, and the Board must decide whether they may continue to perform their executive or delegated functions or remain simply as a director.

Furthermore, in addition, it was approved in 2016 a Director Selection Policy stating that, in accordance with the provisions of the Limited Liability Company Law, the Nomination and Remuneration Committee is responsible for proposing the nomination or re-election of members of the Board of Directors in the case of independent directors, with the Board itself being responsible for proposing nomination or re-election in all other cases. This proposal for nomination or re-election must be accompanied by an explanatory report from the Board that assesses the competence, experience and merits of the proposed candidate. Additionally, the proposal for nomination or re-election of any non-independent director must also be preceded by a report from the Nomination and Remuneration Committee. Selection of the candidates for director shall be based on a preliminary analysis of the necessities of the company, which must be carried out by the Board of Directors with advice and a report from the Nomination and Remuneration Committee. The objective is to incorporate different professional and management experiences and competences, as well as to promote the diversity of knowledge, experiences and gender, considering the weight of the various activities carried out by Cellnex and taking into account any areas or sectors that should be specifically promoted. Any board member may request that the Nomination and Remuneration Committee takes into consideration a potential candidates to cover directorship vacancies, in the event that the Committee finds them suitable in its opinion. Additionally, the Selection Policy regulates the process and conditions that candidates must meet.

C.1.20 Explain to what extent the annual evaluation of the board has prompted significant changes in its internal organisation and regarding the procedures applicable to its activities.

Description of changes

The evaluation of the Board has not resulted in significant changes to the internal organisation or to procedures.

C.1.20 bis Describe the evaluation process carried out and the areas evaluated by the board of directors, assisted, if applicable, by an external consultant, with regard to the diversity in its composition and competences, of the functioning and composition of its committees, of the performance of the chairman of the board of directors and the chief executive of the company and of the performance and contribution of each director.

Following a proposal of the NRC, the Board of Directors decided that the evaluation of its operations during year 2017 would be done by an external consultant. For these purposes, possible candidates were selected, being agreed to hire a boutique specialized on these topics, “gobierno corporativo abogados” (corporate governance lawyers). The external consultant analyzed all the corporate documentation and held various work meetings with the Secretary of the Board and, likewise, also met separately with each of the Directors who, in addition, responded to a form prepared by the external consultant.

The conclusions of the analysis show that, in a short period of time, Cellnex has created a complete internal normative body which guarantees the respect to the legal obligations and to the principles and recommendations which integrate the Corporate Governance. From the external consultant perspective, the Board, the Directors and its committees have assumed and internalized the belief that this is not only compulsory or recommendable, but also convenient to be governed with transparency, respect to the shareholders, employees, suppliers and clients and be submitted to the principals that have been consolidated in this context of Corporate Governance. However, the external consultant formulated some recommendations which are duly reflected in its report.

C.1.20. ter Detail, if applicable, the business relationships that the consultant or any company from their group maintains with the company or any company from its group.

C.1.21 Indicate the cases in which directors must resign.

1. Directors shall resign from their positions when they have completed the period for which they were appointed and when decided on by the General Meeting under the powers legally or statutorily vested therein.
2. Directors must tender their resignation to the Board and, if the Board of Directors considers it appropriate, formally resign in the following cases:
a) when they cease to hold the executive positions with which their appointment as Director was associated. Independent directors when they complete twelve (12) years in the position;
b) when they find themselves in a situation of conflict of interests or a prohibited situation as provided for by law;
c) when they are prosecuted for an alleged criminal act or are subject to disciplinary proceedings for serious or very serious misconduct instituted by the supervisory authorities;

d) when their continued presence on the Board may jeopardise the Company's interests or when the reasons for which they were appointed cease to exist. The above circumstance shall be deemed to occur in the case of proprietary directors when the total shareholding they own or whose interests they represent is disposed of or when the reduction of such shareholding requires a reduction in the number of relevant proprietary directors.
3.Executive directors must tender their resignation to the Board once they have reached the age of 70, and the Board must decide whether they may continue to perform their executive or delegated functions or remain simply as a director.

C.1.22 Section abolished.

C.1.23 Are qualified majorities other than those prescribed by law required for any type of decision?

Yes □ **No X**

C.1.24 Indicate whether there are any specific requirements, apart from those relating to the directors, to be appointed chairman of the board.

Yes □ **No X**

C.1.25 Indicate whether the Chairman has the casting vote.

Yes □ **No X**

C.1.26 Indicate whether the Bylaws or the board regulations set any age limit for directors.

Yes X **No □**

Age limit for chairman
Age limit for CEO: 70
Age limit for director

C.1.27 Indicate whether the Bylaws or the board regulations set a limited term of office for independent directors, other than that established in legislation.

Yes □ **No X**

C.1.28 Indicate whether the Bylaws or board regulations stipulate specific rules on appointing a proxy to the board, the procedures for doing so and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether any limitation has been established in terms of the categories in which it is possible to appoint a proxy, beyond the limitations imposed by legislation. If so, give brief details.

Section 23(a) of the Bylaws state that any director may confer representation to another director in writing, by fax, email or any other similar method. Nonexecutive directors may only confer representation to another non-executive director.

C.1.29 Indicate the number of board meetings held during the year, and how many times the board has met without the chairman's attendance. Attendance will also include proxies appointed with specific instructions.

Number of board meetings	12
Number of board meetings held without the chairman's attendance	0

If the chairman is an executive director, indicate the number of meetings held, without the attendance or representation of any executive director and chaired by the coordinating director.

Number of meetings	0

Indicate the number of meetings of the various board committees held during the year.

Committee	**Number of meetings**
AUDIT AND CONTROL COMMITTEE	9
NOMINATION AND REMUNERATION COMMITTEE	8

C.1.30 Indicate the number of board meetings held during the year with all members in attendance. Attendance will also include proxies appointed with specific instructions.

Number of meetings with all directors in attendance	11
% of attendances of the total votes cast during the year	99,13%

C.1.31 Indicate whether the consolidated and individual financial statements submitted for authorization for issue by the board are certified previously.

Yes X **No □**

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior to their authorization for issue by the board.

Name	**Post**
MR JOSÉ MANUEL AISA MANCHO	Finance and Corporate Development Manager
MR TOBÍAS MARTÍNEZ GIMENO	Chief Executive Officer
MR JAVIER MARTÍ DE VESES ESTADES	General Secretary and Council

C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being laid before the General Shareholders' Meeting with a qualified Audit Report.

In accordance with section 39.3 of the Board Regulations, the Board of Directors shall procure to definitively drawn up the annual accounts in a way that the auditor cannot oppose exceptions. However, when the Board considers that it shall maintain its approach, it shall explain publicly the content and scope of the discrepancy. The duties of the Audit and Control Committee (section 15(c) of the Board Regulations) include supervising the process of preparing and presenting the compulsory financial information as well as the integrity thereof. The Audit and Control Committee holds regular meetings with the Company's external auditors to avoid discrepancies in the criteria to be followed in preparing the annual financial statements.

C.1.33 Is the secretary of the board also a director?

Yes □ **No X**

If the secretary is not a director, complete the following table:

Name or corporate name of secretary	Representative
MR JAVIER MARTÍ DE VESES ESTADES	

C.1.34 Section abolished.

C.1.35 Indicate and explain, where applicable, the specific mechanisms implemented by the company to preserve the independence of external auditors, financial analysts, investment banks and rating agencies.

One of the duties of the Audit and Control Committee (section 15(b) of the Board Regulations) is to propose to the Board of Directors, so that it may submit them to the General Shareholder's Meeting, the proposals for selection, appointment, re-election and replacement of the external accounts auditor or auditing firm, the contracting terms, the scope of their professional mandate and, as the case may be, the revocation or non-renewal thereof, all in accordance with the current legislation, as well as to regularly collect from them information about the audit plan and its implementation, and to preserve its independence in the exercise of its duties.

Another function (section 15(d) of the same Regulations), is to establish the appropriate relations with the external accounts auditors or auditing firms in order to receive information on issues that may jeopardize the independence of the same, to be studied by the Committee, and any other information relative to the auditing of the accounts, as well as any other notifications envisaged in the legislation and regulations concerning the auditing of accounts. In all cases, they must receive on an annual basis from the external accounts auditors or auditing firms written confirmation of their independence with regard to the company or any organisations directly or indirectly related to the same, in addition to information regarding any additional services of any kind provided to and the pertinent fees received from these organisations by said auditors or auditing firms, or by persons or organisations related to the same in accordance with the provisions established in the applicable legislation on account auditing.

Additionally, another function of the Audit and Control Committee (section 15 ap. e) of the Board Regulations) is to issue annually, prior to the issuance of the auditors' report on the annual accounts, a report which shall express an opinion on the independence of the auditors or audit companies. This report shall contain, in any event, a valuation of the additional services provided referred to in the previous section, individually considered and as a whole, which are different from the legal audit and details in relation with the independent regime or the audit governing regulations.

In accordance with legal requirements, the Company's annual financial statements detail the fees paid to the Company's external auditor for all audit and non-audit services rendered.

The Company's governing bodies pay particular attention to ensuring the independence of financial analysts, investment banks and rating agencies.

C.1.36 Indicate whether the company has changed its external auditor during the year. If so, identify the incoming auditor and the outgoing auditor.

Yes □ No X

If there were any disagreements with the outgoing auditor, explain the content of the disagreements

C.1.37 Indicate whether the auditing firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group.

Yes X No □

	Company	**Group**	**Total**
Amount of non-audit work (thousands euros)	322	124	446
Amount of non-audit work as a % of the total amount billed by the auditing firm	36,43%	18,93%	28,98%

C.1.38 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. Indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.

Yes □ No X

C.1.39 Indicate the number of consecutive years during which the current auditing firm has been auditing the financial statements of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited.

	Company	**Group**
Number of consecutive years	5	5

Number of years audited by current auditing firm / Number of years the Company's financial statements have been audited (%)	100,00%	100,00%

C.1.40 Indicate and give details of any procedures through which directors may receive external advice.

Yes X **No □**

Describe the procedure

In accordance with the provisions of section 23 of the Board Regulations:

1.In order to receive assistance in the performance of their duties, non-executive Directors may, when there are special circumstances that make this necessary, request that legal, accounting, financial or other experts be hired at the Company's expense. The commissioned task must necessarily deal with specific problems of a certain importance and complexity which may arise during the performance of their office.
2.The Chief Executive Officer of the Company must be informed of any decision to engage external advisors, and may be vetoed by the Board of Directors, provided it proves that:
a) it is not necessary for the proper performance of the duties entrusted to the nonexecutive Directors; or
b) the cost is not reasonable in view of the importance of the problem and of the assets
and income of the Company; or
c) the technical assistance obtained may be properly provided by in-house experts and
staff members.

C.1.41 Indicate and, where appropriate, give details of whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies.

Yes X **No □**

Describe the procedure

Pursuant to section 22 of the Board of Directors' Regulation, the agenda of Board meetings will clearly indicate any points regarding which the Board of Directors must take adopt decision or a resolution so that the directors may examine or gather, in advance, the information required for the adoption thereof. All information referring to the proposals to be presented to directors will be available to them forty-eight (48) hours in advance.

The advance information sent to directors during the financial year 2017 was generally sent to the directors one week in advance of the meetings.

C.1.42 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the organisation’s name or reputation, tendering their resignation as the case may be.

Yes X **No □**

Details of rules

Directors must tender their resignation to the Board and, if the Board of Directors considers it appropriate, formally resign (section 21 of the Board Regulations) in the following cases:

- When they find themselves in a situation of conflict of interests or a prohibited situation as provided for by law;
- When they are prosecuted for an alleged criminal act or are subject to disciplinary proceedings for serious or very serious misconduct instituted by the supervisory authorities;
- When their continued presence on the Board may jeopardize the Company’s interests or when the reasons for which they were appointed cease to exist. The above circumstance shall be deemed to occur in the case of proprietary directors when the total shareholding they own or whose interests they represent is disposed of or when the reduction of such shareholding requires a reduction in the number of relevant proprietary directors.

C.1.43 Indicate whether any director has notified the company that they have been indicted or tried for any of the offences stated in Article 213 of the Spanish Limited Liability Companies Law.

Yes □ **No X**

Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office or, if applicable, detail the actions taken or to be taken by the board.

C.1.44 List the significant agreements entered into by the company which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects.

-Syndicated bank financing agreements are subject to early repayment if there is a change in control, where change in control is defined as the acquisition of (i) more than 50% of the voting rights or (ii) the right to appoint or remove the majority of the board members.

-Bond issue agreement: holders will have the option to request the early amortization of their bonds, in the event of a change in control (in the same terms as in bank financing), but in addition, this change in control would have to bring about a reduction in the rating of these bonds, and provided that the rating agency stated that the reduction of the credit rating is caused by the change in control.

-Some of the purchase contracts entered into by the company for the acquisition of infrastructures include a purchase option for the sellers if there is a change in control at Cellnex or at any of its subsidiaries in favour of a competitor of the sellers.

C.1.45 Identify, in aggregate form and provide detailed information on agreements between the company and its officers, executives and employees that provide for compensation, guarantee or protection clauses the event of resignation, unfair dismissal or termination as a result of a takeover bid or other kinds of operation.

Number of beneficiaries: 2
Type of beneficiary: CEO and Senior Management
Description of the agreement:
The executives have signed agreements with the company that contain compensation clauses.
In general terms, the contracts' compensation clause provides for the payment of compensation to the executive in the event of unfair dismissal. The compensation is the greatest of the following amounts: a) compensation equivalent to one year's salary, taking into consideration the annual gross fixed remuneration in cash received at the time the employment relationship is terminated, as well as the annual gross variable remuneration received by the executive in the 12 months immediately before the effective cessation of the provision of their services; or b) the compensation established by current employment legislation.

In the case of the Chief Executive Officer and other members of senior management, the compensation clause in the contracts provides for the payment of compensation in favour of the executive in the event of (i) unfair dismissal or (ii) unilateral termination of the contract by the manager due to serious breach by the company of the obligations set out in the contract, substantial modification of their duties without consent, change in control of the company in the sense provided for in Section 42 of the Commercial Code and similar circumstances.

For the Chief Executive Officer the compensation would consist of two years' fixed and variable remuneration.

Indicate whether these agreements must be reported to and/or authorized by the governing bodies of the company or its group.

	Board of Directors	**General Shareholders' Meeting**
Body authorizing clauses	Yes	No

	YES	**NO**
Is the General Shareholders' Meeting informed of such clauses?		X

C.2 Board committees

C.2.1 Give details of all the board committees, their members and the proportion of executive, proprietary and independent directors and other external directors forming them.

AUDIT AND CONTROL COMMITTEE

Name	Post	Category
MR BERTRAND BOUDEWIJN KAN	CHAIRMAN	INDEPENDENT
MR FRANCISCO JOSÉ ALJARO NAVARRO	MEMBER	PROPRIETARY
MR LEONARD PETER SHORE	MEMBER	INDEPENDENT

% of proprietary directors	33,33%
% of independent directors	66,67%
% of other external directors	0,00%

Explain the functions assigned to this committee, describe the procedures and rules of organisation and operation of the same and summarize its most important actions during the year.

As regards section C.2.1

Identify the director who is a member of the Audit Committee who has been appointed taking into account his or her knowledge and experience in the field of accounting, auditing or both, and provide information on the number of years that the Chairman of this Committee has held this post.

Name of director with experience	MR BERTRAND BOUDEWIJN KAN
Num. of years chairman has held post	1

NOMINATION AND REMUNERATION COMMITTEE

Name	Post	Category
DON GIAMPAOLO ZAMBELETTI ROSSI	CHAIRMAN	INDEPENDENT
DON PIERRE BLAYAU	MEMBER	INDEPENDENT
DON JOSEP MARIA CORONAS GUINART	MEMBER	PROPRIETARY
DOÑA MARIETA DEL RIVERO BERMEJO	MEMBER	INDEPENDENT

% of proprietary directors	25,00%
% of independent directors	75,00%
% of other external directors	0,00%

Explain the functions assigned to this committee, describe the procedures and rules of organisation and operation of the same and summarize its most important actions during the year.

As regards section C.2.1

C.2.2 Complete the following table with information on the number of female directors on the various board committees as at year-end of the past four financial years.

	Number of female directors							
	2017		2016		2015		2014	
	Financial year t		Financial year t-1		Financial year t-2		Financial year t-3	
	Number	%	Numb	%	Number	%	Number	%
Audit and Control Committee	0	0,00%	0	0,00%				
Nomination and Remuneration Committee	1	25,00%	0	0,00%				

C.2.3 Section abolished.

C.2.4 Section abolished.

C.2.5 Indicate, as appropriate, whether there are any regulations governing the board committees, the place in which they are available for consultation and any amendments that have been made during the year. Also indicate whether an annual report on the activities of each committee has been prepared voluntarily.

The Board Committees do not have their own regulations and their functioning is regulated by the Board of Directors' Regulations, which are available on the company's website. Each of these committees has drawn up an activity report for 2017, which is available on the company's website.

C.2.6 Section abolished.

D OPERATIONS WITH RELATED PARTIES AND INTRAGROUP OPERATIONS

D.1 Explain, in your case, the procedure for the approval of operations with related parties and intragroup operations.

Procedure to inform on the approval of operations with related parties

Pursuant to Section 4 of the Board of Directors' Regulations, the board will have the authority to approve operations which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto, except when these fulfil the three following conditions:

1) They are carried out by virtue of contracts, the conditions of which are standardized and apply in masse to most customers.

2) They go through at market prices, generally set by the person supplying the goods or services.
3) Their amount is no more than 1% of the group's annual revenues.

Furthermore, section 33 of the mentioned regulations establishes that:
The Board of Directors formally reserves the right to know about any important transaction by the company with a significant shareholder. With regard to ordinary transactions, the general authorization for the line of operations and their conditions of execution will suffice.

D.2 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders.

Name or corporate name of significant shareholder	Company name or group entity	Nature of relationship	Operation type	Amount (Thousands of Euros)
ABERTIS INFRAESTRUCTURAS, S.A.	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	6.800
BLACKROCK, INC.	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	1.017
CRITERIA CAIXA, S.A.U.	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	1.000
THREADNEEDLE ASSET MANAGEMENT LIMITED	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	980
CANTILLON CAPITAL MANAGEMENT LLC	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	604
MFS INVESTMENT MANAGEMENT	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	521
CRITERIA CAIXA, S.A.U.	CELLNEX TELECOM, S.A.	CONTRACTUAL	CONTRIBUTIONS TO PENSION PLANS AND LIFE INSURANCE	1.358

D.3 List relevant transactions, by virtue of their amount or importance, between your company or groups of companies and the company's managers or directors.

D.4. List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens.

D.5 Indicate the amount from related-party transactions.

14.379 (K€)

D.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.

In accordance with the Board of Directors' Regulations, directors and executives must report any conflicts of interest and abstain from participating or influencing the decision-making process on matters affected by the conflict.

Directors (section 27 c) of the Board Regulations) must abstain from participating in discussions and votes regarding resolutions or decisions in which they or a related person has a direct or indirect conflict of interest. Resolutions or decisions that affect their status as directors, such as their appointment to or removal from positions in the governing body or other similar decisions, shall be excluded from the aforementioned obligation to abstain.

Additionally, Directors (section 27 (e) of the same Regulations) must adopt the necessary measures to avoid situations in which their interests, whether for their own account or for others, may conflict with the company's interests and their duties towards the company. The foregoing excludes the cases in which the company has provided its consent, pursuant to the terms set forth in section 230 of the Spanish Limited Liability Companies Law.

Directors (section 28 of the same Regulations) must advise the Board of Directors of any direct or indirect conflict that they or people related to them might have with the Company's interests. The director concerned will refrain from taking part in resolutions or decisions related to the operation to which the conflict refers. The votes of the directors affected by the conflict and who must abstain, will be deducted for the purposes of calculating the majority of votes needed. In particular, the duty to avoid conflicts of interest obliges directors to refrain from:

a) Carrying out transactions with the company, except when these are ordinary operations, carried out under standard conditions for customers, and are of little importance, understood as those operations whose information is not required to convey a faithful image of the entity's assets, financial situation and results.

b) Using the company's name or their status of director to unduly influence the conduct of private operations.

c) Using the company's assets, including its confidential information, for private purposes. d)Taking advantage of the company's business opportunities.

d) Obtaining benefits or payments associated with the performance of their position from third parties other than the company or its Group, unless they are acts of mere courtesy.

e) Carrying out activities, for their own account or for others, that cause them to be in effective competition, whether real or potential, with the company or which, in any other way, cause a permanent conflict with the company's interests.

f) Carrying out activities, for their own account or for others, that cause them to be in effective competition, whether real or potential, with the company or which, in any other way, cause a permanent conflict with the company's interests.

In July 2016 Cellnex's Board of Directors approved a new Internal Code of Conduct (ICC) adapted to the requirements of the European Regulation on market abuse. With regard to conflicts of interest, the ICC establishes:
Principles of action
In any situation involving a "Conflict of Interest" (being a clash between the interests of the Company and the personal interests of the Affected Person), Affected Persons shall act in accordance with the following principles:
(i) Independence.
They must act at all times with loyalty to the Company, irrespective of their own interests or those of third parties.
(ii) Abstention.
They must refrain from intervening or influencing in the taking of decisions concerning matters affected by the conflict.
(iii) Confidentiality.
They shall refrain from accessing confidential information which may have a bearing on the aforesaid conflict.
Notification of Conflicts of Interest
Affected Persons shall notify the General Secretary's Office of any possible Conflicts of Interest to which they are subject by their family relationships, their personal holdings, their activities outside the Company, or on any other grounds. It shall be considered that there is no Conflict of Interests owing to family relationships when said relationship is beyond the fourth degree of consanguinity or the second degree of affinity.
It shall be considered that there is a possible Conflict of Interests derived from personal holdings when said holdings arise in relation to a company in which the Affected Person holds a management post or has a significant stake (which is understood to mean a total stake, direct or indirect, in excess of twenty per cent of its total issued share capital).
Affected Persons must ensure that the information is kept up to date, reporting any modification to or termination of previously communicated situations, as well as the emergence of any new possible Conflicts of Interest.
Communications must be issued without delay once the current or possible situation of Conflict of Interest is recognised, prior to taking any decision which may be affected by the possible Conflict of Interest.
Members of the Board of Directors In addition to the foregoing, the members of the Company's Board of Directors shall be subject to the provisions of the applicable corporate regulations and internal Company's rules.

D.7 Is more than one of the group's companies listed in Spain?

Yes ☐ **No X**

Identify the listed subsidiaries in Spain.

Listed subsidiaries

Indicate whether they have provided detailed disclosure on the type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;

Define the business dealings between the parent company and listed subsidiary as well as the dealings between the subsidiary and other group companies

Indicate the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies.

Mechanisms to resolve possible conflicts of interest

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Describe the risk management system in place at the company, including those of a fiscal nature.

The ongoing risk management model has been approved and supervised by the Audit and Control Committee and is currently implemented in Spain, France, the Netherlands, Italy and the United Kingdom.

To identify the risks there are guidelines defined and approved by the Audit and Control Committee. Each area of the company is responsible to identify, assess and monitor the inherent and residual risks and also to supervise and implement control measures to mitigate such measures.

The risk map is approved and reviewed by the Audit and Control Committee which informs the Board of Directors and it is also contrasted and implemented by the Executive Committee

E.2 Identify the company bodies responsible for preparing and implementing the risk management system, including the fiscal one.

The following bodies are responsible for defining, executing and monitoring the risk management system:

- The Board of Directors: the highest body responsible for defining the risk control strategy and policy.

- The Audit and Control Committee: Designated as such by the Board of Directors, its role is to monitor the effectiveness of the risk management model and the information supplied to third parties regarding the system, making sure that the risk management system is able to identify, manage, prioritize, control, monitor and provide complete information on risks.

- Risk Control: is responsible for preparing and updating risk management policies, setting out mechanisms and methodologies to identify and assess risks, updating risk mapping, implementing a system for monitoring and communications to the highest level of company governance and review the controls that mitigate the identified risks.

- Senior Management Committee: Is responsible for risk management included in the implementation of the defined risk policies, the approval of risk maps, the assigning of responsibilities, the implementation of control activities and action plans as well as the monitoring of existing risks in its area of responsibility.

- Managers: Each area manager is responsible for identifying their risks and informing the Risk Control in a timely fashion. Likewise, he or she is responsible for identifying and implementing control activities aimed at mitigating risks.

E.3 Indicate the main risks, including those of a fiscal nature, which may prevent the company from achieving its targets.

The main risks which may prevent the company from achieving its targets are:

- Strategic elements, such as mergers between telecommunications operators, emergence of new competitors, restrictions on growth in regulated markets.

- Compliance following changes in fiscal, legal or environmental law or being subject to litigation or other judicial processes.

- Financial as a result of customers defaulting on payments, access to financing, fluctuations in the stock market price.

- Operatives derived from the integration and optimization of acquisitions, increase in exposure of information systems, emergence of alternative technologies, capacity to attract and retain qualified personnel.

E.4 Identify if the company has a risk tolerance level, including a fiscal one.

The levels of tolerance are defined in the risk assessment matrix.

For the identified risks each person responsible will evaluate the possible impact of such risks should these occur and classify them as low, medium, large or critical depending on their economic impact, implications for the organisation and impact on reputation. Following this the possibility of the risk actually occurring will be evaluated. This possibility is classifies as unlikely, possible, probable and almost certain. The combination of impact and probability leads to risk prioritization.

E.5 Identify any risks, including fiscal ones, which have occurred during the year.

We highlight the most relevant risks materialized during the year:

• Litigation regarding the extension of DTT.

• Access to financing.

• Infrastructure sharing.

• Geopolitical situation.

E.6 Explain the response and monitoring plans for the main risks the company is exposed to, including fiscal risks.

Under the risk management model implemented the response and supervision plans for the main risks are established based on their assessment.

The risks considered as priorities are reviewed by the Audit and Control Committee as well as if there is any variation in the valuation of the risks not defined as priorities. Additionally, all the areas perform risk management and the Executive Committee monitors such risks.

F INTERNAL CONTROL AND MANAGEMENT OF RISK IN FINANCIAL REPORTING (ICFR)

Describe the mechanisms which comprise the internal control and management of risk in financial reporting (ICFR) at the company.

F.1 The entity's control environment

Specify at least the following components, with a description of their main characteristics:

F.1.1. What bodies and / or functions are responsible for: (i) the existence and regular updating of a suitable and effective ICFR; (ii) its implementation and (iii) its monitoring.

Internal Control over Financial Reporting (ICFR) at Cellnex forms part of its general internal control system and consists of a set of processes which the Board of Directors, the Audit and Control Committee, management and staff carry out to provide reasonable assurance of the reliability of the financial information reported to the market.

The 'Model for the Organisation and Monitoring of the ICFR' at Cellnex (hereinafter 'ICFR Organisation Model') establishes that the Board of Directors is the highest authority responsible for the supervision of the internal information systems, as well as the Risk Control and Management Policies. In addition, the Sections and the Board Regulations state, amongst other things, the following responsibilities:

- Defining general company policies and strategies, as well as the corporate governance policies of the organisation.
- The preparation and approval of annual accounts and any other report or information required by law.
- The financial information that, due to its status as a listed company, the company must periodically publish.
  Definition of the Risk Control and Management Policy, including taxation risks, as well as supervising internal information and control systems.
- The supervision of the correct functioning and actions of the delegated bodies, amongst which there is the Audit and Control Committee and designated directives.

According to the Board of Directors' Regulation (section 15), there are amongst the basic responsibilities of the Audit Control Committee (hereinafter the AAC):

- The supervision of the preparatory process and presentation of mandatory financial information, as well as its integrity.
- The supervision of the efficiency and suitability of internal control and risk evaluation in Cellnex as well as the best monitoring and control measures to avoid committing criminal offences and for risk management systems, including fiscal risk and the systems in place to manage compliance with all applicable legislation.

- Discussion with the account auditor of the significant weaknesses of the internal control system detected during the auditing process.
- The supervision of internal auditing services, ensuring their independence and making sure that the recommendations and suggested corrective measures be considered by the management.

Cellnex Internal Audit is in turn responsible for supervising ICFR in delegation from the Audit and Control Committee with the Finance and Corporate Development Department responsible for its design, maintenance and implementation.

F.1.2. The existence or otherwise, especially in connection with the financial reporting process, of the following elements:

- Departments and / or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the Company.

The Cellnex Board of Directors assigns the responsibility of the design and review of the organisational structure related to the preparation of the financial information to Organisation and General Services and to Finance and Corporate Development. From these guidelines the general structures and distribution of responsibilities and the procedure to design, review, update and inform on these are defined; this process being documented in the form of organisational structure charts and process models and its associated regulations which form part of the policy catalogue of Cellnex.

Cellnex has an internal organisational chart which covers all areas and which is basically divided according to department (including those departments involved in preparing, analyzing and supervising financial information). This organisational chart indicates responsibilities up to a certain management level and is supplemented by other more detailed organisational charts at departmental level.

Regarding to the preparation process of financial information, in addition to the detailed organisational charts and with the aim of assigning responsibilities, there is the ICFR Organisational Model, developed by the Department of Consolidation and Financial Reporting, part of the Finance and Corporate Development department, and which is submitted to the AAC for approval.

- Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

Cellnex has a Code of Conduct (Code of Ethics) approved by Cellnex Telecom, S.A.'s Ethics and Compliance Committee that is made up from Internal Audit, the Legal department, Resources department, the Company Secretarial department, and the Regulation department, and this has been communicated to the employees and is available on the corporate intranet. Specific training for employees is being planned.

The main values and principles set out in the Code of Ethics are: integrity, honesty, transparency and good faith. The Code of Ethics includes among its fundamental principles the commitment to offer financial information that reflects the a fair view of the economic and financial situation in compliance with generally accepted accounting principles and international financial reporting standards applicable, and the responsibility of its employees and management to ensure this is so, both by correctly carrying out their functions and by notifying the management bodies of any circumstance which might affect this commitment.

The body responsible for analyzing breaches and proposing corrective actions and sanctions is the Ethics and Compliance Committee.

- 'Whistle-blowing' channel, for the reporting to the Audit Committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

Cellnex has and promotes the use of communications channels concerning possible non-conformities with the Ethics Code and other irregular activities in the organisation, especially from a financial and accounting point of view, informing the Ethics and Compliance Committee in all cases.

As stated in the Ethics Channel Policy, which regulates the procedure, scope and application of the reports received, the latter can be communicated via a communications form, either by post or email, maintaining the confidentiality at all times.

Any communications will be received, analysed and followed up by the Ethics and Compliance Committee, and this committee will periodically inform the Nomination and Remuneration Committee and the Audit and Control Committee. From time to time the Ethics and Compliance Committee will inform the Nomination and Remuneration Committee and the Audit and Control Committee about the functioning of the Ethics Channel.

If reports have been received during the year, the Ethics and Compliance Committee will produce an annual report on the communications received, to facilitate the analysis of the functioning of the ‘whistle-blowing’ channel.

- Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

Regarding training programs and the periodic updating of elements which can affect the preparation and publication of financial information, Cellnex believes the continuous development and training of its staff and management to be key. In this regard, Cellnex also considers that complete and up-to-date training on accounting regulations, the rules for preparing financial information, the regulations on capital markets, taxation and internal control is necessary to ensure that the information reported to the market is reliable and in accordance with regulations.

Regarding the preparation and review of the financial information, during 2017 Cellnex implemented training plans based on the needs identified by the department of Consolidation and Accounting Regulation in relation to:

• New accounting, tax, capital markets and internal control regulations, adopted by the European Union and applicable to Cellnex.

• Changes in reporting methodology and / or information systems.

• Individual initiative from the team members of the department of Consolidation and Accounting Regulation.

Once the needs of these areas have been identified, the appropriate training activities are designed and put into effect to cover annual training objectives on these matters.

Cellnex carried out training activities during 2017 using external experts and internal training sessions, covering personnel involved in preparing and reviewing financial information. The training areas on which most emphasis was placed during 2017 relate to accounting, tax and financial matters which could have the greatest impact on the preparation of Cellnex's consolidated financial information, particularly in changes to the fiscal and accounting changes at both national and international levels and with the year's updates concerning EU-IFRS.

Cellnex has an on-line training platform where both technical training for specific work groups and a more overall training can be accessed on a voluntary and, in some cases, mandatory basis.

Additionally, specific training was carried out during 2017 regarding:

• Training in respect of the consolidation tool for our subsidiaries in Italy, The Netherlands and France.

• IFRS 16 - Leases

• IFRS 15 - Revenue recognition

• IFRS 9 - Financial instruments

Additionally , the Consolidation and Financial Reporting department has subscriptions to a number of publications and journals on accounting and financial matters and to the website of the International Accounting Standards Board which regularly sends new developments and other communications of interest which are analysed and reported to ensure they are taken into consideration when preparing Cellnex's financial information.

F.2 Risk assessment in financial reporting

Report, as a minimum, on:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- The process exists and is documented.

See Section F.2.1.5

- The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.

See Section F.2.1.5

- A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.

See Section F.2.1.5

- The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.

See Section F.2.1.5

- Finally, which of the company's governing bodies is responsible for overseeing the process.

Cellnex has a Risk Control and Management Policy that establishes the basic principles and the general framework for the control and management of all types of risks which are faced. In this manner Cellnex identifies and updates the principle risks organizing adequate information and internal control systems and performing monitoring functions.

The Internal Control and Risk Management Manual of the ICFR (hereafter Risk Management Manual) describes and formalises Cellnex's internal control and risk management model with regards to the ICFR and establishes mechanisms used to determine the risks in this area, the key business processes along with the practical and operative documentation for this internal control model.

During the process of the drawing up and issuing financial information this manual sets out what financial information it refers to as well as the methodology for defining it. Furthermore, guidelines are established to determine whether the process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.

Cellnex has identified the relevant business processes together with their inherent risks and has designed a Risk and Controls Matrix that aims to identify the main risks, based on which control activities have been designed, such that when adequately complied with, true and reliable financial information can be obtained.

The Department of Consolidation and Accounting Regulation is entrusted with identifying and documenting risks of error in the financial information; the process is supplemented by Internal Audit, which considers identified risks of error in relation to the group's overall Risk Map (which takes into account both financial and non-financial risks). The entire process is ultimately overseen by the Audit and Control Committee.

The Cellnex Audit and Control Committee is responsible for supervising the risk control systems with the support from Internal Audit.

F.3 Control activities

Indicate the existence of at least the following components, and specify their main characteristics:

F.3.1. Procedures for reviewing and authorising the financial information and description of the ICFR to be disclosed to the markets, stating who is responsible in each case as well as documents and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

Cellnex has a Regulated Information Reporting Manual, duly approved by the ACC, where the process for preparing and approving the financial information and the description of the ICFR to be published in the market and to investors is detailed. This manual sets out the criteria to identify relevant public financial information, this being as follows:

- Regular reporting obligations (RRO):
  - Quarterly financial report.
  - Half year financial report.
  - Annual financial report and Annual Corporate Governance Report (ACGR)
- Annual report on remuneration policy for directors (ARR)
- Significant Events

Cellnex's Manual for the Issue of Regulated Information also details the departments involved in preparing, review and authorisation of the financial information and their respective responsibilities from the year end accounting processes to the publication of the relevant facts. In particular, for each set of regulated financial information to be published for the market there is a procedure for its preparation and review that requires completing questionnaires for the internal control of regulated information to ensure a reasonable security in the reliability of the entities financial statements.

Following the Manual for the Issue of Regulated Information and completing specific questionnaires for internal control is obligatory and subject to review by the internal Cellnex auditor.

On the matter of descriptive documentation regarding flows in activities and controls of the different transactions that can materially affect the financial statements, Cellnex has a ICFR Organisational Model that structures the specific mechanisms set up to maintain an internal control environment that favours the generation of complete financial information that is reliable and timely and anticipates the existence of possible irregularities as well as ways in which to detect and remedy these. Cellnex has developed procedures for those processes that are considered material and relevant as concerns their potential impact on the financial information to be published, as detailed below:
- Revenue recognition and accounts receivable
- Fixed assets and investments
- Purchases and accounts payable
- Staff costs
- Judgements and estimates
- Month end accounting, consolidation and financial reporting
- Cash and borrowings

- Taxes

Individual and consolidated financial statements, six-monthly financial reports and the financial information in the quarterly interim statements of Cellnex are prepared and reviewed by Finance and Corporate Development prior to submission to the Audit and Control Committee. Here the procedures included in the Emission of Regulated Information Manual will be applied as a prior step to a submission of the information to Cellnex Board of Directors for final approval.

Cellnex has descriptions of controls over activities and controls directly related to transactions that might have a material impact on the financial statements, to mitigate the risk of material error in the information reported to the markets. These descriptions are documented in the 'ICFR Risk and Control Matrix' and contain information on what the controls should consist of, the reason these are carried out, who should carry them out, how often, and other information on what information systems or what operations carried out by third parties are important for the effectiveness of the control operation in question. The controls cover areas such as income generation, investment and expenditure on concessions, acquisitions and subsequent valuation of other assets, analysis of the recoverability of investments, recording of taxation of profits or the correct presentation of financial instruments and of the financing operations of Cellnex.

In relation to the relevant judgements and estimations made, Cellnex reports any areas of particular uncertainty that it considers especially pertinent in its consolidated financial statements. The specific review and approval of the relevant judgements, estimates, assessments and projections as well as the key assumptions used for calculating them, with a material impact on the consolidated financial statements, are made by Finance and Corporate Development and, where applicable, by the managing director. The most significant ones, such as the monitoring of asset values and hedging policies will be treated and reviewed by the ACC before submitting them for the Board's approval.

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

Cellnex uses information systems to keep adequate records and monitor its operations and, therefore, their proper operation is a key element and one that is particularly emphasized by Cellnex. Specifically, the Consolidation and Reporting SAP BPC system has been implemented in all the Group’s companies in Spain. The process of segregation of systems with its parent company Abertis was also completed during 2016.

Regarding the companies outside of Spain the database is fed through loading files which are prepared in the relevant foreign subsidiaries and sent back to the corporate offices in Spain for loading into the system. During 2017, SAP BPC has been installed in such foreign subsidiaries so that the charging to the consolidation system may be executed from each country. This process is expected to be completed during the second half of 2018. In respect of Galata - the Italian subsidiary - in the beginning of the year it was concluded the process for system segregation with their former parent Wind Telecomunicazioni and they have also started to work fully under SAP.

The Systems department, which forms part of the Organisation and Efficiency department, which in turn forms part of the Resources department is responsible for establishing the model of internal control over the information systems in those aspects relating to access security, segregation of duties (in coordination with the business areas and support areas) change control, apart from carrying out monitoring activities for risks and controls derived from the externalisation of the systems.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

Cellnex does however regularly use reports by independent experts to value its financial instruments and undertakings to employees. In addition, Cellnex maintains certain activities associated with accounting, payroll and the administration and maintenance of its corporate information systems subcontracted to an external supplier.

Cellnex has guidelines drawn up concerning the treatment of activities with third parties both in terms of hiring and the monitoring of results. These guidelines are detailed in the internal purchasing procedures.

The Finance and Corporate Development department carries out controls on the work of these experts to check:

- The competence, capacity, accreditation and independence of these experts.
- The validity of the data and methods used.
- The reasonableness of the assumptions used, if applicable.

Certain control and risk management mechanisms have been established with the supplier to ensure that financial information derived from such activities is complete and correct, these include: a Management and Monitoring Committee for the contract, agreements in levels of service, risk indicators, service reports, measures for technology security, external audits as well as contingency and continuity plans, amongst others.

F.4 Information and communication

Indicate the existence of at least the following components, and specify their main characteristics:

F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the company's operating units.

The responsibility to define, maintain and update accounting policies within Cellnex falls upon the management of Consolidation and Financial Reporting. The duties of the Consolidation and Financial Reporting department also include responding to accounting queries made by the various business units or other corporate areas of Cellnex.

Cellnex has an accounting policies manual, the Group Reporting and Accounting Principles Handbook (GRAPH) for the purposes of preparing financial statements under EU-IFRS which is drawn up by Corporate Management Control and regularly updated by it (at least once a year) to include the rules applicable to the year. The auditing instructions sent by the external auditor to the auditors of the various group companies for the limited review or audit in each six-monthly and annual close respectively indicate that accounting principles on which they must carry out their work are those contained in the Cellnex GRAPH.

Any alterations that may take place are notified to the subsidiaries by e-mail and the complete updated manual is filed on the Accounting Regulations portal, as well as on the Corporate Management Control portal of the Cellnex Intranet. The most recent update was in November 2016 and, in any event, checks are performed to verify whether any new significant modifications have been made in the preceding quarter that might affect the preparation of consolidated annual financial information

F.4.2 Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

Cellnex has various integrated platforms of financial information for recording transactions and preparing financial information for all of its subsidiaries (SAP BCP consolidation and reporting). The completeness and reliability of such information systems are validated using the general controls stated in section F.3.2.

The preparation of regulated financial information as well as the individual financial states Cellnex's national companies is centralised Finance and Corporate Development, so to guarantee homogeneous procedures in their preparation. Every half year and yearend the 'Half year forms / Annual forms' are received, these bring together all the information necessary for the preparation of the group's consolidated financial information (summarised intermediary financial statements and annual accounts).

These 'six-monthly and annual forms' ensure uniformity of information:

- It is standard and uniform for all countries and businesses.
- It is prepared on the basis of Cellnex's accounting manual which is standard
- for all of the group companies.
- It includes applicable legal, tax, commercial and regulatory requirements.

The information in the monthly reports and FORMS 2017 is loaded directly by the controllers.

F.5 System monitoring

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1 The ICFR monitoring activities undertaken by the Audit Committee and the entity have an internal auditing function included competencies supporting the committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

Cellnex already had a model for internal control over financial reporting, which was supervised in part by Abertis' corporate functions, to see through its commitment to complete and reliable financial information, and to comply with the fact that its previous main shareholder was also a listed company.,. The adaptation of this model to the specific needs of Cellnex as a listed entity have occupied the majority of the Audit and Control Committee's activities during this year. To this effect, the AAC has carried out the following ICFR-related activities in 2017:

- Monitoring of implementation levels and possible changes to Cellnex ICFR models.

- Approving Cellnex's ICFR Organisational Model, as well as the ICFR Internal Control and Risk Management Manual, in line with Cellnex's general risk policy.

- Review of the information related to ICFR included in the Annual Corporate Governance Report.

- Review of the financial information Cellnex has published in the market.

- Supervision and periodic analysis of the evolution of the implementation of the ICFR, understanding its level of implementation and efficiency.

-Follow up of the work performed by the company's external auditors with the aim of understanding the weaknesses in the internal controls which they have detected during their work as well as other relevant aspects or incidents in these.

The Audit and Control Committee has already approved the Internal Audit Plan for 2018, which includes the necessary actions to guarantee adequate supervision and evaluation of the plans throughout the year by regularly reporting the incidents detected and the necessary actions for improvement once checked with audited areas.

Cellnex has an Internal Audit function that reports to the CAC and, as indicated by the Cellnex Board of Directors Regulations and specifically the section that corresponds tothe powers assigned to the Audit and Control Committee, has the main function o supervising the effectiveness of the company's internal controls and the internal auditing services, by verifying their suitability and integrity, and reviewing the appointment and replacement of the managers, as well as supervising the monitoring and control measures necessary for preventing criminal offences, the risk management systems, including tax-related ones, and the compliance management systems for any applicable legislation, and to discuss with the auditors any significant weaknesses in the internal control system detected while carrying out the audit.

During 2017 Internal Auditing developed various activities in key business process reviews and, as reported timely to the ACC, no significant weaknesses that could have a material impact on Cellnex's 2017 financial information have been identified; furthermore, necessary corrective actions to solve other future possible weaknesses have been carried out.

Likewise, as stated in section F.7.1, the external auditor has issued a report on the procedures agreed regarding the ICFR description made by Cellnex and which has not highlighted any material issues.

F.5.2 This includes a discussion procedure whereby the auditor (pursuant to TAS), internal auditors and other experts can report any significant internal control weaknesses encountered during their review of the annual financial statements or other assignments to the company's senior management and its Audit Committee or Board of Directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

The discussion procedure for significant weaknesses identified in relation to internal control is based, in general terms, on regular meetings maintained by the various parties involved. In this regard, the Internal Audit function communicates, on a regular basis, its conclusions regarding internal control during the reviews of the SCIIF to the Finance and Corporate Development department and to the ACC. It also reports on its conclusions relating to the internal audit processes carried out during the year, along with the implementation state of the corrective action plans established.

In relation to the relationship with external auditors, as described in section 39 of the Cellnex Board of Directors Regulations, these are channelled through the Audit and Control Committee. To this effect and to comply with its responsibility in supervising the auditor's actions as well as receiving communications regarding potential weaknesses in internal controls identified during professional actions, should there be any, the Audit and Control Committee will periodically meet with the external auditor. These communications are recorded in the Audit and Control Committee's minutes and are monitored through Internal Audit functions.

In addition, Cellnex's external auditors have direct contact with the Chief Financial Officer and maintain periodic meetings both to obtain information necessary to carry out their work and to communicate any weaknesses detected.

F.6 Other relevant information

No additional aspects to describe have been identified.

F.7 External auditor report

Informs on:

F.7.1. Whether the ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

Cellnex has submitted to the external auditor for review the ICFR information submitted to the markets for 2017. The scope of the review procedures of the auditor are performed in accordance with Circular E14/2013 of 19 July 2013, of the Spanish Institute of Certified Auditors, which sets out the guidelines for the audit report model in relation to the Internal Control over the Financial Reporting (ICFR) of quoted companies.

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the company's compliance with the recommendations in the Code of Good Governance for listed companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons for this so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

1. **The statutes of listed companies should not place a limit on the votes that can be cast by a single shareholder or impose other obstacles to a takeover of the company by means of share purchasing on the market.**

   Compliant X Explain ☐

2. **When a dominant and a subsidiary company are both stock market listed, the two should provide detailed disclosure on:**

   a) **The type of activity they engage in and any business dealings between them as well as between the subsidiary company and other group companies.**

   b) **The mechanisms in place to resolve possible conflicts of interest.**

   Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

3. **During the AGM, in addition to the written Annual Corporate Governance Report, the president of the Board of Directors will verbally inform shareholders with suitable detail on the most relevant aspects of the company's corporate governance and in particular:**

   a) **Of the changes which have taken place since the previous AGM.**

   b) **Of the specific reasons for which the company may not be complying with any recommendations contained in the Code for Corporate Governance and, should there be any, the alternative rules which have been applied in the matter.**

   Compliant X Partially compliant ☐ Explain ☐

4. **The company defines and promotes a policy of communication and contact with shareholders, institutional investors and vote advisers that is completely respectful of the rules in place to avoid market abuses and a similar treatment of shareholders that are in equivalent positions.**

   The company makes public this information through its website, including information regarding the way in which the company has put this into practice and identifying the representatives or the people responsible for carrying this out.

   Compliant X Partially compliant ☐ Explain ☐

5. **The Board of Directors will not put to the AGM a proposal that delegates the authority to emit shares or convertible values, excluding rights to subscription, for a value above 20% of capital at the moment of delegation.**

   When the Board of Directors approves any emissions of shares or convertible values, excluding rights to subscription, the company will publish via their website the reports regarding such exclusion to which trading legislation refers to.

Compliant X Partially compliant □ Explain □

6. The listed companies that produce the reports listed below, be it for mandatory or voluntary purposes, should publish these on their website with sufficient time prior to the AGM, even when their distribution is not mandatory:

a) **Report on auditor independence.**

b) **Report on the auditing, appointments and remunerations committees workings.**

c) **Report by the auditing committee regarding operations with related parties.**

d) **Report on corporate social responsibility policy.**

Compliant X Partially compliant □ Explain □

7. The company should broadcast live through its website the Annual General Meeting.

Compliant X Explain □

8. The Board of Directors should seek to present the annual accounts to the Annual General Meeting without reservations or exceptions in the audit report and, should such exceptions exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of the scope and content and these limitations and exceptions.

Compliant X Partially compliant □ Explain □

9. The company should make permanently public on its website the requirements and processes that it will accept to accredit the ownership of shares, the right to attend the Annual General Meeting and the exercise or proxy of the right to vote.

These requirements and procedures should favour attendance and exercising of shareholder rights and should be applied without discrimination.

Compliant X Partially compliant □ Explain □

10. When a legitimised shareholder has exercised prior to the AGM the right to complete the order of the day or present new proposals for agreement the company will:

a) **Immediately distribute these additional points and proposals for agreement.**

b) **Make public the model for assistance cards or vote by proxy or remote vote forms with the modifications necessary to vote on the points on the order of the day and alternative proposals for agreement in the same terms as those set out by the Board of Directors.**

c) Submit all these points or alternative proposals to a vote applying the same rules as those proposed by the Board of Directors, including the presumptions or deductions regarding the sense of the vote.

d) Communicate, following the AGM, a breakdown of the vote on the additional points or alternative proposals.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

11. Should the company plan to pay AGM attendance incentives it must previously set out a general policy regarding these incentives and ensure this policy is stable.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

12. The Board of Directors must perform its functions with a united objective and independent criteria, treat all shareholders in similar positions equally and act in the company's best interest, this being to attain a profitable and sustainable business in the long term, as well as promoting the continuity and maximisation of the company's economic value.

In the search for company interest, other than respecting laws and regulations and behaviours of good faith, ethics and respect to commonly accepted good actions, the Board of Directors should attempt to reconcile company interests with those of their employees, suppliers, clients and other stakeholders as well as the environment

Compliant X Partially compliant ☐ Explain ☐

13. The Board of Directors should have the correct dimensions to ensure an efficient and participative functioning, making between five and fifteen directors an advisable figure.

Compliant X Explain ☐

14. The Board of Directors should approve a policy for appointing directors that:

a) Be specific and possible to verify.

b) Ensures that the proposed appointments or reappointments be based on a previous analysis on the needs of the Board of Directors.

c) Favours diversity in knowledge, experience and gender.

The result of the analysis of the needs of the Board of Directors should be included in the Appointments Committee justifications, published when announcing AGM and where the appointments or reappointments of each director must be ratified.

The policy to select directors should work towards the objective of having women in at least 30% of the Board of Director's by 2020.

The Appointments Committee will verify annually the compliance with the director selection policy and this will be reported on in the Annual Corporate Governance Report.

Compliant X Partially compliant □ Explain □

15. Independent and proprietary directors should occupy an ample majority on the Board of Directors while the number of executive directors should be the minimum necessary, bearing in mind the complexity of the corporate group and the capital share held by the executive directors.

Compliant X Partially compliant □ Explain □

16. The percentage of proprietary directors in the total of non-executive directors must not be greater than the proportion of company capital held by these directors versus the remainder of the company's capital.

This criterion may be lessened in the following cases:

a) In companies with high capitalisation where there are few share based participations of legal significance.

b) In companies with a plurality of shareholders represented on the Board of Directors and where these are not otherwise related.

Compliant □ Explain X

This recommendation establishes that there must be a proportion between the share capital represented by the proprietary directors and the percentage of these directors over the total of non-executive directors. Currently, proprietary directors of Cellnex represent 44.4% of the non-executive directors while the shareholder that they represent, Abertis Infraestructuras, S.A., holds 34% of the share capital. Notwithstanding, it should not be ignored that this recommendation establishes that this criteria may be mitigated in companies in which significant shareholdings are scarce. In Cellnex, apart from Abertis Infraestructuras, S.A, there are only 5 significant shareholders (percentage higher than 3%) and, in addition, none of them has expressed interest in being able to participate in the Board.

17. The number of independent directors should be at least half of all board members.

However, in cases of companies that do not have a high capitalisation or, when having a high capitalisation, have one or several shareholders acting harmoniously controlling over 30% of capital then the number of independent directors should be at least a third of all board members.

Compliant □ Explain X

18. Companies should post the following director particulars on their websites, keeping them permanently updated:

a) Professional and biographical profile.

b) Other boards sat on, be these listed or not, as well as other paid activities no matter their nature.

c) Indication of the category of directorship held and in the case of propriety directors that represent shareholders which of these they are linked to.

d) Date of first appointment as company director as well as later re-elections.

e) Company shares and options in his or her name.

Compliant ☐ Partially compliant X Explain ☐

The Company partially complies with this recommendation since on its website is published up-to-date information on the professional and biographical profile of the directors; other company boards to which they belong; the category of director and in the case of proprietary directors, the shareholder they represent; the date of first appointment as board member of Cellnex and subsequent re-elections; as well as the Company shares and options in their name (i.e. the information required under a), c), d), e) and first paragraph of b) of the aforementioned recommendation). However, it does not include information on all paid activities carried out by the directors irrespective of its nature (as indicated under the second subparagraph of b)) because the website already provides sufficient information to know the professional profile of each director and to comply with recommendation 18 from the Code of Good Governance for listed companies regarding the composition of the board of directors.

19. **The corporate governance annual report should also disclose, following verification with the Appointments Committee, the reasons for the appointment of any proprietary directors at the urging of shareholders controlling less than 3% of capital; the report should explain, should the case be give, the reasons for rejecting of formal requests for board representation by shareholders with an equal or greater stake to those who have successfully applied for a propriety director.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

20. **Proprietary directors should resign when the shareholder they represent transfers its ownership interests in the company. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

21. **The Board of Directors should not propose the removal of any independent directors prior to the expiry of their tenure, except where just cause is found by the Board of Directors following a report by the Appointments Committee. Specifically, it will be considered just cause when the director takes on new responsibilities or obligations that does not allow him or her to dedicate the time necessary to complete the functions of the directorship, does not comply with the obligations inherent to the role or becomes involved in circumstances that compromise his or her independence, all according to the applicable legislation.**

    The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 16.

Compliant X Explain ☐

22. **Companies should establish rules obliging directors to inform the board of circumstance that might harm the organisation's name or reputation, tendering**

their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in the company's internal rules, the Board of Directors should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

Compliant X Partially compliant □ Explain □

23. **All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.**

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation should also apply to the Secretary of the Board of Directors, whether he or she be a director or not.

Compliant □ Partially compliant □ Explain □ Not applicable X

24. **Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.**

Compliant □ Partially compliant □ Explain □ Not applicable X

25. **The Appointments Committee should ensure that non-executive directors have sufficient time to carry out their role's functions.**

The board's regulations should set out the maximum amount of board meetings that members can take part in.

Compliant □ Partially compliant X Explain □

Cellnex partially complies with this recommendation because the Board Regulation does not establish a maximum number of company boards in which the directors may participate, as indicated in the second paragraph of this recommendation. However the Nomination and Remuneration Committee ensures that the directors have sufficient time available for the proper performance of their duties as foreseen in the first paragraph of the recommendation. Thus, article 26 of the Board Regulation establishes that the directors in order to perform their duties must devote adequately and shall adopt the necessary measures to accurately manage and control the company. On the other hand, pursuant the self-assessment processes carried out by the

Nomination and Remuneration Committee it has not been detected any lack of availability nor any lack of dedication from the directors.

26. **The board should meet with the necessary frequency, and at least eight times a year, to properly perform its functions in accordance with a calendar and agenda set at the beginning of the year, to which each director may propose additional items not originally set out.**

Compliant X Partially compliant ☐ Explain ☐

27. **Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When absences do occur representation with instructions should be given.**

Compliant ☐ Partially compliant X Explain ☐

Section 26 of the Board of Directors' Regulations states that directors must carry out and comply with obligations set out in the company statutes and with due business diligence, keeping in mind the nature of the roles and the functions assigned to each of these. It is also established that directors must have an adequate dedication and must adopt the necessary measures to ensure good management and control of the company when carrying out their role functions. Therefore absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. However, the Board of Directors' Regulation does not set out a Board of Directors' obligation to assign representation with instructions as such requirement cannot always be possible due to no previous participation in the debates and deliberations of the matters put forward to the Board of Directors.

28. **When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

29. **The company must set out the appropriate channels for directors to obtain precise advice on comply with their role functions including, should circumstances require this, external consultations at the cost of the company.**

Compliant X Partially compliant ☐ Explain ☐

30. **Independently to the know how expected from directors when exercising their functions, companies should also offer their directors programs to update these when the circumstances be favourable to doing so.**

Compliant X Explain ☐ Not applicable ☐

31. **The session's order of the day should clearly indicate the points to be decided or agreed upon by the Board of Directors so they can previously study or collect the information necessary for their acceptance.**

    When exceptionally and in light of urgent circumstances the president wishes to submit to approval by the Board of Directors decisions or agreements that are

not listed in the order of the day the prior and explicit consent of a majority of board members will be necessary and this should be recorded in the minutes.

Compliant □ Partially compliant X Explain □

The agenda for the meetings of the Board of Directors does not indicate the points regarding which a decision has to be adopted.

Notwithstanding, in the support documentation for each of the items on the agenda (which is sent to the directors prior to the Board meetings) the points regarding which a decision has to be adopted are identified (including a concrete proposal of decision to adopt). The purpose of this procedure is to allow the Directors to study and obtain prior information relevant for the decision to adopt.

32. **The directors should be periodically informed of stakeholder movements and of the opinions of significant shareholders, investors and rating agencies regarding the company and group.**

Compliant X Partially compliant □ Explain □

33. **The president, as the person responsible for the correct functioning of the Board of Directors, other than exercising functions attributed by the law and company statutes should prepare and submit to the Board of Directors a program of dates and matters to be dealt with and organise and coordinate the periodic evaluation of the board and its functioning. The president will also ensure enough time is dedicated to discussions regarding strategy and will also negotiate and revise each director's know how updating program, when circumstances be favourable to doing so.**

Compliant X Partially compliant □ Explain □

34. **When there is a coordinating director, other than the faculties set out in the law the company statutes or board of directors regulations should attribute this role with the following functions: preside the Board of Directors in the absence of the president and vice-presidents, should these exist; voice the concerns of non - executive directors, maintain contact with investors and shareholders to know their points of view and understand their concerns especially in regard to the company's corporate governance; coordinate the president succession plan.**

Compliant □ Partially compliant □ Explain □ Not applicable X

35. **The Secretary of the Board of Directors ensures that the actions and decisions of the Board of Directors keep in mind the recommendations for good governance contained in this Code of Good Governance when applicable to the company.**

Compliant X Explain □

36. **The complete Board of Directors must evaluate once a year and adopt, where necessary, an action plan to correct identified shortfalls in:**

a) The quality and efficiency of the Board of Directors' functioning.

b) The functioning and composition of its committees.

c) The diversity in the Board of Directors composition and responsibilities.

d) The performance of the Board of Directors' president and the company's top executives.

e) The performance of the contribution of each director, with special attention to those responsible for the different director's committees.

The evaluation of the different committees will be based on the reports presented by these to the Board of Directors who in turn will be evaluated by the Appointments Committee.

Every three years the Board of Directors will be assisted in its evaluations by an external consultant whose independence will be verified by the Appointments Committee.

The business relationships that the consultant or any company in its group has with the company or any group subsidiary must be listed in the Annual Corporate Governance Report.

The processes and the areas evaluated will be described in the Annual Corporate Governance Report.

Compliant X Partially compliant ☐ Explain ☐

37. **When the company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself and also share the same Secretary.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

38. **The board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Committee's minutes.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

39. **Audit Committee members, particularly the Chairman, are appointed in light of their knowledge and experience in accounting, audit or risk management and that most of these members be independent directors.**

Compliant X Partially compliant ☐ Explain ☐

40. **Under the supervision of the Audit Committee there be a unit responsible for internal audit that ensures the correct functioning of internal information and control systems and whose functions depend on the non-executive president to the board or the Audit Committee.**

Compliant ☐ Partially compliant X Explain ☐

The Company partially complies with this recommendation to the extent that it has an internal audit unit that carries out its work under the supervision of the Audit and Control Committee, and depends functionally on it, although it is hierarchically dependent on the General Secretariat. The reason for this decision is merely practical or operative given that the Audit and Control Committee meets approximately six times a year and the internal audit unit, due to its activity, needs to implement procedures regularly and responsively. These procedures at first are monitored by the General Secretariat without prejudice to their subsequent review by the Audit and Control Committee.

41. The head of internal audit should present an annual work programme to the Audit Committee, report directly on any incidents arising during its implementation and submit an activities report at the end of each year.

Compliant X Partially compliant □ Explain □ Not applicable □

42. That, other than those set out by law, the following responsibilities are held by the Audit Committee:

1. Regarding information and internal control systems:

a) Monitoring the preparation and integrity of the company's financial information and, where appropriate, the group by checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter and the correct application of accounting principles.

b) Monitoring the independence of the unit that undertakes the internal audit; proposing the selection, appointment, reappointment and removal of the head of the internal audit service; propose the service budget; approve the work direction and plans ensuring that activities are focused towards the company's most relevant risks; receive regular information on activities and verifying that senior management are acting on the findings and recommendations of such reports.

c) Establishing and supervising a mechanism that allows personnel to communicate in a confidential manner, and where possible and appropriate anonymously, potentially significant irregularities, especially those which are financial or in accounting, taking place within the company.

2. Regarding the external auditor:

a) In cases of external auditor resignation an investigation into the circumstances of this.

b) Monitoring that the remuneration of the external auditor does not jeopardise the works quality of the auditor's independence.

c) Supervising to ensure the company notifies as a significant event any change of auditor to the CNMV, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for these.

d) Ensuring that the external auditor takes part in an annual meeting with the full Board of Directors to inform on the work carried out and the evolution of the accounting situation and the company's risks.

e) Ensuring that the company and the external auditor respect current legislation regarding the various auditing services, the limits in the auditor's business concentration and, in general terms, the other rules regarding auditor independence.

Compliant □ Partially compliant X Explain □

The Audit and Control Committee executes the duties foreseen in the recommendation, including that of ensuring the independence of the internal audit unit. However, the selection, appointment, re-election and dismissal of the person responsible for the internal audit service as well as the budget and the work plans from that unit, are initially managed by the General Secretariat and subsequently supervised and validated by the Audit and Control Committee. This is foreseen in the Board Regulations, when it refers in article 15 that the Audit and Control Committee supervises the effectiveness of the internal control mechanisms of the Company, the internal audit services, by verifying the adequacy and integrity of the same, and by reviewing the appointment and replacement of its representatives and by ensuring their independence. For these reasons the IAGC indicates a level of partial compliance.

43. The Audit Committee should be empowered to meet with any company employee or manager and even have the possibility to summon staff without the presence of another senior officer.

Compliant X Partially compliant □ Explain □

44. The Audit Committee should be informed of corporate or structural modification operations planned by the company for their prior analysis and reporting to the Board of Directors regarding their economic condition and accounting impact and, should it be necessary, the exchange ratio.

Compliant X Partially compliant □ Explain □ Not applicable □

45. The control and risk management policy should specify at least:

a) The different types of risk, financial and non-financial (including operational, technological, legal, social, environmental, political and reputational, ...) that the company is exposed to, including amongst the financial or economic risks the contingent liabilities and other off-balance sheet risks.

b) The setting out of the level of risk that the company considers acceptable.

c) The measures in place to mitigate the impact of the identified risks, should these occur.

d) The internal reporting and control systems used to control and manage the mentioned risks, including contingent liabilities and off-balance sheet risks.

Compliant X Partially compliant □ Explain □

46. Under the direct supervision of the Audit Committee, or alternatively a specialised Board of Directors committee, there must be an internal responsibility for risk control and management exercised by a unit or internal company department that has the following functions clearly attributed to it:

a) Ensuring the correct functioning of the risk control and management systems and, more specifically, identifies, manages and quantifies in an adequate manner all the major risks that affect the company.

b) Actively participating in the preparation of the risks strategy and in important decisions regarding its management.

c) Ensuring the risk control and management systems adequately mitigate the risks within the parameters set out by the Board of Directors policies.

Compliant X   Partially compliant □   Explain □

47. The selected members of the Appointments and Remuneration Committee (or the Appointments Committee and the Remuneration Committee should these be separate) must have the suitable knowledge, aptitudes and experience for the tasks that they must fulfil and most of these members must be independent advisers.

Compliant X   Partially compliant □   Explain □

48. Companies with a high capitalisation must have separate committees for appointments and remuneration.

Compliant □   Explain X   Not applicable □

With Cellnex's entry into the Ibex 35 in June 2016, it can now be considered as being in the large-cap company category. Nevertheless, for now it is not considered necessary to have a Nomination Committee and a separate Remuneration Committee, as the current Nomination and Remuneration Committee is qualified to analyse both aspects in a unified way. The possibility of dividing the current committee will be analysed depending on how the company evolves.

49. The Appointments Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors.

Any board member may suggest candidates to the Appointments Committee for its consideration.

Compliant X   Partially compliant □ Explain □

50. The Remuneration Committee must carry out its functions independently and, other than the responsibilities assigned by law, be assigned the following functions:

a) Proposal to the Board of Directors the basic contractual conditions for senior managers.

b) Checking to ensure that the company's remuneration policy is being observed.

c) Periodically revise the remuneration policy applied to directors and senior managers, including remuneration systems that include shares, and guarantee that individual pay packages be proportional to those received by other advisers and managers in the company.

d) Monitoring of any possible conflicts of interests to ensure these do not jeopardise the independence of the external advice offered by the committee.

e) Verifying the information regarding director and senior manager remuneration contained in the different corporate documents, including the annual report on director remuneration.

Compliant X   Partially compliant □   Explain □

51. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant X Partially compliant □ Explain □

52. The rules regarding the composition and functions of the supervisory committees must be set out in the Board of Directors' Regulations and these should be consistent with those applicable to legally mandatory committees, as per the previous recommendations, including:

a) That these be exclusively formed non-executive directors, with a majority of independent advisers.

c) That the committees be chaired by independent directors.

a) That the Board of Directors appoint the members of such committees keeping in mind the knowledge, aptitudes and experience of the directors and the terms of reference of each committee, consider their proposals and reports and that they report to the next Board of Directors meeting matters regarding activities of responses to findings following meetings between directors and committees.

d) That committees may engage external advisers, when they feel this is necessary for them to execute their duties.

e) That the meetings be minuted and that the minutes be made available to all directors.

Compliant □ Partially compliant □ Explain □ Not applicable X

53. The supervision of the compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policies must be attributed to a single or distributed amongst several Board of Directors' committees; these possibly being the Audit Committee, Appointments Committee, Corporate Social Responsibility Committee, should this exist, or a specialised committee that the Board of Directors, exercising their powers in self-organisation, create to that effect and with the following minimal specific functions attributed:

a) The supervision of compliance with internal codes of conduct and the company's rules in corporate governance.

b) The supervision of the shareholder and investor communications and relations strategy, including small and medium sized shareholders.

c) The periodic evaluation of the adequacy of the corporate governance system with the aim of it meeting its objective of promoting the company's interests and take into account, where applicable, the legitimate interests stakeholders.

d) The review of the company's corporate responsibility policy, ensuring that this be focused on generating value.

e) The monitoring of strategies and practices in corporate social responsibility and the evaluation of the degree of its compliance.

f) The supervision and evaluation of the relation processes with other

stakeholders.

g) The evaluation of all elements regarding the company's non-financial risks, including those of an operative, technological, legal, social, environmental, political and reputational nature.

h) The coordination of the reporting process of the non-financial information and regarding diversity, in compliance with the applicable legislation and international standards of reference.

Compliant X Partially compliant □ Explain □

54. Corporate social responsibility must include the principles and commitments that the company takes on voluntarily in its relationship with different stakeholders, identifying at least:

a) The objectives of the corporate social responsibility policy and the development of the support tools .

b) The corporate strategy regarding sustainability, environment and social matters.

c) The precise practices in matters regarding: shareholders, personnel, clients, suppliers, social matters, environment, diversity, fiscal responsibility, respect for human rights and prevention of illegal actions.

d) The result, associated risk and management of monitoring methods or systems in the application of the specific practices noted in the previous point.

e) The supervisory mechanisms of non-financial risks, ethics and business conduct.

f) The main channels of communication, participation and dialogue with stakeholders.

g) The responsible communication practices that avoid the manipulation of information and protect integrity and honour.

Compliant X Partially compliant □ Explain □

55. The company must inform in a separate document or in the management report on the matters relating to corporate social responsibility, using for this one of the internationally accepted methodologies.

Compliant X Partially compliant □ Explain □

56. The remuneration of the directors should be that necessary to attract and retain directors with a desirable profile and to remunerate the dedication, qualification and responsibility that the role requires though it should not be high to a point where it can jeopardise the independent criteria of non-executive directors.

Compliant X Explain □

57. Remuneration to executive directors based on variables that relate to company or personnel performance should be limited, as well as remuneration through shares, share options or rights over shares or instruments that refer to the value of the shares and long term saving systems such as pensions, retirement systems and other social provision systems .

The possibility of shares as remuneration can be considered when non-executive directors are conditioned to keeping these until they cease their directorship. The latter will not be applicable to shares that the director requires to be transferred to satisfy the costs regarding his or her acquisition.

Compliant X Partially compliant □ Explain □

58. In the case of variables, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector or other similar circumstances.

In particular, that the components of variable remuneration:

a) Be linked to predetermined performance criteria that are measurable and that said criteria consider the assumed risk when obtaining a result.

b) Promote company sustainability and include non-financial criteria adequate for long term growth in value, such as compliance with internal company rules and procedures and risk control and management policies.

c) Be configured based on a balance between short, medium and long term objectives and that these allow for rewarding continued performance during a period of time that is sufficiently long to appreciate a contribution in sustainable value growth; therefore ensuring that the elements used to measure performance are note influenced by exceptional, occasional or extraordinary events.

Compliant X Partially compliant □ Explain □ Not applicable □

59. The payment of a considerable part of the variable components of the remuneration should be deferred for the minimum amount of time necessary to confirm that the performance conditions previously set out have been met.

Compliant X Partially compliant □ Explain □ Not applicable □

60. In the case of remuneration linked to company earnings, deductions should be computed following provisions stated in the external auditor's report that may lower said results.

Compliant □ Partially compliant □ Explain □ Not applicable X

61. A considerable percentage of executive director's variable remuneration be linked to the transfer of shares or financial instruments that refer to share value.

Compliant □ Partially compliant □ Explain □ Not applicable X

62. Once the shares or the options or rights over shares have been set out in the remuneration systems, the directors are not permitted to transfer the

ownership of such shares to a value equivalent to two times their fixed annual remuneration, neither can they exercise their options or rights until at least three years have elapsed since these were agreed upon.

The latter will not be applicable to shares that the director requires to be transferred to satisfy the costs regarding his or her acquisition.

Compliant ☐ Partially compliant X Explain ☐ Not applicable ☐

Exists an obligation of maintenance of the actions attributed to the CEO during a term of at least 2 years from their attribution.

63. Contracted agreements must include a clause that allows the company to claim the return of variable components in remuneration when the payment of these is not adjusted to the performance conditions or when payment has taken place according to data which is latter identified as incorrect.

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

64. Payments for contract termination must not be grater that the amount equivalent to two years of total annual remuneration and that must not be paid until the company has been able to verify that the director has complied with the performance criteria previously set out.

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

H OTHER INFORMATION OF INTEREST

1. If it is considered that there is any material aspect or principle relating to the Corporate Governance practices followed by the company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group explain these briefly.

2. In this section any other information, clarification or observation related to the above sections of this report can be included.

   Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. Also state whether the company voluntarily subscribes to other international, sectorial or ethical principles or standard practices. If applicable identify the Code and its date of adoption. In particular, refer to whether the Code of Good Taxation Practice of 20th of June 2010 has been adhered to.

"In 2017 Cellnex joined and maintained initiatives in the area of Corporate Social Responsibility, which are highlighted as follows:

- Collaboration agreement with the Seres Foundation that seeks "the creation of a healthier and stronger society with more competitive companies that can last for a longer period of time". The purpose of the Foundation is to help and to promote business strategic actions that contribute to the overall improvement of social reality.

- Cellnex has actively participated in the conferences promoted by the International Academy for Social Economic Development (AISES) aiming for the promotion of sustainable development.

- Collaboration agreement with IESE to establish Cellnex as a Mentor company from IESE, and define the collaboration under different projects promoted by IESE's Center for Public Sector-Private Sector.

- Participation in the Carbon Disclosure Project (CDP), one of the most recognized organisations in the field for climate change aimed at assessing the quality of information -and reporting systems-, enabled by private companies or by the public sector in the field of sustainability and environment.

- Cellnex joined the FTSE4Good sustainability index, which recognizes the good practices from listed companies regarding environmental, social and corporate governance areas.

- Cellnex joined the "Standard Ethics" sustainability index, being valued with EE rating which is equivalent to an adequate level for its good behaviour in terms of government, sustainability and social responsibility.

In addition, Cellnex Telecom continues to be part of the United Nations Global Compact and is registered under the Registry of Interest Groups or 'lobbies' created by the National Commission on Markets and Competition (CNMC) as well as registered as an Interest Group under the Catalonia's Government Transparency Registry".

NOTE OF CLARIFICATION ap. C1.17
Mr. José Aljaro Navarro is the representative of the Director of Abertis Telecom Satélites, S.A.U. in Hispasat
Mr. Luis Deulofeu Fuguet is the representative of the Chairman of Sanef, S.A. in Bil&Go

NOTE OF CLARIFICATION ap. C.2.1. AUDIT AND CONTROL COMMITTEE

The duties, procedures, organisation, operation and activities of the AUDIT AND CONTROL COMMITTEE are as follows:

a) Responsibilities

The rules of organization and operation of the Audit and Control Committee are described in the bylaws and in the Board of Directors' Regulation and, without prejudice to the other tasks assigned to it by the applicable legislation or the Board, the Audit and Control Committee will have at least the following responsibilities:

a) To inform the General Shareholders' Meeting on questions arising in relation to those matters which fall within the competence of the Committee;
b) To propose to the Board of Directors, for submission to the General Shareholders' Meeting, proposals for the selection, appointment, re-election and replacement of the external

auditors or auditing company, the contract conditions, the scope of the professional mandate and, where appropriate, revocation or non-renovation, all pursuant to the current regulations, as well as to regularly gather from the same information on the audit plan and the implementation thereof, and to safeguard their independence in the exercising of their duties;

c) To monitor the process of preparing and presenting the mandatory financial information as well as the integrity thereof;

d) To establish the appropriate relations with the external auditors or external auditing companies in order to receive information on issues which may prejudice their independence, to be studied by the Committee, and any other information related to the auditing of the accounts, as well as any other notifications envisaged in the legislation and regulations concerning the auditing of accounts. In all cases, they must receive on an annual basis from the external auditors or external auditing companies written confirmation of their independence from the Company or any organisations directly or indirectly related thereto, in addition to information regarding any additional services of any kind provided to said organisations and the corresponding fees received therefrom by the external auditors or external auditing companies, or by persons or organisations related thereto in accordance with the provisions established in the legislation applicable to the auditing of accounts;

e) To issue, on an annual basis, prior to the issue of the Audit Report, a report expressing an opinion on the independence of the external auditors or auditing companies. This report must contain, in all cases, an evaluation of the provision of the additional services referred to in the previous paragraph, considered individually and as a whole, other than the legal audit, and in connection with their independent status or with the governing regulations of the audit;

f) To inform the Board of Directors in advance on all matters provided for by the Law, the corporate bylaws and its Regulations and, in particular, regarding the financial information that the Company must publish periodically, on the creation or acquisition of holdings in entities with a special purpose or domiciled in countries or territories considered as being tax havens and on operations with associated parties;

g) To supervise compliance with the internal protocol for relationships between the majority shareholder and the Company and the companies of its respective groups, as well as to conduct any other actions established in the protocol itself for optimal compliance with the aforesaid duty of supervision;

h) To provide information in relation to the transactions that involve or could involve conflicts of interest, and in general, on the matters considered in Chapter IX of the Board of Director's Regulation;

i) To inform on operations of structural and corporate modifications which the Company plans to conduct, the economic conditions and the accounting impact thereof and, in particular, on the exchange ratio, where applicable;

j) To monitor the effectiveness of the Company's internal control, the internal audit services, verifying the suitability and integrity thereof and to review the appointment and replacement of those persons responsible for the same, to supervise the suitable security and control measures for preventing the commission of criminal offences, the risk management systems, including fiscal risks, the systems for managing compliance with all applicable regulations, as well as to discuss with the external auditors any significant weaknesses detected in the internal control system while conducting the audit;

k) To supervise a mechanism which allows employees to confidentially report potentially relevant irregularities detected inside the Company, especially those regarding finance and accounting, as well as those which may constitute a criminal responsibility for the Company.

The above responsibilities are stated by way of example, without prejudice to any others that may be conferred upon the Committee by the applicable legislation, the Board of Directors or which may be attributed thereto by the regulations governing the auditing of accounts.

b) Operation

The Board of Directors' Regulation shall define the skills of the Committee and its scheme of organization and operation.
The Board shall likewise determine who will hold the position of Chairman from among the independent directors, who will be replaced every four years, being able to be re-elected once a period of one year has elapsed since his/her resignation. The Committee itself will appoint a Secretary and may also appoint a Vice-Secretary, neither needing to be members thereof.
The Audit and Control Committee will meet as many times as necessary for the execution of its functions and will be convened by its Chairman, either on his/her own initiative or at the request of the Chairman of the Board of Directors, or of two members of the Committee itself.
The Audit and Control Committee will be validly constituted when the majority of its members attend the meeting, either present or represented. The resolutions will be adopted by a majority vote among those in attendance, present or represented.
Any member of the management team or company personnel will be obliged to attend the Audit and Control Committee's sessions and to provide them with his/her assistance and access to the information s/he has available, if so requested. The Committee can also request that the Company's external auditors attend its sessions.

1. Activities

During 2017, the Audit and Control Committee met on nine occasions and carried out the following key activities:

a) Review of financial information

- 2016 financial statements:
  - In February, the Audit and Control Committee reviewed the 2016 Annual Accounts, including the Management Report and the Annual Corporate Governance Report with the finance team and the external auditors who presented the main aspects and their conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the 2016 Annual Accounts, including Management Report and Annual Corporate Governance Report.

- 2017 financial statements:

  - In April, the Audit and Control Committee reviewed the financial results for the first quarter of the year with the finance team who presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the first quarter financial statements.
  - In May, the Audit and Control Committee reviewed the first quarter audited accounts. This information was discussed with the members of the management team responsible

for their preparation and with the external auditors who presented the main aspects and their conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the first quarter audited financial statements.

- In July, the Audit and Control Committee reviewed the half-yearly financial statements and the external auditors report. This information was discussed with the members of the management team responsible for their preparation and with the external auditors who presented the main aspects and their conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve these interim financial statements.
- In 9 November, the Audit and Control Committee reviewed the financial results for the third quarter of the year together with the third quarter audited accounts. This information was discussed with the members of the management team responsible for their preparation and with the external auditors who presented the main aspects and their conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the third quarter financial statements and the third quarter audited financial statements.

b) External Auditors

- In February, the external auditors attended the Audit and Control Committee to review the 2016 Annual Accounts, including the Management Report and the Annual Corporate Governance Report, and presented the main aspects and their conclusions.
- In May, the external auditors attended the Audit and Control Committee to review the first quarter audited financial statements and presented the main aspects and their conclusions.
- In July, the external auditors attended the Audit and Control Committee to present the report of the half-yearly financial statements.
- In November, the Audit and Control Committee met the external auditors to review the scope and audit planning, the status of its review and the preliminary conclusions of the 2017 financial statements.

c) Capital structure

- In March, the Audit and Control Committee reviewed discussed a new bond issuance and the renewal of the existing EMTN programme. The finance team presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to authorize (i) the issuance of one or several bonds, including private placements, following the EMTN programme, in Euros or Swiss Francs with a maturity of between 6 and 10 years and an amount of up to €400 million; and (ii) the execution of all documents necessary to renew the EMTN programme.
- In April, it was noted that in April 2017 Cellnex closed two private placements for a total amount of c. €140 million under the EMTN programme.
- In different meetings, the finance team presented to the Audit and Control Committee an update on the M&A pipeline and the company’s financial firepower to execute said pipeline.
- In April and May, Morgan Stanley presented to the Audit and Control Committee an equity markets update and an equity injection assessment. Also, in December, Morgan Stanley provided the Audit and Control Committee with a capital structure assessment.
- In July, it was proposed to the Audit and Control Committee the issuance of a private placement (of c. €50 million), within the existing Board authorisation.

- Following discussions in November, in December, the Audit and Control Committee reviewed the possibility to issue a convertible bond. The finance team presented the main aspects, characteristics and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the issuance of a convertible bond in January 2018.

d) Other information

- Efficiency Plan update: In February and September, those responsible for its preparation presented to the Audit and Control Committee an update on the Efficiency Plan 2016-19 noting the key items and their conclusions.
- Liquidity contract: In April, the Audit and Control Committee reviewed the status of the liquidity contract. The finance team presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to extend the liquidity contract for one year.
- Treasury shares:
  - In April, the Audit and Control Committee reviewed the status of the treasury shares. It was agreed to maintain the current policy.
  - In July, in the context of the senior management long term incentive plan, it was proposed to the Audit and Control Committee the acquisition of treasury shares for a total amount of €10 million. The Audit and Control Committee agreed to approve the proposal for the above purpose and for the specified amount. In September, it was reminded the approval of the previous meeting and the Committee provided a favourable recommendation to the Board of Directors to approve the acquisition of treasury shares on these terms.

- Dividends:
  - In February, the Audit and Control Committee reviewed the dividend policy. The finance team presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the Cellnex dividend payment.
  - In 9 November, the finance team explained to the Audit and Control Committee the proposal to distribute an interim dividend to be paid before the year end. The Committee provided a favourable recommendation to the Board of Directors to distribute an interim dividend of €10 million to be paid before the end of year 2017 (the remainder to be paid as final dividend in 2018 and to be approved by Cellnex AGM).
- IFRS 16: In February, the finance team presented to the Audit and Control Committee an update on the work being carried out to ensure the compliance with the new accounting rules. Additional updates were provided to the Audit and Control Committee in July and 9 November, those times together with PwC.
- Reappointment of auditors: In March, it was proposed to the Audit and Control Committee the reappointment of Deloitte as auditors of Cellnex for a further term of 3 years. The Committee noted the key considerations and rationale for this reappointment. The Committee provided a favourable recommendation to the Board of Directors to approve the reappointment of Deloitte as auditors of the company.
- Appointment of Chairman: In March, the Audit and Control Committee agreed unanimously to appoint Mr. Bertrand Kan as its Chairman.
- Appointment of Vice Secretary: In July, the Audit and Control Committee agreed unanimously to appoint Ms. Núria Taberner as its Vice Secretary.

- Information Security: In May, at the request of the Audit and Control Committee, the head of IT attended the Committee to provide a report on the company's IT security systems.
- RAN Sharing: In July, at the request of the Audit and Control Committee, a member of the commercial team provided a presentation on RAN sharing.
- CNMV Technical Guide: In September, the Secretary of the Committee provided a summary on the new CNMV Technical Guide on Audit Committees to the Audit and Control Committee and explained the performance of Cellnex with regard thereto.
- Registration document: In September, the Audit and Control Committee was updated on the new European prospectus regulation and the opportunity that this gives to companies to file a registration document with the CNMV in order to facilitate the issuance of debt in Spain (and also equity injections). It was agreed to provide an update to the Board and recommend the approval of the filing of the document.
- 2018 Budget: In December, a first look of the 2018 budget was provided to the Audit and Control Committee.
- Capital Markets Day: In December, the Audit and Control Committee received the presentation on the company's first Capital Markets Day held on 14 November. The key investor feedback was noted.

e) Corporate Governance

- In February, the Audit and Control Committee reviewed the three reports for the year 2017 to be approved by the Committee in connection with the Annual Accounts and the Annual Corporate Governance Report, namely: (i) the Report on the Functions and Activities of the Committee; (ii) the Report on Related Party Transactions; and (iii) the Report on the Independence of the Auditor. The Committee provided a favourable recommendation to the Board of Directors to approve these reports.

f) Tax

- In February, the tax team, together with PwC, provided the Audit and Control Committee with an update on the work carried out on the implementation of the Tax Strategy (approved by the Committee and the Board of Directors) and the development of the Tax Control Framework. The Committee approved the Tax Control Framework.
- Also in February, the tax team, together with external advisors (PwC, IplusF and Deloitte), provided the Audit and Control Committee with an overview of all the tax initiatives implemented by the company, namely: (i) Notional Interest Deduction; (ii) R&D; (iii) Patent Box; and (iv) the deductibility of Tradia Goodwill. It was confirmed that these initiatives are compliant with current tax legislation.
- In July, the tax team, together with external advisors (Garrigues), explained to the Audit and Control Committee the work undertaken with regards to financial structure defence file, concluding that the current financial structure of Cellnex has a strong economic and business rationale.
- In September, the tax team, together with PwC, presented to the Audit and Control Committee (i) an update on the tax governance, by explaining the Tax Control Framework, which are the milestones to be achieved and the implementation plan, and (ii) the tax dossier (item included following the recommendation of the good tax governance policy).

g) Monitoring internal audit

- Functions. The main Internal Audit functions are:

    - Perform the auditing activities as defined in the annual audit plan, based on reasonable and established criteria, especially in the risk level assessment and focusing on the main organizational activities, giving priority to those that are considered to be more exposed to risk, and those that are requested by Audit Committee and Control and / or by the Senior Management.
    - An adequate coordination with the external auditors to be maintained for the exchange of information regarding the audits carried out with the aim of minimizing duplication and to track the audits performed, as well as any weaknesses in the internal control identified.
    - Report to the Audit and Control Committee and Senior Management of Cellnex Group regarding the key recommendations in each company, as well as the action plan to be performed by the Company.

- Activities. The main activities carried out by Internal Audit and supervised by the Audit and Control Committee:

    - Audits:

        - Those audits included in the 2017 Audit Plan and those audits not originally included in the Audit Plan but there were requested by Audit Committee and Control and / or by the Senior Management.
        - Monitoring recommendations and action plans proposed in the different audits.

    - 2018 Audit Plan. In November, the Audit and Control Committee approved the 2018 Annual Audit Plan based upon:

        - Assessing the risk level and focusing on the main organization's activities, giving priority to those that are considered to be more exposed to risk, and those that are requested by Senior Management.
        - Defining the activities to be reviewed: basic processes (revenues, procurements, etc.), other processes (expense sheets, investment projects, etc.) or compliance (ICFR, others).

h) Risk control

This function is carried out by Internal Audit.

- Activities. The activities carried out by Internal Audit and supervised by the Committee in May, July, September and in the last meeting of the year were:

        - A revision of the risk map (including likelihood and impact) in Spain, Italy, UK, Netherlands and France.

The review of the action plans associated to the risks in Spain, Italy, UK and Netherlands.

NOTE OF CLARIFICATION ap. C.2.1 NOMINATION AND REMUNERATION COMMITTEE

Operation

In accordance with the Board of Directors' Regulations, the Board of Directors will appoint a Chair among the independent directors. The Chair must be replaced every four years and may be re-elected once a period of one year from his departure has transpired. The Appointments and Remuneration Committee will appoint a Secretary and may appoint a Vice-Secretary that will not be necessarily members of the Committee itself.

The Appointments and Remuneration Committee will meet every time the Board of Directors or its Chair request a report be issued or proposals adopted and, in any case, whenever it is deemed advisable for the proper execution of its duties. It will be convened by the Chair of the Committee, either on his/her own initiative or on the request of the Chair of the Board of Directors or of two members of the Committee itself.

The Appointments and Remuneration Committee will be validly constituted when the majority of its members attend the meeting, either present or represented. The resolutions will be adopted by a majority vote among those in attendance, present or represented.

Responsibilities

Without prejudice to the other tasks assigned to it by the Board of Directors, the Appointments and Remuneration Committee will have at least the following basic responsibilities:

a) To evaluate the competencies, knowledge and experience required in the Board of Directors. To this end, it will define the duties and skills required of the candidates to fill each vacancy, and it will evaluate the time and dedication needed for them to effectively perform their duties.

b) To establish a target for the representation of the under-represented gender on the Board of Directors, and prepare guidance on how to obtain said target.

c) To submit to the Board of Directors proposals for the appointment of independent directors for the co-optation thereof or for the submission thereof to the decision of the General Shareholders' Meeting, as well as proposals for the re-election or dismissal of the aforesaid directors by the General Shareholders' Meeting.

d) To inform on proposals for the appointment of the other directors for the co-optation thereof or for the submission thereof to the decision of the General Shareholders' Meeting, as well as proposals for the re-election or dismissal of the aforesaid directors by the General Shareholders' Meeting.

e) To inform on proposals for the appointment and dismissal of members of the Senior Management and the basic conditions of their contracts.

f) To inform, in advance, on the appointment by the Board of Directors of the Chair and, where applicable, of one or more Vice-Chairs, as well as the appointments of the Secretary and, where applicable, of one or more Vice-Secretaries. The same procedure shall be followed to agree on the dismissal of the Secretary and, where applicable, of each Vice-Secretary.

g) To examine and organise the succession of the Chair of the Board of Directors and of the Company's CEO and, if appropriate, to make proposals to the Board of Directors for such succession to occur in an orderly and well planned manner.

h) To propose to the Board of Directors the remuneration policy for the directors and general managers, or for those individuals who perform their senior management duties reporting directly to the Board of Directors, to executive committees or to CEOs, as well as the individual remuneration and all other contractual conditions for executive directors, ensuring compliance therewith.

i) To suggest to the Board of Directors which members should form part of each of the Committees.

j) To periodically review the remuneration programmes, considering their suitability and returns.

k) To propose to the Board of Directors, for submission to the General Shareholders' Meeting for an advisory vote, the drafting of an annual report on the remuneration of its directors, under the terms of article 541 of the Law on Capital Companies, already other provision which may replace the same in the future.

l) To consider the suggestions made to it by the Chair, Board members, company executives or shareholders.

m) To provide information regarding the appointment and dismissal of managers who have direct dependence to the Board of Directors or some of its members, as well as establishing the basic conditions of their contracts, including remuneration, and also inform decisions on remuneration of directors, within the statutory framework and, where appropriate, of the remuneration policy adopted by the General Meeting of Shareholders

n) To monitor compliance with the corporate governance rules and internal codes of conduct.

o) To monitor the corporate social responsibility strategy and practices, and to assess the degree of compliance therewith.

Activities.
Eight meetings have been held involving the following actions, amongst others:

(A) <u>Corporate Governance:</u>

The relevant report was issued assessing the competence, experience and merits of independent Director, Ms Marieta del Rivero, in view of her appointment as Board member and her joining the ARC.
The restructuring of the composition of the Appointments and Remuneration Committee (ARC) and of the Audit and Control Committee (ACC) was put forward.
The Board was informed favourably as to the appointment of Bertand Kan as vice-chairman of the Board of Directors.
An external evaluation was carried out of the functioning of the Board and Committees, for submission to the Board.
Reports were given on the ACGR (annual corporate governance report) and the ARR (annual report on remunerations).

(B) <u>Actions in relation to remuneration</u>:

The degree of compliance by the CEO with the targets for 2016 was analysed and his performance assessed. Also evaluated were the CEO’s targets for 2017, the relevant proposals being put to the Board.
Based on a comparative study by an external company, the CEO’s remuneration for 2017 was proposed and, consequently, the amendment to the remunerations policy for Directors was prepared and approved for submission to the Board and approval by the Annual General Meeting.

The directors’ remuneration was reviewed in order to adjust it to the market also taking into account the directors’ degree of involvement and commitment.
Based on market studies, the remuneration of the top executives (reporting directly to the CEO) for implementation as of 2018 was analysed, and the corresponding proposal was put to the Board for approval. Also put to the Board were various addenda to the contracts of these directors to include certain clauses that were not duly regulated.
The approval of a Long-term Incentives Plan (ILP 2017-2019) applicable to the CEO and certain key personnel of the company together with the corresponding contracts was prepared and put to the Board.

(C) Corporate Social Responsibility actions:

The CSR Master Plan for 2016-2020 was followed up. This instrument integrates all the company’s ethical, environmental and social initiatives whose yearly progress is included in the Integrated Annual Report.

(D) Actions in relation to the Code of Ethics:

A Criminal Offences Prevention Model was adopted and implemented via the Ethics and Compliance Committee.
A training plan was supervised on the Code of Ethics and supplementary Regulations for all employees of the Group in Spain, with a view to applying it to the rest of countries in which the Company operates.

(E) Talent management:

The ARC analysed the actions carried out to date by Management, basically the Succession Plan and High Potential Programme.

NOTE OF CLARIFICATION ap. D2

Transactions with Criteria Caixa, S.A.U. corresponding to contributions to pension plans and life insurance for the amount of 1,358 have been made with the companies of the Caixa Group.

-VidaCaixa, S.A. - Cellnex Telecom, S.A. and its subsidiaries - Contractual - Contribution of pension plans and life insurance - 1.316

-Segur Caixa Adeslas, S.A. - Cellnex Telecom, S.A. and its subsidiaries - Contractual - Contribution of pension plans and life insurance - 42

This annual corporate governance report was approved by the company's Board of Directors at its meeting held on 15 February 2018.

State whether any Directors voted against or abstained in connection with the approval of this Report.

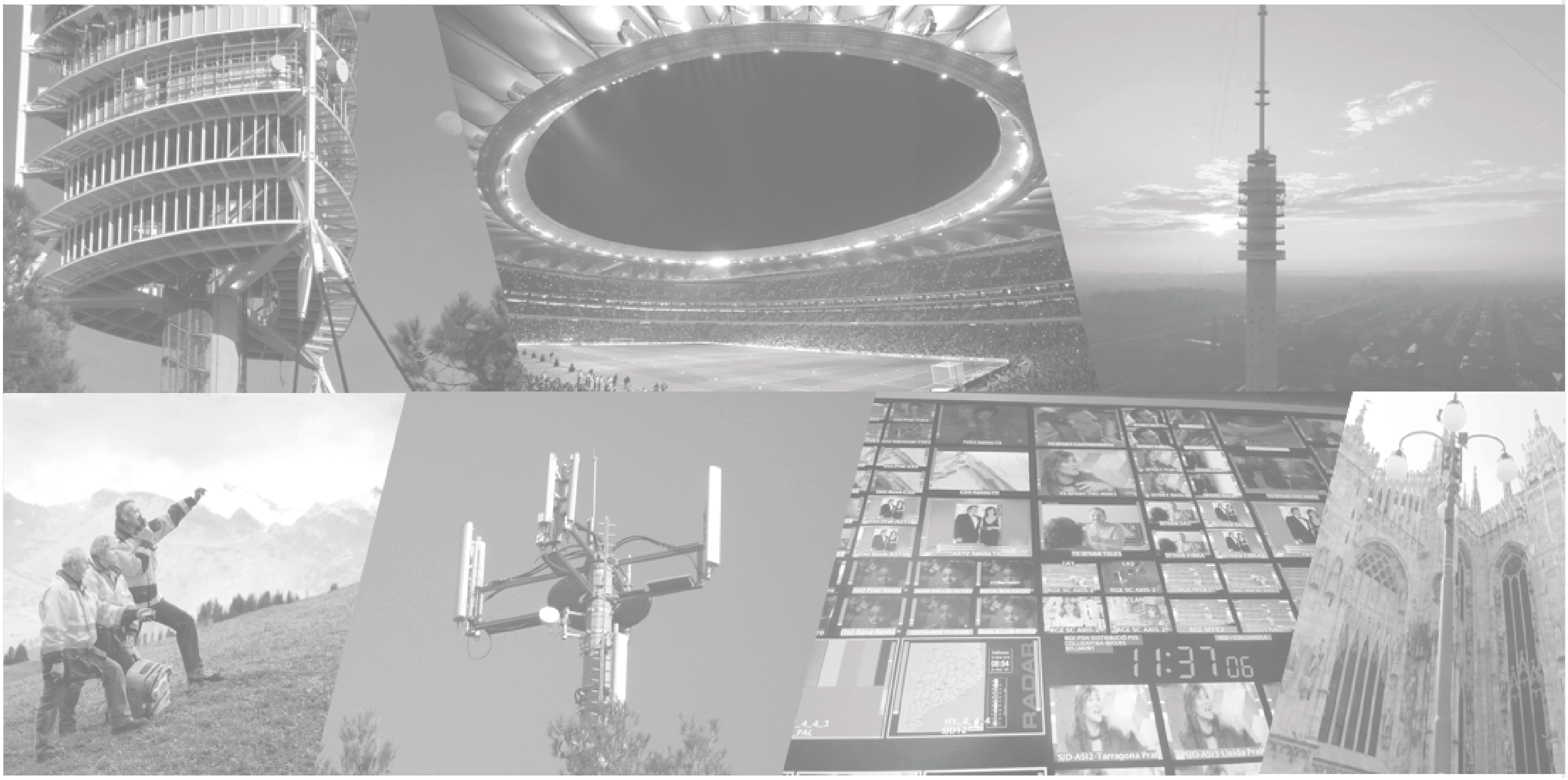
Yes □ No X

cellnex
driving telecom connectivity

Integrated Annual Report

Consolidated Directors' Report and Consolidated Financial Statements

2017



Consolidated Directors' Report

2017

Index

1. CONSOLIDATION, GROWTH, INNOVATION

- **Interview with the president and CEO**

What have been the main factors affecting Cellnex's business in 2017? What would be the main headlines of the financial year?

Francisco Reynés: I would highlight the continuity and consolidation of the process of building Cellnex's European project that over the past two and a half years - since the IPO - has enabled us to close 12 transactions in six countries with a global investment of approximately EUR 3,300 million, growing from 7,000 sites located mainly in Spain to almost 27,000 in Spain, Italy, France, the Netherlands, Switzerland and the United Kingdom on a run-rate basis. I think we should also commend the skill of the management team in finding a balance between strong and rapid growth and managing the business at constant scope. Not only are we growing, but we have also shown that we are consolidating that growth by rigorous and disciplined day-to-day management.

Tobias Martinez: I would add that a key factor has been the diversification of the company's business profile, reflecting this intense growth process that the President has referred to. For instance, telecom infrastructure services already account for 60% of the Group's revenues, while only three years ago the figure was a mere 24%. We have also diversified our revenues by geographical market; 42% of revenue already comes from outside of Spain, which rises to 52% if we annualise the effect of all our acquisitions during the year. We have also expanded and diversified the customer base, which makes our flows stronger and more resilient and allows us to optimise and exploit the potential for synergies by working alongside customers with a presence in various markets where Cellnex is also present.

In addition, the accumulated investment during 2017 amounted to EUR 1,183 million.

We asked the same question in 2016, but is there a limit to this growth?

TM: The limit does not seem to be so much in the potential for consolidation available to an infrastructure operator such as Cellnex in the European market - with almost 300,000 towers and sites - and with a clear tendency on the part of the sector's players to outsource their voice and data transmission networks; but rather in our capacity to properly manage the integration of these assets, manage them, meeting the commitments that we have acquired with our customers, and obviously designing adequate and competitive financing structures for the company.

Therefore, as we said a year ago, it is difficult to determine where the limit lies and in any case it will be the result of an intelligent combination of our own management capabilities coupled with making the most of the growth opportunities that the market in Europe continues to offer.

Cellnex is a publicly traded company. A year ago the 2016 closing share price that did not seem to have appreciated the company's strong growth in the various markets in which it operates. Cellnex's performance on the stock market in 2017 has been radically different, however. How would you rate the financial year on the stock exchange?

FR: It's fair to say that Cellnex has had an excellent year; the stock has been at the top of the IBEX 35 in terms of revaluation, attaining 56% compared with the close of 2016 and 53% up on EUR 14, which was the issue price when the company was floated on the stock market in May 2015. Another aspect is the revaluation of Cellnex in relation to the IBEX 35 since its flotation and it is worth noting that, since it was selected, the company has improved by 63%, again since May 2015.

GRI:102-14

TM: Accordingly, it seems that in 2017 the market has indeed factored in to a large extent both the increase in the company's scope - through growth in 2016 and 2017 - as well as the stability, recurrence and visibility of the flows produced by this growth; one factor confirming this is the portfolio of sales already agreed in excess of EUR 16,000 million, equivalent to practically 20 years of turnover, taking the end of 2017 as reference.

In short, what these data show is the industrial value of Cellnex, a model with a long-term vision and potential, a model that we understand is attractive to our shareholders and has earned the confidence of the analysts tracking the company, most of whom - 65% - are maintaining a recommendation to purchase, with a margin for improvement on account of the differential between the average price and the listed price.

In line with the opportunities that the market in Europe continues to offer and the confidence in the Cellnex model that both investors and their customers seem to share, what is the company's strategy to continue financing this growth?

TM: As at 31 December 2017, Cellnex has a very competitive debt structure (6 years average maturity) and average cost of debt (2.4%); in addition, combining cash flow and immediate access to unallocated borrowings, the company has access to liquidity in the vicinity of EUR 1,400 million (EUR 2,000 million in January 2018 after the issue on January 8 of the company's first convertible bond for an amount of EUR 600 million, which has taken the average cost of the debt drawn and undrawn to 1.9% and raised the average maturity to 6.4 years). We therefore have the necessary resources to continue considering growth projects that may arise in the fairly immediate future.

FR: Note that the company, as we recalled at the beginning, has committed EUR 3,300 million in growth operations over the past two and a half years and has done so on the basis of its own balance sheet without recourse to its shareholders. The company's capacity to generate cash is very important, as it allows the flows that are incorporated through growth to contribute from the start to reducing the ratio of net debt to EBITDA. We assume that Cellnex is a company that can reduce this ratio on a run-rate basis by a multiple equivalent to 0.6x every 12 months.

TM: We therefore have a robust balance that allows us to consider growth based on our own borrowing capacity, without ruling out scenarios involving cooperation with other partners, such as the acquisition of Swiss Towers in Switzerland in 2017 or other alternatives that can be considered in terms of the company's growth opportunities.

And regarding the business, what have been the key figures for the year in terms of income, EBITDA, etc.?

TM: In 2017 the company's revenues grew by 12% up to EUR 789 million, and Adjusted EBITDA attained EUR 355 million, up 22%, in line with our targets. The net result closed at EUR 33 million. In the case of the net result, the effect of higher depreciation and amortisation should be noted (up 27% on relation to 2016) and financial costs (up 48% on 2016) associated with the group's dramatic growth and the consequent expansion of its scope.

I would also like to highlight the company's good performance in terms of organic growth, or at constant perimeter, which is still in line with the 4% that we set as the target. In that connection, the customer ratio was 1.55x, while the "Points of Presence" (equipment installed in the sites) increased to 30,149, which represents a 4% growth at constant perimeter.

The governance of all companies is key, but especially listed ones like Cellnex that are also members of the selective IBEX 35. What would you highlight of this 2017 in terms of corporate governance and responsibility, transparency, diversity, etc.?

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FR: There are two particularly noteworthy aspects of the corporate governance of the company: firstly, the expansion of the board from 9 to 10 members, which increased the independence of the board through the addition of a new independent director, bringing the number of independent directors to 5 out of 10, also making progress on compliance with gender diversity recommendations; an area in which we are aware of the path we have to take to comply with the recommendations on corporate governance planned for the year 2020. And a second aspect that I find remarkable from the perspective of strengthening corporate governance and the decisive role played by independent directors, is the appointment of Bertrand Boudewijn Kan, chairman of the Audit and Control Committee, as Vice-Chairman of the company.

We have also continued to deploy the various corporate governance policies, ensuring that governance policy goes hand-in-hand with the growth of the company so that it is spread in a uniform and coherent manner into all the countries and businesses that the group gradually expands into. This is an especially important factor as it forms part of the excellence in day-to-day management operations at the same level of performance and rigour that the company promises to its customers. The Board has also paid particular attention to monitoring and adapting plans for the succession of the main management positions as a key element of business continuity.

TM: In terms of governance, transparency is one of the most important principles, and in that connection I would like to stress that for the second consecutive year the Official Chamber of Commerce of Barcelona and the Institute of Financial Studies (IEF) have acknowledged in their annual study that Cellnex Telecom is among the Spanish companies with best practices, based on an assessment of the quality, reliability, frequency and scope of the information that the company provides to the markets, its stakeholders and its shareholders.

In this spirit of proactivity and transparency in relation to our stakeholders, in 2017 the company celebrated "Capital Markets Day" for the first time since the IPO in 2015, in which we had the opportunity to share a day of information and debate with institutional shareholders, investors and analysts. It enabled us to conduct an up-to-date review of the development of Cellnex 30 months after its debut on the markets and look at some of the main challenges linked to both continued expansion in Europe and key elements for the development of the business in the medium and long term, such as the forthcoming rollout of 5G. This is a new technological ecosystem to which all players in the sector (infrastructure managers, equipment suppliers, voice and data network access operators, etc.) are committing resources, talent and innovation to ensure fast and smooth deployment in line with the objectives set out in the European roadmap that aim for rapid extension from 2020.

FR: In the area of corporate responsibility, in the 2016 annual report I recalled that we are not more responsible as a company merely because we have a proper formalised policy. We are responsible provided that each of us acts responsibly and adopts the values and principles of transparency, competence, in the sense of know-how, and in our commitment to innovation and talent as tools for sustainability of the success of the company and its industrial model in the medium and long term.

TM: The application of these policies resulted, for example, in the incorporation in 2017 of Cellnex into the FTSE4Good and Standard Ethics indexes that have recognised the company's practices and its comparability at international level.

Regarding the level of concrete progress of our Corporate Responsibility Master Plan 2016-2020, note that 82% of the action lines contained in the Plan are already under way (as against 76% in 2016) and 52% of the planned measures have already been achieved (as against 34% the previous year). For example, the external verification of the GRI Corporate Responsibility indicators; the implementation of pilot projects with service-sector entities to

GRI:102-14

incorporate the Internet of Things (IoT) in social housing; or projects to support entrepreneurship and innovation with active participation in venture capital funds that act as seed capital and support their growth and maturation.

Cellnex is focused on growth in Europe. What is your vision of the telecommunications market in the European Union in the medium and long term?

TM: The telecommunications sector in Europe is very much conditioned by the narrowing of the operating margins of the main network access operators. It is a very competitive market in which companies have to offer attractive content and services to their end-customers and, from the cost perspective, maximise potential efficiencies and synergies. Against this background, it is expected that this process of progressive outsourcing of management of infrastructures, that in many cases overlap one other, will continue over the coming years and even beyond, when in the medium term the rollout of new infrastructure associated with 5G will also play a very important role as a vector of growth. We assume that the special characteristics of 5G, which is 1,000 faster than 3G and decreases the latency or response time of applications down to one millisecond - 100 times shorter than 4G - will lead to the densification of the current networks, especially in urban areas. Accordingly, it is conceivable that infrastructure and network sharing schemes, using the services provided by neutral operators such as Cellnex Telecom, will continue to enjoy significant potential for medium and long-term growth.

In relation to 5G, Cellnex takes an active part in the various forums in which aspects related to the radio spectrum bands are discussed - in the International Telecommunications Union (ITU) - and to the new technical standard - in 3GPP - and in other areas related to the scenarios for the use of this new standard, such as network slicing, that will allow one network to provide an efficient response to different types of use, etc. This active role allows us to contribute to the implementation of the European roadmap that I referred to, and to contribute our vision on the implications of deploying 5G in the various "public consultations" promoted by the EU countries to define their national road maps.

Therefore, both in terms of the best use of installed capacity for the current networks that offer 3G and 4G coverage - minimising redundancy and overlapping of sites - and with the future deployment of 5G, it seems that in the medium and long term, infrastructure, network and equipment sharing models will play an increasingly prominent role. This is because they provide a flow of efficiency both in the use of capital for new networks, in the mobilisation of assets still locked up in "proprietary" networks, and in the improvement of operating costs by enhancing sharing and exploitation of the installed network capacity.

GRI:102-14

2. CELLNEX 2017: MILESTONES AND KEY FIGURES

- **European leader in telecommunications infrastructure**

Cellnex was founded in 2015 with the goal of becoming **Europe's leading telecommunications infrastructure manager** by providing a secure, high-quality service tailored to the needs of its customers. As such, Cellnex conducts its business in three main areas of service: **Telecommunications Infrastructure Services**, **Broadcasting Infrastructure** and **Other Network Services.**

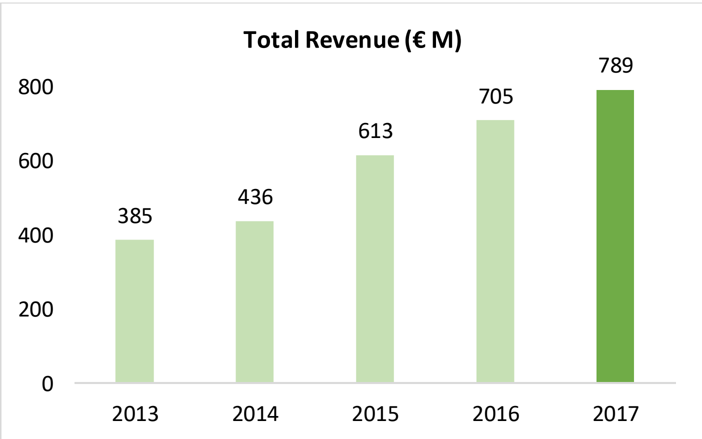
Cellnex's business model focuses on the **provision of services to mobile network operators (MNOs), broadcasters and other public and private companies** acting as a neutral[(1)] infrastructure provider. This business model is based on innovative, efficient, sustainable, independent and quality management to create value for its shareholders, customers, employees and all stakeholders.

Today, Cellnex has successfully become the leading European telecommunications infrastructure operator with more than 22,365 infrastructures located in Italy, Spain, France, the Netherlands, the UK and Switzerland, including sites and nodes. Cellnex thus provides services, through its customers, to more than 200 million people throughout Europe.

- **2017: Growth, expansion and consolidation**

  - **Growth**

Income from operations for the period ended on 31 December 2017 reached EUR 789 million, which represents a 12% increase over the same period in 2016. This increase was mainly due to the expansion of the above-mentioned telecom infrastructure services for mobile network operators.



Telecom Infrastructure Services' income increased by 23% to EUR 471 million due to both the organic growth achieved and the acquisitions performed in 2016 and 2017. This business segment is characterised by solid growth driven by increasing demand for wireless data communication services, and by the growing interest of mobile network operators (MNO) in developing high quality networks that fulfil their consumers' needs in terms of uninterrupted coverage and availability of wireless bandwidth (based on new Long-Term Evolution "LTE" technologies), in the most efficient way. In recent years the Group consolidated its infrastructure network and long-

(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.

term strategic relationships with its main customers, the mobile network operators. In addition to its current portfolio Group's Management has identified several potential acquisitions which are currently being analysed following its demanding capital deployment criteria. The Group owns a high-quality asset portfolio, which is made up of selective assets in Spain, Italy, the Netherlands, France, the United Kingdom and Switzerland and performs the subsequent streamlining and optimisation of the tower infrastructure for Telecom Infrastructure Services. Its main added value proposals in this line of business consist of providing services to additional mobile network operators in its towers and therefore streamlining the customer's network. By increasing the ratio of customers to infrastructures, the Group will generate additional income with very little additional costs. This network streamlining may generate significant efficiencies for the Group and for the MNOs.

With regard to **the Broadcasting Infrastructure business**, income amounted to EUR 237 million, which represents a 1% increase compared with the same period in 2016. This increase is due to the switch on of the 6 DTT new licensed channels in the second quarter of 2016.

Broadcasting Infrastructure activities are characterised by predictable, recurring and stable cash flows. Although this is a mature business in Spain, broadcasting activities have shown considerable resilience to adverse economic conditions, such as those experienced in Spain in recent years, this is due to the fact that the Group's income does not depend directly on macroeconomic factors, but rather on the demand for radio and television broadcasting services by broadcasting companies.

Other Network Services decreased its income by 7%, to EUR 81 million. This constitutes a specialised business that generates stable cash flows with attractive potential for growth. Taking into account the critical nature of the services in which the Group collaborates, its customers require in-depth technical know-how that is reflected in the demanding service level agreements. The Group considers that it has a privileged market presence and geographical distribution, established relationships with government agencies and excellent infrastructure for emergencies and public services. The Group's aim is to maintain long-term relationships with its customers maximise the renewal rate of its contracts and expand its business through new contracts.

The main customers and projects to which the Group renders services include the Generalitat Valenciana with the implementation and maintenance of the COMDES network in Valencia, Barcelona Town Council with the deployment and maintenance of the Wi-Fi network for the city of Barcelona, the Spanish Merchant Navy with the Global Maritime Distress and Safety System service, Securitas Direct with the SIGFOX project, the Telecommunications Center of the Catalan Government (CTTI) with the management of the RESCAT network of private communications for the emergency fleets, the deployment of the TETRA network for Line 9 of the Barcelona underground system, among others.

All of the above has helped boost operating income and operating profit, with the latter also being impacted by the measures to improve efficiency and optimise operating costs.

In line with the increase in revenue, Adjusted EBITDA was 22% higher than the same period in 2016, as a result of the assets acquired during 2017, which reflects the Group's capacity to generate cash flows on a continuous basis.

Taking into account these considerations, the consolidated net profit attributable to shareholders for the year ended on 31 December 2017 stood at EUR 33 million.

- **Expansion of the European presence**

Internationalising via mergers and acquisitions is a basic pillar of the Cellnex strategy.

In 2017, Cellnex continued expanding its presence in Europe, and by the end of the year 43% of Adjusted EBITDA was generated outside Spain.

The six countries (Spain, Italy, France, the Netherlands, United Kingdom and Switzerland) in which the company operates share certain of the Group's main customers and therefore Cellnex can capitalise on commercial synergies.

The Group's business presents significant barriers to entry into its main markets, mainly due to its difficult-to-replicate total asset base of 21,017 sites and 1,348 nodes, which make a total of 22,365 infrastructures.

The main changes in the consolidation perimeter, together with assets purchased during financial year 2017 are as follows:

- **France**

On 31 January, 2017 Cellnex agreed with Bouygues Telecom the acquisition and building of up to a maximum of 3,000 sites in France, structured around two projects. The first one relates to the acquisition of up to 1,800 sites for a total enterprise value of EUR 500 million and involves urban sites in the main cities of France (c.85% located in areas with a population above 400,000 inhabitants) which are to be gradually transferred to Cellnex France over a period of 2 years from 2017 year-end.

Cellnex and Bouygues Telecom have also agreed on a second project for the building of up to a maximum of 1,200 sites for a total investment of EUR 354 million. This build-to-suit project relates to sites to be built over an estimated period of 5 years from 2017 year-end.

In addition, as at 31 December 2017, the total number of infrastructures to be acquired and built was increased by up to 1,600 additional sites following the extensions reached with Bouygues Telecom in July and December (see Note 6 to the accompanying consolidated financial statements).

Upon completion of these projects, Cellnex France is expected to own and operate a unique portfolio of up to 5,100 sites in France, in high demand areas and ready to capture future organic growth.

Together, these projects are expected to generate annual Adjusted EBITDA of approximately EUR 100 million on a run-rate basis (once all of the sites have been acquired and built). These projects are fully aligned with Cellnex's corporate purpose and with its international expansion strategy based on the acquisition of an initial portfolio of assets allowing for subsequent market consolidation, and represent a clear example of consistent delivery of the Company's equity story based on growth.

Cellnex is thus strengthening its position in France by becoming the second largest independent tower operator, reinforcing its current long-term partnership with Bouygues Telecom and setting the foundations to continue capturing organic growth in the country through future densification needs.

GRI:102-4, 102-6, 102-7, 102-10

- **Switzerland**

According to Note 2.h of the accompanying consolidated financial statements, during the third quarter of 2017, Cellnex incorporated 2,239 sites in Switzerland, through the acquisition of Swiss Towers AG in consortium with Deutsche Telekom Capital Partners and Swiss Life Asset Managers, for an acquisition price, free of cash, amounting to EUR 400 million (Enterprise Value).

The consortium that acquired Swiss Towers AG from Sunrise Communications comprises Cellnex (54%), Swiss Life Asset Managers (28%) and Deutsche Telekom Capital Partners (18%).

The acquisition agreement includes the signing of a Master Service Agreement from Swiss Towers to Sunrise for an initial period of 20 years, renewable for a further 20 years in two 10-year periods. In addition, Cellnex and Sunrise have also agreed the deployment (build to suit) of an additional 400 sites during the next 10 years, as well as 200 DAS (Distributed Antenna System) nodes.

Following this transaction, Cellnex Telecom has become the first independent wireless telecommunications services and infrastructure operator to enter Switzerland, consolidating the Company's position in Europe.

Swiss Towers AG, a former subsidiary of Swiss mobile operator Sunrise Communications International, has 2,239 sites throughout Swiss territory, with a greater presence in the northern and western cantons of the country. 32% of these sites are located in urban areas and 64% on rooftops offering ideal conditions for the future roll-out and densification of equipment associated with 4G and 5G.

- **The Netherlands**

During the third quarter of 2017, Cellnex Telecom acquired the Dutch telecom infrastructure operator Alticom from Infracapital, which operates 30 long-range, high-capacity telecommunications sites for transmission equipment for voice, data and audiovisual content operators, located throughout the Netherlands. The purchase price, free of cash (Enterprise Value), amounted to EUR 129 million (see Note 2.h of the consolidated financial statements).

Alticom's customers include all the telecommunication and broadcast operators in the Netherlands, with whom it has contracts ranging from 5 to 10 years.

Following the acquisition of CommsCon in Italy in June 2016, the characteristics of Alticom's sites are a key element to the future roll-out of 5G. They have the capacity – and connectivity to the fibre optic backbone – to host remote or 'caching' servers to bring data processing and storage capacity to the end users of 5G-based applications which is essential for meeting the exponentially increasing demand and requirements of an increasing number of people and connected objects.

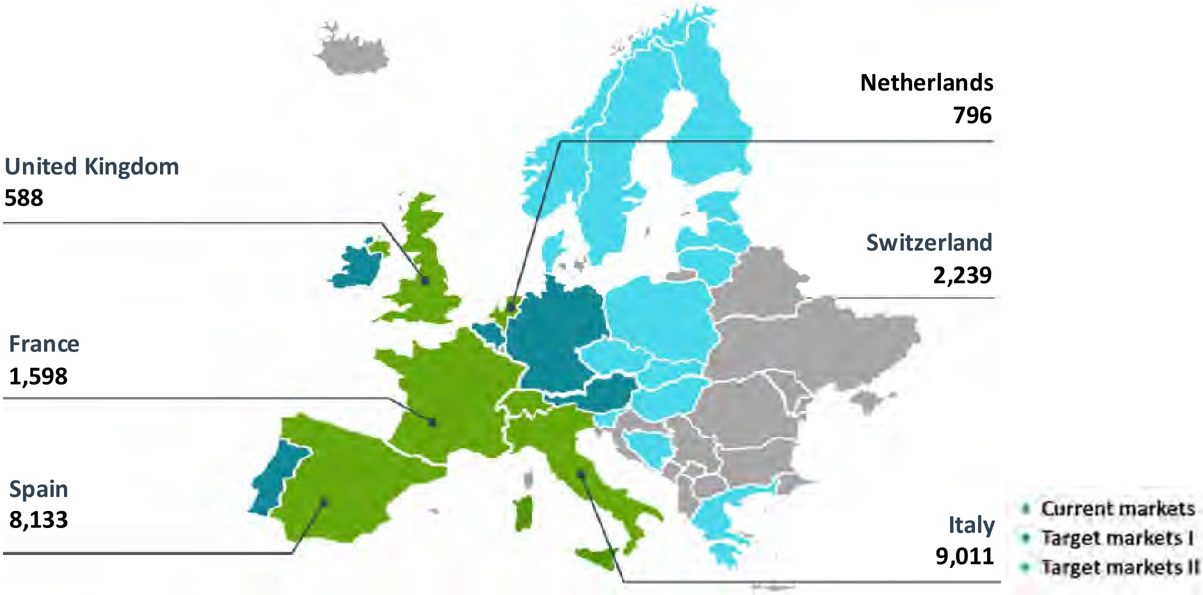
Alticom has 30 sites in the Netherlands, located mainly in urban and suburban areas. Alticom's main activity is now co-location services for telecommunications operators. However, since 2008, Alticom has radically altered its business model, moving into Data Center housing services, with growth anticipated through greater adoption of cloud services and new network architectures.

GRI: 102-4, 102-6, 102-7, 102-10

- Italy

During the third quarter of 2017, Cellnex Italia acquired from Wind Tre the remaining 10% of the share capital of Galata. The purchase was the result of exercising the put option that Wind Tre held on this 10% after the acquisition of 90% of Galata by Cellnex Italia in March 2015.

At 31 December 2017, the total number of Cellnex infrastructures (sites and nodes) in Europe was as follows:



- Consolidation

The Group continues to be the leading neutral Telecom Infrastructure Services provider for mobile network operators in Spain and Italy. During the year ended on 31 December 2017 and 2016 the Group expanded its Telecom Infrastructure Services to new countries: France, the Netherlands, the UK and Switzerland. In addition, the Group is the main Broadcasting Infrastructure provider in Spain with a majority share in the national and regional markets.

During 2016, Cellnex formalised policies and procedures, strengthened governance structures and implemented a project to transform management. 2017 was a year of formalisation and consolidation of the Group's corporate structure that has made it possible to move towards a global, integrated, customer-oriented and people-led company.

In that context, in 2017, Cellnex presented a new organisational vision of the Group that aims to meet the needs of international growth and the expansion of the company in other countries such as Italy, France, the United Kingdom, the Netherlands and Switzerland. To achieve this objective, the configuration of the new organisational structure was based on three fundamental principles:

1. An integrated Group based on the model of a company that shares values and principles of action, rather than a conglomerate of subsidiaries.
2. A global company with an equally global vision and maintaining a strong customer orientation.

GRI: 102-4, 102-6, 102-7, 102-10

3. An organisation in which people, and the processes on which they rely, practice leadership and apply best practices.

In line with these principles, the new organisational model introduces a (corporate) matrix structure and a more operational structure oriented to each business unit (country), so that the activities of the countries and businesses are aligned with the corporate business guidelines.

The corporate structure must guide the strategy and reinforce implementation so that the business units focus on growth and profitability, while the countries focus on meeting customer expectations.

The new organisational structure was introduced in 2017 in two phases without affecting the Group's day-to-day operation or management, thereby ensuring that an efficient, quality service was provided. In the first phase, teams were assigned and responsibilities and communication were transferred to the entire organisation, while in the second phase the programme to transform the organisational model was carried out to switch to the new Group structure.

Furthermore, within the framework of the new corporate structure, the **Department of Integration and Processes** was set up, responsible firstly for the whole end-to-end process of integrating new companies, and for monitoring and reporting on the status of the integrations; and, secondly, for designing and deploying a process map and model and making sure that it is consistent with the company's strategy at all times. As a result, Cellnex has the necessary internal processes for a systematic, smooth and orderly integration of the different businesses, assets and subsidiaries into the Group, fostering multi directional relationships within the company.

The main measure implemented in 2017, designed to ensure the internal integration processes, was the first phase of the deployment of the key computer systems used by the company in Italy, namely the financial system (SAP) and the corporate industrial system (Aqua).

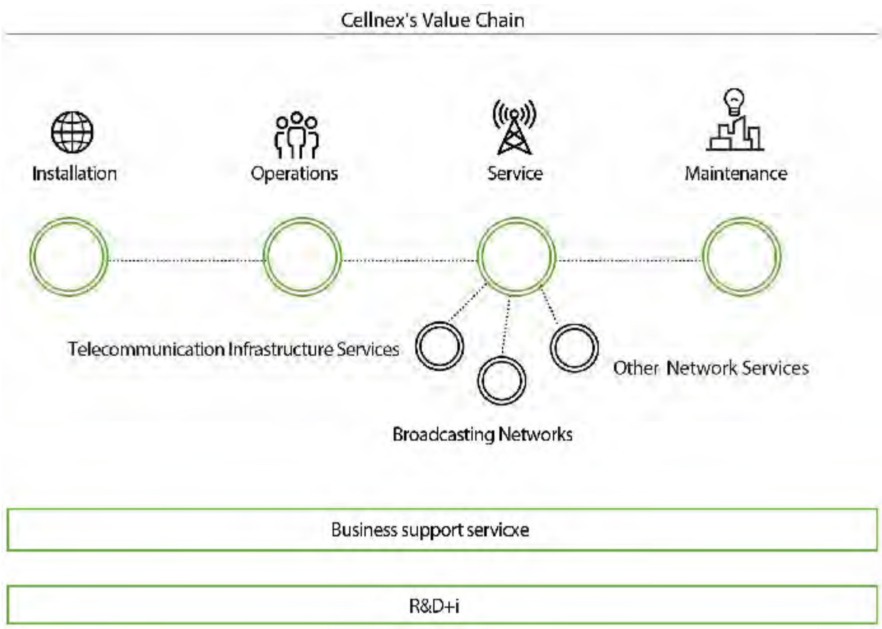
The organisational structure of the Cellnex Group at 31 December 2017 is summarised as follows:

GRI: 102-4, 102-6, 102-7, 102-10

Cellnex Telecom

Spain	Italy	France	Netherlands	United Kingdom	Switzerland
Cellnex Telecom España	Cellnex Italia	Cellnex France Groupe	Cellnex Netherlands	Cellnex UK	Cellnex Switzerland
Retevisión	Galata	Cellnex France	Towerlink Netherlands	Shere Group Limited	Swiss Towers
Tradia	Towerco	Infr'asset Management	Shere Group Netherlands	Shere Midco Limited	
On Tower Telecom Infraestructuras	Towerlink Italia		Shere Masten	Watersite Holding Limited	
Adesal Telecom	Commscon Italia		Infracapital Alticom	Radiosite Limited	
Torre de Collserola	On Tower Italia		Alticom Holding	QS4 Limited	
COTA	TMI		Alticom	Shere Consulting Limited	
Gestora del Espectro			Breedlink		

The detail of the Group's subsidiaries and associates at 31 December 2017 and of the percentages of ownership is shown in Appendixes I and II, respectively, to the consolidated financial statements.



GRI: 102-4, 102-6, 102-7, 102-9, 102-10

- **Vision for 2017**

ORGANIC GROWTH ABOVE MARKET EXPECTATIONS + 4% new POPs	**GROWTH IN EUROPE** Acquisition and construction of more than 4,600 sites in France Integration of more than 2,000 sites in Switzerland (acquisition of Swiss Towers AG) Acquisition of Dutch tower operator Alticom	**COMPETITIVE POSITION IN 5G** (COMMSCOM AND ALTICOM) Preparation for future network densification needs
CAPITAL MARKETS DAY Cellnex organises the first Capital Market Day for investors	**FROM HOSTING TO A FULL NETWORK SERVICE** (FROM MLA TO MSA) New paradigm in the European towers sector	**NEW ORGANISATIONAL CHART** Creation of the Department of Integration and Processes
	SUSTAINABILITY INDEX Cellnex enters the Standard Ethics index, rated “EE-“ ("adequate"), and the FTSE4GOOD index.	

- **Market figures: Cellnex on the stock market**

On 20 June 2016, the IBEX 35 Technical Advisory Committee approved Cellnex Telecom's (CLNX: SM) inclusion in the benchmark index of Spain's stock exchange, the IBEX 35, which brings together the principal companies on the Spanish stock exchange in terms of capitalisation and turnover. This milestone brought with it a broadening of the shareholder base, giving Cellnex higher liquidity and making it more attractive to investors. At present Cellnex has a solid shareholder base and the majority consensus of analysts who follow our company - 65% - is a recommendation to buy.

Cellnex's share capital amounts to EUR 57,921 thousand and is divided into 231,683,240 ordinary shares with a nominal value of EUR 0.25 each, of a single class and series, fully subscribed and paid up. Each share carries one vote.

Cellnex's share price experienced a 56% revaluation during 2017, closing at EUR 21.35 per share. The average volume traded has been approximately 1.1 million shares a day. The IBEX 35 and STOXX Europe 600 increased by 7% and 8% respectively, while the STOXX Europe 600 Telecom decreased by 4% during the same period.

Cellnex's market capitalization stood at EUR 4,946 million at the period ended on 31 December 2017, 53% higher than at start of trading on 7 May 2015, compared to a 10% drop in the IBEX 35 in the same period.

In May 2017, the final dividend for 2016 was paid in the amount of EUR 0.042325 per share and in December 2017 the interim dividend corresponding to the year 2017 amounting to EUR 0.044 per share.

The evolution of Cellnex shares in 2017, compared to the evolution of IBEX 35, STOXX Europe 600 and STOXX Europe 600 Telecom, is as follows:

GRI: 102-7

The detail of the main stock market indicators of Cellnex in 31 December 2017 and 2016 is as follows:

	31 December 2017	31 December 2016
Number of shares	231,683,240	231,683,240
Stock market capitalisation at period/year end (millions of euros)	4,946	3,166
Share price at close (EUR/share)	21.35	13.67
Maximum share price for the period (EUR/share)	21.77	17.13
Date	19/12/2017	04/01/2016
Minimum share price for the period (EUR/share)	13.16	12.61
Date	31/01/2017	14/11/2016
Average share price for the period (EUR/share)	17.76	14.78
Average daily volume (shares)	1,087,014	1,061,555

- **Treasury shares**

During the period ended on 31 December 2017, Cellnex Telecom, S.A. has continued to rely on a liquidity contract, maintaining a final balance of 87 thousand treasury shares at an average price per share of EUR 21.416, which represent 0.04% of the share capital of the Parent Company.

The acquisition of treasury shares has been carried out by means of a liquidity contract [2] signed by Cellnex on 31 May 2016 with Santander Investment Bolsa, Sociedad de Valores, S.A.U. in order to manage its portfolio of treasury shares.

- **Financial and operating figures**

The year ended on 31 December 2017 highlights the strong alignment between the objectives set and the results achieved, given that the Group considers as a key element the integration of this growth into its management processes, ensuring that it can guarantee and deliver quality service to customers.

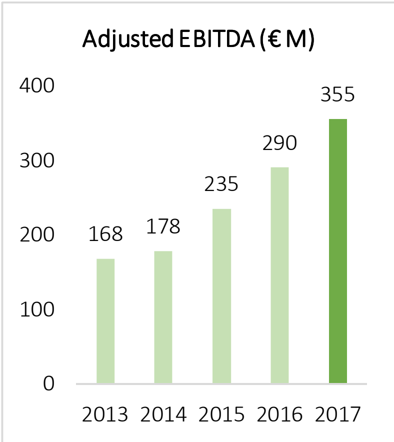
Cellnex believes that certain Alternative Performance Measures (APMs) provide financial information in addition to that obtained from the applicable accounting standards (EU-IFRSs) that are useful for assessing the performance of the Group and which are used by management in its decision-making processes. In this regard, in accordance with the recommendations issued by the European Securities and Markets Authority (ESMA), the definition and determination of the main APMs employed are disclosed in the accompanying consolidated financial statements, and therefore, they are validated by the Group auditor (Deloitte).

[2] Liquidity contract in accordance with the CNMV circular 1/2017 of 26 April covering liquidity contracts for the purpose of their acceptance as market practice.

GRI: 102-7, management approach for indirect economic impacts (103-1, 103-2, 103-3)

- **Adjusted EBITDA**

	Thousands of Euros	
	2017	**2016**
Broadcasting infrastructure	237,258	235,234
Telecom Infrastructure Services	471,585	382,539
Other Network Services	80,500	86,812
Operating income	**789,343**	**704,585**
Staff costs	(107,354)	(97,471)
Repairs and maintenance	(28,307)	(26,522)
Leases	(146,170)	(127,490)
Utilities	(74,073)	(72,604)
General and other services	(109,631)	(116,990)
Depreciation and amortisation	(225,382)	(176,779)
Operating profit	**98,426**	**86,729**
Depreciation and amortisation	225,382	176,779
Non-recurring expenses [(1)]	27,959	23,458
Advances to customers	2,771	2,590
Adjusted operating profit before depreciation and amortisation charge (Adjusted EBITDA [(2)])	**354,538**	**289,556**



(1) Non-recurring expenses mainly include expenses related to inorganic growth projects, tax associated with acquisitions, together with the amortization of advances to customer and prepaid expenses (impact on the 2017 income statement, without cash effect).
(2) Adjusted EBITDA: Profit from operations before D&A and after adding back (i) certain non-recurring items (such as cost related to acquisitions and contract renegotiation) or (ii) certain non-cash items (such as advances to customers and prepaid expenses).

Non-recurring expenses are set out below (see in Note 17.c of the accompanying consolidated financial statements):

	Thousands of Euros	
	2017	**2016**
Costs related to acquisitions [(1)]	10,877	9,736
Contract renegotiation [(2)]	3,825	5,631
Prepaid expenses [(3)]	13,257	8,091
Advances to customers [(4)]	2,771	2,590
Total non-recurring expenses and advances to customers	**30,730**	**26,048**

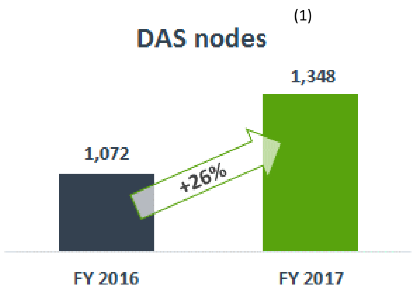
[(1)] It mainly includes the expenses incurred during the acquisition processes, relating to M&A activities (non-recurring item).
[(2)] It relates to the cancellation expenses concerning the renegotiation of some contracts with services providers. This renegotiations took place in order to achieve significant savings in costs over the coming years (non-recurring item).

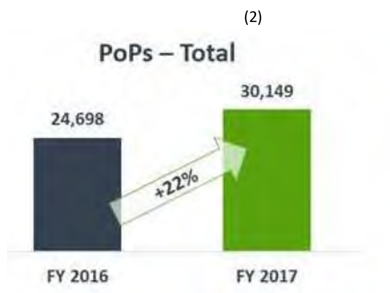
GRI: 102-7, management approach for indirect economic impacts (103-1, 103-2, 103-3), 203-1

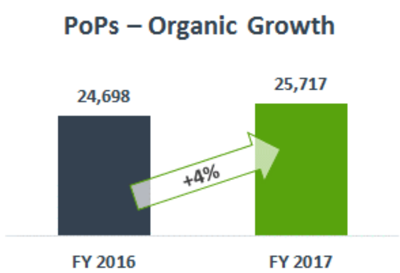
(3) It mainly includes prepaid ground rental costs amounting to EUR 10,929 thousand (EUR 3,766 thousand in 2016), prepaid energy and agency fees incurred to renegotiate rental contracts for an amount of EUR 2,328 thousand (EUR 4,325 thousand in 2016), and which are taken to the consolidated income statement over the life of the corresponding ground lease contract (non-cash item).

(4) It 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 (non-cash item).

- **Business indicators**







(1) DAS: Distributed Antenna System

(2) PoPs: Points of Presence

GRI: 102-7, management approach for indirect economic impacts (103-1, 103-2, 103-3), 203-1

- **Consolidated Cash Flow Generation**

The ability of the Group to generate stable and growing cash flows allows it to guarantee the creation of value, sustained over time, for its shareholders. At 31 December 2017 and 2016 the Recurring Leveraged Free Cash Flow ("RLFCF") was calculated as follows.

	Thousands of Euros	
Recurring leveraged free cash flow	**31 December 2017**	**31 December 2016**
Adjusted EBTIDA[(1)]	354,538	289,556
Maintenance capital expenditures[(2)]	(25,348)	(21,423)
Changes in current assets/current liabilities[(3)]	3,376	17,931
Net payment of interest[(4)]	(40,941)	(23,208)
Income tax payment[(5)]	(13,349)	(11,477)
Net dividends to non-controlling interests[(6)]	(631)	-
Recurring leveraged free cash flow	**277,645**	**251,379**
Expansion Capex[(7)]	(88,136)	(57,307)
Expansion Capex (Build to Suit programs) [(8)]	(51,749)	-
M&A Capex (cash only) [(9)]	(829,961)	(669,683)
Non-Recurrent Items (cash only)[(10)]	(14,702)	(9,736)
Net Cash Flow from Financing Activities[(11)]	807,280	659,322
Other Net Cash Out Flows [(12)]	1,945	(32,124)
Net Increase of Cash [(13)]	**102,322**	**141,851**

(1) Adjusted EBITDA: Profit from operations before D&A and after adding back (i) certain non-recurring items (such as cost related to acquisitions (€11Mn) and contract renegotiation (€4Mn)) or (ii) certain non-cash items (such as advances to customers (€3Mn) and prepaid expenses (€13Mn)).

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

(3) Changes in current assets/current liabilities (see the relevant section in the Consolidated Statement of Cash Flows Statement for the year ended 31 December 2017), following the same methodology used in 2016.

(4) Net payment of interest corresponds to the net of "Interest paid" and "Interest received" in the accompanying Consolidated Cash Flows Statement for the year ended 31 December 2017, following the same methodology used in 2016.

(5) Income tax payment (see the relevant section in the accompanying Consolidated Cash Flows Statement for the year ended 31 December 2017), following the same methodology used in 2016.

(6) Corresponds to the net of "Dividends to non-controlling interests" and "Dividends received" in the accompanying Consolidated Cash Flows Statement for the year ended 31 December 2017, following the same methodology used in 2016.

(7) Expansion capital expenditures: Site adaptation for new tenants (€37Mn) + Ground leases (cash advances and land acquisitions €42Mn) + Other efficiency measures associated with energy and connectivity (€9Mn). Following the same methodology used in 2016.

(8) Build to Suit committed with Bouygues (€45Mn) and Sunrise (€7Mn), at the closing of the M&A projects.

(9) M&A capital expenditures (cash only): Investments in shareholdings of companies as well as significant investments in acquiring portfolios of sites (asset purchases), after integrating into the consolidated balance sheet mainly the "Cash and cash equivalents" of the acquired companies and the contribution of minority shareholders.
The amount resulting from: (2)+(7)+(8)+(9) corresponds to "Total Investment" (see caption "Consolidated Balance Sheet and Capital Expenditure" in the accompanying Annual Integrated Report for the year ended 31 December 2017) and; also mainly corresponds to "Total net cash flow from investing activities" (see the relevant section in the accompanying Consolidated Cash Flows Statement for the year ended 31 December 2017), following the same methodology used in 2016.

GRI: 102-7, management approach for indirect economic impacts (103-1, 103-2, 103-3), 203-1

(10) It consists of "non-recurring expenses and advances paid to customers" that have involved cash movements, which correspond to "Costs related to acquisitions" (11Mn) and "Contract renegotiations" (€4Mn).

(11) Mainly corresponds to "Total net cash flow from financing activities" (see the relevant section in the Consolidated Statement of Cash Flows Statement for the year ended 31 December 2017), following the same methodology used in 2016.

(12) "Foreign exchange differences" (see the relevant section in the Consolidated Statement of Cash Flows Statement for the year ended 31 December 2017), and other items, following the same methodology used in 2016.

(13) "Net (decrease)/increase in cash and cash equivalents from continuing operations" (see the relevant section in the Consolidated Statement of Cash Flows Statement for the year ended 31 December 2017), following the same methodology used in 2016.

- Net Debt Evolution

	Thousands of Euros	
Net Debt Evolution (including accrued interest)	**31 December 2017**	**31 December 2016**
Beginning of Period	**1,499,454**	**926,938**
Recurring leveraged free cash flow	(277,645)	(251,379)
Expansion Capex	88,136	57,307
Expansion Capex (Build to Suit programs)	51,749	-
M&A Capex (cash only)	829,961	669,683
Non-Recurrent Items (cash only)	14,702	9,736
Other Net Cash Out Flows	(1,945)	32,124
Payment of Dividends (1)	20,000	23,051
Treasury Stock (liquidity contract) (2)	(1,587)	2,949
Net repayment of other borrowings (3)	1,188	6,608
Accrued Interest Not Paid and Others (non-cash)	12,622	22,437
End of Period	**2,236,635**	**1,499,454**

(1) "Dividends paid" (see the relevant section in the Consolidated Statement of Cash Flows Statement for the year ended 31 December 2017), following the same methodology used in 2016.

(2) "Purchase of treasury shares" (see the relevant section in the Consolidated Statement of Cash Flows Statement for the year ended 31 December 2017), following the same methodology used in 2016.

(3) "Net repayment of other borrowings (Profits)" (see the relevant section in the Consolidated Statement of Cash Flows Statement for the year ended 31 December 2017), following the same methodology used in 2016.

GRI: 102-7, management approach for indirect economic impacts (103-1, 103-2, 103-3), 203-1

- **Net Payment of Interest**

The reconciliation between the net payment of interest according to the consolidated statement of cashflows and the net interest expense for 2017 and 2016 is as follows:

	Thousands of Euros	
	31 December 2017	**31 December 2016**
Interest Income (Note 17.g)	1,397	1,179
Interest Expense (Note 17.g)	(69,557)	(46,954)
Bond & loan interest accrued not paid	35,722	16,962
Bond issue costs – non-cash	-	4,983
Put Options – non-cash	5,365	3,978
Amortised costs – non-cash	2,119	4,932
Interest accrued in prior year paid in current year	(15,987)	(8,288)
Net payment of interest as per the Consolidated Statement of Cashflows	**(40,941)**	**(23,208)**

- **Income Tax Payment**

The reconciliation between the payment of income tax according to the consolidated statement of cashflows and the current income tax expense for 2017 and 2016 is as follows:

	Thousands of Euros	
	31 December 2017	**31 December 2016**
Current tax expense (Note 15.c)	**(20,273)**	**(12,640)**
Payment of income tax prior year	(1,303)	(279)
Receivable of income tax prior year	458	-
Income tax (receivable)/payable	7,289	1,223
Others	481	219
Payment of income tax as per the Consolidated Statement of Cashflows	**(13,349)**	**(11,477)**

- **Consolidated Balance Sheet and Capital Expenditure**

Total assets at 31 December 2017 stood at EUR 4,056 million, a 40% increase compared with the year-end December 2016, as a result of the investments made during the 2017. Around 71% of total assets relates to property, plant and equipment and other intangible assets, in line with the nature of the Group's business related to the management of terrestrial telecommunications infrastructure. The increase in property, plant and equipment and other intangible assets is a result of the above-mentioned acquisitions.

Consolidated net equity amounted to EUR 645 million, a 17% increase on year-end 2016, mainly due to the profit generated during the year, the final dividend and the acquisition of treasury shares.

GRI: 102-7, management approach for indirect economic impacts (103-1, 103-2, 103-3), 203-1

Total capital expenditure for the year ended 31 December 2017 and 2016, including property, plant and equipment, intangible assets, advance payments on ground rentals and business combinations are summarised as follows:

	Thousands of Euros	
	31 December 2017	31 December 2016
Maintenance capital expenditures (1)	25,348	21,423
Expansion capital expenditures (2)	139,885	57,307
M&A capital expenditures (3)	1,017,454	705,556
Total investment	**1,182,687**	**784,286**

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

(2) Expansion capital expenditures: Site adaptation for new tenants, ground leases (cash advances and land acquisitions), built-to-suit (Bouygues and Sunrise programmes), and other efficiency measures associated with energy and connectivity. Following the same methodology used in 2016.

(3) M&A capital expenditures: Investments in shareholdings of companies as well as significant investments in acquiring portfolios of sites (asset purchases).

- Information relating to the deferred of payments to suppliers

See Note 14 of the accompanying consolidated financial statements.

- Use of financial instruments

See Note 4 of the accompanying consolidated financial statements.

• Sustained value creation

- Creating value in the company

Cellnex´s Financial Structure

Cellnex' borrowings are represented by a combination of loans, credit facilities and bonds issues. As at 31 December 2017, the total limit of loans and credit facilities available was EUR 1,695,922 thousand (EUR 960,348 thousand as at 31 December 2016), of which EUR 1,152,351 thousand represents credit facilities and EUR 543,571 thousand in loans (EUR 868,098 thousand in credit facilities and EUR 92,250 thousand in loans as at 31 December 2016). In addition, the total outstanding amount in bonds was EUR 1,890,000 thousand (EUR 1,415,000 thousand as at 31 December 2016).

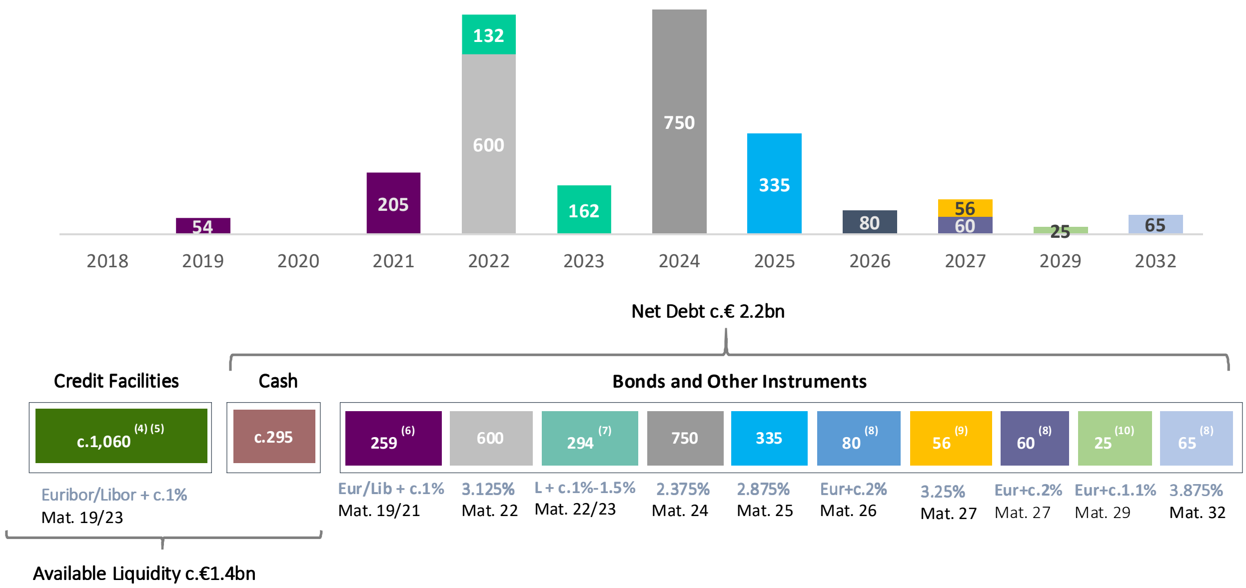
	Thousands of Euros					
	Notional as of 31 December 2017			Notional as of 31 December 2016		
	Limit	Drawn	Undrawn	Limit	Drawn	Undrawn
Bond issues	1,890,000	1,890,000	-	1,415,000	1,415,000	-
Loans and credit facilities	1,695,922	635,852	1,060,070	960,348	280,552	679,796

GRI:102-7, management approach for indirect economic impacts (103-1, 103-2, 103-3), 203-1

Total	**3,585,922**	**2,525,852**	**1,060,070**	**2,375,348**	**1,695,552**	**679,796**

As at 31 December 2017, Cellnex weighted average cost of debt (considering both the drawn and undrawn borrowings) was 2.0%[3] (2.0% as at 31 December 2016) and the weighted average cost of debt (considering only the drawn down borrowings) was 2.4% (2.5% as at 31 December 2016).

The following graph sets forth Cellnex's notional contractual obligations in relation to borrowings as of 31 December 2017 (EUR million):



The Group's borrowings were arranged under market conditions, 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 prioritises securing sources of financing at Parent Company level. The aim of this policy is to secure financing at a lower cost and longer tenure 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.

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(3) Considering current Euribor rates; cost over full financing period to maturity

(4) RCF Euribor 1M; Credit facilities Euribor 1M and 3M; floor of 0% applies
(5) Maturity 5 years with 2 extensions of 1 year to be mutually agreed
(6) Includes c.£150Mn debt in GBP; hedge investment in Shere Group (UK)
(7) c.CHF355Mn debt in Swiss Francs hedge investment in Swiss Towers: project financing local level + Cellnex's equity contribution
(8) Private placement
(9) Bilateral loan
(10) EIB

GRI: 102-7, management approach for economic performance (103-1, 103-2, 103-3), 203-1

Liquidity and Capital Resources

Bank borrowings and bond issues are broken down as follows:

	Thousands of Euros	
	31 December 2017	31 December 2016
Bank borrowings (Note 13)	633,189	281,839
Bond issues (Note 13)	1,898,619	1,410,466
	2,531,808	**1,692,305**
Cash and equivalents (Note 11)	(295,173)	(192,851)
Net bank borrowings and bond issues	**2,236,635**	**1,499,454**

On 31 December 2017, net bank borrowings and bond issues amounted to EUR 2,237 million (EUR 1,499 million as at 31 December 2016), including a consolidated cash and cash equivalents position of EUR 295 million (EUR 193 million as at 31 December 2016). The ratio of net bank borrowings and bond issues to Adjusted annualised EBITDA amounts to 5.5x [11] (4.6x in December 2016).

The breakdown of the available liquidity at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	31 December 2017	31 December 2016
Available in credit facilities (Note 13)	1,060,070	679,797
Cash and cash equivalents (Note 11)	295,173	192,851
Available liquidity at 31 December 2017	**1,355,243**	**872,648**

The average annual cost on 31 December 2017 of all available borrowings would be 2.0% if entirely drawn down (2.0% in 2016).

Regarding the Corporate Rating, at 31 December 2017, Cellnex holds a long term "BBB-" (investment grade) with negative outlook according to the international credit rating agency Fitch Ratings Ltd. and a long-term "BB+" with stable outlook according to the international credit rating agency Standard & Poor's Financial Services LLC.

Shareholder remuneration

The Board of Directors of the Parent Company adopted a resolution to propose to the Annual General Meeting a final cash dividend of EUR 0.042325 gross per share against 2016 profit, which was paid on 11 May 2017.

[11] The ratio is calculated as 12-month forward-looking Adjusted EBITDA (see outlook 2018), divided by net debt 2017.

GRI: 102-7, management approach for economic performance (103-1, 103-2, 103-3), 203-1

During the 2017 financial year an interim cash dividend amounting to EUR 10 million was distributed, which represents EUR 0.04 gross per each share that makes up the share capital of Cellnex Telecom, S.A. (EUR 10 million at year-end 2016, representing EUR 0.04 gross per share).

Along with the final cash dividend of EUR 12 million to be paid in 2018 (pursuant to the corresponding approval by the AGM), the total cash dividend distribution against 2017 results or reserves will have increased by 10% in relation to the dividend distributed against 2016 results.

2017-2019 Dividend Policy

The following Dividend Policy shall be applicable:

- 2017: dividend, which will be distributed against 2017 Net Profit, will be equivalent to that of 2016 (€20Mn against 2016 Net Profit) increased by 10%.
- 2018: dividend, which will be distributed against 2018 Net Profit, will be equivalent to that of 2017, increased by 10%.
- 2019: dividend, which will be distributed against 2019 Net Profit, will be equivalent to that of 2018, increased by 10%.

The payment of the dividends will be made on the specific dates to be determined in each case and will be duly announced.

Notwithstanding the above, the Company’s ability to distribute dividends depends on a number of circumstances and factors including, but not limited to, net profit attributable to the Company, any limitations included in financing agreements and Company’s growth strategy. As a result, such circumstances and factors may modify this Dividend Policy. In any case, any future amendment on this policy will be duly announced.

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

- **Cellnex's tax contribution**

The Cellnex fiscal strategy sets out the fundamental guidelines governing the decisions and actions of the Cellnex Group in taxation matters. The Company has also developed a standard for control and management of fiscal risks, which defines the principles and structure of the framework for managing and monitoring such risks.

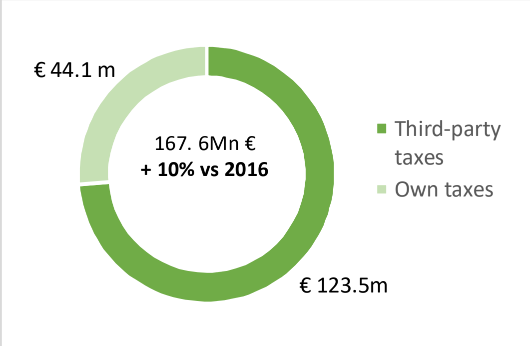
The Group acts responsibly in tax matters in its business management and meets its tax obligations in all the countries in which it operates, currently Spain, Italy, the Netherlands, France, the UK and Switzerland, applying consistent fiscal criteria in accordance with regulations, Statute and case law and maintaining appropriate relations with the corresponding tax authorities.

Cellnex is also sensitive to and aware of its responsibility in the economic development of the territories in which it operates, helping to create economic value by paying taxes, both on its own account and those collected from third parties. Accordingly, it makes a substantial effort and pays great attention to fulfilling its tax obligations, in accordance with the applicable rules in each territory.

Following OECD methodology on cash basis accounting, **Cellnex's total tax contribution in 2017** was € 167.6 million (151.9 in FY 2016). Own taxes are those paid by the company and third party taxes are those collected and aid into the various tax offices on behalf of such third parties, therefore they are not a cost to the company.

GRI: 102-7, management approach for economic performance (103-1, 103-2, 103-3)

Spain	Own taxes[(1)]	Third-party taxes[(2)]	Total
Spain	27.7	78	105.7
Italy	11.4	33.5	44.9
France	0.03	-	0.03
Netherlands	1	7.3	8.3
United Kingdom	0.8	1.7	2.5
Switzerland	3.2	3	6.2
Total	44.1	123.5	167.6

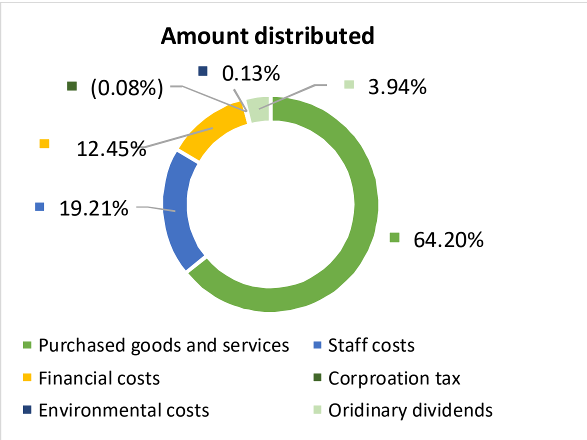


[(1)] Includes taxes that are an effective cost to the company (basically includes payments of income tax, local taxes, miscellaneous taxes and employer's social security contributions).
[(2)] Includes taxes that do not affect the result but are collected by Cellnex on behalf of the tax administration or are paid in for third parties (basically includes net value added tax, deductions from employees and third parties, and employees' Social Security contributions).

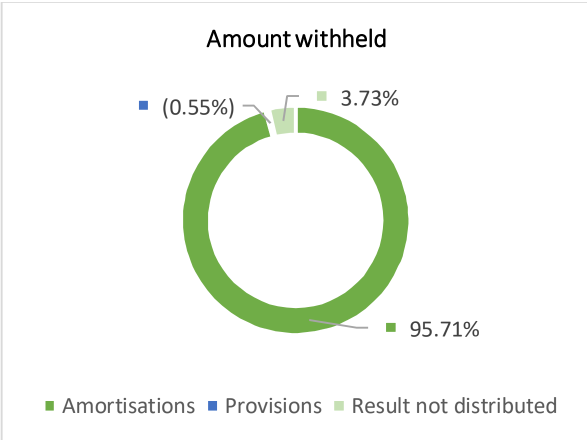
- **Value generated and distributed**

Value generated in 2017 by Cellnex reached 791 € million, distributed mainly to suppliers, employees, shareholders and public administration.

Amount distributed: 558 € million



Amount withheld: 233 € million



GRI: 102-7, management approach for economic performance (103-1, 103-2, 103-2), 201-1

- **Key Indicators and contribution to the Sustainable Development Goals**

1.55x Infrastructure sharing ratio

Check of the carbon footprint of Cellnex Spain and Italy

Incorporation of a new women independent Director

92% of customers satisfied with the service provided by Cellnex

Preparation of a responsible and proximity Procurement Policy

Pilot project with services sector entities in an IoT connectivity project in social housing

1.7 € M R&D projects investment

- **Post balance sheet events**

Spain corporate reorganisation

Additionally, on 14 February 2018, the following operations occurred between Spanish companies within the scope of consolidation in which Cellnex holds a 100% shareholding, and as such this will not have an impact on the consolidated financial statements for 2018:

- Acquisition by 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. owned by Cellnex Telecom, S.A., for a carrying amount of EUR 977 million.

- To finance the acquisition, Cellnex Telecom, S.A. made an equity contribution to Cellnex Telecom España, S.L. for the same amount.

2018 convertible bond

During January 2018, Cellnex Telecom priced the issuance of EUR 600 million of convertible bonds. The shares underlying the bonds are equivalent to 6.8% of the company's share capital, based on the initial conversion price. The bonds' conversion price into Cellnex shares has initially been set at EUR 38.0829 representing a premium of 70% over the volume weighted average price of a share on the Spanish Stock Exchange between market opening at that date and pricing of the offering.

The bonds will carry a coupon of 1.5% payable annually in arrears. 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 initially issued have been converted and/or redeemed and/or purchased and cancelled. The Terms and Conditions of the bonds include a change of control put clause, at the option of bondholders, which could result in early repayment.

The Issuance was rated by Fitch, with a rating of BBB-, which is the company's current rating. Cellnex intends to seek admission to trading for the bonds on the Open Market (*Freiverkehr)* of the Frankfurt Stock Exchange.

Treasury shares purchase program

During January 2018, Cellnex purchased 67,505 treasury shares, representing 0.03% of the total shares outstanding, with an average price of EUR 21.55 per share, valuing the total stake at that time at EUR 1,458 thousands.

Reorganisation plan

In February 2018 the Group has communicated its intention to present a plan to adjust the workforce in its Spanish subsidiaries Tradia and Retevisión, which manage the terrestrial television infrastructure network. The Group has started conversations with the workforce representatives in order to propose and to reach an agreement in similar conditions to the reorganisation plan made between 2012 and 2014.

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.

In this way, the Group is seeking to renew its workforce and modify the professional profiles required to manage these new technologies. In other countries which Cellnex has entered in recent years as part of the expansion of its telecommunications infrastructure management business for mobile telephones, the Group has established a lean structure, using outsourced resources for the various infrastructure maintenance services.

- **Strategic challenges**

When it was floated in 2015, Cellnex identified four key strategic challenges on which the company aimed to focus, in an attempt to respond to the aim of sustained growth (diversification and internationalisation) and sustainable growth (capability to manage and integrate this growth) to ensure the competitiveness and attractiveness of the project in both the medium and the long term.

Since then, Cellnex has worked to achieve the above-mentioned challenges. During 2017, a number of measures and initiatives were implemented in response to each of the challenges, which are set out on the pages indicated below:

1

Transform the company from a national single-product company into an international and multi-product one through the challenge of adaptation.

- ✓ **Management processes:** see section "People management", pages 58-65
- ✓ **Corporate governance**: see section "Corporate Governance", pages 45-50
- ✓ **Organisational culture:** see section "Corporate Culture", page 45
- ✓ **Recasting and reinforcing the teams** see section section "People management", pages 58-65
- ✓ **Adopting a model for integration of new acquisitions**: see section "Consolidation", pages 10-11

2

Maintain the momentum towards internationalisation. Consolidate positions in Spain and Italy and explore and exploit opportunities in markets such as the UK, Germany and France; they are the vectors of the inorganic growth of Cellnex Telecom, capitalising on the dynamics of mobile operators outsourcing networks.

- ✓ See section Growth, Expansion and Consolidation, page 6-12.

3

Combining growth and consolidation Conclude new agreements with large and small telecommunications service operators for the provision of mobile broadband connectivity, broadcasting and "Internet of Things" projects. This translates into sustained growth of the sharing ratio and the number of teams deployed at our network of sites.

- ✓ See section "Business Model", pages 30-40

4

Meet expectations: maintaining investor confidence. Cellnex's IPO in 2015 was also a "pact" with shareholders regarding the company's future performance. Fulfilling this commitment means responding to all challenges ahead and earning investor confidence in the Cellnex project.

- ✓ See section “Merket figures: Cellnex on the stock market", pages 14-15

- **Business outlook**

Following a year marked by the international consolidation and expansion of the Group, with the acquisitions executed in 2017, during 2018 the Group will continue to analyse investment and growth opportunities that comply with the strict profitability and discipline requirements that the Group applies to all its investments.

The Group will maintain its focus on the potential investments in markets where it currently operates as well as other European markets in which investment opportunities are present and comply with its requirements. The priority continues to be to grow in the Telecom Infrastructure Services segment, for which there are clearly two growth paths:

1. Organic growth, in the countries in which the Group operates, reaching service agreements with new customers that need to develop and implement their own network, along with agreements with current customers, offering services that allow them to rationalise their networks and optimise costs, through the dismantling of duplicate infrastructures and building new infrastructures in strategic sites that could offer service to one or more customers. This growth allows the Group to increase its ratio of customers by infrastructure and work with the operators to complete the deployment of 4G, reduce areas with no signal coverage and extend network densification.

2. Inorganic growth which is comprised of the acquisition of companies in the same sector as well as asset deals mainly from mobile network operators, such that, once acquired, the Group can offer additional services to the operators.

With this growth strategy the Group pursues the following objectives: increase its customer base, diversify geographically in countries with strong credit ratings, create a European platform to deliver organic growth, be ready for the implementation of 5G networks and, as a result, its improve business risk profile.

In terms of day to day operations the Group will continue consolidating recent acquisitions, maintaining permanent contact with its customers from all business segments in order to improve and extend the services currently offered and to ensure the renewal of all contracts under the most advantageous conditions for all parties.

This outlook for the Group, along with the ongoing efforts to improve efficiency, allows it to expect higher on-going operating returns.

No new risks or uncertainties are expected other than those noted above[12] that are inherent to the business or those indicated in the accompanying consolidated financial statements for the year ended on 31 December 2017. Nonetheless, the Group has strived and will continue to strive to optimise its management control over operating costs and investments.

- **Future prospects. The great opportunity of the Digital Single Market**

Cellnex is playing an important role in achieving the objectives of the Digital Single Market Strategy. An example of this is that, in 2017, Cellnex received a loan of EUR 100 million from the European Investment Bank (EIB) for the development of mobile telecommunications infrastructure in Spain and Italy. The agreement is supported by the European Fund for Strategic Investments, the central pillar of the Investment Plan for Europe, known as the "Juncker Plan". Specifically, Cellnex plans to deploy new telecommunications sites in rural and urban environments, as well as DAS nodes, which will be located at points of high demand for mobile broadband communications. This funding is crucial to prepare mobile networks for the arrival of 5G, which will help to comply with the Digital Single Market Strategy, one of whose objectives is for at least one city in each EU Member State to be able to offer 5G services by 2020.

[12] See details in Annex II

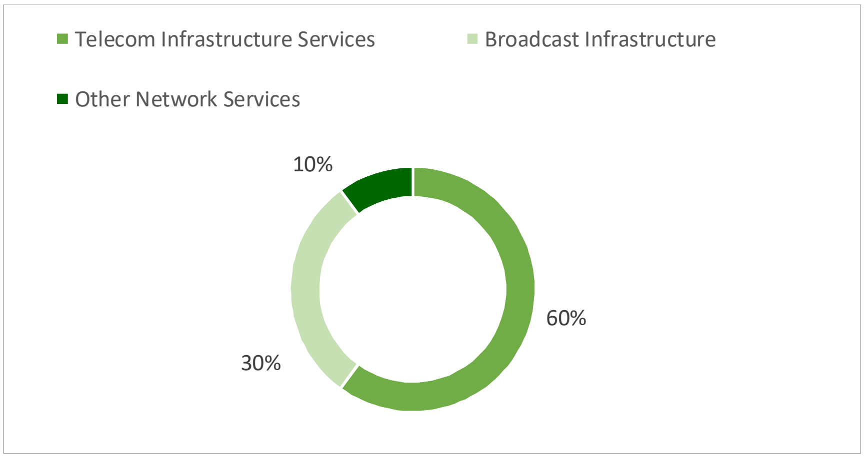
LEADING THE MOBILE TELECOMMUNICATIONS INFRAESTRUCTURE SECTOR

- **Business model**

The Cellnex Group provides services related to infrastructure management for terrestrial telecommunications to the following markets:

- Telecom Infrastructure Services
- Broadcasting infrastructure
- Other Network Services

Contribution to revenue at 31 December 2017



Generally speaking, this balanced set of investments, in terms of both maturity and profitability, and geographic diversification, should foster a growing positive contribution from all business sectors. In addition, Cellnex plans to continue identifying new investment opportunities and operational efficiencies that will strengthen its balance sheet and financial position.

- **Telecom Infrastructure Services**

This is the company's main business by turnover. It provides a wide range of integrated network infrastructure services to enable access to the Group's wireless infrastructure by mobile network operators and other wireless telecommunications and broadband network operators, allowing such operators to offer their own telecommunications services to their customers.

Cellnex acts as a neutral carrier for mobile network operators and other telecommunication operators that usually require full access to the network infrastructure to deliver services to end users.

In this context, Cellnex offers co-location services, space in its own infrastructures for installing telecommunications equipment in rural and urban sites that are suitable for providing a range of different telecommunication services. The sites are designed and equipped with the resources to provide a high-quality service that offers both availability and network stability. The co-location service includes the provision of access to the energy point, secure conditions and conditioning of the infrastructure for the installation of customer equipment, as well as operation and maintenance services.

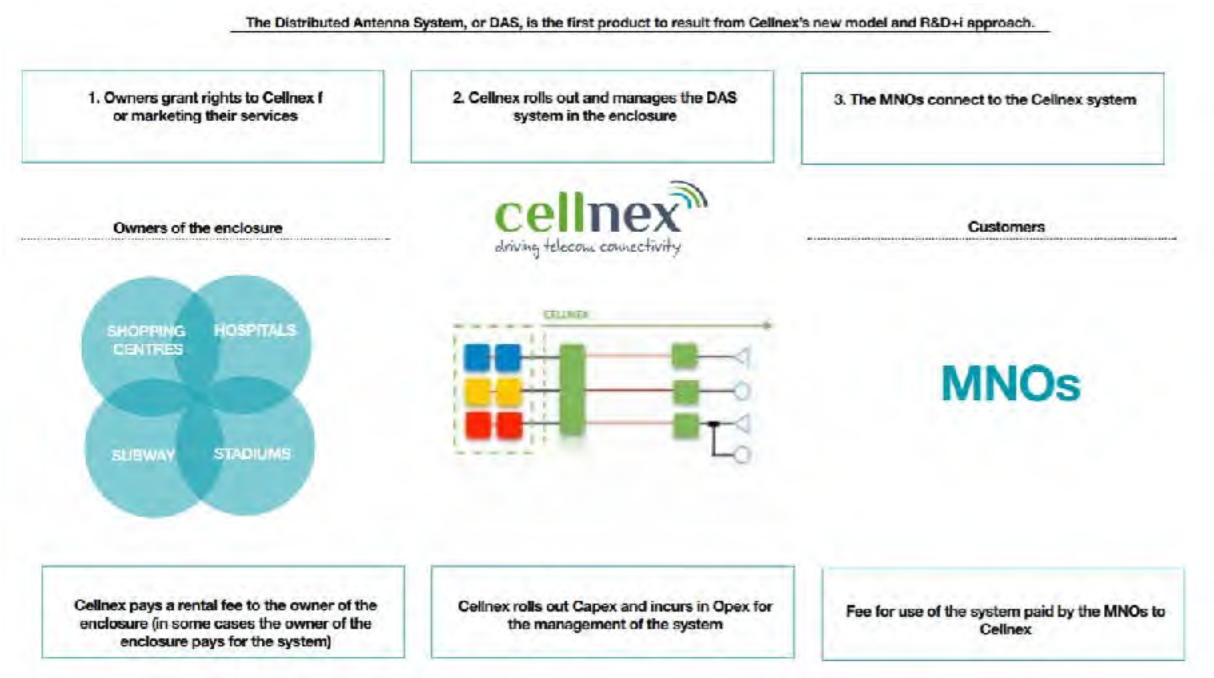
GRI: 102-2, 102-6, 102-7

The value creation model involves increasing the sharing ratio of its infrastructure, by incorporating new customers who view an independent infrastructure operator as the ideal partner for deploying their services, reducing barriers to entry; or by agreements for rationalising existing networks run by a number of mobile telephone operators. Network rationalisation generates efficiencies both for itself and for mobile network operators (MNOs).

In the coming years, the market for small cells and Distributed Antenna Systems (DAS) will be the main driver of the telecommunications infrastructure sector. Users are looking for anywhere and anytime high-quality connectivity. One of the key challenges for current 4G and future 5G technologies is the exponential increase in mobile data traffic caused by the wealth of content and services offered by network access operators and the capacity developed by the new-generation terminals. In that connection, it is estimated that 5G will result in a 600% growth in mobile data traffic over the next five years. The densification of networks in open and closed spaces such as sports stadiums, skyscrapers, shopping centres, dense exteriors, airports, subway lines or railway stations, is one of the main vectors for the future deployment of 5G.

“Small cells” and DAS networks significantly increase the actual data transmission capacity that operators offer their customers thanks to densification and to greater equipment capillarity. This means that the cells (areas) covered by each antenna are smaller, helping to better distribute data traffic among connected users and transmission elements.

The acquisition of Commscon in 2016 and Alticom in 2017 consolidates Cellnex's position as a key player in the development and deployment of telephony and data coverage solutions in high-demand areas, through the implementation of advanced technologies based on "small cells" and DAS that serve various operators based on a single infrastructure and deployed equipment.



GRI: 102-2, 102-6, 102-7

- **Main services offered:**

Telecos co-location

The telecos co-location service is focused on the operators market, and consists of offering space in towers, cabins (if any) or on the ground for the installation of telecommunications equipment. The service includes two different concepts:

- Co-location service.
- Technology services: access to the energy point.
- Other complementary services (air conditioning, uninterrupted power supply, etc.)

Passthrough Telecos

The Passthrough Telecos product consists of charging back power and/or rent payable under contract by some customers.

Marketing of external sites

This service is offered to telecommunications operators and consists of marketing co-location services on their sites. Our customer is the telecommunications operator that owns the tower.

Repair of acquired sitt

Cellnex offers a repair service for faults identified on the site during the purchase process; the repairs are billed to the telecommunications operator that has sold the site.

Small Cells & DAS

The Small Cells & DAS service consists of expanding the coverage/capacity of mobile telephony operators in areas with poor coverage, using radio frequencies owned by the mobile operator.

A network is used to expand the coverage/capacity of mobile telephony operators in areas with poor coverage using a system of passive elements and active equipment.

- **Distributed Antenna System (DAS):** coverage/capacity can be extended using two types of solutions: repeaters or active DAS.

- **Milestones 2017**

Specifically in DAS:

- Agreement with Atlético de Madrid to equip the new stadium with mobile broadband coverage (2G, 3G, 4G and 5G in the future). Cellnex will install a unique and exclusive network of small cells in Wanda Metropolitano Stadium (Madrid), based on DAS (distributed antenna systems) technology able to provide service to the various mobile voice and data network access operators. The contract signed with will last for ten years. This is a pioneering solution in Spain and will serve the up to 68,000 spectators that can fit into Atlético's new stadium. This will be achieved through a unique and exclusive network of up to 250 antennas, remote units, fibre network and equipment located in the technical room. Cellnex Telecom brings to the project its experience in similar solutions rolled out in large stadiums in Italy, such as San Siro in Milan (80,000 spectators, 107 remote units and 165 antennas) or the Juventus Stadium in Turin (41,000 Spectators, 38 remote units and 91 antennas).
- Cellnex and JCDecaux have reached a commercial agreement to offer a comprehensive solution to network access operators as well as Public Administrations to roll out "small cells" and DAS technologies that will

GRI 102-2, 102-6, 102-7

speed up densification and the development of mobile broadband telecom services offered by MNOs. In order to achieve this objective, JCDecaux and Cellnex Telecom will offer joint end to end solutions to their customers in Italy and Spain to facilitate network densification from design to maintenance while streamlining site acquisition.

- 3G and 4G voice and data coverage service agreements in the Cercle de Economia and the Liceo de Barcelona in Barcelona based on a single multi-operator system implemented with a DAS system that avoids the various operators deploying redundant networks.

The Group now has a unique portfolio of assets, which have enabled new business opportunities to be developed through the sharing of the infrastructure necessary in the roll out of 4th generation mobile telephones, involving the decommissioning of duplicated infrastructure.

GRI: 102-2, 102-6, 102-7

The Telecom Infrastructure Services site portfolio at 31 December 2017 is summarised below:

Framework Agreement	Project	Nº of Sites acquired	Beginning of the contract	Contract term in years [2]
Telefónica	Babel	1,000	2012	10+10+5
Telefónica and Yoigo (Xfera Móviles)	Volta I	1,211	2013	10+10+5 (Telefónica) Until 2030+8 (Yoigo)
Telefónica	Volta II	530	2014	10+10+5
Business combination	TowerCo purchase	321	2014	Until 2038
Telefónica and Yoigo (Xfera Móviles)	Volta III	113	2014	10+10+5 (Telefonica) Until 2030+8 (Yoigo)
Telefónica	Volta Extended I	1,090	2014	10+10+5
Neosky	Neosky	10	2014	10+10+5
Telefónica	Volta Extended II	300	2015	10+10+5
Business combination	Galata purchase	7,377	2015	15+15 (Wind)
Business combination	Protelindo purchase	261	2012 2016	+15 (KPN) +12 (T-Mobile)
Bouygues	Asset purchase [3]	371	2016	20+5+5
		129	2017	20+5+5
		1,098	2017	15+5+5+5
Business combination	Shere Group purchase	1,042	2011 2015 2015	+15 (KPN) +10 (T-Mobile) +15 (Tele2)
Business combination	On Tower Italia purchase	11	2014 2015	9+9 (Wind) 9+9 (Vodafone)
K2W	Asset purchase	32	2017	Various
Business combination	Swiss Towers purchase	2,239	2017	20+10+10 (Sunrise Telecommunications)
Business combination	Infracapital Alticom subgroup purchase	30	2017	Various
Others Spain	Asset purchase	45	2017	15+10
Masmovil Spain	Asset purchase	551	2017	18+3
Shared with broadcasting business		1,826		
"Build to Suit" [1]		78		

[1] "Build to Suit": towers that are built to meet the needs of the customer. It does not include the "BTS" programs committed with Bouygues and Sunrise at the closing of the M&A projects.

[2] Some of these contracts have clauses which prohibit partial cancellation and can therefore only be cancelled for the entire portfolio of sites (typically termed "all or nothing" clauses).

[3] In accordance with the agreements reached with Bouygues during 2016 and 2017, at the 2017 year-end Cellnex has committed to acquire up to 5.100 sites that will be gradually transferred to Cellnex up until 2022 (see Note 6 of the accompanying consolidated financial statements). Of the proceeding 5.100 sites, a total of 1.598 sites have been transferred to Cellnex as at 31 December 2017 (as detailed in previous table).

GRI 102-2, 102-6, 102-7

Following the acquisition of Commscon Italia and Infracapital Alticom subgroup, as at 31 December 2017 the Group also maintains 1,348 antennae nodes with the DAS.

See more details in Note 5. Business Combination of the accompanying consolidated financial statements.

- **Broadcasting infrastructure**

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

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

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

In addition, Cellnex has established the strategic objective of positioning itself as a leader in 4K Ultra High-Definition Video technology. This technology provides an image with a resolution that is significantly better than High Definition (1280 x 720), up to sixteen times higher.

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

According to the UHF Decision, European administrations will have to publish their Roadmap that pilots the process before 30 June, 2018. In the case of Spain, it is expected that this will be a non-disruptive Plan, which will maintain the number of MUX and that facilitates the technological evolution and the renovation of the television park.

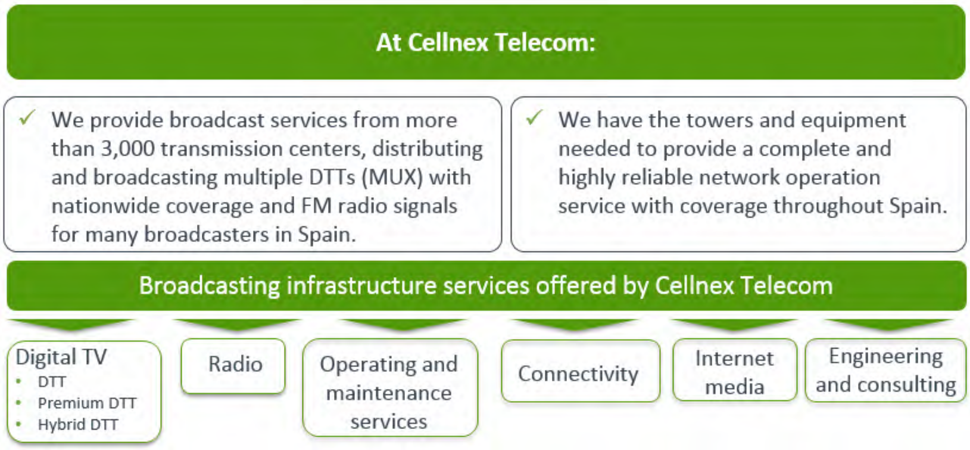
In this sense, during 2018, the Group will continue with its work of collaboration with the Administration in relation to the Roadmap, as well as in the research and implementation of technical improvements, both in the provision of Digital Terrestrial Television services (DTT), as in the on-line distribution of audiovisual content. Among such technological advances, the interactivity of the Hybrid DTT, or the quality improvement provided by the Ultra High Definition (UHD - Ultra High Definition) stand out. In addition to the 4K broadcasts on DTT, the Group will announce during the next months the latest developments in Hibernate DTT (HbbTV).

Another important point is that on 20 December 2017, the EU Court of Justice annulled the European Commission Decision adopted in June 2013, which ordered the recovery of state aid granted by Spain to the operators of DTT in areas extending coverage up to 98% of the Spanish population. The immediate consequence for Cellnex Telecom, as contractor for some of the tenders for extension of coverage, is that the company no longer has to refund any

GRI: 102-2, 102-6, 102-7

amounts to the Administrations, and where the refund had already been made, the Administration must return the amounts to Cellnex.

- **Main services offered**



Digital TV
Cellnex has led the implementation of **DTT in Spain.** The solutions offered by Cellnex include signal distribution, encoding in the most innovative formats and the broadcast of content in ultra-high definition (UHD).

- **DTT Services:** servics required for the provision of the DTT carrier service, such as the broadcast of national and regional DTT, broadcast of local DTT, extended DTT, headers and satellite reception.
- **Premium DTT** Signal encryption service to enable pay-TV services to be broadcast by DTT.
- **Hybrid DTT:** a Spanish interactive TV specification that integrates DTT and Internet into a single user experience.
- **Engineering channel:** a service that enables receiver manufacturers to download new software versions via DTT.

Radio
Cellnex offers configurable sound quality, data service capability, flexible composition of the multiple channel, efficient spectrum use and cost effectiveness.

- **FM:** Cellnex has several analogue radio broadcast offerings, depending on the transmission power required and the broadcast area (local, regional or national).
- **DAB/DAB+:** Cellnex offers the Digital Audio Broadcasting (DAB) system and the upgraded version DAB+, some three times more efficient than the previous one.

Operations and maintenance services
Cellnex provides broadcast operations and maintenance (O&M) services for broadcasters relying on Cellnex to operate and maintain the customer's equipment, whether or not they are located in Cellnex Telecom centres.

- **MW O&M:** operation and maintenance services for medium-wave stations which, despite having ever-fewer listeners, still need operation and maintenance.
- **TV O&M:** operation and maintenance services for our customers' TV networks.
- **FM O&M:** operation and maintenance services for FM broadcasters owning their own equipment and who have the relevant permit.

GRI 102-2, 102-6, 102-7

Broadcast transport

This family includes all transport services necessary for providing broadcast services as well as transport services sold to broadcasters.

- **Satellite broadcast transport:** DVB-S2 full-mux broadcast services, SAT DTT channel broadcast, satellite TV broadcast, satellite radio broadcast and use of the teleport to provide satellite transport in the broadcast environment.
- **Terrestrial transport and fibre-optic broadcast:** services for the contribution and broadcast of audiovisual services or transport services for broadcasters such as terrestrial audiovisual transport, fibre-optic audiovisual transport, video contributions and audio encoding.

Internet media

Cellnex Telecom provides services that use the Internet as a communication channel to transmit audiovisual content.

- **CDN:** traffic and storage of Internet Content Distribution Network (CDN).
- **Online Video Solutions (OVS):** solutions adapted to the needs of diverse clients that require video management.
- **HbbTV services:** Interactive application services are provided using the HbbTV interactivity standard, such as: videos on demand, start over, metrics, audiences or advertising.
- **OTT payment platform:** Platform to develop multi-screen cloud services for payment operators or major broadcasters.
- **CAS Cloud:** conditional access service for a remote management platform, which generates the data needed for the operation of CAS without the need for the end customer to have their own complete platform.

Engineering and consulting

Thanks to its experience in the broadcast environment, Cellnex has the capability to carry out consulting work at national and international level relating to broadcast services.

- **Milestones for 2017**

Throughout 2017 a number of Ultra High-Definition pilot trials were carried out, through collaborative projects such as:

- Broadcasting of the UHD DTT test channel from Torrespaña (Madrid), Valencina (Seville) and Collserola (Barcelona).
- Broadcast of the documentary series "Spanish World Heritage Cities": Segovia. Joint project with RTVE.
- Demonstrations during the Mobile World Congress on DTT broadcast in UHD.
- Broadcast of the final of the Champions League live in 4K. Joint project with Antena 3.
- Changing of the Royal Guard broadcast live in UHD: 4K and HDR. Joint project with RTVE.
- Demonstrations at the 4K Summit in Málaga. Broadcast of three UHD-HDR services statistically multiplexed on one DTT transmitter.
- Incorporation of the centre of Mijas in trial broadcasts in UHD over DTT to cover the city of Málaga.

Cellnex has also carried out various pilot tests in the field of **Hybrid DTT** using the HbbTV interactivity standard.

- **Other network services**

In Cellnex, the "smart" concept means sharing, efficiency, security, resilience and ubiquitous connectivity. Cellnex provides the infrastructure required 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 an infrastructure operator, Cellnex can facilitate, streamline and accelerate the deployment of these services through efficient connectivity of objects and people, in both rural and urban environments, helping to build genuine Smart territories.

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

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

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

- **Main services offered:**

Connectivity services
Cellnex offers all the transport services needed to provide connectivity services to operators and the Public Applications and Corporations market. Cellnex provides two types of connectivity services: connecting companies or telecommunications operators and providing back-haul services to towers with fibre or radio links, where there is high redundancy.

- **Satellite connectivity:** a range of services to provided satellite connectivity in the Operators and APC market including VSAT and satellite point-to-point circuits.
- **Terrestrial and fibre-optic connectivity:** connectivity services using the terrestrial transport network, such as dark fibre, Franck circuits, digital links, urban circuits, Amazon Direct Connect and Internet flow.

GRI: 102-2, 102-6, 102-7
GRI: 102-2, 102-6, 102-7

Public protection and emergency networks

Cellnex Telecom specialises in the design, rollout, operation and maintenance of critical service networks serving security and emergency forces. Main services offered:

- **Maritime security:** in the field of maritime security, we provide safety of life at sea and rescue services, vessel identification and maritime traffic services.
- **Public Protection and Disaster Relief (PPDR) networks and services:** a wide range of security and emergency network products and services, comprising the following commercial offerings: TETRA networks, DOTS, terminals and accessories, local networks, OTR3S, AIRS and control centres.

Operation and maintenance and other services

Cellnex Telecom provides operation and maintenance (O&M) services that include preventive and corrective maintenance of networks and infrastructures, monitoring reports and resource management for optimising incident management.

- **O&M:** this product includes the provision of all operation and maintenance services for telecommunications networks to telecommunications operators and public administrations.
- **Co-location of other services:** a service consisting of renting space rental and supplying mains power for equipment to APC market customers who do not have a telecommunications operating licence.
- **Engineering and consulting:** all consulting services provided to customers in the operators and APC market.

Smart telecommunications infrastructure

Cellnex provides communications networks for Smart cities and specific solutions for efficient management of resources and services in cities. Cellnex considers that its infrastructure has unique locations to take advantage of the growth opportunities entailed by the appearance of Smart cities and IoT, and offers a variety of services associated with this concept, such as:

- **Smart platform:** SmartBrain technology solution, which is based on a set of components and standards for data capture, processing, and exploitation, with the highest levels of security and traceability. This technology is composed of the following blocks: raw data capture and management, event management, big data and data services.
- **Smart networks and services:** private networks formed by various technologies used to capture, process and exploit the data. The main offerings are networks of data sensors, wifi services and coverage for offering services such as Internet access, roaming and offloading, Smart connectivity for urban areas and rural risks involved in the design, installation and maintenance of a remote irrigation management system.
- **IoT:** digital interconnection of people, everyday objects and systems over the Internet, based on technology provided by the French company Sigfox, has already been deployed throughout the country and now has more than 1,300 active sites, which makes it the largest dedicated IoT network in Europe. It is a low-power wider area network that solves the current problems of deploying IoT solutions, because it allows the use of devices that run on batteries for very long periods (even years) and eliminates the need to deploy a network of gateways and repeaters throughout the city, by allowing the sensor to communicate directly with the network already deployed.

GRI: 102-2, 102-6, 102-7

- **Milestones for 2017**

Security and control

- The Maritime Rescue Company under the Spanish Ministry of Public Works, signed the “Provision of services within the Global Maritime Distress and Safety System” for the Safety of Human Life at Sea with Cellnex Telecom on 27 September 2017. The contract will come into force in August 2018 and has an initial term of four years, renewable for a further two years, for an annual amount over EUR 7 million. It gives continuity to the service Cellnex Telecom has been providing since 2009. The company will provide the service through its network of coastal stations which allows 24/7 listening on maritime channels, all year round. The contract allows for receiving automatic alerts and distress calls, to be sent immediately to Maritime Rescue coordinators, as well as transmitting information for maritime safety and meteorological information, according to the guidelines established by Maritime Rescue and the connection between the Spanish Medical Radio Centre and any ships requesting that service. The provision of the service complies with the international conventions signed by Spain, in particular the Safety of Life at Sea (SOLAS) Convention and the International Search and Rescue Convention (SAR), which are the most important international treaties governing the safety of ships. In relation to the above, Cellnex has extensive experience managing security and emergency communications networks and services.
- The Group has been finalising the certifications relating to the extension of the TETRA network of the Catalan Railway system. In addition, a batch of spare parts has been supplied for the TETRA network mentioned above, notably the design, supply and installation to extend the coverage of the TETRA system on the Barcelona-Vallès line of the Catalan railways (FGC), on the section extending the branch line between the stations of Sabadell Plaza Mayor and the depots at Ca N'Oriach.
- Extension of the Catalonia emergency and security radiocommunications (RESCAT) network by means of two new base stations, each with twin carriers/frequencies to enhance coverage in certain areas of the territory, and the upgrade of the network to the new available technology has begun. Similarly, rollout of the project to extend the coverage of the RESCAT network in the Girona mono-bore tunnel of the AVE (Sagrera-Figueres line) has begun; the tunnel is 7,638 m long and there are also plans to offer coverage in the 13 emergency exits.
- Contract for the maintenance of the Ascó-Vandellós nuclear power plant communications and the contract for the provision of services within the global life-saving and safety system at sea. It should also be noted that the implementation of the DMR municipal network of Marbella (Andalusia) has been initiated.

Smart communications networks

- Agreement with Castellolí Parcmotor to equip the racing circuit with the necessary infrastructures and technology to enable the agents and companies working to develop the mobility of the future, advanced traffic solutions and vehicle manufacture to develop innovative products and services linked to smart mobility and connected and autonomous vehicles. The objective is to make the Castellolí Parcmotor into a benchmark environment and an innovative testing space for the development of ITS (Intelligent Transport Systems) technological solutions, particularly in the field of vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communications, which can subsequently be implemented in vehicles (future mobility), in towns and cities (smart cities) and on roads and motorways (smart roads).
- The first part of the contract with T-Systems for connectivity and co-location services in 32 Cellnex infrastructures has been completed and distributed throughout Spain, for the pan-European EAN (European Aviation Network) network.
- The marketing activity relating to Back-Haul and Corporate circuits with the operators is operating according to the established forecasts.

GRI 102-2, 102-6, 102-7

- **An innovative and transformational business**

Cellnex innovation is closely linked to its strategy, and this is embodied in its mission to be a company that generates value for society, customers and shareholders, through innovative, efficient, neutral and high-quality management in delivering service and providing technological solutions. This commitment to R&D+i represents one of the main challenges for Cellnex in the current global context, which is characterised by its strong innovative component and global social reality that is strongly linked to the digital world and communication technologies.

Accordingly, the **Cellnex innovation strategy** focuses on the services of the future in each of its business lines:

- Innovation in **telecommunications infrastructure services** focuses on the search for a new-concept site that fosters greater sharing of infrastructure at all levels (mast, antenna, radio signal, etc.) and the diversification of the range of services offered, ensuring that it meets future requirements related to 5G and new network architectures.
- In the **Audiovisual Broadcast Networks** business, innovation is focused on maintaining competitiveness and responding to new challenges in the audiovisual sector. Specifically, Cellnex seeks to convert the linear DTT experience into an interactive experience through the concept of Smart TV or connected television.
- **Other network services** In the field of **security**, this innovative activity has a priority aim of incorporating broadband into its IT systems and studying how this will be complemented with Cellnex tetra solutions, mainly for video-intensive applications. The **digital market** also offers Cellnex the opportunity to expand its services, gaining prominence in the value chain and creating a complementary business model. Specifically, Cellnex has identified a great opportunity in smart sensoring and the IoT.

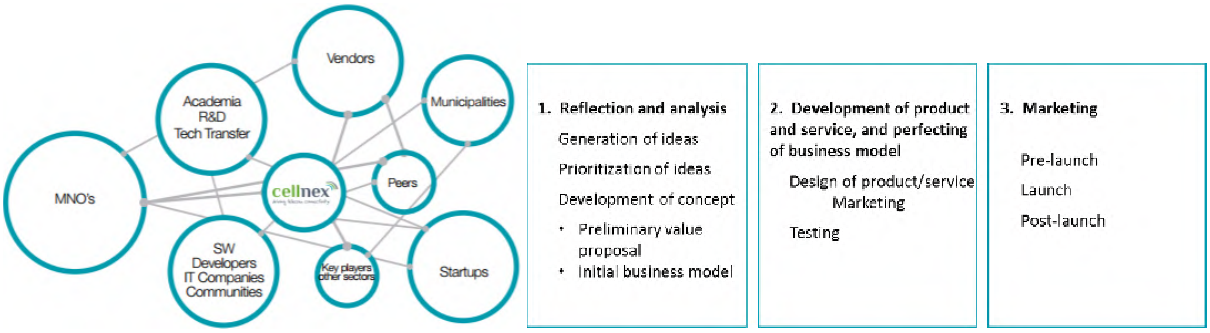
In 2017, the innovation model implemented in 2016 was consolidated, based on integrating and flexible processes, as well as the standardisation of development in the innovation business, comprising two types of project:

- **Technological surveillance**, based on an evaluation of the current technological context to identify potential new opportunities for the company.
- **R&D+i activities**, consisting mainly of research, development and the creation of new solutions.

This model also embodies a cross-cutting approach, in which working procedures are defined for multidisciplinary teams and enhanced cooperation with the stakeholders that deal with Cellnex. Some examples of stakeholders are: technology start-ups, universities and key players from other sectors.

Notably, the innovation model, based on three pre-defined stages, is focused not only on developing new business and/or products, but also on developing incremental improvements to current services and products. In this regard, we have seen a significant increase in customer satisfaction.

This improvement is driving Cellnex to continue working in line with the target of mainstreaming innovation and working with internal and external multidisciplinary teams.



- **R&D+i projects**
    - **Telecommunications**

- **5G-City**
- **FLEXNET**
- **LEAN**
- **Veo5G**
- **5GON**
- **SolareRF**

5G-City
Project funded by the European Commission under the Horizon 2020 programme that aims to evaluate 5G technologies through very specific pilot projects in three European cities: Barcelona, Bristol and Lucca. Cellnex is responsible for ensuring that the equipment and infrastructure necessary for the deployment of neutral operators in the three cities are available.

FLEXNET
European project funded by the Celtic-Plus programme and coordinated by Cellnex, which aims to develop technology for software defined networks (SDN) and Network Slicing (multiple virtual networks over a single common physical network) technology, as part of the next generation of wireless communication (5G). The project is focused on surveillance and emergencies, and will develop specific applications for border control, security of port areas and people location, among others. Led by Cellnex, it involves 16 partners from six countries, including network operators, mobile operators, equipment manufacturers and universities.

LEAN
European project funded by the Celtic-Plus programme that aims to use 5G technologies to define an architecture flexible enough to meet ultra-low cost requirements and at the same time offer broadband Internet access in rural areas of emerging countries. The 5G sharing mechanisms will have to meet the new requirements for providing minimum services over long distances. Cellnex has the role of Spanish coordinator in the consortium as well as actively participating as a main player in the on-site demonstrations.

Veo5G
Project funded by the Centre for Industrial Technological Development (CDTI) and coordinated by Cellnex with the participation of the Operate company; it aims to provide the basis for a neutral operator or infrastructure provider so that they can make their infrastructure (access network, network core, management, etc.) available to third parties, and it can create new instances of virtualised services for the devices of neutral operators. Cellnex is taking

part in the design of "multi-tenancy" architecture for the access network and network core, and in the development of tools for optimising resource allocation and management.

5GON
Project funded by the Generalitat de Catalunya (Catalan Government) through the Nuclis call for tenders. The project is coordinated by Cellnex and we are taking part with Nokia with the aim of developing a 5G multi-operator solution for validating services for neutral operators.

SolareRF
This project, funded by the Basque Government, aims to design, develop and validate in a virtual pilot project, a prototype RF centre isolated from or connected to the main electricity grid, that is energy efficient, with maximum security and quality of the power supply at minimum cost and environmental impact. The project also aims to design and develop the Levelised Cost of Energy (LCOE) calculation tool. Cellnex is responsible for defining practical cases, analysing energy storage and generation technologies and taking an active role in analysing the results for the validation of the RF station.

- **Smart cities and the Internet of Things**

- **GrowSmarter**
- **V2X-Arch**
- **SARWS**
- **Cycle paths**
- **Resiltrack**

GROWSMARTER
This project funded by the European Commission aims to improve the quality of life of citizens through mobility, housing and the quality of urban infrastructure in general, and hence improving citizens' finances by cutting energy costs and creating new jobs. It also aims to reduce environmental impact by cutting energy needs by 60% and increasing the use of renewable energy, thereby reducing greenhouse gas (GHG) emissions. The project aims to create a sustainable economy through wider deployment of Smart solutions.

V2X-ARCH
A project funded by the Ministry of Energy, Tourism and the Digital Agenda in the field of connected vehicles that aims to define vehicle-to-vehicle and vehicle-to-infrastructure (V2X) communication technologies and architectures, and assess a number of case studies such as EVW, FCW, Media Downloading and GLOSA.
SARWS
A European project funded by the Celtic-Plus programme that aims to provide real-time meteorological services to ensure that mobility and transport are more scalable, robust, safe, efficient and energy-efficient. Cellnex's main role is to analyse the most appropriate V2X technologies, together with their limitations and challenges.

CYCLE PATHS
A project under the CIEN call for tenders by CDTI (major funded projects of strategic value). The objective is to develop the cycle lane of the future. It is coordinated by FCC and has a section on research into civil engineering and materials and another that we are coordinating on the application of ICT technologies to minimise accidents and collisions involving bicycles, which are the most vulnerable vehicles.

RESILTRACK
A project of the CIEN call for tenders by CDTI. The project is coordinated by COMSA, with the aim of applying IoT technologies to the railways (tracks, stations and trains) to provide predictive maintenance services.

ESKALA 4.O

A national project funded by the Basque government with the aim of minimising stopover times in the airport environment. Cellnex is in charge of coordinating the whole telecommunications part in the airport, including IoT, communication networks and connected vehicles.

- **Security and emergencies**

- **Polarys (a smart platform for maritime safety and emergency management):**

POLARYS

A project funded by the CDTI (Centre for Industrial Technological Development) with the main aim of developing a novel VHF Data Exchange System (VDES) transceiver and associated systems. Cellnex is taking part in the development of a maritime emergency and safety platform that can be adapted to another emergency scenario, and in obtaining global coverage with the Automatic Identification System (AIS) using satellite communications to improve maritime communications.

4. GOVERNANCE MODEL

- **Corporate culture**

  - **Vision, mission and values**

Vision

European leader in telecommunications infrastructure solutions

Mission

We generate value for society, customers and shareholders, and all stakeholders, through **innovative, efficient, neutral and quality management** for the provision of shared telecommunications networks and infrastructure through the **drive and development of our team of employees.**

Values

Cellnex Telecom's values align consistently with the Vision and Mission to the extent that they are instrumental in achieving them, and fundamentally reflect an ethical attitude based on principles of tolerance, respect and cooperation with all the stakeholders with which the company wishes to develop and consolidate its project:

Commitment. We take responsibility for proactively consolidating our projects.

Customer orientation. We find out, understand and consolidate the needs of our customers.

Innovation. We add value with a creative, professional and critical spirit to new ideas to implement them in practice.

Flexibility. We adapt to the constantly-changing environment.

Resolve. We achieve our goals through a combination of enthusiasm, reason and practicality.

Honesty. We carry out our activities with integrity.

Credibility. We do what we say we will do.

Development. We foster human development through cohesion, cooperation and teamwork.

- **Corporate governance**

In 2017 Cellnex continued working to implement and consolidate the best corporate governance practices, covered essentially in the Code of Good Corporate Governance for Listed Companies approved by the Spanish National Securities Market Commission (CNMV) on 18 February 2015. Consequently, this alignment governs the rules that regulate the workings of the company's governing bodies, the highest instance of which is the Board.

The policy for the selection of directors, drawn up in 2016 by the Appointments and Remuneration Committee of the Board of Directors, aims to achieve the right composition for the Board of Directors. This policy states that, for the selection of Board members, account must be taken of aspects such as the structure of the company shareholding, the diversity of knowledge, professional experience, origin, nationalities and gender of its members, ability to devote the time necessary for the job, specialisation in any specific subjects of special relevance (financial, legal, telecommunications, etc.), the absence of conflicts of interest (real or potential) and a personal commitment to defend the corporate interest. In particular, as regards, gender diversity, the policy must ensure that the less-represented gender makes up at least 30% of the total members of the Board of Directors, as soon as possible, and by the end of 2020.

In application of this policy, in financial year 2017 it was agreed to increase the number of directors by one. To fill this position, a well known executive head-hunter firm selection was hired and, after a rigorous process, the Appointments and Remuneration Committee nominated Marieta del Rivero, who was appointed independent director by a decision of the AGM.

GRI: 102-18, 102-24, 102-27

Cellnex currently has a Board of Directors that is compact, experienced and oriented towards rolling out the strategy, with four proprietary directors and five independent directors, besides the CEO.
Among the adjustments made during 2017 we would highlight:

- **Incorporation, as mentioned above, of a new Independent Director**, Marieta del Rivero, with the consequent expansion of the Board from 9 to 10 members, with a majority of independent directors.

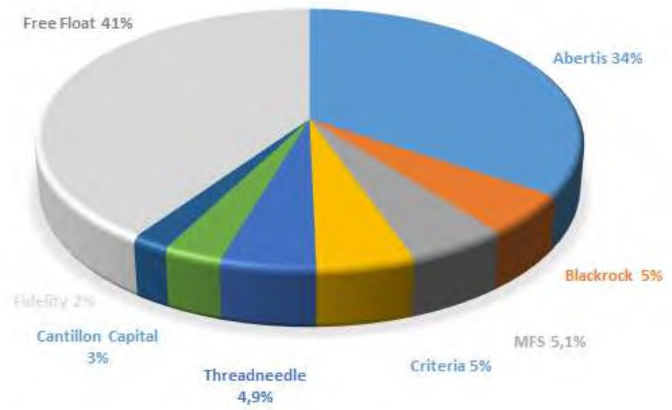
- **Expansion of the Appointments and Remuneration Committee (CNR)** from 3 to 4 members, with a majority of independent directors.
- **Appointment,** on a proposal of the Appointments and Remuneration Committee, **of independent director and current chairman of the Audit and Control Committee**, Mr Bertrand Boudewijn Kan, **as Vice-Chairman of the company.**
- **Update of the remuneration policy of the Directors**, changing only the current terms of the fixed and variable annual remuneration of the Chief Executive Officer, and consideration of the implementation of a new multi-annual incentive plan called Rolling ILP, consisting of three-year incentive plans (ILP Plan 2017-2019, ILP Plan 2018-2020, ILP Plan 2019-2021).
- **Maintenance and adaptation of the Succession Plan for the main management positions**.
- **Appraisal of the Board of Directors by an external consultant.**
- **Computerisation of the declaration by persons subject to possible conflicts of interest** within the framework of the internal rules of conduct on relations with the securities market.
- **Improved communication to directors** through the Directors' Portal.

These updates will supplement the policies and regulations currently in force at Cellnex to strengthen best practices in corporate governance.

Furthermore, last November a two-day annual meeting was held with the Board of Directors and the Management Committee, at which topics on the strategy and evolution of the company were discussed.

GRI: 102-18, 102-24, 102-27

Shareholding structure



- **The Cellnex Board of Directors**

Independent directors:

- **Pierre Blayau**, Chairman of Caisse Central Réassurance (CCR) and independent director on the Boards of Directors of Fimalac and the Canal + group.
- **Bertrand-Boudewijn Kan**, former Director-General and Chairman of the European Telecommunications Group of the Morgan Stanley investment bank. He is currently a member of the Board of Directors of Síminn hf., the Advisory Board of Wadhwani Asset Management and of the Supervisory Board of UWC in the Netherlands.
- **Peter Shore**, former Chairman of telecommunications infrastructure operator Arqiva in the United Kingdom, Uecomm, Lonely Planet Publications, HostWorks Group and Airwave. He has also been Managing Director of the Telstra Group in Australia, CEO of Priceline in Australia and New Zealand and Managing Director of Media/Communications/Partners. He has also been a director of Objectif Telecommunications Limited, Foxtel, SMS Management and Technology and OnAustralia. He has also been a member of the Advisory Board of Siemens Australia.
- **Giampaolo Zambeletti**, Chairman of RCS Investimenti and Vice-Chairman of Unidad Editorial, member of the Boards of Directors of Telecom Italia International (Netherlands), Auna, SA (Spain), Avea (Turkey), Oger Telecom (Dubai), Ojer Telekomunikasyon (Turkey)) and Telekom Austria. He is currently a member of the Board of Directors of the Banca Farmafactoring Group in Milan.
- **Marieta del Rivero** has held executive responsibilities at Telefónica, Nokia (Iberia and Corporation), Xfera Móviles, Amena and Nefitel. She is currently Senior Advisor at Ericsson and is a member of the advisory boards of the "Made in Mobile" technology incubator and the “Roca Salvatella” digital transformation consultancy. She is also a member of the Board in Spain of the International Women's Forum and of the Women Corporate Directors Foundation.

GRI: 102-18, 102-22, 102-23, 102-27, management approach for diversity and equal opportunity (103-1, 103-2, 103-2), 405-1

Proprietary directors:

- **Francisco Reynés Massanet**, Chairman, he is currently Vice Chairman-CEO of Abertis Infraestructuras, SA and Patron of the private Abertis Foundation.
- **Francisco José Aljaro**, Chief Financial Officer and Corporate Development Officer at Abertis Infraestructuras, S.A.
- **Josep Maria Coronas**, currently Deputy Non-Executive Secretary, General Secretary and Corporate General Manager at Abertis Infraestructuras, S.A.
- **Lluís Deulofeu Fuguet**, General Manager of Sanef Group (France), linked to Abertis Infraestructuras, S.A.

Executive Director:

- **Tobías Martínez Gimeno**, Chief Executive Officer of Cellnex.

Non-Executive Secretary:

- **Javier Martí de Veses**, General Secretary of Cellnex.

Deputy Non-Executive Secretary:

- **Mary Annabel Gatehouse,** Legal Director for International Corporate Development of Cellnex.

In 2017, Cellnex commissioned an external consultant to conduct an appraisal of the performance of the Board of Directors, which concluded that, within a short period of time, Cellnex has created a complete internal regulatory body that ensures compliance with statutory obligations and the principles and recommendations of corporate governance. The Board, the Directors and its Committees have adopted and taken on board the conviction that it is not only obligatory and advisable, but also advantageous to manage with transparency, respect for shareholders, workers, suppliers and customers, and to abide by the principles that have been consolidated in the framework of corporate governance.

Committees of the Board of Directors

The Cellnex governance bodies are supplemented by the Audit and Control Committee (CAC) and the Appointments and Remuneration Committee (CNR), both composed of non-executive directors, mostly independent. It should also be noted that the Board Committees are chaired by independent directors.

The responsibilities and functioning of the Audit and Control Committee, and Appointments and Remuneration Committee, are set out in the Terms of Reference of the Board of Directors.

See more details in Annex I.

GRI: 102-18, 102-22, 102-23, 102-27, 102-28, management approach for diversity and equal opportunity (103-1, 103-2, 103-3), 405-1

- Audit and Control Committee (CAC)
- Appointments and Remuneration Committee

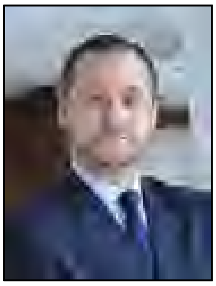
Francisco Reynés Massanet
Chairman
Proprietary

Tobías Martínez Gimeno
Chief Executive Officer
Executive

Javier Martí de Veses
Secretary
Secretary

Josep Maria Coronas
Proprietary

Lluis Deulofeu Fuguet
Proprietary



Francisco José Aljaro
Proprietary

Mary Annabel Gatehouse
Deputy Secretary
Secretary

Giampaolo Zambeletti
Independent
Chairman

Bertrand Boudewijn Kan
Independent
Chairman

Peter Shore
Independent

Pierre Blayau
Independent

Marieta del Rivero
Independent

GRI: 102-18, 102-22, 102-23, management approach for diversity and equal opportunity (103-1, 103-2, 103-3), 405-1

- **Management Systems**

Cellnex has implemented an Integrated Management System to support its organisational model, which provides a framework for adopting a systematic approach in performing processes, thereby ensuring that they are effective. It also allows a procedure to be established to guarantees the quality of the services provided and to ensure that the activity is carried out in compliance with current legislation.

As a demonstration of its commitment to quality and excellence, Cellnex Spain has maintained the following certifications, issued by TÜV Rheinland:

- ISO 9001 Standard for Quality Management.
- ISO 14001 Standard for Environmental Management.
- OHSAS 18001 Standard for Occupational Health and Safety Management.
- UNE 166002 Standard for Management of Research, Technological Development and Innovation activities (R&D+i).
- ISO 27001 Standard for Information Security Management.
- Standard ISO 14064-1 Greenhouse gases. Part 1: Specification with guidance, at organisation level, for quantifying and reporting emissions and removal of greenhouse gases.

Likewise, the Measurement and Instrumentation Laboratory is accredited under ISO 17025 Standard (CGA-ENAC-LEC) for Tests on Receivers of terrestrial digital television.

In 2017, the Management System and the corresponding Policies were adapted to the new requirements of ISO 9001 and ISO 14001 standards, the most noteworthy of which are stakeholder analysis within the context of the organisation, risk and opportunity management, and control of outsourced processes.

Internal and external audits are performed every year as an essential element for maintaining the Management System. 19 internal audits (55 auditor days) and 7 external audits (43 auditor days) were performed in 2017.

In 2018 Cellnex Italia aims to implement a Management System based on ISO 9001, ISO 14001, OHSAS 18001, ISO 27001 and SA8000 standards.

- **Ethics and compliance**

The Cellnex Group Ethics and Compliance Committee represents the highest body in charge of complying with the Cellnex Group Code of Ethics and developing its internal regulations. This Committee is the advisory and management body, as well as the executive body, of all matters related to the Cellnex Group's Code of Ethics.

Likewise, the Ethics and Compliance Committee, as the body responsible for criminal compliance, is in charge of identifying the risks, mainly criminal, specific to the Cellnex Group and evaluating, analysing, implementing or improving and monitoring the Crime Prevention and Detection system.

The current composition of the Ethics and Compliance Committee:

- Sergi Martínez Pie. Head of Internal Audit and Risk Control Cellnex.
- Javier Martí de Veses (Chair). Cellnex General Secretary.
- Rosa Piñol. Cellnex Resources Manager.

GRI: 102-16, management approach for anti-corruption (103-1, 103-2, 103-3)

- José Mª Miralles. Cellnex Legal Advice Manager.

In order to ensure the independence of the Ethics and Compliance Committee of the Cellnex Group, it maintains its functional and organic dependence on the Appointments and Remuneration Committee of the Board of Directors of Cellnex Telecom, S.A.

Following this approach, the Ethics and Compliance Committee regularly reports its activities and initiatives directly to both the Appointments and Remuneration Committee and the Audit Committee. It should be underlined that compliance management is currently centralised in the corporation. However, the rules provide that Ethics and Compliance Committees may be set up in each of the countries where Cellnex is present should this prove necessary.

Guiding Principles of the Cellnex Group established in the Code of Ethics

- We embrace the ethical principles of integrity, honesty, and transparency, conducting ourselves at all times on the basis of good faith.
- We comply with all applicable legislation in the countries where the Cellnex Group operates and also with the Cellnex Group's internal regulations.
- Ethical conduct and compliance with regulations are more important than Cellnex Group results.
- Wherever there is a conflict between the applicable legislation and the internal regulations applicable to the Cellnex Group, the former shall prevail.
- We do not allow the personal situations of affected individuals to come into conflict, whether directly or indirectly, with the interests of any company in the Cellnex Group.
- We treat information with the utmost rigour.
- We use and protect the company's assets appropriately, treating people as its most important asset.
- We guarantee equal opportunities and do not discriminate against individuals.
- We guarantee that there will be no reprisals for any query on or report of breaches of the Cellnex Group's Code of Ethics and its operating rules, provided that it is made in good faith.
- We protect the environment.
- We foster political neutrality.

- **Main responsibilities of Cellnex's Ethics and Compliance Committee.**

Complying with the Code of Ethics and developing its internal regulations

The Cellnex Code of Ethics, approved in 2015 by the Board of Directors, is the fundamental rulebook of the Cellnex Group that establishes the enforceable general guidelines for all persons and stakeholders covered by it within the Cellnex Group.

The objectives of the Code of Ethics are:

- To establish general guidelines for action and behaviour.
- To define an enforceable ethical reference framework that should govern the work and professional conduct of everyone it covers.
- To create reference standards of conduct for stakeholders in contact with any of the companies in the Cellnex Group (partners, suppliers, customers, shareholders, partners, etc.).

Responding to one of its objectives, during 2017, the Committee focused on disseminating and communicating the Group's Code of Ethics through various actions with different scopes according to the geographical area concerned:

- A communication campaign was launched to provide information about the Group's Ethical Code to the staff of all the countries in which the group is present, with the exception of Switzerland, where it will take place in 2018.

GRI: 102-16, management approach for anti-corruption (103-1, 103-2, 103-3)

- Training campaigns were carried for a total of 1018 employees, representing 82% of the total staff in Spain. The Ethics and Compliance Committee aims to extend this training to the remaining countries in the coming years.
- A campaign was launched to provide information on the Ethical Code to suppliers. In addition, in November 2017, Cellnex Spain added a new clause to the general conditions for orders, which involves information on the Code of Ethics. In 2018, this clause will also be added in the countries of the Group that have the SAP system in place.

The Cellnex Group Code of Ethics has defined an information channel, called the Ethical Channel, managed by the Ethics and Compliance Committee, which allows the possibility to inform confidentially of any potential significance irregularities detected within Cellnex Group companies.

Using the Ethical Channel, all affected individuals and stakeholders can:

- Consult any doubts about the interpretation of the Code of Ethics, its implementing regulations, and all applicable legislation and internal rules.
- Report any breaches of the Code of Ethics, its implementing regulations, and the applicable legislation and internal rules.

Such communications and notifications can be made through:

- The Group's intranet.
- E-mail: canaletico@cellnextelecom.com
- By post addressed to the Ethics and Compliance Committee.
- Other channels established in the internal rules.

An interactive form was created in 2017 to facilitate communications and is available to all employees. It provides an effective and confidential way to send communications and notifications directly to the Committee via e-mail without the need to print them on paper.

During 2017, there were no notifications of irregularities received through the various communication channels that are available to all personnel of the Group.

Likewise, Cellnex offers a Corruption prevention procedure, approved in 2015 by the Board, which aims to develop patterns of behaviour to continue efforts to combat corruption. This procedure also applies to all employees and stakeholders. In this regard, no cases of corruption were detected in the Cellnex group in 2017. In addition, 100% of the members of the council have received training in the fight against corruption.

GRI: 102-16, management approach for anti-corruption (103-1, 103-2, 103-3), 205-2

- **Risk management**

The Cellnex risk management model is formalised in a risk management policy approved and overseen by the Audit and Control Committee. This model is embodied in a comprehensive risk management system that allows risks to be managed in a logical and structured way while facilitating effective and efficient decision-making. The main stages in risk management include:

- Risk identification: Identifying risks that may prevent Cellnex from attaining its strategic objectives. Cellnex's risk management system includes four types of risks: strategic, financial, operational and compliance-related.
- Risk analysis: Determining possible positive and/or negative impacts of such events materialising and the likelihood of their occurring.
- Assessing and developing risk action plans: Using the corporate risk map drawn up, the governing bodies of Cellnex will prioritise the treatment of risks based on strategic criteria of risk appetite and risk tolerance levels. Likewise, they will analyse the options available for responding to threats (either minimising the negative impact or maximising potential growth of opportunities).
- Monitor and review: Monitoring and updating the results of the risk management system by ensuring that the risks are identified and that the chosen risk treatment approach is the most efficient.

We should highlight that Cellnex's risk management policy states that the various areas of the Group are responsible for each of those stages. More specifically, the departments within the organisation are responsible for identifying, assessing and tracking risks and for supervising and implementing control measures to mitigate the possible negative impacts of such risks.

Cellnex's integrated risk management model involves the Steering Committee developing and monitoring a risk map while the Audit and Control Committee oversees its development. In addition, the progression of the main risks identified is communicated to the Board of Directors for consideration. When a new company joins the group, there is a prudential period of consolidation from which time the risks are analysed and the Code of Ethics disseminated.

In this regard, we should underline that the management team and the governing bodies of Cellnex are aware that creating value for the organisation is directly linked to managing risks that may jeopardise the sustainability of its strategy.

Additionally, during 2017 a Model for the Prevention of Criminal Offences (MPD) was approved that includes the appropriate surveillance and control measures to prevent crimes or significantly minimise their risk. The model has a general and specific protocol.

Cellnex has implemented a risk management model that has been approved and supervised by the Audit and Control Committee. The risk management model aims to ensure that the Group's objectives are effectively met.

GRI: 102-15

The main risks that may affect the achievement of the Group's objectives are:

Cellnex risk typology [1]

Risks related to the industry and the business in which the Group operates	I) Risks related to the environment in which the Group operates and those derived from the specific nature of the Group's businesses II) Risks of increased competition III) Risk of infrastructure sharing IV) The expansion or development of the Group's businesses, through acquisitions or other growth opportunities, involve a series of risks and uncertainties that could adversely affect operating results or interrupt operations. V) Operational risks VI) Risks about the conservation of land entitlements where the Group's infrastructures are located VII) Risks inherent to the businesses acquired and international expansion of the Group VIII) Risk associated to significant agreements signed by the Group that can be modified by change of control clauses IX) Risk related to the "non-control" of certain subsidiaries X) Risks related to the execution of Cellnex's acquisition strategy XI) Regulatory risks and other similar ones XII) Disputes
Risks related to financial information	XIII) Risks of financial information, fraud and compliance XIV) Expected contracted income (backlog)
Financial risks	XV) Exchange rate risks XVI) Interest rate risk XVII) Credit risk XVIII) Liquidity risks XIX) Inflation risk XX) Risk related to the Group's indebtedness

See full risks in Annex II

[1] For more details see note 4 of the accompanying consolidated financial statements.

GRI: 102-11, 102-15

- **Cellnex's Corporate Responsibility framework**

Cellnex's key objective is to generate sustained value in the short, medium and long term, through responsible management of the business, incorporating the interests and expectations of the company's stakeholders.

In 2016, the Board of Directors approved the Corporate Responsibility (CR) policy, which includes Cellnex's CR strategy and commitment to the application of best practices in the countries in which it operates and on the basis of international reference standards. This commitment is developed in the company's 2012-2020 CR Master Plan, which constitutes the reference framework and the tool for systematising the strategic objectives, monitoring indicators and the actions and programmes underway for each of the axes of the Plan. Specifically, the plan consists of six areas of action:

Lines of action included in the Cellnex CSR Master Plan

Ethical management and good Governance	Governance of Corporate Responsibility	Sustainable development of the business	Contributing value to society	Communication and reporting	People Development
Promoting ethical behaviours	Providing the Master Plan with executive responsibility for Corporate Governance	Ensuring the whole company has the same level of environmental responsibility	Promoting and stimulating responsible and local procurement	Creating awareness within the company on the importance of Corporate Responsibility	Having an effective people development plan
Establishing a framework for ethical behaviour	Instrumentalising the Corporate Responsibility Master Plan	Positioning ourselves regarding analysis of the effects of EMR on health	Supporting the entrepreneurial and innovative world	Achieving greater knowledge and closeness to stakeholders	Helping people in the process of internationalisation
Having effective and sustainable corporate governance	Establishing a framework for action on Corporate Governance	Increasing environmental awareness among stakeholders	Creating value in the community	Full reporting	Promoting quality employment
Promoting an acknowledged culture of compliance			Taking a strategic approach to the relationship with the third sector	A reference in transparent corporate governance	
				Being a reference for value creation for society	

The CR Plan incorporates the best experiences of the Cellnex group companies as well as new proposals for building a better organisation day by day. With this Master Plan, Cellnex aims to create an instrument bringing together all the company's ethical, environmental and social initiatives, further establishing a long-term vision, setting commitments in accordance with internationally recognised standards that place it on the same level as the major infrastructure companies operating in Europe, specifically in the telecommunications sector. This plan also aims to improve two-way dialogue between Cellnex and all stakeholders, especially the company's staff team, customers, suppliers and contractors, administrations, shareholders, the community and partners in shared projects.

In 2017, Cellnex Telecom published a declaration on Slavery and Human Trafficking Statement in response to the United Kingdom Modern Slavery Law, which condemns any practice of labour exploitation and pledges to prevent it both in its activity and its supply chain. This commitment is developed through the Group's Corporate Responsibility Policy, which sets basic guidelines and lines of action in this area. Likewise, Cellnex's Code of Ethics expresses its commitment to complying with human rights and expresses its total rejection of child labour and forced or compulsory labour, and undertakes to respect freedom of association and collective bargaining. In the supply chain, Cellnex evaluates its most critical suppliers in terms of human rights on an annual basis. In addition, in 2017 Cellnex drew up the Purchase Policy that establishes the obligation for its suppliers to comply with protection and respect for Human Rights and to be familiar with the Code of Ethics and share it with its employees and subcontractors.

GRI: 102-19, 102-20, 102-34

- **CSR Master Plan 2016-2020 and degree of progress.**

In 2017 great efforts were made to implement the various goals and actions included in the Master Plan. The degree of implementation of these is shown below:

CSR 2016-2020 Master Plan

Action Areas	No. Action lines	No. Lines under development	No. of actions	Attainment of the various actions
Ethical management and good governance	5	100%	21	81%
People development	6	83%	9	44%
Sustainable development of the business	9	100%	17	47%
Adding value to society	5	40%	9	22%
Communication and reporting	10	70%	13	62%
Governance of Corporate Responsibility	3	100%	13	54%
TOTAL	38	82%	82	52%

- **Degree of progress of the Plan. Performance lines and goals started**

- **Main actions implemented in 2017/Main actions in the future.**

Main actions implemented in 2017	**Key future actions**
Ethical management and good governance	
✓ Evaluation of the performance of the Board of Directors of the Company, with the help of an external consultant. ✓ Development and implementation of a monitoring system for good governance practices.	• Preparing a transition process towards a board of directors whose composition is in accordance with the guidelines of the Code of Good Governance of Listed Companies CNMV (2015).
People development	
✓ Designing and implementing an expatriation methodology that guarantees correct personnel management. ✓ Preparing and implementing a Human Resources Integration Plan for newly incorporated companies to Cellnex.	• Making a firm commitment to equal opportunities and non-discrimination by supporting measures to facilitate the presence of women in the company. • Continuing to measure staff satisfaction through work climate surveys. • Developing and implementing a national plan to enhance pride in belonging to the company and creating a Group culture.
Sustainable development of the business	

GRI: 102-11, 102-19, 102-20, 102-34

✓ Designing a Sustainable Mobility Plan. ✓ Increasing the percentage of waste recovered. ✓ Establishing annual targets to minimise the carbon footprint. ✓ Verifying the carbon footprint. ✓ Voluntary annual compensation of CO2 emissions. ✓ Introducing messages related to sustainability aspects in the information panels of the operational centres.	• Initiate actions for the progressive adaptation of Cellnex procurement system to a sustainable system with climate change. • Adapt the internal processes of the current Integrated Management System (9001-14001-0SHAS) to integrate the ISO-50001 requirements. • Promote communication initiatives, Sustainability awareness, Security, Mobility and carbon management.
Adding value to society	
✓ Drafting a Responsible and Proximity Purchasing Policy. ✓ Developing and assessing a pilot project in a consortium with other collaborators supporting entrepreneurs and start-ups dedicated to innovative technological projects in the ICT field.	• Drafting a sponsorship manual that responds to the company's strategic priorities. Defining guidelines for activities in the social action plan to convey specific actions to be rolled out and prioritising them.
Communication and reporting	
✓ Having the company's integrated annual report verified by an independent third party in accordance with the highest reporting standards. ✓ Preparing a Basic Guide to Non-financial Information Reporting.	• Drafting an Internal RC Communication Plan to raise awareness of CR within the company. • Preparing a non-financial information reporting manual to define the reporting processes within the company and to ensure homogeneity within the information published.
CSR governance	
✓ Incorporating a new RC manager.	• Defining common Corporate Responsibility requirements for all Group companies. • Preparing an RC Integration Plan for the new companies in the group.

GRI: 102-11

5. SUSTAINABLE MANAGEMENT OF THE VALUE CHAIN

Map of Cellnex stakehohlders

- **Stakeholders**
  - **People Management**

In 2017, a year marked by growth of the Group, mainly through new acquisitions in Europe, Cellnex now faces the challenge of integrating the new companies into the group's organisational model, particularly in the personnel management field.

As part of the Group's new organisational vision, and responding to this challenge, in 2017 it implemented a management change project called "**Change Management**" that aims to ensure the transfer of responsibilities and to provide guidance throughout the transformation process. This project made it possible to identify which jobs were affected by the change and to accompany and monitoring the development of each individual concerned. In addition, roadshows were carried out in all countries to explain the organisational vision and organisational changes. A survey will be conducted in 2018 among all affected employees to evaluate their perception and satisfaction with the way in which the **Change Management** project is being managed.

In this European context, an **international assignments** policy was approved in 2017 to frame the situation of displaced workers during the duration of the international project. Through this policy, the idea is to provide workers an opportunity for professional development while ensuring a series of guarantees during their stay and return, related not only to supplements and economic benefits, but also in terms of taxation, work and Social Security.

In addition, the **onboarding** programme was created in 2017, and will be implemented throughout 2018. The aim is to speed up the adaptation and integration process of new people joining the organisation.

GRI: 102-40, 102-42, 102-43, 102-44

In line with this vision, Cellnex Italia is working to obtain the SA8000 Social Accountability Certification in 2018. The objective of this certification is to ensure diversity and equal opportunities for all members of the Italy team.
Objectives 2018:

- Start integrating the "The Hub" skills model in Italy.
- Survey on the engagement commitment of employees, in Spain, Italy and corporation.
- Prepare and approve the Talent Book with coverage throughout the Cellnex Group.
- Develop an Employer Branding Plan in Spain.
- Implement a Global Intranet.

The Cellnex team

The Cellnex team comprises 1,403 people, with a very diverse geographical distribution represented by the 86% of people in Spain, the 9% in Italy, the 1% in France, the 2% in the Netherlands, 1% in the United Kingdom and the 1% in Switzerland. The workforce is characterised by a preponderance of men, which tallies with the situation in the industry, where there is a strong male presence. The 100% of the Senior Managers in Cellnex Spain come from the local community.

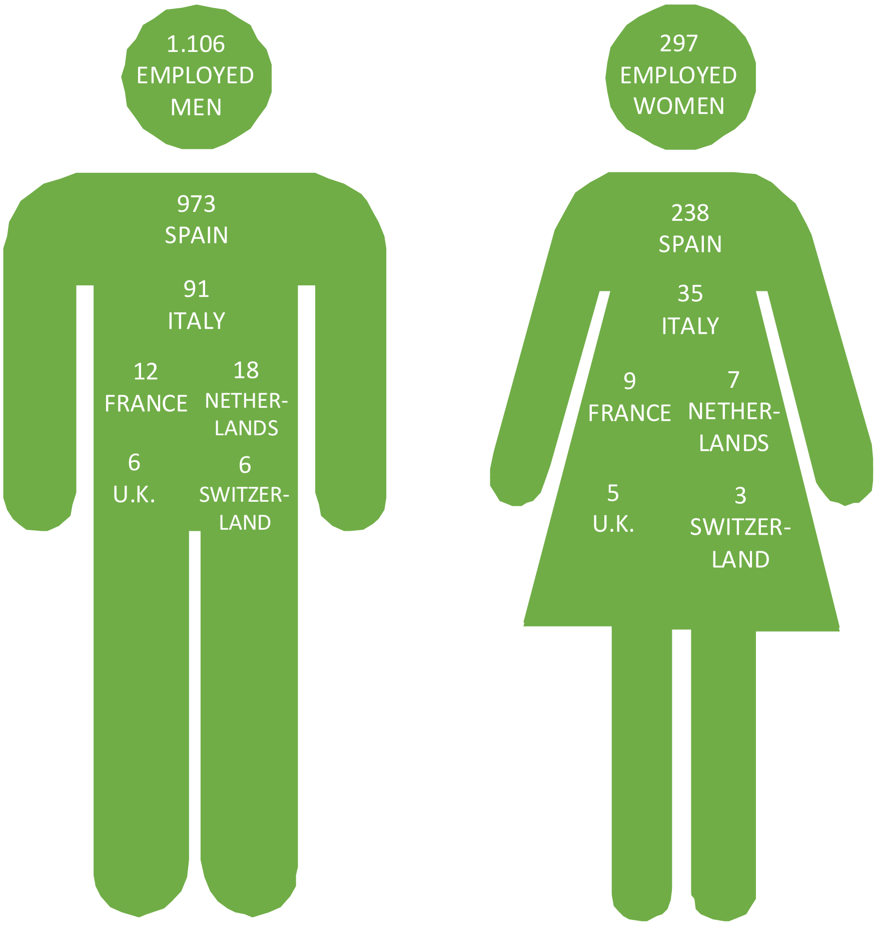
That is why Cellnex is looking to increase diversity among its staff and, in accordance with the goal set in 2016, the company has begun to update the Equal Opportunities Plan in Spain, to gradually increase the proportion of women in the company, in all positions and responsibilities, ensuring equal treatment and opportunities for women and men and preventing sexual harassment and sex discrimination, whether indirect or direct. Specifically, the diagnostic phase was completed in 2017, which made it possible to assess the extent of development of equal opportunities in Cellnex and the company's new Equality Plan will be formalised in 2018.

Likewise, in response to the objective established in 2016, a Mobility Plan was drawn up in Spain during 2017 to promote more sustainable and safer mobility within the organisation to achieve the following objectives:
- Reduced impact of mobility, cutting the annual number of km travelled.
- Increased safety, reducing the number of *in itinere* accidents.
- Optimising resources.

Specifically, a survey was carried out during 2017 among employees of the Barcelona and Madrid offices on mobility and the results analysed. It is expected that the comprehensive mobility strategy will be formalised and approved in 2018.

Staff turnover in Spain remained stable in 2017, with a level of 2%.

GRI: management approach for market presence (103-1, 103-2, 103-3), 202-2, management approach for employment (103-1, 103-2, 103-3), 401-1



162 New hires in Spain

See details in Annex IV.

GRI: 102-7, 102-8, management approach for market presence (103-1, 103-2, 103-3), 202-2, management approach for employment (103-1, 103-2, 103-3), 401-1, management approach for diversity and equal opportunity (103-1, 103-2, 103-3), 405-1

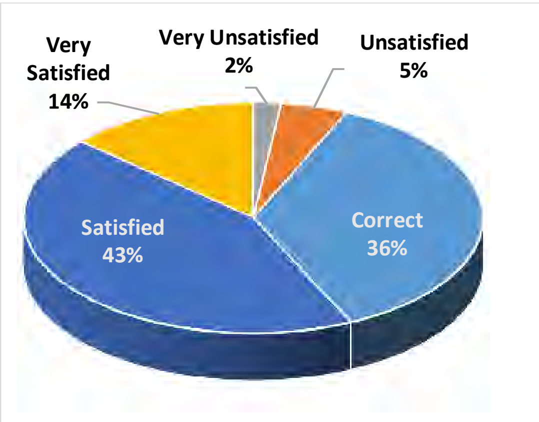
- **Commitment to leadership and talent development**

The management of the team and development of its talent is one of the Cellnex strategic pillars. During FY 2016, the Cellnex Telecom group implemented a "talent management" model aligned with the business strategy in Spain. 2017 saw the continuation of this model, which made it possible to obtain talent indicators and improvement and development indicators, which facilitated comparability between periods, minimising the subjectivity of people assessment.

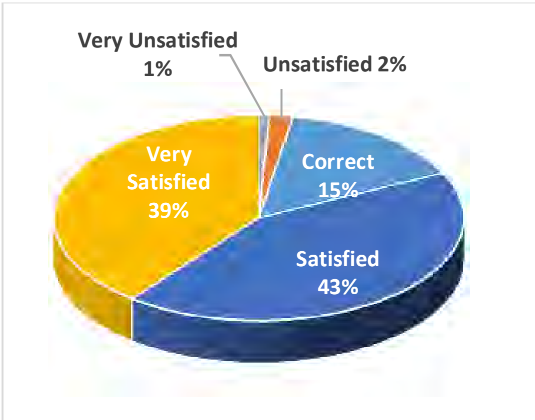
In this connection, "The Hub" talent management tool enabled the company to continue to perform its Development Dialogues with all employees, a space for dialogue between workers and their managers in relation to individual worker development in order to define their IDPs (Individual Development Plans). Likewise, specific training was provided for managers in order to improve and equip managers during the holding of development dialogues and IDPs. In addition the company has made available to all employees the possibility of conducting training on the development of the IPDs and has attended all requests received in this regard.

Employees were surveyed at the end of 2016 to find out their opinion on the "talent management" model and specifically on "The Hub" tool and the Development Dialogues. The results were very positive and also served to update the process and modify and adapt The Hub tool, adapting it to the needs of its users.

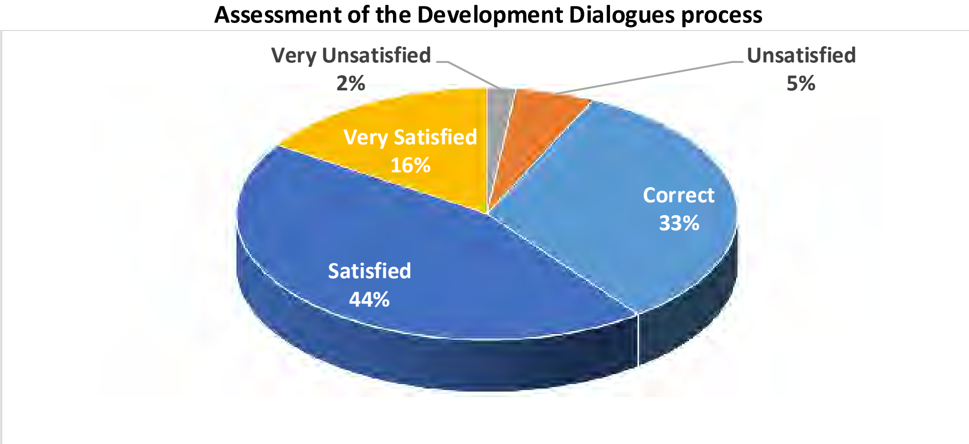
Assessment of "The Hub" tool



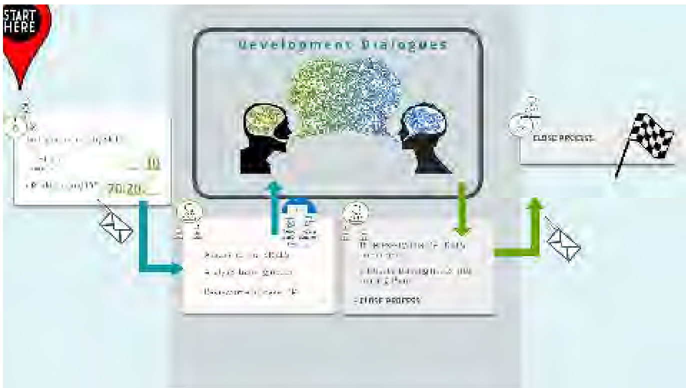
Assessment of the development dialogues with the line manager



Assessment of the Development Dialogues process



These changes were made during 2017 and the diagram below shows the results:



As a second assessment of the "talent management" model, a new workers survey will be conducted at the beginning of 2018 to assess their managers directly in the context of the development dialogues to assess their involvement and dedication. The results of the survey will serve to assess the personal objectives of each of the managers on this function as well as to detect possible improvement actions.

The plan is to begin integrating this talent development model in the various countries, starting in Italy throughout 2018.

- **Training 2017**

Cellnex bases its development on the "70:20:10" approach, a development model in which everyone is responsible for their own development and the manager is responsible for accompanying the process while the organisation provides the resources to enable it.

In 2017 technical training sessions were taught associated with the core knowledge of the Department of each partner as well as cross-cutting training such as project management, languages, office automation, skills and Occupational Risk Prevention. Training is face-to-face, online and blended and provided by external experts and/or internal trainers.

In 2017, the staff of Cellnex Spain and Italy received 44,824 hours of training of which 5,058 were based on safety training at the workplace.

Training hours

	2016	2017
Spain	43,501	40,452
Italy	2,852	4,372
Total	**46,353**	**44,824**

See details in Annex IV.

Training pathways 2017

In 2017, Cellnex Spain organised a further leadership pathway course. Launched in 2015, it is aimed at managers. The aim of this course was to train new managers in the field of people management, acquiring skills and tools to foster leadership change. In addition, the talent management model for 100% of the staff of Cellnex Spain has been maintained.

GRI: management approach for training and education (103-1, 103-2, 103-2), 404-1, 404-2

The leadership training sessions conducted in Italy in 2017 were also aimed at managers and team leaders. These courses aim to provide the necessary tools to equip them all with the skills and knowledge required in their workplace.

In addition, in 2017 Cellnex carried out several training activities for different job categories. In Cellnex Italy in 2017 a project on “accountability” of senior and middle management has been implemented with the aim to spread a common language of communication able to simplify and support the internal relationship. Cellnex aims to continue the project also in 2018, in order to extend the language of “accountability” also among other levels of organization. In 2017, Cellnex Italy also started a course of Project Management for empowering new resources in managing transversal projects and aimed to support the integration of Companies. In addition, the company’s project ‘Costumer First’ has been promoted by training sessions that had as target to approach technicians to a new job role of “Asset Manager”. It means to put these people in contact with new concept related to soft skill as “communication”, “negotiation”, “accountability”, “time management”, and to new technical skills as “sales technicalities” and “business orientation”.

Also during 2017, coaching sessions were held for Directors, Managers and Heads of Unit in Spain who had previously been through the management audit in 2016, and another leadership skills evaluation was opened up to a new group, consisting of an external assessment (management audit) including a feedback of the results. This group will start receiving coaching sessions in 2018.

Specific training programmes

Leadership pathway	The aim of this course was to train the ten new 27 managers in the field of people management, acquiring skills and tools to foster leadership change.
Pathway for project managers	*The programme, access to which depends on an assessment, consists of four modules:* • *Project management* • *Management and control of external resources* • *Personal effectiveness and own time management* • *Personal skills and competences* *Staff who complete the training can then access the Project Management Programme (PMP) official examination, which is an internationally recognised certificate that validates the competence to act as a project manager, leading and directing projects and teams. To help them to pass this exam, managers are provided with an exam preparation course involving not only face-to-face sessions but also allowing access to an online tool and a tutorial session to resolve their doubts and provide support in the final preparation of the official examination.*
Pathways for in-house trainers	*This project aims to prepare trainers for their role as Internal Trainers.*
Languages	*Language grants included in the Cellnex training grants programme.*

GRI: management approach for training and education (103-1, 103-2, 103-2), 404-2

- **Management by objectives**

In Cellnex Telecom Management by Objectives (MBO) is considered as an incentive to stimulate the contribution and additional creation of value in a systematic way, ensuring a global alignment of efforts to achieve the group results expected in the market.

This array of objectives rolls out the group's priority strategy in each country and consistently combines crossed objectives among different areas that cover the main projects of the current year to support the business strategy. The Model is implemented at all levels and profiles of the company and, while there was no significant change during 2017, an update is planned for 2018.

One goal is to express an objective to be attained during the current year. This objective can be established by the line manager, or can be a functional objective assigned and evaluated by a cross-cutting area (resources, finances, etc.) as detailed in the Cellnex Telecom Relational Model.
Each employee can have different types of objectives within the same period:

- Group/Country Objectives.
- Management Objectives.
- Individual objectives.

The weight or importance of each type varies according to the organisational position or work profile of each Cellnex Telecom employee.

- **Commitment to well-being and health at work**

Cellnex looks after well-being on its premises, striving to implement the best **health and safety** measures and ensuring compliance with the relevant rules in all its premises. In order to ensure compliance with existing legislation on occupational health and safety and its integration in all the company's departments and processes, Cellnex Spain and the businesses that make it up are certified according to OHSAS 18001:2007 by the auditing body TÜV Rheinland. In 2018, there are plans to certify Cellnex Italia and the companies that comprise it are certified according to OHSAS 18001:2007 by the auditing body DNV GL Business Assurance.

Cellnex has also Business Coordination Activities agreements with its customers through which the company defines the audit processes to be made on its customers. These audit processes seek to comply with current regulations concerning occupational hazards; RD171/2004 (the Royal Decree implementing Article 24 of Law 31/1995 of 8 November 1995 on Occupational Risk Prevention, on coordination of business activities) and LPRL 31/1955 (Law on Occupational Risk Prevention).

The company has a proprietary OSS under which it performs a thorough control of access to its centres, thus ensuring strict compliance with the ORP policy and the access procedures by customers and contractors.

Cellnex Spain has a **Health and Safety Committee,** comprised of 14 members, which handle prevention issues affecting the company as a whole. It also has two Health and Safety Committees, for the Barcelona and Madrid sites, which handle issues specific to the corporate buildings.

There were four Health and Safety committee meetings in 2017 involving the participation of employees of the various work centres who are represented in these committees and represent 97.7 % of the workforce in Spain. Furthermore, there is an e-mail of the Joint Prevention Service and a corporate Intranet application to allow any Cellnex worker to blow the whistle on any situations in which worker safety could be compromised.

GRI:102-41, management approach for occupational health and safety (103-1, 103-2, 103-3), 403-1

In parallel to this, Cellnex Italia has direct communication channels between the Human Resources Department and the staff in order to communicate situations in which safety and prevention of occupational risks could be put at risk, and has defined a procedure for what to do when such communications are received.

In addition, in order to ensure a healthy working environment in which all company staff know the health and safety measures in the workplace, the company provides information and training in occupational health and safety for the whole workforce. In 2017, 4,990 hours of training were imparted in occupational risk prevention and occupational safety at Cellnex Spain.

Likewise, as regards communication and awareness-raising, during 2017 the signage of the network locations was adapted to the new organisational design and distributed by the national territory.

Furthermore, progress was made in 2017 with the **Healthy Company model** project. This model establishes the requirements of a management system for organisations committed to existing international principles and recommendations on healthy businesses that wish to promote and continuously protect the health, safety and welfare of their workers.

During 2017, various pilot initiatives were set up to assess the degree of acceptance by the workforce and to continue to make progress in this area during 2018. Among these, we would particularly point to the initiatives organised as part of World Day for Safety and Health at Work, the aim of which is to promote the prevention of occupational diseases and accidents and to create and promote a safety and health culture to help reduce risks at the workplace:

- Distributing a piece of fruit in the offices in Spain.
- Ibervending, the provider for the offices in Spain, is promoting the consumption of "wellness" products by increasing its offer of healthier and lower calorie products and distributing boxes of fruit on one day.
- As part of Cellnex's Wellness Programme, a talk on Healthy Eating was given by a specialist in Occupational health nursing and Master in Nutrition and Health at the offices of Spain.

- Shareholders

Cellnex works to maintain investors' confidence and to meet their expectations. To this end, it set up the **Investor Relations Directorate** in 2017, dedicated to channelling and making available all financial information to shareholders and analysts, as a key tool for publicising the real value and the potential of the company, plus its growth opportunities. The person in charge of this department is **Juan José Gaitán, who was awarded by Extel 2017**, a leading survey in the investment community at European level.

2017 was an intense year for the Investor Relations Department, which included contacting more than 300 shareholders and holding meetings in 13 different countries. 31 sell-side analyst actively covered the stock during 2017, issuing investment recommendations on Cellnex, 65% of which are BUY.

Taking into account the strong start of **2018** the aim is to increase the international reach of the Investor Relations Department and to develop new initiatives.

Similarly, on 14 November 2017, the Barcelona offices hosted "**Capital Markets Day 2017**", a meeting which not only presented the third quarter of 2017 results, but also provided analysts and investors with the opportunity to learn details of the company's progression and future prospects at first hand from the Cellnex management team.

GRI: management approach for occupational health and safety (103-1, 103-2, 103-3)

On the same dates, Cellnex took part in the **Morgan Stanley European Technology, Media & Telecom Conference** event where more than 160 companies and more than 600 investors gathered in Barcelona to discuss the latest developments and trends for the technology, communication and telecommunications sectors.

Participants at Capital Markets Day 2017

- ✓ 36 sell side firms
- ✓ 37 buy side firms
- ✓ 42% UK, EU excluding Spain 15%, Spain 29%, US and Canada 12%, Australasia 2%

- **Customers**

Cellnex Telecom has defined a relationship model with its customers based on proximity, transparency and the search for constant improvement.

One of the key factors of this model is the continuous interaction with the customer throughout the process of providing the service, from commercial to incident management, reporting and possible consultations and complaints during provision, operation and maintenance. That is why customer dialogue takes place from areas that are specialised in the various phases and aspects of the service, responding to the customer's needs at all times.

To ensure a personal and stable customer relationship, we have defined the figure of account manager, represented by a person from the company who looks after the relationship with the external customer and aims to provide personalised service in real time, improving customer satisfaction across the board.

In Spain, no customer complaints were registered in 2017. Meanwhile in Italy, seven complaints have been registered through direct contact and eight via mailbox, but all have been resolved or treated.

As part of the effective management of significant events and incidents, there are various business continuity guidelines and plans designed to ensure that critical services can continue to be provided in the event of failure in any system, either by protecting these or by redundancy.

In Spain, switching is performed automatically in the event of a failure in redundant systems. The Control centres from which the network is operated and monitored are available 24/7. The equipment supporting the delivery of core services is controlled remotely from the control centres and, if necessary, can force the manoeuvres necessary for the proper provision of the service. Operational units are also available in all provinces of Spain so that a qualified technician can be sent to the site of the fault, when necessary, to provide a solution within the time stated in the service level agreements. Since the company provides its services and operates its network 24/7 in all locations, there is no downtime on any sites.

With the provision of new network services such as Smart Cities and IoT services, Cellnex is beginning to experience a change in the type of its customers. Specifically, the new services entail managing a greater number of customers and players from different sectors that are also geographically disparate. This new scenario involves a change in the customer management model, which requires the implementation of new communication channels in addition to the account manager, web or email. In this new scenario, it is particularly important for Cellnex to be present in forums, conferences and events in which Cellnex plays an active role.

Likewise, Cellnex has established a number of communication channels with customers, such as those contained in the service-level agreement (SLA) reports, or the biennial studies of perceived customer satisfaction, the outcome of which feeds into action and improvement plans.
These studies were established with the following specific objectives:

- To have a complete picture of customers' overall perception of the company.
- To learn about the level of customer satisfaction, breaking down and parametrising overall levels of satisfaction into the various values and attributes in the study.
- To produce a map of customer indicators with the services provided by the company for each activity and segmented by business area and type of customer.
- To determine company recommendation and loyalty rates relating to each service, activity, business area and customer type.
- To determine the critical points and strengths and establish an action plan based on the external customer satisfaction study.

Zero Outage

A few years ago, the Deutsche Telecom group launched a certification programme for its suppliers to improve the service provided to the end customer. Today there are around 60 certified companies worldwide, and the certification process is governed by very rigorous criteria in the end-to-end management of the connectivity service for data transmission, leading to an improvement in the final quality provided to the customers of this German group.

In Spain, the company of the German T-Systems group has led the certification process with Cellnex Telecom. Once achieved, it will strengthen the relationship between both companies on the back of their prior stable relationship. There is a transition towards a partnership model between both companies.

Cellnex began the certification process in mid-2017. Since then, T-Systems has been monitoring the quality offered in the data connectivity services offered, which are subject to rigorous levels of continuity. To respond to the requirements of the programme and to achieve type-approval, periodic meetings have been held with T-Systems managers, training provided to the operators of the control centres, improvements made in incident management processes and in scaling applications, etc.

In December 2017, the Group was notified of this certification, which comes up for renewal each year. According to current available information, currently only two companies are certified in this type of activity in Spain, one of which is Cellnex.

Cellnex expects this partnership with T-Systems and the Deutsche Telecom group to generate new opportunities to work together, which will undoubtedly help to grow the Group's connectivity services business line and is an acknowledgement of the work and quality of the services provided by Cellnex.

- **Satisfaction survey 2017**

The customer satisfaction survey in Cellnex Spain is carried out on a biennial basis. In 2017 the survey was updated, with very positive results result, achieving satisfaction rates of 92% of all Cellnex Telecom customers who are satisfied or very satisfied with the service offered by the company.

In 2017, Cellnex Italia has drafted a questionnaire as a previous step of the customer survey that will be carried out with the aim to measure the level of satisfaction with the company's performance and quality of service. In the survey, Cellnex Italia customers are asked about their relationship with the company, the sales process, the Cellnex management of the project, the after sales service, the administrative service, general satisfaction and their general satisfaction in comparison with competitors in the market.

- **Commitment to customers**

Working and management procedures with Cellnex customers are defined through values of responsibility and commitment and are reflected in price setting and information, with a constant focus on communication and proximity across the board.

Regarding the television signal broadcast carrier service, Cellnex Spain has to provide its nationwide network access services to third-party operators, as stated in the resolution of 30 April 2013 of the National Commission for Markets and Competition (CNMC). The obligations laid down in the resolution include publishing a reference offer for the provision of wholesale access service that is sufficiently disaggregated to ensure that they do not have to pay for resources that are not needed for the regulated service. In order to fulfil this obligation, Cellnex Spain developed the reference offer for access to Cellnex, S.A's transmission centres (ORAC) for the first time in October 2009. The ORAC describes the centres and services, procedures for providing them, the technical conditions and prices for providing the wholesale access service that will give authorised operators access to the broadcasting centres in the Cellnex national network on transparent, objective, non-discriminatory and cost-oriented terms. This information is updated regularly.

- **Providers**

Cellnex has a supplier management model based on cooperation and joint improvement. This model aims to implement more efficient procurement procedures and find technological solutions to bring about improvements, both in internal management and in providing services to customers. It should be underlined that the model is governed by the use of best practices in procurement processes undertaken.

Cellnex's providers and suppliers have to know the corporate policies and ensure that they comply with each of them. Cellnex publishes a series of policies on its corporate website for suppliers, concerning quality, environment, occupational risk prevention, information security, corporate responsibility and R&D+i as well as the code of ethics. Suppliers must comply with these requirements in the course of their work, and must also make available these rules and requirements to all contracted and subcontracted personnel.

In 2017, Cellnex drafted a Purchasing Policy, which establishes and promotes a guide for action in the procurement process that goes beyond product and service price and quality to also impact social, ethical, environmental, privacy and continuous improvement aspects in the performance of Cellnex Group suppliers.

Cellnex is committed to local value generation by using 98.8% local suppliers in Italy, and 93.8% in Spain. Wherever possible, priority is given to purchasing goods and services from local suppliers, meaning from within the same country.

GRI: 102-9, 102-10, management approach for procurement practices (103-1, 103-2, 103-3), 204-1

In terms of Occupational Risk Prevention, Cellnex Telecom establishes coordination requirements between the company and its suppliers of works and services, in order to comply with the obligations established in the Law on Prevention of Occupational Risks and other regulations that complement it. It has specific guidelines for suppliers that access the company's facilities, mainly those involved in supply and maintenance projects, and cubing services. Likewise, Cellnex informs suppliers of the environmental requirements for works, with which it must comply to avoid generating negative environmental impacts while performing their work. If these do occur, the necessary corrective measures must be implemented to address them.

- **Evaluation, selection and monitoring of suppliers**

Cellnex's companies apply a procedure for evaluating and selecting suppliers in order to ensure that suppliers are aligned and comply with corporate policies and values.

In the case of Cellnex Spain and Cellnex Italia, there is a system for evaluating, selecting and monitoring suppliers that includes an internal procedure detailing the criteria and phases to be followed to become a Cellnex supplier.

- Initially, suppliers' performance is evaluated using quality and time criteria to obtain a grading by levels according to the result obtained. For suppliers with unsatisfactory results, while there is a desire to continue the business relationship, an action plan is established to correct and adjust their service level to that required by Cellnex. If a supplier does not improve its results and is unable to make the appropriate improvements, commercial relations may be terminated. This evaluation phase extends to all countries with the SAP financial system in place, such as Spain and Italy, and will also be extended to France in 2018.
- In a second phase, Cellnex Spain evaluates the performance of suppliers in terms of Corporate Social Responsibility including issues on ethics, the environment and labour relations. The aim of this evaluation is to better understand the suppliers from which the highest percentage of company procurement is made, in terms of sustainability. The universe of suppliers consulted in Spain was 286, from which 8 incidents related to negative social impacts such as the overcoming of the number of overtime hours, the interpretation of the norm between the Social Security and Labour Inspection and the difference of contribution in transferred workers were detected. In 2018, it is planned to implement this second phase in Cellnex in Italy and France.

In 2017, Cellnex Spain incorporated a specific information clause of the company's Code of Ethics into the general ordering conditions. In 2018, this clause will be extended to all countries that have the SAP financial system. Following this approach, a review of the general contracting conditions is envisaged in 2018 to add information related to the Code of Ethics and the Ethical Channel more broadly to these conditions.

GRI: management approach for procurement practices (103-1, 103-2, 103-3), 204-1, management approach for supplier environmental assessment (103-1, 103-2, 103-3), 308-1, management approach for supplier social assessment (130-1, 103-2, 103-3), 414-1

- **Public administration and regulatory bodies**

Cellnex has a close relationship with the various public administrations in Spain and throughout Europe.

As an Operator with significant market power (SMP) for the broadcast carrier service of the television signal in Spain, Cellnex is regulated by the National Commission for Markets and Competition (CNMC) in the wholesale access service to its broadcast centres.
Moreover, responsibility for security, the environment and construction is shared between the Autonomous Community and local administrations.

Finally, Cellnex's level of internationalisation and the sector's significant level of globalisation means that the European level of administration and regulation is even more relevant. The European Commission and European Parliament, along with the key players in the telecommunications sector, are involved in defining the regulatory framework and creating policies at European level. In this area, Cellnex plays an active role in defending the industry’s positions, especially with regard to the allocation of radio spectrum to audiovisual broadcasting services.

- **Cellnex's participation in relevant initiatives**
  - **Cellnex action and participation in relevant industry associations**

In 2017, Cellnex continued to participate in sectoral initiatives. Cellnex belongs to the following associations:

- **Associations**

- European Broadcasting Union (UER/EBU) - Digital Video Broadcasting (DVB) - TCCA (formerly Tetra MOU association) - DIGITAL - National Federation of Telecommunications Installers (FENITEL) - Spanish Association of Interactive Television Companies (AEDETI) - Broadcast Network Europe (BNE) - The European Wireless Infrastructure Association (EWIA) - European Internet Foundation - Factor Humà - HbbTV Association - Association of businessmen and executives of Aragon (ADEA) - European Telecommunications Standard Institute (ETSI) - European Innovation Partnership on Smart Cities and Communities (EIP-SCC) - COCEF (Chamber of Commerce of Spain in France)	- AIOTI Alliance - SmartCat Challenge - IoT Catalan Alliance - Audiovisual Cluster of Catalonia - RTVE Chair - Global Compact - ENERTIC - Chamber of Commerce of Barcelona - Association of infrastructure, equipment and public services companies (CCIES) - BARCELONA GLOBAL - Institute of Internal Auditors - Spanish Broadcasters' Association - Spanish Association for Quality (AEC) - Spanish Association for Investor Relations (AERI) - Association for Management Progress (APD) - Italian Chamber of Commerce and Industry for Spain (CCIS) - Business Confederation of security and services users (CEUSS) - Chamber of Spain

Cellnex is a founding partner and active member of:

- Broadcast Networks Europe (BNE): A Europe-wide association of broadcasters and operators, with the objective of developing the broadcasting technology ecosystem.
- EWIA (European Wireless Infrastructure Association): This Association aims to support its members in the development and emergence in Europe of independent telecommunications infrastructure operators and represent the industry's interests in matters of public policy within the European Union.

GRI: 102-13

Forums

- Digital TV Forum - International Telecommunications Union (ITU) - Circle of Technologies Foundation for Defence and Security - European Conference of Postal and telecommunications Administrations - The Electronic Communications Committee (CEPT-ECC) - CEOE	- Official Professional Association of Telecommunications Engineers (COIT) - Mobile Infrastructure Panel - TowerXchange - Digi-CONNECT - Digital Radio Forum - IBC - CITY PROTOCOL Society - CTN178

Foundations

- EURECAT - i2CAT	- SERES, foundation

Technological Platforms

- Networked & Electronic Media" (NEM) - e-nem (Spanish audiovisual network technologies platform) - e-sec (Spanish Security and Trust Technologies Platform)	- E-isi (Spanish Satellite Communications Platform) - e-mov (Spanish Wireless Communications Platform) - Es.internet (Spanish industry Technological Platform).

Universities and Training Centres

- School for New Interactive Technologies - University of Barcelona - ESADE	- Barcelona Graduate School of Economics - IESE

GRI: 102-13

Likewise, Cellnex has taken part in the following key international events:

Smart City Expo	Professional Audiovisual Technology Fair	Mobile World Congress MWC-2017
Cellnex took part in a further edition of the Smart City Expo World Congress, the major world event on smart cities. On this occasion, Cellnex focused on responding to one of the main challenges of today's society: creating innovative territories able to strike a balance between social development, environmental sustainability and economic competitiveness. The SIGFOX network, focused on Internet of Things (IoT) services, and the Smart Brain platform were the focus of Cellnex's participation in the Smart City Expo & World Congress. Likewise, Óscar Pallarols, Director of Innovation and Product Strategy, took part in the session on "Rethinking urban infrastructure in the digital age", where he spoke about Cellnex's vision of the future of connectivity that will be ushered in by the roll-out of 5G networks and their disruptive effect on urban infrastructures, society and the economy.	This year Cellnex took part once again in the Professional Audiovisual Technology Fair (Bit Broadcast). On this occasion, the latest advances in research in the audiovisual sector were unveiled, reflecting usage habits, spectrum efficiency and new viewer services. Cellnex is working actively to develop standards to allow the arrival of these new services through multiple devices	Cellnex Telecom took part in another edition of the Mobile World Congress (MWC), the mobile industry's global event par excellence. On this occasion, the company showcased its solutions and technology for responding to the high demand for mobile connectivity in high footfall areas (shopping centres, stadiums, metro lines, city centres, etc.). These multi-operator infrastructure-sharing solutions contribute to the development of mobile connectivity services with high efficiency rates.

Regulation and Competition seminar	Interoperability days
Cellnex participated in the "Regulation and Competition" seminar organised by IESE in collaboration with Cellnex, where more than 120 professionals from the telecommunications sector met to discuss regulation and competition in the telecommunications market. This seminar, held every year, was attended by speakers from the CNMC, academic experts, public administrations, and representatives of the car industry, etc. Cellnex Group's Strategy Director Josep Ventosa took part as a speaker at the round table on "infrastructure sharing".	Cellnex organised the Hybrid DTT "Interoperability Days" at which broadcasters and television manufacturers teamed up to ensure that broadcasters' interactive applications work properly on all brands of televisions.

Significant awards and recognition of Cellnex in 2017

- The Mediterranean Lighthouse Award, by the Italian Chamber of Commerce, acknowledges all the Spanish and Italian companies that have contributed over the years to strengthening the ties between Spain and Italy, singling out two companies that have done the most to foster and promote cultural, economic and commercial activity.
- The Company of the Year Award from the Association of Telecommunications Engineers of La Rioja, awarded at the event organised as part of the 10th Telecommunications Night Awards to Cellnex as the only provider with national coverage of broadcasting services in Spain and La Rioja supplying national and regional DTT services to provide broadcast services to the entire population, in addition to broadcasting national and regional FM services, and also because it is the leading independent European wireless telecommunications infrastructure operator.
- Awards from the Institute of Financial Studies (IEF) for Financial Excellence in Communication, awarded to Toni Brunet, Director of Public and Corporate Affairs, in recognition of his career in the world of economic and financial communication.
- Company of the Year Award in France, awarded by the Chamber of Commerce of Spain in France (COCEF) as part of the 28th edition of the BECC Trophies held in Paris. Through this award, BECC acknowledged "Cellnex's focus and commitment to the French market, as well as bolstering economic and business collaboration and cooperation between France and Spain".
- Honourable Mention of the Llotja Award for the best information on mercantile companies to shareholders and the market, awarded by the Chamber of Commerce of Barcelona.

Membership of Corporate Responsibility initiatives

Year after year, Cellnex shows its commitment to society by joining and organising numerous initiatives on Corporate Social Responsibility. Below are the most important initiatives of 2017.

The company worked together with the **Seres Foundation**, whose aim is to "Build a healthier, stronger society with competitive businesses that can stand the test of time". The foundation aims to foster and promote strategic business actions that contribute to an overall improvement of social reality. Cellnex has signed an agreement with the foundation through which it undertakes to:

- Work together with Seres Foundation to help it consolidate as an innovative benchmark entity.
- Disclose the collaboration between both entities in all possible communication initiatives.
- Share its knowledge in social best practices to make them available to society as a whole to enable Seres Foundation to become a platform for spreading and exchanging the social actions of companies.
- Participate in meetings between partners and other entities for social purposes.

In 2017 Cellnex collaborated with Fair Logistics Foundation, an organisation that works towards equal opportunities for groups at risk of exclusion from society and the labour market. Through this collaboration, Cellnex takes on the foundation's commitment to responsible consumption and the development of social logistics by importing fair trade and social economy products.

Cellnex collaborates with the AMPANS foundation through the hire of the company's Christmas batch. The AMPANS foundation is an entity from Bages that works to promote education, the quality of life and the labor insertion of people with intellectual disabilities, as well as mental illness and other groups that are in risk of exclusion, creating and managing centers, services, programs, supports and business activities with excellence criteria.

GRI: 102-12

Cellnex was actively involved in the event for promoting sustainable development organised by the **International Academy for Social Economic Development** (AISES) held in 2017 through the participation of the CEO of Galata, SpA. This year's event was organised to discuss the commitment to sustainable growth through the "Sharing Economy, Smart Technologies and Social Innovation".

In 2017, Cellnex signed a collaboration agreement with IESE to establish itself as a Trustee company of IESE, and defines its collaboration in various projects promoted by the Public-Private Sector Centre of the Business School. Thanks to these Trustee companies, IESE is able to improve its educational mission in the field of management and to make future projects a reality.

In 2017 Cellnex took part in the **Carbon Disclosure Project** (CDP), one of the most highly recognised organisations for its work on climate change, which seeks to assess the quality of – and systems for reporting – the information provided by private companies or by the public sector in the sustainability and environment area. Cellnex obtained a letter B, maintained the same score as in 2016, when it was awarded as the best Spanish newcomer in 2016 in the Climate Leadership Awards, organised by the CDP.

In November 2015 Cellnex joined the United Nations Global Compact as an expression of its commitment to including the corporate social responsibility concept into its operational strategy and organisational culture.
The United Nations Global Compact is an international voluntary initiative that includes more than 8,000 companies and institutions across 135 countries. Under this agreement, Cellnex Telecom undertakes to promote and spread corporate sustainability policies and practices based on the 10 key principles promoted by the United Nations, focusing on the areas of human rights, labour standards, environment and combating corruption in business activities. Cellnex's commitment to the United Nations Global Compact is part of its programme of Corporate Responsibility (CR) and materialised in November 2016 with the delivery of the first Communication of Progress (COP) by Cellnex.

Cellnex was added to the **FTSE4Good** sustainability index, which recognises the good practices of listed companies in the environmental, social and corporate governance fields. The company obtained a score of 4.5 out of 5 in corporate governance practices and 4 out of 5 in social factors, two of the three main areas of analysis that led the company to be included in that international index. In the social sphere, Cellnex Telecom obtained the highest possible score (5 out of 5) in labour standards and 4 out of a possible 5 points in social aspects linked to the supply chain. In terms of business management, the factor in which it excels, the company stands out especially in measures to fight corruption (5 out of 5) and corporate governance (4 out of 5).

Cellnex joined the **"Standard Ethics"** sustainability index with an "EE-" rating, equivalent to an adequate level for its good compliance in terms of governance, sustainability and social responsibility.

- **Social contribution**

Cellnex works together with non-governmental organisations through corporate volunteering actions, donations and joint development of projects. In 2017, Cellnex began to develop a manual of sponsorships aligned with the strategic axes of the company, to be approved in 2018.

  - **A social network of caring employees: volunteers**

Cellnex created the Cellnex Volunteers initiative up in 2015, a social network of volunteers who can contribute their ideas, skills, knowledge and time to implement solidarity projects.
The main actions brought to bear in 2017 were:

GRI: 102-12

- Euro Solidario (Solidarity Euro): an initiative to collect micro donations of € 1 per month under the slogan "Small gestures move the world". As a result of the 2016 campaign, a cheque for € 10,350 could be delivered to the Sant Joan de Déu Hospital Charity.
- Collaboration with the Food Bank: collection of cans of preserves and cooked vegetables to respond to the cases of energy poverty that are increasingly common in Spain.
- Recogida de ilusiones 2017 (Collecting illusions 2017): a solidarity campaign for children and adolescents: this initiative involves collecting toys and financial contributions for children's and youth groups most in need during the Christmas holidays. In 2017, more than 1,300 kilos of food were collected and donations from workers valued at 570 euros were allocated to the Juvanteny Foundation to help adolescents at risk of social exclusion.
- Tapones para una nueva vida (Lids for a new life): a collaboration with the SEUR Foundation to collect bottle tops and deliver these to a recycling plant to help children with health problems.

  - **Donations**

In 2017, Cellnex continued to collaborate with non-governmental organisations through its specific budget allocation for Christmas gifts. Specifically, this year Cellnex dedicated its corporate donation to emergency funds managed by UNHCR (United Nations High Commissioner for Refugees) and Medici Senze Frontiere, the Italian delegation of Doctors Without Borders. These organisations support the population in areas affected by natural disasters or armed conflict.

  - **Project development**

- Collaboration with research on the impact of electromagnetic fields on health.

Cellnex takes part in different activities related to the evaluation, management and communication of possible risks derived from exposure to electromagnetic fields on health. Among the activities of 2017, the participation in the elaboration of reports, dissemination and training actions, institutional actions, media interviews and work meetings stand out among others.

- Cooperation with TV3 Telethon.

Cellnex has historically taken part in the *Fundació La Marató* TV3 Telethon. As in previous years, the company has lent its financial and personal support. The general manager of Cellnex Spain answered calls at the call centre located in the Montjuic premises.

- Mirame tv solidarity Telethon

Cellnex collaborated with the local network Mírame TV to put on its solidarity gala by providing audiovisual services to beam images of this gala to the homes of Santa Cruz de Tenerife.

- 2nd Night of Solidarity with Research

Cellnex helped fund this event, organised by the Business Association of L'Hospitalet and Baix Llobregat, (AEBALL), which on this occasion raised funds for the Biomedical Research Foundation Institute of Bellvitge Hospital.

- Involvement in the Innovation Hub of the city of Barcelona.

Cellnex's commitment to innovation, knowledge transfer and entrepreneurship is expressed, among other ways, in its collaboration in a start-up project where participants have presented projects to promote the development of the city of Barcelona as an Innovation Hub of global relevance.

- Involvement in the ''Caixa Capital TIC II FCR'' fund for the promotion of innovation.

Cellnex Telecom participated in the venture capital fund managed by Caixa Capital Risc, "Caixa Capital TIC II FCR". This is an investment vehicle created in August 2014 to support the growth and maturation of innovative companies in terms of their product and business model, characterised by the qualification and commitment of the management teams and with a focus on ICT technologies and projects in digital environments and mobility. This fund has a projected life of ten years and a total size of € 29.7 million. Cellnex has committed to providing € 600 thousand, of which € 294 thousand have been disbursed as of 31 December 2017. 81% of the projects funded focus on ICT, specifically in B2B models, while the remaining 19% are digital business models aimed at the end consumer.

Third Social Sector Board

Cellnex Telecom and four foundations integrated in the Third Social Sector Board ("Family and Social Welfare" foundation, "Social Initiative" foundation, "Habitat 3 Third Social Sector" private foundation, "Social Housing Development" private foundation) signed a cooperation agreement in 2017 to perform a **project in the social housing field through the application of sensor and connectivity technologies linked to the Internet of Things (IoT).** Through this cooperation agreement, Cellnex will equip six homes, for groups **at risk of social exclusion**, with various sensors that will allow data to be gathered and monitored - essentially concerning energy consumption and efficiency in these homes - as well as detecting temperatures and other indicators to make it easier to monitor these "connected" homes. For the foundations that manage these properties, Cellnex will also configure the IoT platform required for the remote storage and monitoring of the data, as well as the control panel from which to process the information and generate indicators. Through the sensors - and this IoT platform -, the entities will be able to anticipate any abnormal or risk situation, **optimise the use of resources and make decisions about possible actions** based on the parameters obtained.

- **Environment**
  - **Responsible environmental management**

Cellnex has an Environmental Policy based on respecting the environment, protecting and preserving biodiversity, using renewable energies, mitigation and adaptation to climate change, and contributing to sustainable development through the efficient use of resources, as well as promoting preventive and mobility actions.

Thus, not only does Cellnex base its activity on the principles of sustainability and responsibility, but has also defined Sustainable Business Development as one of the basic pillars of its CR Master Plan. This involves the company committing to sustainability, environmental preservation and efficiency by setting goals, and more specifically by implementing concrete actions and programmes for all the companies of the Group.

The Sustainable Business Development pillar is defined on the basis of the following goals, each of which consists of several specific actions:

1) Putting environmental management of Cellnex in Spain at the same level as the rest of the companies in the Cellnex group;
2) Promoting Energy Efficiency, increasing the use of renewable energy as much as possible and fostering the implementation of efficiency measures at the company's premises;
3) Committing to sustainable mobility;
4) Developing a carbon management framework in Spain to include the strategic perspectives to be worked on and focused on a set of actions, framed in different lines of management, that must be approved, funded and implemented to achieve the carbon management objectives established;
5) Minimising the risks and fostering the business opportunities derived from climate change identified in relation to Cellnex Telecom's activity in Spain;

6) Progressively reducing the carbon footprint in Spain and Italy;
7) Protecting and respecting the ecosystems affected by Cellnex's activity;
8) Promoting a sustainable culture within the Cellnex organisation; Measuring and communicating environmental performance and reporting this on an annual basis in international organisations (CDP, GRI, DJSI, UNGC, FSTE, etc.).

Within the organisation's environmental objectives defined in 2017, there were 26 goals established for improving or mitigating environmental impacts. Sixteen of these have been implemented, and the rest are almost implemented or in the process of completion.

- **Monitoring and managing the main risks, opportunities and environmental impacts**

Within the environmental management system already implemented and certified, Cellnex Spain periodically updates the identification and evaluation of its environmental aspects, risks and opportunities related to the company's activity and its derived environmental impacts, as well as the significance criteria.

The most significant impacts are extracted from these evaluations, to which end a monitoring system is established and actions are associated to mitigating them.

Efficiency and management actions are performed according to the type of impact and are related to **energy and biodiversity respectively.**

During 2017, more efforts were put into communication and awareness-raising on environmental issues. Specifically, there was a campaign to **adapt the signage** to the new organisational design, focusing on certain specific issues such as loading and unloading diesel fuel and actions to be taken in emergency situations, identification of waste storage points using new posters, for centres declared as small waste producers by the Administrations and other issues related to the main environmental aspects of Cellnex Spain.

- **Energy**

Cellnex monitors the Group's energy consumption in order to achieve maximum efficiency and the lowest possible impact on the environment and hence on society. Cellnex attributes as internal energy consumption the energy consumed in all its operating centres and offices.

The company's electricity consumption in 2017 was 249,462,592 kWh in Spain and 228,397,315 kWh in Italy. Cellnex' electric energy consumption intensity in Spain is 55,179 kWh per establishment (taking into account only those sites from which invoicing data is available).

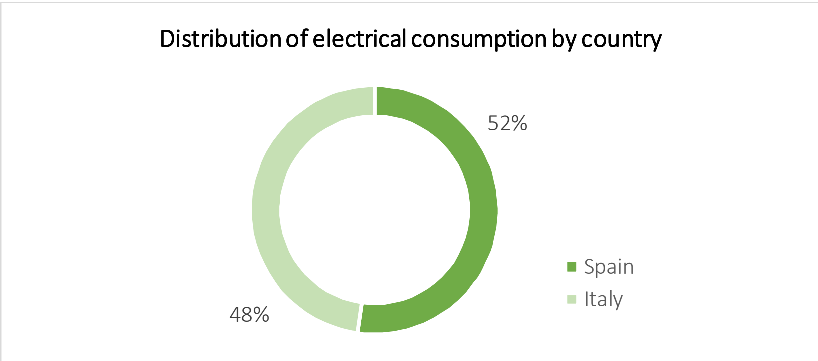
Cellnex Spain has photovoltaic generation facilities and small-scale wind turbines at its own sites, which generated 68,744 kWh in 2017.

GRI: management approach for energy (103-1, 103-2, 103-3), 302-1, 302-2, 302-3

Evolution of fuel consumption by Cellnex

Diesel consumption per country [kWh]	2016	2017
Spain	9,497,843.25	8,968,860
Italy	3,480,185.68	3,494,767
Total	12,978,028.93	12,463,627

Natural gas consumption (kWh)	2017
Spain	13,413
Italy	0
Total	13,413



Energy efficiency
Throughout 2017, Cellnex continued working to achieve more efficient procedures and perform initiatives to reduce energy consumption. This objective focuses primarily on improving equipment and implementing technologies that increase efficiency, applied in two different approaches: products and services provided by the company and Cellnex's own offices and centres.

The most relevant projects in 2017 were:

- Installation of wall and ceiling fans in On Tower centers with compact air conditioning working as free coolants.
- Implementation of several specific projects in Collserolas Tower to achieve savings in energy consumption such as: installation of a solar filter on all glazed surfaces to improve the enclosures, replacement of the current lighting system (fluorescent) by LED lighting, installation of monitoring and thermal control systems and recorders for the automatic activation of the climate and recording of consumptions of the equipment and transfer of transformers to rooms that do not require air conditioning.
- Replacement of separator transformers by passive protections without losses against transient and permanent voltages in some Cellnex centers.

Alticom has become one of the most sustainable Data Centre providers in the Netherlands thanks to the energy efficiency measures implemented in refrigeration systems.

Efficiency projects have made it possible to avoid 100,773 kWh, representing 35.2 Tn eq CO2 in 2017.

GRI: 305-5, management approach for energy (103-1, 103-2, 103-3), 302-1, 302-2, 302-4

- **Carbon footprint**

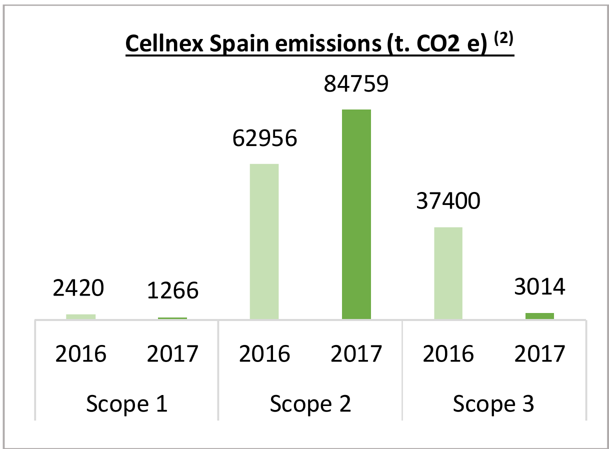
Cellnex has made a great and continuous effort to roll out policies and practices to comply with sustainability and environmental commitments. Cellnex's Environmental Policy is based on respect for the environment, protecting biodiversity, using renewable energies, mitigation and adaptation to climate change, and contributing to sustainable development. These principles are unavoidable in all of the organisation's activity. The company ensures that it can achieve these goals through efficient use of resources and promoting preventive and mobility actions. During 2017, Cellnex Spain updated its environmental policy based on the foregoing. Within this policy, it has initiated **the Cellnex Carbon Management Plan in Spain**, which will define the specific actions and their prioritisation over time and will be created in three phases. The first two phases were addressed during 2017, consisting of an initial diagnosis and analysis of risks and opportunities of climate change in Cellnex's activity, and beginning to define and prepare the Cellnex Carbon Management Plan. There are plans to finish defining the Plan during 2018 and to have it presented to and approved by Management, in addition to setting a schedule for implementation.

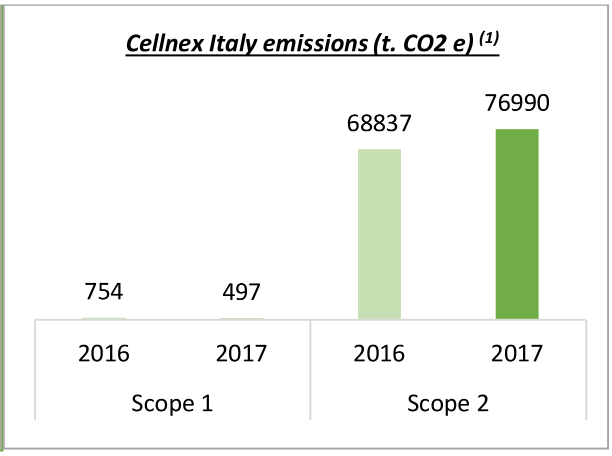
As every year, Cellnex has had **the carbon footprint of its business in Spain and Italy** measured and **verified by an independent third party.** This initiative makes it possible to gauge the company's impact on climate change and represents a starting point for managing and reducing its emissions.

In 2017, Cellnex Spain and Italy GHG emissions are calculated taking account the financial control approach. To that end, the organisational scope was calculated on the basis of the financial control criterion for the corporate premises and technicians of the Cellnex Spain: Tradia, Retevisión and OnTower and in the case of Cellnex Italy: Galata and TowerCo.

The operational scope is based on the following criteria:

- Scope 1: covers GHG emissions that are directly under Cellnex control.
- Scope 2:iIndirect emissions from its activity but generated by other entities, including emissions from the generation of electricity and consumption by the company.
- Scope 3: takes into account indirect GHG emissions resulting from the organisation's activities but which are generated in sources owned or controlled by another organisation. For the calculation of scope 3 emissions the following categories have been included according to the "Corporate Accounting and Reporting standard (scope 3)"
    a) Purchased of goods and services: emissions resulting from water consumption and paper consumption.
    b) Upstream transport and distribution resulting from trips made by third parties paid by Cellnex by road, plane and / or sea.
    c) Generation of waste: missions associated to the management of waste fractions that have a contribution greater than 1%.
    d) Business travel: emissions resulting from trips by plane of Cellnex staff, taking into account the characteristics of the flights.
    e) End of life treatment of sold products: waste management once the useful life of the product has ended, and which represent at least 1% of the total taking into account that the sum of those not included does not exceed 5% of the total.





[(1)] In Cellnex Italy scope 3 emissions have not been calculated.
[(2)] The difference between scope 2 and 3 emissions reported in 2016 and 2017 in Cellnex Spain is due to the change of criteria for the calculation of GHG emissions from operational to financial approach.
See details in Annex IV.

As part of its efforts to manage greenhouse gas emissions, **in 2017 Cellnex in Spain compensated 2,420 tCO2** by purchasing 2,420 VER (Verified Emissions Reductions) credits on the voluntary market from the Blumenthal Project developed in Germany, with the Verified Carbon Standard (VCS), to achieve **neutrality in Scope 1 carbon footprint emissions**.

From a **communication and awareness-raising** point of view, the company has released several communications of its actions:

- Publication of the company's carbon footprint report on the Cellnex corporate website.
- Registration in the Footprint Registry of the Spanish Climate Change Office under the Ministry of Agriculture, Food and Environment.
- Joining the Catalan Generalitat's Voluntary Agreements Programme for reducing greenhouse gas (GHG) emissions. This tool is promoted by the Catalan Office for Climate Change (OCCC) for companies seeking a voluntary commitment to reduce their GHG emissions beyond what regulations stipulate.
- Publication of the withdrawal of the carbon credits from the project selected in the Market Environmental Registry or equivalent as a guarantee of the compensation made.
- Participation in the coproduction together with the City Council of Barcelona of the Clima Plan of Barcelona, that centralizes all the in curs or planned actions related with climate change taking part in the city. Cellnex develops proposals at a company level and takes part in the debate of the recopilation of the received proposals from the participants.

- Biodiversity

As part of the evaluation and monitoring of Cellnex's aspects and impacts, the organisation has identified **loss of biodiversity and the environmental impact on living beings and natural species** considered as significant in this regard. As regards indirect impacts, Cellnex has identified ensuring the correct final management of waste associated with suppliers, as well as ensuring the environmental responsibilities of its suppliers to avoid impacting and affecting

GRI: management approach for biodiversity (103-1, 103-2, 103-3), 304-2, management approach for emissions (103-1, 103-2, 103-3), 305-1, 305-2, 305-3 the biodiversity within the facilities. Cellnex manages its facilities to minimise any environmental impact to meet its objective of preserving biodiversity.

To ensure a proper management of these impacts, it is essential to have a diagnosis of the presence of Cellnex's activity in areas with greater vulnerability. Specifically, in Spain 57.5% of the sites are within protected areas, while in Italy this figure is 19.6%. Likewise, it has been identified that maintenance tasks are the activities with the greatest potential environmental impact. Given that maintenance activities are carried out through subcontracted companies, Cellnex requires suppliers to apply best practices in terms of environmentally safe operations.

During 2017, mitigation of biodiversity loss was enhanced with the creation of new signs on the **identification of centres with Bird Nesting** to know whether a centre does in fact cause such an effect and to remind staff of the preventive measures to be taken into account.

DaMA programme

Cellnex uses the DaMA (environmental data server) tool to display geographical data and identify declared natural protection sites in the country, information that is also found in the GESEM database. The server also provides access to environmental data relating to Cellnex Spain's sites.

- **Electromagnetic emissions**

Cellnex Telecom complies with the rules associated with electromagnetic emissions for the general public and its workers. It conducts periodic measurements at technical centres with a permanent staff presence. As regards the general public, it ensures compliance with Royal Decree 1066/2001 at all sites in Spain.

The current situation in Italy involves a stricter regulatory framework, with limitation levels lower than in Spain. Likewise, Cellnex Italy is working towards ensuring compliance.

GRI: 416-1, management approach for biodiversity (103-1, 103-2, 103-3), 304-1, 304-2

- **Information security management**

Cellnex has a security information policy that reflects the company's commitment in this area, the necessary steps to be taken to identify and protect information assets, as well as to ensure compliance with applicable rules and regulations. Likewise, since 2015 the company has had an Information Security Management System based on ISO standard 27001.

An information map has been prepared under this Management System, from which risks have been identified and evaluated, to apply mitigation measures in terms of confidentiality, integrity and availability of information.

With regard to the personal data managed by the company, including customer data, Cellnex applies the European General Data Protection Regulation, or GDPR. Specific analyses of customer data applications are performed, along with security measures for each of these applications, on the basis of risks identified, based on the three dimensions mentioned above: confidentiality, integrity and availability of information.

During 2017, Cellnex continued to make progress in this area, launching new projects:

- Implementing mitigation measures for risks in terms of confidentiality, integrity and availability of information, as a result of the risk map prepared in 2016 under the Leaks Prevention Plan.
- Preparation of a Master Plan for Information Security based on nine Security programmes implemented in 2017.
- Drawing up of a specific analysis of the applications for customers and application of security measures in each of these, according to the risks identified in terms of confidentiality, integrity and availability of information.
- Carrying out awareness campaigns directed to all Cellnex employees and specifically to Senior Managers, to reinforce messages of good information security practices.

Security Master Plan program

Program	Objective of the Program
Board information	Preventing data leaks and protecting the information used by Cellnex Board.
Mobility	Establishing security controls and applying them in a homogeneous way to different technologies of **mobile/portable devices**.
Access control	**Classifying the information** and implementing security measures in order to handle it (encryption, remote access, data storage policy, etc.)
Training and awareness	Reinforcing cybersecurity messages as part of the annual **Cybersecurity Awareness** campaign established by Cellnex.
Legal compliance	**Legal Impact** analysis and implementation for new applicable Laws & Regulations over Cellnex systems.
Corporative Governance	**Continuous improvement** of processes and IT infrastructure to ensure IT security in Cellnex facing **existing and new threats**.
Technology Security	
International	Defining and developing a **Common Cybersecurity Framework** (Policies & IT infrastructure) for Cellnex Corporation and Business Units.
Business Continuity	Continuous Improvement of Business Continuity Processes (**Business Impact Analysis, Disaster Recovery Plans**, etc.)

GRI: management approach for customer privacy (103-1, 103-2, 103-3)

In this regard, in 2017 there was no filtering, theft or loss of information in Spain or Italy, nor were any complaints received in relation to information security and data protection. For Cellnex Italy, as an improvement in this field of activity, legal clauses on privacy and data protection were added in each contract.

GRI: management approach for customer privacy (103-1, 103-2, 103-3), 418-1

BASES FOR THE PREPARATION OF THE REPORT

This document represents the Consolidated Management Report for 2017, which includes the information that complies with the provisions of Article 262 of the Capital Companies Law, establishing the content of the management report drafted in tandem with the consolidated financial statements of the company. Likewise, this report has incorporated best practices in corporate transparency during the 2017 period, applying the Integrated Reporting framework, presenting financial, management, corporate governance and strategic information for the company.

As a sign of Cellnex's commitment to transparency and responding to the applicable regulations in this regard, this report has been prepared in accordance with the provisions of Royal Decree Law 18/2017, which transposes Directive 2014/95/EU into Spanish law with regard to the dissemination of non-financial information and diversity.

Likewise, in order to ensure the credibility of the information and generate trust with its stakeholders, this report has been verified by an independent third party, as presented in the Verification Report on page 111.

Structure and content of the report

The structure of the Report follows the guidelines of the International Integrated Reporting Council, Directive 2015/95/EU on non-financial information, the CMNV guide for the preparation of management reports of listed companies and was prepared in accordance with GRI Standards in their Core option and the AA1000 AccountAbility Principles Standard (the Foundation Principle of Inclusivity, the Principle of Materiality and the Principle of Responsiveness).

Following the guidelines laid down by those two standards, the content of this report was defined on the basis of a materiality study, which was used to identify the relevant internal issues for the company, expectations and concerns of Cellnex stakeholders and relevant Corporate Responsibility issues in the sector.

Reporting scope

The report covers the two main geographical areas of the organisation, Cellnex Spain (Cellnex Telecom, S.A., Retevisión, S.A.U, On Tower Telecom Infraestructuras, S.A.U and Tradia Telecom, S.A.U.) and Cellnex Italia (Cellnex Italia, S.r.L., TowerCo, S.p.A and Galata, S.p.A.) excluding the companies Commscon Italia, S.r.L. and Sirtel, S.r.L.. However, Information reported regarding to total staff and taxes covers the Cellnex Group.

This information is supplemented with the information presented in the Cellnex Consolidated financial statements for the financial year ended 31 December 2017 and the 2017 Annual Corporate Governance Report, all publicly available on the company website. In those cases where the information differs from this scope, it is expressly indicated.

The GRI contents that Cellnex has addressed in this report are detailed in the GRI table presented in the Annex IV, with the scope of information reported by each of them as shown in the table, depending on whether it applies specifically to Cellnex Spain, Cellnex Italy or to the Cellnex Group.
Also appended to the end of this document is the independent limited assurance report issued by Deloitte, SL in relation to the review of CSR indicators in their adaptation to the GRI Essential Option standards reported in this document.

GRI: 102-46, 102-54

This review process was conducted in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issuance of limited assurance reports. Also, we applied Account Ability's AA1000 Assurance Standard (2008) (AA1000AS) to provide moderate assurance on the application of the principles established in AA1000 APS and on the sustainability performance indicators (type 2 moderate assurance).

Determination of the content of the report

The Materiality Study helped to identify the key issues that the company intends to address, since they entail creating value and a contribution to society by the company. After obtaining the results of the study, Cellnex carried out a transparency and accountability exercise, by publishing this Integrated Report.

The study was conducted in accordance with the AccountAbility AA1000 standard and was structured into the following phases:

1. Initial phase identifying relevant issues;
2. Prioritising issues on the basis of the analysis results;
3. Assessment and validation of the issues identified by the main stakeholders of Cellnex Group;
4. Detailed examination of the material issues identified.

Material issues identified	
Ethical management and good governance	1. Corporate governance 2. Ethical governance and compliance practices 3. Participation and involvement of stakeholders 4. Transparency and reporting 5. Management of risks and opportunities
Responsible and sustainable management	6. Energy management 7. Emissions and climate change 8. Impact of infrastructure on the environment and the community 9. Managing socio-economic impacts on the local community 10. Responsible procurement
Responsibility to employees	11. Involvement and commitment of workers 12. Training, professional development and retention of talent
Commitment to customers	13. Contractual practices with customers *(service provided and management)* 14. Service security 15. Customer information security
Commitment to innovation and value creation	16. Innovation and development in product and service

Calculation methodology of the CO2 emissions

In calculating CO2 emissions generated by Cellnex in Spain, the emission factors published in the framework of the *Spanish registry of carbon footprint, offsetting and CO2* Absorption Projects of the Ministry of Agriculture and Fisheries, Food and Environemnt (MAPAMA), published in July 2017, have been considered as reference. In some cases, the following emissions factors have been used: DEFRA emissions factors, "Practical Guide for the calculation of GHG emissions" of the OCCC of the Generalitat de Catalunya, the Environemntal Paper Network Calculator 3.2 version or the Ecoinvent databse version 3.3.

In the case of Cellnex Italy, the last emission factors published by the "*Intitute Superiore per la Protezione e la Ricerca Ambientale (ISPRA)*" in 2016 have been considered.

GRI: 102-42, 102-43, 102-44, 102-47, 103-1, 103-2, 103-3

Contact information
Av. Parc Logístic, 12-20. Edificio A. 08040 – Barcelona
www.cellnextelecom.com
Contact number: 935678910
cellnex@cellnextelecom.com

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7. ANNEXES

- **Annex I. Annual Governance Report**

- **Annex I. Risks**

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

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

Risk related to the industry and the business where the Group operates

i) Risk related to the environment in which the Group operates and risks stemming from the specific nature of its business

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

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

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

Likewise, for the Other Network Services segment, the demand for connectivity, PPDR networks, O&M, Smart City and IoT services depends on the demand from public administrations as well as entities operating in the private and public sectors.

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

- increased use of network sharing, roaming or resale arrangements by MNOs;
- mergers or consolidations among the Group's customers such as MNOs;
- the ability and willingness of MNOs to maintain or increase capital expenditures on network infrastructure;
- the financial condition of the Group's customers, including the availability or cost of capital;
- governmental licensing of spectrum or restrictions on or revocations of spectrum licenses;
- changes in electromagnetic emissions' regulations;
- changes in demand for TV and radio services and consumption habits (channels, etc.) by end consumers, including the level of multimedia content consumption;
- significant increases in the attrition rate of customers or decreases in overall demand for broadcast space and services, caused by, among others, the adoption of new digital patterns by customers and the obsolescence of the products and services rendered by the Group's companies;

- a decrease in consumer demand for wireless telecom and broadcasting services due to economic, political and market/regulatory conditions, disruptions of financial and credit markets or other factors, including inflation, zoning, environmental, health or other existing government regulations or changes in the application and enforcement thereof, as well as taxes/customs duties levied on the Group' services;
- the evolution of the advertising business' revenue in the media sector, and especially, TV, internet and radio;
- changes in connectivity to the internet;
- an increase in demand for private networks;
- the evolution of public internet;
- changes in the data traffic demand worldwide as well as changes in data transmission prices and speed;
- the availability or capacity of the Group's infrastructure or associated land interests where the infrastructure is located;
- the location of the Group's wireless infrastructure;
- changes in, or the success or failure of, the Group customers' business models;
- delays or changes in the deployment of next generation wireless technologies or the failure by the Group to anticipate the development of new wireless technologies;
- technological advances and development of alternative technologies that the Groups does not currently use, such as the development of satellite-delivered and optical fibre-delivered radio and video services and internet TV;
- the existence of alternative providers of the Group' services or, alternatively, the self-provision of services by the Group's customers;
- the willingness of the Group's current or future customers to make contractual arrangements with it under the current terms and conditions; and
- the Group's customers' desire to renegotiate its agreements with them or to adversely amend current contractual arrangements (especially those relating to broadcasting services as some of them should be renewed on or before 2021 , and other network services).

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

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

ii) Risk of increasing competition

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

Increasing competition for the acquisition of infrastructure assets or companies in the context of the Group's business expansion, which could make the acquisition of high quality assets significantly more costly. Some competitors are larger than the Group and may have greater financial resources, while other competitors may apply investment criteria with lower return on investment requirements. In addition, if the Group could not compete effectively with its competitors or anticipate or respond to its customer's needs or customer's sentiment, the Group could lose existing and potential customers, which could reduce its operating margins and have a material adverse effect on the Group business, prospects, results of operations, financial conditions and cash flows.

iii) Risk of infrastructure sharing

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

Any potential merger, integration or consolidation of the Group's customers would likely result in duplicate or overlapping networks, which may result in the termination or non-renewal of customer contracts (for example where they are co-customers on an infrastructure) and in the loss of commercial opportunities resulting in a lower number of potential customers for the Group. These two scenarios could materially and adversely affect revenues from the Group's wireless infrastructure and its commercial prospects.

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

Finally, the service agreements with anchor customers may include framework agreements by which the parties agree to further acquisitions or construction of infrastructures over a defined period of time. Such framework agreements may or may not be implemented due to a potential integration or consolidation of the Group's customers. Moreover, customers could decide not to pursue such agreements due to a change in their business strategy. If these circumstances occurred, there is no guarantee that the Group may have enough contractual protection in order to be compensated for such changes, which in turn could have a material adverse effect for the Group.

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

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

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

Moreover, the Group's ability to grow its portfolio of assets in a particular market or jurisdiction could be limited by anti-trust or similar legislation, and even if compliant with anti-trust legislation the Group may not be able to consummate such transactions, undertake such activities or implement new services successfully due to disruptions in the Group's activities, an increase in the risk of operations, or due to the loss of its neutral position as a result of an MNO having obtained either (i) more than 50% of the voting rights or (ii) the right to appoint or dismiss the majority of the members of the board. Any of previously-mentioned events could negatively impact the Group's business and its prospects.

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

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

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

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

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

v) Operational risks

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

The development and implementation of new technologies designed to enhance the efficiency of wireless networks or new technologies developing alternative network solutions (either broadcasting infrastructure or alternative technologies to the network services provided), or changes in the Group customers' business models, could reduce the need for infrastructure-based wireless services, reduce the need for broadcasting or network services, decrease demand for the Group's infrastructure space or reduce rates or other fees obtained in the past. In this regard, the Group faces the risk that its customers may not adopt the technologies the Group invests in. For example, as communication technologies continue to develop, competitors may be able to offer wireless telecom infrastructure products and services that are, or that are perceived to be, substantially similar to or better than those offered by the Group, or offer technologies that provide similar functionality with competitive prices and with comparable or superior quality.

The Group cannot be certain that existing, proposed or as yet undeveloped technologies (including, for example, "Small Cells", DAS, 5G or wide spectrum radio) will not become dominant in the future and render the technologies and infrastructure the Group currently uses obsolete. Should the Group's competitors develop and commercialize new technologies designed to improve and enhance the range and effectiveness of wireless telecom networks, it could significantly decrease demand for existing infrastructure. The Group's business and growth prospects could be jeopardized if it was not able to promptly identify and adapt to shifting technological solutions and/or if it failed to acquire or develop the necessary capabilities and expertise to meet the clients' changing needs. The development and implementation of new services with a significant technological component is also subject to inherent risks that the Group may not be able to overcome.

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

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

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

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

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

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

The Group's inability to protect its rights to use the land where the infrastructures are located may have a material adverse effect on its business, prospects, results of operations, financial condition and cash flows.

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

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

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

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

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

Likewise, as the Group is now present in new countries, it is directly exposed to each of such countries political and economic situations, and may be adversely affected by their potential instability. The Group is unable to predict how the economic and political cycle in such locations will develop in the short-term or the coming years or whether there will be a deterioration in political stability.

In addition, the financial situation and political instability, geopolitical tensions in the Middle East, growth of anti-EU political parties as well as emerging political forces in member states of the EU with alternative economic policies and priorities, concerns about independence movements within the EU and Spain, and military and terrorist actions in Europe and elsewhere in the world could affect the economic situation in the EU and elsewhere, and could have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

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

Due to the Group growing presence in other European countries, it is also increasing its exposure to other global economic and political events. Changes in the international financial markets' conditions pose a challenge to the Group ability to adapt to them as they may have an impact on its business. Growing public debt, reduced growth rates and any measures of monetary policy that may be implemented in the future in the credit markets all could affect the Group's business. A change in any of these factors could affect the Group's ability to access the capital markets and the terms and conditions under which it can access such markets, which could have a material adverse effect on the Group business, prospects, results of operations, financial condition and cash flows.

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

- changes to existing or new tax laws or international tax treaties, methodologies impacting the Group's international operations, or fees directed specifically at the ownership and operation of communications infrastructures or its international acquisitions, which may be applied or enforced retroactively;
- tax authorities could interpret the laws in a different way than Cellnex (for example the interpretation of scope of RETT[13] – Real Estate Transfer Tax);
- laws or regulations that tax or otherwise restrict repatriation of earnings or other funds or otherwise limit distributions of capital;
- changes in a specific country's or region's political or economic conditions, including changes in the government, political goals, inflation, deflation or currency devaluation;
- changes in governmental priorities, including subsidies offered by one or more jurisdictions; expropriation or governmental regulation restricting foreign ownership or requiring reversion or divestiture;
- material infrastructure security issues;
- increases in the cost of labor (as a result of unionization or otherwise), power and other goods and services required for the Group's operations;
- price setting or other similar laws for the sharing of passive infrastructure;

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

- uncertain rulings or results from legal or judicial systems, including inconsistencies among and within laws, regulations and decrees, and judicial application thereof, which may occasionally be enforced retroactively, and delays in the judicial process;
- changes in consumer price indexes in foreign countries; and
- force majeure events affecting any or several countries in which the Group carry out its activities.

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

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

Both the Group bonds and bank financing contracts include certain change of control clauses which could trigger an early repayment under the respective debt contract. With regards to the material contracts entered into by Group companies with anchor customers, the triggering of a change of control provision is generally limited to the situation where the acquiring company is a competitor of the anchor customer. In such circumstances, the anchor customer may be granted an option to buy back assets (generally the infrastructures where they are being serviced). In addition, such buy back option may also be granted in the event that a competitor of the anchor customer acquires a significant portion of the shares or obtains voting or governance rights which can be exercised in a way that can negatively affect the anchor customer's interests. Finally, buy back options may also be exercised in case of a manifest breach by a Group company of its contractual obligations under the services agreements with its customers.

If a change of control clause included in any of the Group's material contracts is triggered, it may materially and adversely affect the Group's business, prospects, results of operations, financial condition and cash flows.

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

Although Cellnex has full control and a 100% stake in the vast majority of its subsidiaries, Cellnex has made and may continue to make equity investments, which may include minority investments, in certain strategic assets managed by or together with third parties, including governmental entities and private entities.

Investments in assets over which Cellnex has no partial, joint or total control are subject to the risk that the other shareholders of the assets (making use their minority rights), who may have different business or investment strategies than Cellnex or with whom it may have a disagreement or dispute, may have the ability to independently make or block business, financial or management decisions, such as the decision to distribute dividends or appoint members of management, which may be crucial to the success of the project or Cellnex's investment in the project, or otherwise implement initiatives which may be contrary to its interests, creating impasses on decisions and affecting its ability to implement the foreseen strategy. Additionally, the approval of other shareholders or partners may be required to sell, pledge, transfer, assign or otherwise convey Cellnex's interest in such assets. Alternatively, other shareholders may have rights of first refusal or rights of first offer in the event of a proposed sale or transfer of Cellnex's interests in such assets. These restrictions may limit the price or interest level for Cellnex's interests in such assets, in the event it wants to dispose such interests.

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

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

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

Prior to entering into the agreements for acquisitions, Cellnex generally performs due diligence in respect of a proposed investment, but such inspection is limited by nature. The assets acquired by Cellnex may be subject to hidden material defects that were not apparent or discovered or otherwise considered by it at the time of acquisition. To the extent Cellnex or other third parties underestimated or failed to identify risks and liabilities associated with an acquisition, it may incur, directly or indirectly, in unexpected liabilities, such as defects in title, an inability to obtain permits enabling Cellnex to use the underlying infrastructure as intended, environmental, structural or operational defects or liabilities requiring remediation. Failure to identify any defects, liabilities or risks could result in Cellnex having acquired assets which are not consistent with its investment strategy which are difficult to integrate with the rest of the portfolio or which fail to perform in accordance with expectations, and/or adversely affect Cellnex's reputation, which, in turn, could have a material adverse effect on its business, prospects, results of operations, financial condition and cash flows.

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

xi) Regulatory and other similar risks

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

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

Public perception of possible health risks associated with cellular and other wireless communications technologies could affect the growth of wireless companies, which could in turn slow down the Group's growth. In particular, negative public perception of these health risks could undermine the market acceptance of wireless communications services, increase opposition to the development and expansion of telecom infrastructures and lead to price increases of the infrastructure services where the infrastructures are located. The potential connection between radio frequency emissions and certain negative health or environmental effects has been the subject of substantial study by the scientific community in recent years and numerous health-related lawsuits have been filed against wireless carriers and wireless device manufacturers. If a scientific study or court decision in the jurisdictions in which the Group operates or elsewhere resulted in a finding that radio frequency emissions pose health risks to consumers, it could negatively impact the Group's customers and the market for wireless services, which could materially and adversely affect the Group's business, prospects, financial condition, results of operations and cash flows. The Group insurance coverage may not be sufficient to cover all or a substantial portion of any liability it may have.

The Group' services are affected by the current electromagnetic emission rules applicable in terms of controlling the emissions coming from equipment of the Group's customers hosted by the Group. In particular, in the case of rules limiting electromagnetic emissions by mobile operators, the mobile operators, as owners of their equipment, are subject and are liable for the emissions that come from their equipment, although such equipment is hosted in the Group's infrastructures. Such rules could limit the Group's growth capacity and any change in the electromagnetic emission rules may adversely affect its business, prospects, results of operations, financial condition and cash flows.

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

xii) Litigation

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

Risk related to the financial information

xiii) Financial information, fraud and compliance risks

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

The Cellnex Group has a code of conduct (Ethics' Code) approved by the Board of Directors. The corporation prepares an Ethics' Code Framework which is adapted in each country by way of the drawing up of a local ethics regulation which combines observance of corporate guidelines with the specific features certain countries may have on particular matters. The Ethics' Code is communicated to all employees, is available on the corporate intranet and forms part of the training received by new staff. In addition, other mechanisms exist to ensure awareness by employees.

The Group has created a corporate compliance function to improve compliance with the Group's Ethics' Code, implemented through specific regulations for each country and the establishment of whistle-blowing channels and the supervision of oversight and control measures to prevent criminal acts. The main values and principles included in the Ethics' Code are: integrity, honesty, transparency, loyalty, commitment to and defence of Group interests, and responsibility in all actions. The Ethics' Code includes among its fundamental principles the commitment to strictly comply with the obligation of the Group to offer reliable financial information prepared in accordance with applicable regulations, and the responsibility of its employees and management to ensure this is so, both by correctly carrying out of their functions and by notifying the governing bodies of any circumstance which might affect that undertaking.

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

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

xiv) Expected contracted revenue (backlog)

Expected contracted revenues from the service agreements (backlog) represents management's estimate of the amount of contracted revenues that the Group expects will result in future revenue from certain existing contracts. This amount is based on a number of assumptions and estimates, including assumptions related to the performance of a number of the existing contracts at a particular date but do not include adjustments for inflation.

One of the main assumptions for calculating backlog is the automatic renewal of contracts for services with the Group's anchor customers. Such contracts have renewable terms including, in some cases, 'all or nothing' clauses that only allow the renewal of the entire portfolio of the relevant project (not the renewal of a portion thereof) on terms that are generally pre-agreed and may result in an increase or a decrease in price, within certain parameters. In some instances, the contracts for services may be cancelled under certain circumstances by the customer at short notice without penalty.

The Group definition of backlog may not necessarily be the same as that used by other companies engaged in similar activities. As a result, the amount of the Group backlog may not be comparable to the backlog reported by such other companies. The realization of the Group backlog estimates is further affected by the performance under its contracts. The ability to execute the Group's backlog is dependent on its ability to meet the clients' operational needs, and if the Group was unable to meet such needs, the ability to execute the backlog could be adversely affected, which could materially affect the Group's business, prospects, financial condition, results of operations and cash flows. There can be no assurance that the revenue projected in the Group's backlog will be realized or, if realized, will result in profit. Contracts for services are occasionally modified by mutual consent. Because of potential changes in the scope or schedule of the services the Group provide to its clients, the Group cannot predict with certainty when or if its backlog will be realized. Even where a project proceeds as scheduled, it is possible that the client may default and fail to pay amounts owed to the Group. Delays, payment defaults or cancellations could reduce the amount of backlog currently estimated, and consequently, could inhibit the conversion of that backlog into revenues, which would in turn materially affect the Group business, prospects, financial condition, results of operations and cash flows.

Financial risks

xv) *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.

xvi) 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 2017 there are financing granted from third parties covered by interest rate hedging mechanisms (see Note 13 of the accompanying consolidated financial statements).

xvii) Credit risk

Each of the Group's main business activities (Telecom Infrastructure Services, Broadcasting Infrastructure and Other Network Services) obtain a significant portion of income 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 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.

During the years for which information is reported, no credit limits were exceeded and management does not expect to incur losses as a result of default by any of the counterparties indicated above. The provision recognised for doubtful debts is not significant compared with the balance of accounts receivable as at 31 December 2017.

xviii) 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 over EUR 2,000 million, considering cash and available credit lines, as at the date of approval for issue of these consolidated financial statements, and has no immediate debt maturities (the maturities of the Group's financial obligations are detailed in Note 13).

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

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

xix) 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.

xx) *Risk related to Group indebtedness*

The Group's indebtedness may increase, from time to time, due to potential new acquisitions, fundamental changes to corporate structure or joint ventures and issuances made in connection with any of the foregoing. The Group 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.

As part of the acquisition financing of Cellnex Switzerland, the Group has to fulfil with a financial obligation that limits the total net debt to EBITDA of its subsidiary Cellnex Switzerland (see note 13 of these accompanying consolidated financial statements).

On 31 December 2017, Cellnex Switzerland is in compliance with the above-mentioned obligation. No other Group financing contracts are in default under any payment obligation, either of principal or interest and may distribute dividends without limitation.

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

- **Annex II. Other documents of a public nature**

At the date of issue of the accompanying consolidated financial statements, information of a public nature is available, which must be read in conjunction with this Annual Integrated Report for the year 2017, and which is detailed below , on a non-exhaustive illustrative basis:

- Universal Registration Document (https://www.cellnextelecom.com/en/investor-relations/emisiones-y-opas/)
- Prospectus Offer of Sale and Admission to Negotiate Shares of Cellnex Telecom, S.A.U (https://www.cellnextelecom.com/en/investor-relations/7838-2/).
- Supplement to the informative prospectus for the sale and admission to trading of shares of Cellnex Telecom, S.A.U. (https://www.cellnextelecom.com/en/investor-relations/7838-2/).
- Euro Medium Term Note Program (EMTN) Base Prospectus (https://www.cellnextelecom.com/en/investor-relations/emisiones-y-opas/).
- Ratings Rating Agencies (https://www.cellnextelecom.com/en/rating-eng/).
- Report of the Board of Directors on Convertible Bonds (https://www.cellnextelecom.com/en/investor-relations/emisiones-y-opas/).
- Auditor's Report on Convertible Bonds (https://www.cellnextelecom.com/en/investor-relations/emisiones-y-opas/).
- Corporate Policies (https://www.cellnextelecom.com/).
- Press releases (https://www.cellnextelecom.com/en/press-room/news/).
- Relevant Facts (https://cellnextelecom.com/en/investor-relations/relevant-facts/).

- **Annex III. GRI table**

External verification				
Indicators		2017 report	Content scope	External Verification
GENERAL CONTENT				
ORGANIZATORIAL PROFILE				
102-1	Name of the organization	Cellnex Telecom, S.A.	Cellnex Group	√
102-2	Activities, brands, products, and services	30-41	Cellnex Group	√
102-3	Location of headquarters	Juan Esplandiú, 11-13. 28007 Madrid	Cellnex Group	√
102-4	Location of operations	8-12	Cellnex Group	√
102-5	Ownership and legal form	Cellnex Telecom, S.A.	Cellnex Group	√
102-6	Markets served	8-12, 30-41	Cellnex Group	√
102-7	Scale of the organization	8-12, 14-25, 30-41, 60	Cellnex Group	√
102-8	Information on employees and other workers	60	Spain / Italy	√

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102-9	Organizational structure, Value Chain, Supply Chain	12, 68,69	Cellnex Group	√
102-10	Significant changes to the organization and its supply chain	8-12, 68, 69	Cellnex Group	√
102-11	Precautionary Principle or approach	54, 56, 57	Cellnex Group	√
102-12	External initiatives	74-75	Cellnex Group	√
102-13	Membership of associations	71, 72	Cellnex Group	√
STRATEGY				
102-14	Statement from senior decision-maker	2-5	Cellnex Group	√
102-15	Key impacts, risks and opportunities	53, 54	Cellnex Group	√
ETHICS AND INTEGRITY				
102-16	Values, principles, standards, and norms of behaviour	50-52	Cellnex Group	√
GOVERNANCE				
102-18	Governance structure	45-49	Cellnex Group	√
102-19	Delegating authority	55, 56 Section C of the Annual Corporate Governance Report of 2017 (Annex I)	Cellnex Group	√

GRI: 102-55

102-20	Executive-level responsibility for economic, environmental, and social topics	55, 56 RSC policy, available in the following link: https://www.cellnextelecom.com/en/policy-cr/ Section C of the Annual Corporate Governance Report of 2017 (Annex I)	Cellnex Group	√
102-21	Consulting stakeholders on economic, environmental, and social topics	Section C of the Annual Corporate Governance Report of 2017 (Annex I)	Cellnex Group	√
102-22	Composition of the highest governance body and its committees	47-49	Cellnex Group	√
102-23	Chair of the highest governance body	47-49	Cellnex Group	√
102-24	Nominating and selecting the highest governance body	45,46	Cellnex Group	√
102-25	Conflicts of interest	Section D of the Annual Corporate Governance Report of 2017 (Annex I)	Cellnex Group	√
102-26	Role of highest governance body in setting purpose, values, and strategy	Section C of the Annual Corporate Governance Report of 2017 (Annex I)	Cellnex Group	√
102-27	Collective knowledge of highest governance body	45-48	Cellnex Group	√
102-28	Evaluating the highest governance body's performance	48	Cellnex Group	√
102-29	Identifying and managing economic, environmental, and social impacts	Section C of the Annual Corporate Governance Report of 2017 (Annex I)	Cellnex Group Cellnex Group	√

GRI: 102-55

102-30	Effectiveness of risk management processes[	Section C of the Annual Corporate Governance Report of 2017 (Annex I)	Cellnex Group	√
102-31	Review of economic, environmental, and social topics	Section C of the Annual Corporate Governance Report of 2017 (Annex I)	Cellnex Group	√
102-32	Highest governance body's role in sustainability reporting	Section C of the Annual Corporate Governance Report of 2017 (Annex I)	Cellnex Group	√
102-33	Communicating critical concerns	Section C of the Annual Corporate Governance Report of 2017 (Annex I)	Cellnex Group	√
102-34	Nature and total number of critical concerns	56, 57	Cellnex Group	√
102-35	Remuneration policies	Section C of the Annual Corporate Governance Report of 2017 (Annex I)	Cellnex Group	√
102-36	Process for determining remuneration	Section C of the Annual Corporate Governance Report of 2017 (Annex I)	Cellnex Group	√
102-37	Stakeholders' involvement in remuneration	Section A of the Annual Corporate Governance Report of 2017 (Annex I)	Cellnex Group	√
102-38	Annual total compensation ratio	The salary of person best paid with respect to the average salary of the Group without including the CEO is 21.06 times	Cellnex Group	√
102-39	Percentage increase in annual total compensation ratio	Confidential information		Information not verified

GRI: 102-55

STAKEHOLDER ENGAGEMENT				
102-40	List of stakeholder groups	58	Cellnex Group	√
102-41	Collective bargaining agreements	64	Spain	√
102-42	Identifying and selecting stakeholders	58, 86	Cellnex Group	√
102-43	Approach to stakeholder engagement	58, 86	Cellnex Group	√
102-44	Key topics and concerns raised	58, 86	Cellnex Group	√
REPORTING PRACTICE				
102-45	Entities included in the consolidated financial statements	Consolidated financial statements	Cellnex Group	√
102-46	Defining report content and topic Boundaries	85	Cellnex Group	√
102-47	List of material topics	86	Cellnex Group	√
102-48	Restatements of information	There have been no reformulations of information from Previous Reports.	Cellnex Group	√
102-49	Changes in reporting	The scope of this report has included Cellnex Spain and Italy, except for the breakdown information of staff, which has also included data of Cellnex France and Netherlands. From UK and Switzerland only financial data and total staff is reported (see section "Bases for the preparation of the Report).	Cellnex Group	√
102-50	Reporting period	Financial period	Cellnex Group	√
102-51	Date of most recent report	2016	Cellnex Group	√
102-52	Reporting cycle	Annual	Cellnex Group	√

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102-53	Contact point for questions regarding the report	87	Cellnex Group	√
102-54	Claims of reporting in accordance with the GRI Standards	85	Cellnex Group	√
102-55	GRI content index	Annex IV	Cellnex Group	√
102-56	External assurance	Annex V	Cellnex Group	√
MANAGEMENT APPROACH				
103-1[1]	Explanation of the material topic and its Boundary	86	Cellnex Group	√
103-2[1]	The management approach and its components	86	Spain / Italy	√
103-3[1]	Evaluation of the management approach	86	Cellnex Group	√
ECONOMIC STANDARDS				
ECONOMIC PERFORMANCE				
201-1	Valor económico directo generado y distribuido	25	Spain / Italy	√
MARKET PRESENCE				
202-2	Proportion of senior management hired from the local community	59, 60	Spain	√
INDIRECT ECONOMIC IMPACTS				
203-1	Infrastructure investments and services supported	16-23	Cellnex Group	√
PROCUREMENT PRACTICES				
204-1	Proportion of spending on local suppliers	68, 69	Spain / Italy	√

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ANTI-CORRUPTION				
205-2	Communication and training about anti-corruption policies Spain / Italy √	52	Spain / Italy	√
ANTI-COMPETITIVE BEHAVIOR				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	During the 2017 financial year, Cellnex has not been sued for practices of unfair or monopolistic competition, nor has it been initiated ex officio in this regard by the market and competition supervisory authorities. Likewise, no sanction has been imposed, pecuniary or not, related to the described practices.	Spain / Italy	√
ENVIRONMENTAL STANDARDS				
ENERGY				
302-1	Energy consumption within the organization	78,79	Spain / Italy	Information verified by another independent third party. Our work consisted in verifying the sufficiency of the scope of the review and that the verified data is the same as the published one
302-2	Energy consumption outside of the organization	78,79	Spain / Italy	Information verified by another independent third party. Our work consisted in verifying the sufficiency of the scope of the review and that the verified data is the same as the published one.
302-3	Energy intensity	78	Spain	√
302-4	Reduction of energy consumption	79	Spain / Italy	√

GRI 102-55

BIODIVERSITY				
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	82	Spain / Italy	√
304-2	Significant impacts of activities, products, and services on biodiversity	81,82	Spain / Italy	√
EMISSIONS				
305-1	Direct (Scope 1) GHG emissions	81	Spain / Italy	Information verified by another independent third party. Our work consisted in verifying the sufficiency of the scope of the review and that the verified data is the same as the published one.
305-2	Energy indirect (Scope 2) GHG emissions	81	Spain / Italy	Information verified by another independent third party. Our work consisted in verifying the sufficiency of the scope of the review and that the verified data is the same as the published one.
305-3	Other indirect (Scope 3) GHG emissions	81	Spain / Italy	Information verified by another independent third party. Our work consisted in verifying the sufficiency of the scope of the review and that the verified data is the same as the published one.

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305-5	Reduction of GHG emissions	78	Spain / Italy	Information verified by another independent third party. Our work consisted in verifying the sufficiency of the scope of the review and that the verified data is the same as the published one.
ENVIRONMENTAL COMPLIANCE				
307-1	Non-compliance with environmental laws and regulations	There have been no environmental claims during the year 2017.	Spain / Italy	√
SUPPLIER ENVIRONMENTAL ASSESSMENT				
308-1	New suppliers that were screened using environmental criteria	69	Spain / Italy	√
SOCIAL STANDARDS				
EMPLOYMENT				
401-1	New employee hires and employee turnover	59, 60	Spain / Italy	√
LABOR/MANAGEMENT RELATIONS				
402-1	Minimum notice periods regarding operational changes	In Cellnex Spain the established notice periods are 2 weeks and in the case of Cellnex Italia the periods established in the agreements of the Collective Telecommunications Agreement are follow.	Spain / Italy	√

GRI:102-55

OCCUPATIONAL HEALTH AND SAFETY				
403-1	Workers representation in formal joint management–worker health and safety committees	64	Spain / Italy	√
TRAINING AND EDUCATION				
404-1	Average hours of training per year per employee	62	Spain / Italy	√
404-2	Programs for upgrading employee skills and transition assistance programs	62, 63	Spain / Italy	√
DIVERSITY AND EQUAL OPPORTUNITY				
405-1	Diversity of governance bodies and employees	47-49, 60	Spain / Italy	√
405-2	Ratio of basic salary and remuneration of women to men	Confidential information		Information not verified
SUPPLIER SOCIAL ASSESSMENT				
414-1	New suppliers that were screened using social criteria	69	Spain / Italy	√
PUBLIC POLICY				
415-1	Political contributions	No economic or in-kind contributions have been made directly or indirectly to political parties.	Spain / Italy	It has been verified the existing policy related to this subject in the code of ethics
CUSTOMER HEALTH AND SAFETY				
416-1	Assessment of the health and safety impacts of product and services categories	82	Cellnex Group	√

GRI: 102-55

COSTUMER PRIVACY				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	84	Spain / Italy	√
SOCIOECONOMIC COMPLIANCE				
419-1	Non-compliance with laws and regulations in the social and economic area	During the fiscal year 2017, the administrative contentious appeals brought before the National Court against the sanctions in the form of a fine imposed by the State Agency for Aviation Safety for infractions defined by Law 21/2003, of July 7th, were in the following state: (a) The sentence has been issued for dismissing Cellnex's contentious appeal against the sanction (Centro Artxanda-Bilbao); (b) Cellnex's contentious appeal against the sanction (Centro Bellaterra-Sabadell) is pending resolution; (c) The final ruling has been made by which the contentious appeal filed by Cellnex is accepted and which has determined the annulment of the sanction (Centro Addaia-Valencia).	Spain	√

(1) Throughout the report every time the management approach of any of Cellnex's material issues is described, it is indicated in the footnote referring to GRI 103-1, 103-2. 103-3.

(√) Verification carried out considering the described perimeter of the information.

GRI:102-55

GRI 102-8 Breakdown of the collective of workers by gender and type of contract

	Cellnex Spain				Cellnex Italy			
	2016		2017		2016		2017	
	Total	Women	Total	Women	Total	Women	Total	Women
Total number of employees	1173	19.1%	1.211	19.7%	111	22.5%	126	27.7%
% of employees with a permanent contract from the total nº of employees	100%	19.1%	98.2%	19.2%	99.1%	22.5%	96.8%	26.2%
% of employees with a temporary contract from the total nº of employees	0,0%	0.0%	1.8%	0.5%	0.9%	0.0%	3.2%	1.6%

	Cellnex Netherlands				Cellnex France			
	2016		2017		2016		2017	
	Total	Women	Total	Women	Total	Women	Total	Women
Total number of employees	8	25%	25	28%	2	50%	21	42.9%
% of employees with a permanent contract from the total number of employees	-	-	96%	24%	-	-	95.2%	38.1%
% of employees with a temporary contract from the total nº of employees	-	-	4%	4%	-	-	4.8%	4.8%

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	Cellnex United Kingdom				Cellnex Switzerland			
	2016		2017		2016		2017	
	Total	Women	Total	Women	Total	Women	Total	Women
Total number of employees	9	33.3%	11	45.5%	0	0	9	33.3%
% of employees with a permanent contract from the total number of employees	-	-	100%	45.5%	0	0	88,9%	22.2%
% of employees with a temporary contract from the total nº of employees	-	-	0%	0%	0	0	11.1%	11.1%

Distribution of employees by category	Cellnex Spain		Cellnex Italy	
	2016	2017	2016	2017
Senior Management	23	8	7	1
Directors, managers and heads of unit	75	99	3	7
Coordinators and other employees	1.075	1.104	101	118
TOTAL	1.173	1.211	111	126

In 2017, the professional categories for 2016 have been modified, accounting for the directors at the intermediate management level together with managers and unit heads, instead of senior management. Therefore, employee data by professional category vary considerably, with a decrease in the number of employees in senior management and an increase in employees in the range directors, managers and heads of unit.

	Men					Women					
	Permanent Contract Full-time	Permanent Contract Part-time	Temporary Contract Full-time	Temporary Contract Part-time	Total Men	Permanent Contract Full-time	Permanent Contract Part-time	Temporary Contract Full-time	Temporary Contract Part-time	Total Women	Total
Cellnex Spain	957	0	16	0	973	232	0	6	0	238	1.211
Cellnex Italy	66	0	0	0	66	28	1	1	0	30	96

GRI 202-2: Proportion of Senior Managers hired from the local community in Cellnex Spain

Senior Managers hired from the local community	Senior Managers hired from abroad	Directors, Managers and Heads of unit form local community	Directors, Managers and Heads of unit form abroad	Coordinators and other employees form local community	Coordinators and other employees from abroad
8	0	94	5	1.096	8

GRI 305-1, 305-2, 305-3 GHG emissions in Cellnex Spain (tCO2 eq.)

Emissions of Cellnex Spain	2015	2016	2017
Scope 1	2.576	2.420	1.266
Scope 2	51.458	62.957	84.759
Scope 3	23.935	37.400	3.014

The difference between scope 2 and 3 emissions reported in 2016 and 2017 in Cellnex Spain is due to the change of criteria for the calculation of GHG emissions from operational to financial approach.

GRI 401-1 Total number of employees and average turnover, broken down by age group, gender and region

Distribution of employees by region	2014	2015	2016	2017
Spain	1.146	1.160	1.173	1.211
Rest of Europe	0	83	130	192
TOTAL	1.146	1.255	1.303	1.403

		Cellnex Spain [1]							
Turnover by age group	Spain and Italy's total	Less than 30 years		From 30 to 45 years old		From 45 to 55 years old		Over 50 years old	
	Recruitment	Men	Women	Men	Women	Men	Women	Men	Women
Total number of signed contracts	181	56	18	52	15	17	1	2	1
% over all the contracts signed	100%	30.9%	9.9%	28.7%	8.3%	9.4%	0.6%	1.1%	30.9%
	Recruitment	Men	Women	Men	Women	Men	Women	Men	Women
Total number of employees causing end of contracts.	205	66	19	49	9	12	12	31	3
% over finalized contracts	100%	32.8%	9.5%	24.4%	4.5%	7.5%%	2.0%	15.4%	1.5%

[1] The data relating to Spain takes into account employment registrations and cancellations, not workstations.

		Cellnex Italia							
Turnover by age group	Spain and Italy's total	Less than 30 years		From 30 to 45 years old		From 45 to 55 years old		Over 50 years old	
	Recruitment	Men	Women	Men	Women	Men	Women	Men	Women
Total number of signed contracts	181	1	1	4	6	2	4	0	1
% over all the contracts signed	100%	0.6%	0.6%	2.2%	3.3%	1.1%	2.2%	0.0%	0.6%
	Recruitment	Men	Women	Men	Women	Men	Women	Men	Women
Total number of employees causing end of contracts	205	0	0	0	0	0	0	4	0
% over finalized contracts	100%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	0.5%

GRI 404-1 Average hours of training per year per employee, broken down by gender and by job category

Training by investment and total hours [h]	Spain		Italy	
	2016	2017	2016	2017
Total investment made in training [euros]	480,126	451,421	87,106	98,800
Total number of training hours [h]	43,501	40,452	2,852	4,372

- **Annex IV. Independent Limited Assurance Report on Corporate Social Responsibility Indicators**

Deloitte.

Deloitte, S.L.
Av. Diagonal, 654,
08034, Barcelona
España

Teléfono: +34 93 280 40 40
www.deloitte.es

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

Independent Assurance Report on the Corporate Responsibility Information included in the 2017 Consolidated Management Report of Cellnex Telecom, S.A. and Subsidiaries

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

Scope of our engagement

We have performed the review, with a scope of limited assurance, of the Corporate Responsibility Information (CRI) included in the 2017 Consolidated Management Report ("CMR" or "Report") of Cellnex Telecom, S.A. and subsidiaries ("Cellnex"), the scope of which is defined in the chapter "Basis for the preparation of the report". Our engagement consisted of reviewing:

- The adherence of the CRI to the Global Reporting Initiative Sustainability Reporting Standards ("GRI-SRSs"), according to its Core version, including the reliability and adequacy of the contents.
- The information provided in the CMR relating to the application of the principles of inclusivity, materiality and responsiveness set out in AccountAbility's AA1000 AccountAbility Principles Standard 2008 (AA1000APS).

Verification standards and procedures

We conducted a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with Guidelines for engagements relating to the review of Corporate Responsibility Reports issued by the Spanish Institute of Certified Public Accountants for the issuance of limited assurance reports. Also, we applied AccountAbility's AA1000 Assurance Standard (2008) (AA1000AS) to provide moderate assurance on the application of the principles established in AA1000 APS and on the sustainability performance indicators (type 2 moderate assurance).

Our review work consisted of making inquiries to management and the various areas and business units of Cellnex, reviewing the processes for gathering and validating the information presented in the CMR, and carrying out the following analytical procedures and sample-based review tests:

- Meetings with the management of Cellnex to ascertain the principles, systems and approaches applied in corporate social responsibility management.
- Review of the minutes of the meetings held in 2017 by the Board of Directors and its Commissions.
- Review of the steps taken in relation to the identification and consideration of stakeholders during the year and of the stakeholder participation processes, based on the analysis of the internal information and third-party reports available.
- Analysis of the coverage, materiality and completeness of the CRI on the basis of Cellnex's understanding of the requirements of its stakeholders in relation to the material issues identified by the organization and described in the "Basis for the preparation of the report" section of the Report.
- Review of the information relating to the management approaches applied and verification of the existence and scope of policies, systems and procedures in corporate social responsibility areas.
- Analysis of the adherence of the CRI to the GRI standards and verification that the contents disclosed agree with those required by such standards.
- Review on a sample basis, of the quantitative and qualitative information relating to the GRI contents and the adequate compilation thereof based on the data provided by the information sources of Cellnex from Spain and Italy.

Responsibilities of the Directors of Cellnex and of Deloitte

- The preparation and contents of the Consolidated Management Report are the responsibility of the directors of Cellnex. Cellnex management is responsible for defining, adapting and maintaining the management and internal control systems from which the information is obtained.
- Our responsibility is to issue an independent limited assurance report based on the work performed.
- Since a limited assurance is substantially less in scope than a reasonable assurance engagement we do not provide reasonable assurance on the CRI and, accordingly, this report may not be considered an auditor's report.
- This report has been prepared solely in the interest of Cellnex in accordance with the terms and conditions of our engagement letter.
- We conducted our work in accordance with the independence standards required by the Code of Ethics issued by the International Ethics Standards Board for Accountants (IESBA), based on the fundamental principles of integrity, objectivity, professional competence, due care, confidentiality and professional behavior.
- In accordance with International Standard on Quality Control (ISQC) 1, Deloitte has in place a global system of quality control that includes documented policies and procedures in relation to compliance with ethical requirements, professional standards and applicable legislation.
- Our team consisted of professionals with assurance on Corporate Responsibility Reports qualifications and, specifically, on economic, social and environmental performance and stakeholders participation processes.

Conclusions

The GRI Table of Contents in the Appendix to the 2017 CMR provides details of the content reviewed and the scope limitations of the review, and identifies any content that does not cover all the areas required by GRI-SRSs. As a result of the procedures applied and the evidence obtained, except for the matters identified in the aforementioned GRI Table of Contents, according to its Core version, nothing came to our attention that might lead us to believe that:

- The CRI included in the CMR was not prepared, in all material respects (including the reliability and adequacy of the reviewed information), in accordance with GRI-SRSs.
- Cellnex did not apply the principles of inclusivity, materiality and responsiveness as described in the Appendix "Basis for the preparation of the report" in the 2017 CMR in accordance with AA1000 APS (2008):
  - Inclusivity: Cellnex has developed a stakeholder participation process, enabling stakeholders to be involved in the development of a responsible approach.
  - Materiality: the materiality determination process is geared towards identifying and understanding the issues that are material or significant for Cellnex and its stakeholders.
  - Responsiveness: Cellnex responds, through specific actions and commitments, to the material issues identified.

Observations and recommendations

In addition, we presented our recommendations to Cellnex management regarding areas of improvement in the management and information reporting of CR and, specifically, the application of the principles of inclusivity, materiality and responsiveness. Below is a summary detailing the most significant observations and recommendations, which do not modify the conclusions expressed in this Report.

Inclusivity and materiality

In 2015, Cellnex performed a materiality study using a methodology based on the performance of inquiries specific to various stakeholders in Spain and on the analysis of publicly available information in relation to Cellnex. In order to continue improving the identification of material issues over the value chain as a whole, with a view to the analysis to be performed in 2018, it would be recommendable to go into more depth in relation to these material issues throughout the value chain taking into account also the growth plans of the group.

In 2017 Cellnex continued to make progress through the completion of the actions and projects defined in its 2012-2020 Corporate Social Responsibility Master Plan, which is the framework of reference and tool for the systemisation of the strategic objectives, the monitoring indicators, and the actions and programmes under way for each of the Plan's lines of action for each business unit in Spain. As a result of the Group's international expansion in Italy, France, the United Kingdom, the Netherlands and Switzerland, it would be convenient to extend and adapt the CSR Master Plan to the new business units to ensure compliance with the Corporate Social Responsibility policy in these areas as well.

Responsiveness

Last year Cellnex continued to work in improving the quality and the integration of non-financial information in the management report. In order to continue improving the responsiveness of the information through the consolidation of the reporting process, it would be advisable to extend the perimeter of the data to the new businesses acquired and to incorporate new indicators that provide information, not only on the actions of corporate responsibility developed, but also on the impact of such actions on business.

DELOITTE, S.L.

Helena Redondo

15th February 2018

AA1000
Licensed Assurance Provider
000-14

8. ANNEX Annual Governance Report

Note: This document is a translation of a duly approved Spanish language document, and is provided for information purposes only. In the event of any discrepancy between the text of this translation and the text of the original Spanish language document which this translation is intended to reflect, the text of the original Spanish language document shall prevail.

APPENDIX I FORM

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

ISSUER'S PARTICULARS

FINANCIAL YEAR END 2017

CORPORATE TAX ID
[C.I.F.] A64907306

Corporate Name
CELLNEX TELECOM. S.A.

Registered Office:
JUAN ESPLANDIÚ STREET11-13, 28007 MADRID

ANNUAL CORPORATE GOVERNANCE REPORT
FOR LISTED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital.

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
21/11/2014	57.920.810,00	231.683.240	231.683.240

Indicate whether different types of shares exist with different associated rights:

Yes ☐ **No X**

A.2 List the direct and indirect holders of significant ownership interests in your organisation at year-end, excluding directors.

Name or corporate name of the shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
THREADNEEDLE ASSET MANAGEMENT LIMITED	0	11.357.440	4,90%
BLACKROCK INC.	0	14.046.969	6,06%
FIDELITY INTERNATIONAL LIMITED	0	4.582.537	1,98%
CANTILLON CAPITAL MANAGEMENT LLC	0	7.000.164	3,02%
CRITERIA CAIXA, S.A.U.	11.584.575	0	5,00%
FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA	0	11.584.575	0,00%
ABERTIS INFRAESTRUCTURAS, S.A.	78.772.302	0	34,00%
MFS INVESTMENT MANAGEMENT	0	11.838.997	5,11%

Name or company name of the indirect owner of the shareholding	Through: Name or company name of the direct holder of the shareholding	Number of voting rights
THREADNEEDLE ASSET MANAGEMENT LIMITED	VARIOUS FUNDS, NO OBLIGATION TO REPORT INDIVIDUALLY	11.357.440

BLACKROCK INC.	VARIOUS FUNDS, NO OBLIGATION TO REPORT INDIVIDUALLY	14.046.969
FIDELITY INTERNATIONAL LIMITED	VARIOUS FUNDS, NO OBLIGATION TO REPORT INDIVIDUALLY	4.582.537
CANTILLON CAPITAL MANAGEMENT LLC	VARIOUS FUNDS, NO OBLIGATION TO REPORT INDIVIDUALLY	7.000.164
FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA	CRITERIA CAIXA, S.A.U.	11.584.575
MFS INVESTMENT MANAGEMENT	MASSACHUSETTS FINANCIAL SERVICES COMPANY	10.448.901
MFS INVESTMENT MANAGEMENT	MFS HERITAGE TRUST COMPANY	139.009
MFS INVESTMENT MANAGEMENT	MFS INSTITUTIONAL ADVISORS, INC.	231.683
MFS INVESTMENT MANAGEMENT	MFS INTERNATIONAL (U.K.) LTD	301.188
MFS INVESTMENT MANAGEMENT	MFS INVESTMENT MANAGEMENT K.K.	46.336
MFS INVESTMENT MANAGEMENT	MFS INTERNATIONAL SINGAPORE PTE. LTD.	347.524
MFS INVESTMENT MANAGEMENT	MFS INVESTMENT MANAGEMENT CANADA LTD.	324.356

Indicate the most significant movements in the shareholding structure during the year:

Name or corporate name of shareholder	Date of the transaction	Description of the transaction
THREADNEEDLE ASSET MANAGEMENT LIMITED	19/01/2017	Fell below 5% of share capital.
CITADEL MULTI-STRATEGY EQUITIES	23/02/2017	Exceeded 1% of share capital

MASTER FUND LTD		(only tax havens)
SHODERS PLC	02/03/2017	Exceeded 3% of share capital.
MFS INVESTMENT MANAGEMENT	07/03/2017	Exceeded 3% of share capital.
SHODERS PLC	07/03/2017	Fell below 3% of share capital.
MFS INVESTMENT MANAGEMENT	16/03/2017	Exceeded 5% of share capital.
SHODERS PLC	17/03/2017	Exceeded 3% of share capital.
SHODERS PLC	23/03/2017	Fell below 3% of share capital.
BLACKROCK ADVISORS, LLC	05/05/2017	Fell below 3% of share capital.
SHODERS PLC	09/05/2017	Exceeded 3% of share capital.
BLACKROCK ADVISORS, LLC	11/05/2017	Fell below 3% of share capital.
SHODERS PLC	19/05/2017	Fell below 3% of share capital.
THE GOLDMAN SACHS GROUP, INC.	22/05/2017	Exceeded 3% of share capital.
BLACKROCK ADVISORS, LLC	01/06/2017	Fell below 3% of share capital.
BLACKROCK INC.	02/06/2017	Fell below 3% of share capital.
THE GOLDMAN SACHS GROUP, INC.	06/06/2017	Fell below 3% of share capital.
FIDELITY INTERNATIONAL LIMITED	19/07/2017	Exceeded 2% of share capital (only tax havens)
CITADEL MULTI-STRATEGY EQUITIES MASTER FUND LTD	26/06/2017	Exceeded 1% of share capital (only tax havens)
CITADEL MULTI-STRATEGY EQUITIES MASTER FUND LTD	04/07/2017	Fell below 1% of share capital (only tax havens).
BLACKROCK INC.	07/07/2017	Fell below 5% of share capital.
FIDELITY INTERNATIONAL LIMITED	16/08/2017	Fell below 2% of share capital (only tax havens).
BLACKROCK INC.	11/12/2017	Exceeded 5% of share capital.
BLACKROCK INC.	14/12/2017	Fell below 5% of share capital.
THE GOLDMAN	14/12/2017	Exceeded 3% of share

SACHS GROUP, INC.		capital.
THE GOLDMAN SACHS GROUP, INC.	15/12/2017	Exceeded 3% of share capital.
THE GOLDMAN SACHS GROUP, INC.	22/12/2017	Fell below 3% of share capital.

A.3 Complete the following tables on company directors holding voting rights through company shares.

Name or corporate name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR LUIS DEULOFEU FUGUET	3.571	0	0,00%
MR TOBÍAS MARTÍNEZ GIMENO	20.000	0	0,01%
MR FRANCISCO REYNÉS MASSANET	0	4.966	0,00%
MR BERTRAND BOUDEWIJN KAN	10.000	0	0,00%
MR PIERRE BLAYAU	0	12.000	0,01%

Name or company name of the indirect owner of the share	Through: Name or company name of the direct holder of the share	Number of voting rights
MR FRANCISCO REYNÉS MASSANET	FRINVYCO, S.L.	4.966
MR PIERRE BLAYAU	HARBOUR CONSEILS	12.000

% of total voting rights held by the Board of Directors	0,02%

Complete the following tables on company directors holding voting rights through company shares.

A.4 Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities.

A.5 Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities.

Related name or corporate name
CELLNEX TELECOM, S.A.
ABERTIS INFRAESTRUCTURAS, S.A.

Type of relationship: Commercial

Brief description: The existing relationships arise from ordinary trading. See Section D.2.

Related name or corporate name
CELLNEX TELECOM, S.A.
FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA

Type of relationship: Commercial

Brief description: The existing relationships arise from ordinary trading. See Section D.2.

Related name or corporate name
CELLNEX TELECOM, S.A.
CRITERIA CAIXA, S.A.U.

Type of relationship: Commercial

Brief description: The existing relationships arise from ordinary trading. See Section D.2.

A.6 Indicate whether the company has been notified of any shareholders' agreements pursuant to Articles 530 and 531 of the Spanish Limited Liability Companies Law. Provide a brief description and list the shareholders bound by the agreement, as applicable.

Yes □ **No X**

Indicate whether the company is aware of the existence of any concerted actions amongst its shareholders. Give a brief description as applicable.

Yes □ **No X**

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year.

Not applicable.

A.7 Indicate whether any individuals or bodies corporate currently exercise control or could exercise control over the company in accordance with Article 5 of the Spanish Securities' Market Act. If so, identify.

Yes ☐ **No X**

Remarks

A.8 Complete the following tables on the company's treasury shares.

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
86.758	0	0,04%

(*) Through:

Explain any significant changes there have been during the year, pursuant to Royal Decree 1362/2007.

Explain the significant changes

Liquidity contract in force and as provided in the circular 1/2017, of 26 April, of the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*), on the liquidity contracts, for the purpose of its acceptance as market practice.

A.9 Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer treasury stock.

On 10 April 2015, the then company's Sole Shareholder took the decision to authorise its Board of Directors to proceed with the acquisition of treasury stock, both directly through the company itself or through group companies, in the terms set out:

a) the acquisition may be carried out as purchase, swap or payment in kind, once or several times, provided that the stock acquired, in conjunction with that already held by the company, does not exceed 10% of the share capital;
b) the price or exchange value shall fluctuate between a minimum equivalent to its face value and a maximum equivalent of the closing price of the company's stock in continuous trading at the time of acquisition;

c) the validity period for the authorisation shall be five years from the day following the day on which this decision was taken. It is expressly noted that the stock acquired as a result of this authorisation may be used both for the disposal or amortisation thereof as well as for applying the remuneration systems set out in Section 146(1)(a) of the Spanish Limited Liability Companies Law.

A.9a Estimated floating capital.

	%
Estimated floating capital	39,93

A.10 Give details of any restriction on the transfer of securities or voting rights. Indicate, in particular, the existence of any restrictions on the takeover of the company by means of share purchases on the market.

Yes □ **No X**

A.11 Indicate whether the General Shareholders' Meeting has agreed to take neutralisation measures to prevent a public takeover bid by virtue of the provisions of Act 6/2007.

Yes □ **No X**

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted.

A.12 Indicate whether the company has issued securities not traded in a regulated market of the European Union.

Yes □ **No X**

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.

B GENERAL SHAREHOLDERS' MEETING

B.1 Indicate the quorum required for constitution of the General Shareholders' Meeting established in the company's Bylaws. Describe how it differs from the system of minimum quorums established in the Spanish Limited Liability Companies Law.

Yes □ **No X**

B.2 Indicate and, as applicable, describe any differences between the Company's system of adopting corporate resolutions and the framework established in the Spanish Limited Liability Companies Law.

Yes □ **No X**

Describe how they differ from the rules established in the Spanish Limited Liability Companies Law.

B.3 Indicate the rules governing amendments to the company's Bylaws. In particular, indicate the majorities required to amend the Bylaws and, if applicable, the rules for protecting shareholders' rights when changing the Bylaws.

The rules included in the Spanish Limited Liability Companies Law shall be applied to the majorities required to amend the corporate bylaws.

B.4 Indicate the attendance figures for the General Shareholders' Meetings held during the year.

	Attendance data				
Date of general meeting	% attending in person	% by proxy	% remote voting		Total
			Electronic means	Other	
30/06/2016	46,52%	31,18%	0,00%	0,00%	77,70%
27/04/2017	40,63%	36,69%	0,00%	0,00%	77,32%

B.5 Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the General Shareholders' Meetings.

Yes X **No □**

Number of shares required to attend the General Shareholders' Meeting	100

B.6 Section abolished.

B.7 Indicate the address and mode of accessing corporate governance content on your company's website as well as other information on General Meetings that must be made available to shareholders on the website.

The "Shareholders and investors" section on the website www.cellnextelecom.com, provides the information required by Section 539(2) of the Spanish Law on Limited Liability Companies and by National Securities Market Commission Circular 3/2015.

C COMPANY MANAGEMENT STRUCTURE

C.1 Board of directors

C.1.1 List the maximum and minimum number of directors included in the Bylaws.

Maximum number of directors	13
Minimum number of directors	4

C.1.2 Complete the following table with Board members' details.

Name or corporate name of director	Representative	Director category	Position on the board	Date of first appointment	Date of last appointment	Election procedure
MR GIAMPAOLO ZAMBELETTI ROSSI		INDEPENDENT	DIRECTOR	16/04/2015	16/04/2015	OTHER
MR FRANCISCO JOSÉ ALJARO NAVARRO		PROPRIETARY	DIRECTOR	17/11/2014	30/06/2016	ORDINARY GENERAL MEETING
MR LUIS DEULOFEU FUGUET		PROPRIETARY	DIRECTOR	16/04/2015	16/04/2015	OTHER
MR TOBÍAS MARTÍNEZ GIMENO		EXECUTIVE	CEO	17/11/2014	30/06/2016	ORDINARY GENERAL MEETING
MR FRANCISCO REYNÉS MASSANET		PROPRIETARY	CHAIRMAN	17/11/2014	30/06/2016	ORDINARY GENERAL MEETING
MR JOSEP MARIA CORONAS GUINART		PROPRIETARY	DIRECTOR	17/11/2014	30/06/2016	ORDINARY GENERAL MEETING
MR PIERRE BLAYAU		INDEPENDENT	DIRECTOR	16/04/2015	16/04/2015	OTHER
MR LEONARD PETER SHORE		INDEPENDENT	DIRECTOR	16/04/2015	16/04/2015	OTHER
MR BERTRAND BOUDEWIJN KAN		INDEPENDENT	VICE CHAIRMAN	16/04/2015	16/04/2015	OTHER
MS MARIETA DEL RIVERO BERMEJO		INDEPENDENT	DIRECTOR	27/04/2017	27/04/2017	ORDINARY GENERAL MEETING

Total number of directors	10

Indicate any board members who left during this period.

C.1.3 Complete the following tables on board members and their respective categories.

EXECUTIVE DIRECTORS

Name or corporate name of director	Post held in the company
MR TOBÍAS MARTÍNEZ GIMENO	CHIEF EXECUTIVE OFFICER

Total number of executive directors	1
% of the board	10,00%

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing appointment
MR FRANCISCO JOSÉ ALJARO NAVARRO	ABERTIS INFRAESTRUCTURAS, S.A.
MR LUIS DEULOFEU FUGUET	ABERTIS INFRAESTRUCTURAS, S.A.
MR FRANCISCO REYNÉS MASSANET	ABERTIS INFRAESTRUCTURAS, S.A.
MR JOSEP MARIA CORONAS GUINART	ABERTIS INFRAESTRUCTURAS, S.A.

Total number of proprietary directors	4
% of the board	40,00%

INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of director:
MR GIAMPAOLO ZAMBELETTI ROSSI

Profile:
He has spent much of his professional career in the chemicals/pharmaceuticals and telecoms sectors, and currently holds the position of President of RCS Investimenti and Vice-President of Unidad Editorial, S.A. He was previously Founder and Managing Director of Zambeletti Espana, President and CEO of Zambeletti Group, President of Italgas SpA, President and Managing Director of Ellem Industria Farmaceutica SpA. He served as Vice President of the pharma labs association, Farmindustria.
In 2001 he has been appointed Group Senior Vice President International Affairs of Telecom Italia. He has furthermore been a member of the Board of Directors of Telecom Italia International (Netherlands), Auna, S.A. (Spain), Avea (Turkey), Oger Telecom (Dubai), Ojer Telekomunikasyon

(Turkey) and Telekom Austria. Recently has been appointed Board Member of Banca Farmafactoring Group in Milan.
Giampaolo Zambeletti holds a degree in Chemistry from the Università degli Studi di Pavia, is an international trustee of the Friends of the Prado Museum Foundation in Madrid, and received the Isabel la Católica Award from King Felipe VI in 2015.

Name or corporate name of director:
MR PIERRE BLAYAU

Profile:
He is currently holding the position of president of CCR (Caisse Centrale de Reassurance) and an independent member of the Boards of Directors of FIMALAC and the SECP (Canal+ Group). He was previously Chief Executive Officer of Pont à Mousson, PPR, Moulinex, Geodis, and Executive Director of SNCF. He has also served as Executive Director of La Redoute, as a member of the Board of Directors of FNAC, and Independent Director of Crédit Lyonnais and President of the Board of Directors of Areva. Pierre Blayau is a Public Finance Inspector of the French Ministry of Finance, and graduated from the École Nationale d'Administration de Paris and the École Normale Supérieure de Saint-Cloud.

Name or corporate name of director:
MR LEONARD PETER SHORE

Profile:
Has extensive experience in the telecommunications and tech sector. Held the position of Chairman of Arqiva in the UK for eight years from 2007. He has also been Chairman of Uecomm, Lonely Planet Publications, the Hostworks Group and Airwave. He was Group Managing Director at Telstra in Australia, CEO of Priceline (Aust/NZ) and Managing Director of Media/Communications/Partners. He has served as a Director of Objectif Telecomunications Limited, Foxtel, SMS Management and Technology and OnAustralia. He was furthermore a member of the Advisory Board of Siemens Australia. Leonard Peter Shore holds a degree in Applied Mathematics and Computing Science from the University of Adelaide.

Name or corporate name of director:
MR BERTRAND BOUDEWIJN KAN

Profile:
He has extensive professional experience in investment banking and focused on the telecoms, media and technology sector in particular. He spent most of his career at Morgan Stanley where he became a Managing Director and Head of the European Telecoms Group. Subsequently he moved to Lehman Brothers where he was Co-Head of the Global Telecoms Team and was a member of the European Operating Committee. In 2008 he became Head of the Global Telecoms, Media and Technology Group at Nomura and served on the Investment Banking Global Executive Committee. Among other responsibilities, he is currently a member of the Board of Síminn hf., the telecoms operator in Iceland, of the Advisory Board of Wadhwani Asset Management and of the Supervisory Board of UWC Netherlands. Bertrand Kan graduated with B.Sc. and an M.Sc. degrees in Economics from the London School of Economics.

Name or corporate name of director:
MS MARIETA DEL RIVERO BERMEJO

Profile:
Marieta del Rivero has 25 years of experience in leadership roles in the world of information and communications technology, mobility and the digital services industry and is one of the most prominent profiles in the sector in Spain. She has extensive experience and a proven track record ranging from key consumers to manufacturers and suppliers of hardware, to telecom operators and software industry. Her career and executive responsibilities have included working at Telefónica, Nokia (Iberia and Corporation), Xfera Móviles, Amena and Nefitel. She is currently Partner at Seeliger & Conde, member of the advisory boards of the “Made in Mobile” technology incubator and the “Roca Salvatella” digital transformation consultancy. She is President of the International Women’s Forum Spain and member the Women Corporate Directors Foundation in Spain.

Total number of independent directors	5
% of the board	50,00%

List any independent directors who receive from the company or group any amount or payment other than standard director remuneration or who maintain or have maintained during the period in question a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained the said relationship.

No

If applicable, include a statement from the board detailing the reasons why the said director may carry on their duties as an independent director.

OTHER EXTERNAL DIRECTORS

Identify the other external directors and list the reasons why these cannot be considered proprietary or independent directors and detail their relationships with the Company, its executives or shareholders.

List any changes in the category of each director that have occurred during the year.

C.1.4 Complete the following table on the number of female directors as at year-end of the past four financial years and their category.

	Number of female directors				% of total directors of each category			
	Financial year T 2017	**Financial year t-1 2016**	**Financial year t-2 2015**	**Financial year t-3 2014**	**Financial year T 2017**	**Financial year t-1 2016**	**Financial year t-2 2015**	**Financial year t-3 2014**
Executive	0	0	0	N.A.	0,00%	0,00%	0,00%	N.A.
Proprietary	0	0	0	N.A.	0,00%	0,00%	0,00%	N.A.
Independent	1	0	0	N.A.	20,00%	0,00%	0,00%	N.A.
Other external	0	0	0	N.A.	0,00%	0,00%	0,00%	N.A.
Total:	1	0	0	N.A.	10,00%	0,00%	0,00%	N.A.

C.1.5 Explain the measures, if applicable, that have been adopted to ensure that there is a sufficient number of female directors on the board to guarantee an even balance between men and women.

Explanation of measures

Encouraging gender diversity is a principle set out in the Board Regulations. The Board of Directors approved in 2016 a Director Selection Policy that establishes that the candidate selection process will avoid any kind of implicit bias that may involve any discrimination; that it will promote the balanced presence of men and women on the Board of Directors; and that it must aim for the underrepresented gender to be at least 30% of the total members of the Board of Directors in the shortest time possible, and by the end of 2020 at the latest.

C.1.6 Explain the measures taken, if applicable, by the Nomination Committee to ensure that the selection processes are not subject to implicit bias that would make it difficult to select female directors, and that the company makes a conscious effort to search for female candidates who have the required profile.

Explanation of measures

Within the scope of its powers, the Nomination and Remuneration Committee defines the functions and aptitudes required of the candidates who should fill each vacancy on the Board of Directors.
During the Director selection process, the Nomination and Remuneration Committee evaluates the skills and experience of each of the candidates under criteria of objectiveness, assessing the candidate's profile and evaluating the time and dedication needed for them to be able to effectively perform their task. Among these criteria, the Nomination and Remuneration Committee considers the need to promote equal opportunities between men and women, ensuring that no kind of gender-based discrimination takes place.

Explanation of reasons

The Directors' Selection Policy was approved in 2016, and in the 2017 General Meeting a female Director was appointed, following a report from the Board of Directors justifying the appointment, and as per a proposal of the Nominations & Remunerations Committee, stablishing in 10 the number of Directors. There has not been vacancies in the Board since then.

C1.6 bis Explain the conclusions of the Nomination Committee regarding verifying compliance with the director selection policy. In particular, explain how this policy is promoting the aim that in 2020 the number of female directors will represent at least 30% of the total members of the board of directors.

Explanation of conclusions

Cellnex has managed the application of its Directors' Selection Policy, and due to its application the RNC proposed to the 2017 Ordinary General Meeting the appointment of an independent female Director. Moreover, it continues to ensure the fulfillment of the objectives contained in said Policy.

C.1.7 Explain how shareholders with significant holdings are represented on the board.

The significant shareholder Abertis Infraestructuras S.A. is represented in the Board of Directors with four proprietary directors.

C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 3% of the share capital.

Provide details of any rejections of formal requests for board representation from shareholders whose equity interest is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If so, explain why these requests have not been entertained.

Yes □ **No X**

C.1.9 Indicate whether any director has resigned from office before their term of office has expired, whether that director has given the board their reasons and through which channel. If this has been done in writing, list below the reasons given by that director.

C.1.10 Indicate what powers, if any, have been delegated to the Chief Executive Officer(s).

Name or corporate name of director
MR TOBÍAS MARTÍNEZ GIMENO

Brief description:
All powers of representation, management, and power to sell assets that can be legally delegated.

C.1.11 List the directors, if any, who hold office as directors or executives in other companies belonging to the listed company's group.

Name or corporate name of director	Corporate name of the group entity	Post	Do they have executive functions?
MR TOBÍAS MARTÍNEZ GIMENO	TRADIA TELECOM, S.A.U	SOLIDARITY ADMINISTRATOR	YES
MR TOBÍAS MARTÍNEZ GIMENO	RETEVISION I, S.A.U.	SOLIDARITY ADMINISTRATOR	YES
MR TOBÍAS MARTÍNEZ GIMENO	ON TOWER TELECOM INFRAESTRUCTURAS, S.A.U.	SOLIDARITY ADMINISTRATOR	YES
MR TOBÍAS MARTÍNEZ GIMENO	CELLNEX TELECOM ESPAÑA, S.L.U.	SOLIDARITY ADMINISTRATOR	YES

C.1.12 List any company board members who likewise sit on the boards of directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the company.

Name or corporate name of director	Corporate name of the listed entity	Post
MR FRANCISCO REYNÉS MASSANET	ABERTIS INFRAESTRUCTURAS, S.A.	VICE CHAIRMAN/CEO
MR BERTRAND BOUDEWIJN KAN	SÍMINN HF	DIRECTOR

C.1.13 Indicate and, where appropriate, explain whether the company establishes rules about the maximum number of company boards on which its directors may sit.

Yes ☐ **No X**

C.1.14 Section abolished.

C.1.15 List the total remuneration paid to the board of directors in the year.

Board remuneration (thousands of euros)	2.235
Amount of rights accumulated by current directors concerning pensions (thousands of euros)	475
Amount of rights accumulated by former directors concerning pensions (thousands of euros)	0

C.1.16 List any members of senior management who are not executive directors and indicate total remuneration paid to them during the year.

Name or corporate name	Post(s)
MR JOSE MANUEL AISA MANCHO	CFO – Finance & Corporate Development Director
MR ANTONI BRUNET MAURI	Corporate and Public Affairs Director
MR JAVIER MARTÍ DE VESES ESTADES	General Secretary
MR ÁLEX MESTRE MOLINS	CCO – Business & Commercial Development Director
MR ROSA PIÑOL RAURICH	CRO – Resources & Transformation Director
MR DANIEL FERNÁNDEZ CAPO	COO – Global Business Operations Director
MR ALBERT CUATRECASAS FREIXAS	Managing Director Spain
MR GIANLUCA LANDOLINA	Managing Director Italy

Total remuneration received by senior management (thousands of euros)	2.369

C.1.17 List, if applicable, the identity of those directors who are likewise members of the boards of directors of companies that own significant holdings and/or group companies.

Name or corporate name of director	Corporate name of significant shareholder	Post
MR FRANCISCO JOSÉ ALJARO NAVARRO	SANEF, S.A.	DIRECTOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	ABERTIS AUTOPISTAS ESPAÑA, S.A.U.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	AUTOPISTAS, CONCESIONARIA ESPAÑOLA, S.A.U. (ACESA)	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	AUTOPISTES DE CATALUNYA, S.A. CONCESSIONARIA DE LA GENERALITAT DE CATALUNYA, UNIPERSONAL (AUCAT)	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	INFRAESTRUCTURES VIARIES DE CATALUNYA, S.A.	SOLIDARITY ADMINISTRATOR

	CONCES. GENE. CATALUNYA, UNIP. (INVICAT)	
MR FRANCISCO JOSÉ ALJARO NAVARRO	AUTOPISTAS AUMAR, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	IBERPISTAS, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	CASTELLANA DE AUTOPISTAS, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	AUTOPISTAS DE LEON, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL (AULESA)	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	ABERTIS TELECOM SATELITES, S.A.U.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	ABERTIS INTERNACIONAL, S.A.U.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	PARTICIPES EN BRASIL II, S.A.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	PARTICIPES EN BRASIL, S.A.	DIRECTOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	ARTERIS, S.A.	DIRECTOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	AUTOPISTA CENTRAL, S.A.	DIRECTOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	CENTRAL KORBANA, S.A.R.L.	JOINT ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	CENTRAK KORBANA SWEDEN AB	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	CENTRAL KORBANA SWEDEN HOLDINGS AB	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	ABERTIS AUTOPISTAS CHILE, S.A.	DIRECTOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	ABERTIS INDIA, S.L.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	HISPASAT, S.A.	DIRECTOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	INFRAESTRUCTURAS AMERICANAS, S.L.U.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	SOCIETAT D AUTOPISTES	SOLIDARITY ADMINISTRATOR

	CATALANES, S.A.U.	
MR FRANCISCO JOSÉ ALJARO NAVARRO	AUTOPISTAS METROPOLITANAS DE PUERTO RICO LLC (METROPISTAS)	CHAIRMAN
MR FRANCISCO JOSÉ ALJARO NAVARRO	ABERTIS MOBILITY SERVICES, S.L.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	INVERSORA DE INFRAESTRUCTURAS, S.L. (INVINSL)	DIRECTOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	ABERTIS MOTORWAYS UK LIMITED	DIRECTOR
MR FRANCISCO JOSÉ ALJARO NAVARRO	ABERTIS FINANCE B V	DIRECTOR
MR JOSEP MARIA CORONAS GUINART	ABERTIS INDIA, S.L.	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	ABERTIS AUTOPISTAS ESPAÑA, S.A.U.	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	AUTOPISTAS, CONCESIONARIA ESPAÑOLA, S.A.U. (ACESA)	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	AUTOPISTES DE CATALUNYA, S.A. CONCESSIONARIA DE LA GENERALITAT DE CATALUNYA, UNIPERSONAL (AUCAT)	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	INFRAESTRUCTURES VIARIES DE CATALUNYA, S.A. CONCES. GENE. CATALUNYA, UNIP. (INVICAT)	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	AUTOPISTAS AUMAR, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	IBERPISTAS, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	CASTELLANA DE AUTOPISTAS, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA	AUTOPISTAS DE LEON,	SOLIDARITY

CORONAS GUINART	S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL (AULESA)	ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	ABERTIS TELECOM SATELITES, S.A.U.	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	ABERTIS INTERNACIONAL, S.A.U.	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	PARTICIPES EN BRASIL II, S.A.	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	HISPASAT, S.A.	DIRECTOR
MR JOSEP MARIA CORONAS GUINART	INFRAESTRUCTURAS AMERICANAS, S.L.U.	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	SOCIETAT D AUTOPISTES CATALANES, S.A.U.	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	ABERTIS MOBILITY SERVICES, S.L.	SOLIDARITY ADMINISTRATOR
MR JOSEP MARIA CORONAS GUINART	A4 HOLDING S.P.A.	DIRECTOR
MR LUIS DEULOFEU FUGUET	BIP GO	DIRECTOR
MR LUIS DEULOFEU FUGUET	SOCIETE DES AUTOROUTES PARIS NORMANDIE S A P N (S A)	CHAIRMAN
MR FRANCISCO REYNÉS MASSANET	ABERTIS INFRAESTRUCTURAS, S.A.	VICE CHAIRMAN/CEO
MR FRANCISCO REYNÉS MASSANET	HOLDING D INFRAESTRUCTURES DE TRANSPORT, S.A.S.	SOLE ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	HOLDING D INFRAESTRUCTURES DE TRANSPORT 2, S.A.S.	CHAIRMAN
MR FRANCISCO REYNÉS MASSANET	SANEF, S.A.	DIRECTOR
MR FRANCISCO REYNÉS MASSANET	ABERTIS AUTOPISTAS ESPAÑA, S.A.U.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	AUTOPISTAS, CONCESIONARIA ESPAÑOLA, S.A.U. (ACESA)	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	AUTOPISTES DE CATALUNYA, S.A. CONCESSIONARIA DE	SOLIDARITY ADMINISTRATOR

	LA GENERALITAT DE CATALUNYA, UNIPERSONAL (AUCAT)	
MR FRANCISCO REYNÉS MASSANET	INFRAESTRUCTURES VIARIES DE CATALUNYA, S.A. CONCES. GENE. CATALUNYA, UNIP. (INVICAT)	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	AUTOPISTAS AUMAR, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	IBERPISTAS, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	CASTELLANA DE AUTOPISTAS, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	AUTOPISTAS DE LEON, S.A. CONCESIONARIA DEL ESTADO, UNIPERSONAL (AULESA)	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	ABERTIS TELECOM SATELITES, S.A.U.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	ABERTIS INTERNACIONAL, S.A.U.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	INVERSORA DE INFRAESTRUCTURAS, S.L. (INVINSL)	CHAIRMAN
MR FRANCISCO REYNÉS MASSANET	PARTICIPES EN BRASIL II, S.A.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	PARTICIPES EN BRASIL, S.A.	CHAIRMAN
MR FRANCISCO REYNÉS MASSANET	ARTERIS, S.A.	DIRECTOR
MR FRANCISCO REYNÉS MASSANET	ABERTIS AUTOPISTAS CHILE, S.A.	CHAIRMAN
MR FRANCISCO REYNÉS MASSANET	HISPASAT, S.A.	DIRECTOR
MR FRANCISCO REYNÉS MASSANET	INFRAESTRUCTURAS AMERICANAS, S.L.U.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	SOCIETAT D AUTOPISTES	SOLIDARITY ADMINISTRATOR

	CATALANES, S.A.U.	
MR FRANCISCO REYNÉS MASSANET	A4 HOLDING S.P.A.	DIRECTOR
MR FRANCISCO REYNÉS MASSANET	ABERTIS INDIA, S.L.	SOLIDARITY ADMINISTRATOR
MR FRANCISCO REYNÉS MASSANET	ABERTIS MOBILITY SERVICES, S.L.	SOLIDARITY ADMINISTRATOR

List, if appropriate, any relevant relationships, other than those included under the previous heading, that link members of the Board of Directors with significant shareholders and/or their group companies.

Name or corporate name of director
DON FRANCISCO JOSÉ ALJARO NAVARRO
Name or corporate name of significant shareholder
ABERTIS INFRAESTRUCTURAS, S.A.
Relationship:
CHIEF FINANCIAL OFFICER

Name or corporate name of director
MR LUIS DEULOFEU FUGUET
Name or corporate name of significant shareholder
ABERTIS INFRAESTRUCTURAS, S.A.
Relationship:
GENERAL MANAGER OF SANEF

Name or corporate name of director
MR FRANCISCO REYNÉS MASSANET
Name or corporate name of significant shareholder
FUNDACIÓN PRIVADA ABERTIS
Relationship:
TRUSTEE

Name or corporate name of director
MR JOSÉ MARÍA CORONAS GUINART
Name or corporate name of significant shareholder
ABERTIS INFRAESTRUCTURAS, S.A.
Relationship:
NON-DIRECTOR VICE SECRETARY, SECRETARY GENERAL AND CORPORATE GENERAL MANAGER

Name or corporate name of director
MR JOSÉ MARÍA CORONAS GUINART
Name or corporate name of significant shareholder
FUNDACIÓN BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA
Relationship:
SECRETARY (NON-MEMBER) OF THE PATRONAGE

Name or corporate name of director
MR FRANCISCO REYNÉS MASSANET
Name or corporate name of significant shareholder
ABERTIS INFRAESTRUCTURAS, S.A.
Relationship:
VICECHAIRMAN / CEO

C.1.18 Indicate whether any changes have been made to the board regulations during the year.

Yes ☐ **No X**

C.1.19 Indicate the procedures for selecting, appointing, re-electing, evaluating and removing directors. List the competent bodies and the processes and criteria to be followed for each of these procedures.

The procedures for the selection, appointment, re-election, assessment and removal of directors are detailed in Sections 18 to 21 of the Board of Directors' Regulations, which read as follows:

Section 18. Appointment of Directors.
1.Directors will be appointed by the General Shareholders' Meeting or by the Board of Directors, in accordance with the provisions set out in Royal Decree 1/2010 of 2 July approving the recast text of the Spanish Limited Liability Companies Law or legal text replacing it.
2.The nominations for Directors submitted to the Board of Directors for deliberation at the General Meeting and the appointment decisions that the Board adopts in virtue of the powers of co-optation legally vested in it, must be preceded by the corresponding proposal by the Nomination and Remuneration Committee when in relation to independent directors, and by a report in the case of all other directors.

Section 19. Appointment of affiliate directors.
The Board of Directors and the Nomination and Remuneration Committee, within the scope of their remits, will ensure that the candidates selected are persons of recognized standing, competence and experience, and shall be particularly rigorous with respect to those called on to be Independent Directors provided for in Section 5 of these Regulations and under the terms of the applicable good governance standards.

Section 20. Term of office.
1.Directors shall hold office for the term provided for in the corporate Bylaws, and may be re-elected once or more times for this same term.
2.Directors appointed by co-optation shall hold their positions until the date of the first General Meeting. If a vacancy occurs once the General Meeting has been convened and before it is held, the

Board of Directors may appoint a director until the next General Meeting is held. Moreover, the director appointed by co-optation by the Board does not necessarily have to be a shareholder in the company. When, following a Nomination and Remuneration Committee report, the Board of Directors considers that the interests of the Company are in jeopardy, the director whose term of office has ended or who for any other reason ceases to hold office, may not work in any other company that has a similar corporate purpose to the Company and which is considered by the Board to be a competitor, for the period determined by the Board, which in no case will be greater than two (2) years.

Section 21. Removal of directors.
1.Directors shall resign from their positions when they have completed the period for which they were appointed and when decided on by the General Meeting under the powers legally or statutorily vested therein.
2.Directors must tender their resignation to the Board and, if the Board of Directors considers it appropriate, formally resign in the following cases:
a) when they cease to hold the executive positions with which their appointment as Director was associated. Independent directors when they complete twelve (12) years in the position;
b) when they find themselves in a situation of conflict of interests or a prohibited situation as provided for by law;
c) when they are prosecuted for an alleged criminal act or are subject to disciplinary proceedings for serious or very serious misconduct instituted by the supervisory authorities;
d) when their continued presence on the Board may jeopardise the Company's interests or when the reasons for which they were appointed cease to exist. The above circumstance shall be deemed to occur in the case of proprietary directors when the total shareholding they own or whose interests they represent is disposed of or when the reduction of such shareholding requires a reduction in the number of relevant proprietary directors.
3.Executive directors must tender their resignation to the Board once they have reached the age of 70, and the Board must decide whether they may continue to perform their executive or delegated functions or remain simply as a director.

Furthermore, in addition, it was approved in 2016 a Director Selection Policy stating that, in accordance with the provisions of the Limited Liability Company Law, the Nomination and Remuneration Committee is responsible for proposing the nomination or re-election of members of the Board of Directors in the case of independent directors, with the Board itself being responsible for proposing nomination or re-election in all other cases. This proposal for nomination or re-election must be accompanied by an explanatory report from the Board that assesses the competence, experience and merits of the proposed candidate. Additionally, the proposal for nomination or re-election of any non-independent director must also be preceded by a report from the Nomination and Remuneration Committee. Selection of the candidates for director shall be based on a preliminary analysis of the necessities of the company, which must be carried out by the Board of Directors with advice and a report from the Nomination and Remuneration Committee. The objective is to incorporate different professional and management experiences and competences, as well as to promote the diversity of knowledge, experiences and gender, considering the weight of the various activities carried out by Cellnex and taking into account any areas or sectors that should be specifically promoted. Any board member may request that the Nomination and Remuneration Committee takes into consideration a potential candidates to cover directorship vacancies, in the event that the Committee finds them suitable in its opinion. Additionally, the Selection Policy regulates the process and conditions that candidates must meet.

C.1.20 Explain to what extent the annual evaluation of the board has prompted significant changes in its internal organisation and regarding the procedures applicable to its activities.

Description of changes

The evaluation of the Board has not resulted in significant changes to the internal organisation or to procedures.

C.1.20 bis Describe the evaluation process carried out and the areas evaluated by the board of directors, assisted, if applicable, by an external consultant, with regard to the diversity in its composition and competences, of the functioning and composition of its committees, of the performance of the chairman of the board of directors and the chief executive of the company and of the performance and contribution of each director.

Following a proposal of the NRC, the Board of Directors decided that the evaluation of its operations during year 2017 would be done by an external consultant. For these purposes, possible candidates were selected, being agreed to hire a boutique specialized on these topics, "gobierno corporativo abogados" (corporate governance lawyers). The external consultant analyzed all the corporate documentation and held various work meetings with the Secretary of the Board and, likewise, also met separately with each of the Directors who, in addition, responded to a form prepared by the external consultant.

The conclusions of the analysis show that, in a short period of time, Cellnex has created a complete internal normative body which guarantees the respect to the legal obligations and to the principles and recommendations which integrate the Corporate Governance. From the external consultant perspective, the Board, the Directors and its committees have assumed and internalized the belief that this is not only compulsory or recommendable, but also convenient to be governed with transparency, respect to the shareholders, employees, suppliers and clients and be submitted to the principals that have been consolidated in this context of Corporate Governance. However, the external consultant formulated some recommendations which are duly reflected in its report.

C.1.20. ter Detail, if applicable, the business relationships that the consultant or any company from their group maintains with the company or any company from its group.

C.1.21 Indicate the cases in which directors must resign.

1. Directors shall resign from their positions when they have completed the period for which they were appointed and when decided on by the General Meeting under the powers legally or statutorily vested therein.
2. Directors must tender their resignation to the Board and, if the Board of Directors considers it appropriate, formally resign in the following cases:
a) when they cease to hold the executive positions with which their appointment as Director was associated. Independent directors when they complete twelve (12) years in the position;
b) when they find themselves in a situation of conflict of interests or a prohibited situation as provided for by law;
c) when they are prosecuted for an alleged criminal act or are subject to disciplinary proceedings for serious or very serious misconduct instituted by the supervisory authorities;

d) when their continued presence on the Board may jeopardise the Company's interests or when the reasons for which they were appointed cease to exist. The above circumstance shall be deemed to occur in the case of proprietary directors when the total shareholding they own or whose interests they represent is disposed of or when the reduction of such shareholding requires a reduction in the number of relevant proprietary directors.
3.Executive directors must tender their resignation to the Board once they have reached the age of 70, and the Board must decide whether they may continue to perform their executive or delegated functions or remain simply as a director.

C.1.22 Section abolished.

C.1.23 Are qualified majorities other than those prescribed by law required for any type of decision?

Yes □ **No X**

C.1.24 Indicate whether there are any specific requirements, apart from those relating to the directors, to be appointed chairman of the board.

Yes □ **No X**

C.1.25 Indicate whether the Chairman has the casting vote.

Yes □ **No X**

C.1.26 Indicate whether the Bylaws or the board regulations set any age limit for directors.

Yes X **No □**

Age limit for chairman
Age limit for CEO: 70
Age limit for director

C.1.27 Indicate whether the Bylaws or the board regulations set a limited term of office for independent directors, other than that established in legislation.

Yes □ **No X**

C.1.28 Indicate whether the Bylaws or board regulations stipulate specific rules on appointing a proxy to the board, the procedures for doing so and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether any limitation has been established in terms of the categories in which it is possible to appoint a proxy, beyond the limitations imposed by legislation. If so, give brief details.

Section 23(a) of the Bylaws state that any director may confer representation to another director in writing, by fax, email or any other similar method. Nonexecutive directors may only confer representation to another non-executive director.

C.1.29 Indicate the number of board meetings held during the year, and how many times the board has met without the chairman's attendance. Attendance will also include proxies appointed with specific instructions.

Number of board meetings	12
Number of board meetings held without the chairman's attendance	0

If the chairman is an executive director, indicate the number of meetings held, without the attendance or representation of any executive director and chaired by the coordinating director.

Number of meetings	0

Indicate the number of meetings of the various board committees held during the year.

Committee	Number of meetings
AUDIT AND CONTROL COMMITTEE	9
NOMINATION AND REMUNERATION COMMITTEE	8

C.1.30 Indicate the number of board meetings held during the year with all members in attendance. Attendance will also include proxies appointed with specific instructions.

Number of meetings with all directors in attendance	11
% of attendances of the total votes cast during the year	99,13%

C.1.31 Indicate whether the consolidated and individual financial statements submitted for authorization for issue by the board are certified previously.

Yes X **No □**

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior to their authorization for issue by the board.

Name	Post
MR JOSÉ MANUEL AISA MANCHO	Finance and Corporate Development Manager
MR TOBÍAS MARTÍNEZ GIMENO	Chief Executive Officer
MR JAVIER MARTÍ DE VESES ESTADES	General Secretary and Council

C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being laid before the General Shareholders' Meeting with a qualified Audit Report.

In accordance with section 39.3 of the Board Regulations, the Board of Directors shall procure to definitively drawn up the annual accounts in a way that the auditor cannot oppose exceptions. However, when the Board considers that it shall maintain its approach, it shall explain publicly the content and scope of the discrepancy. The duties of the Audit and Control Committee (section 15(c) of the Board Regulations) include supervising the process of preparing and presenting the compulsory financial information as well as the integrity thereof. The Audit and Control Committee holds regular meetings with the Company's external auditors to avoid discrepancies in the criteria to be followed in preparing the annual financial statements.

C.1.33 Is the secretary of the board also a director?

Yes □ **No X**

If the secretary is not a director, complete the following table:

Name or corporate name of secretary	Representative
MR JAVIER MARTÍ DE VESES ESTADES	

C.1.34 Section abolished.

C.1.35 Indicate and explain, where applicable, the specific mechanisms implemented by the company to preserve the independence of external auditors, financial analysts, investment banks and rating agencies.

One of the duties of the Audit and Control Committee (section 15(b) of the Board Regulations) is to propose to the Board of Directors, so that it may submit them to the General Shareholder's Meeting, the proposals for selection, appointment, re-election and replacement of the external accounts auditor or auditing firm, the contracting terms, the scope of their professional mandate and, as the case may be, the revocation or non-renewal thereof, all in accordance with the current legislation, as well as to regularly collect from them information about the audit plan and its implementation, and to preserve its independence in the exercise of its duties.

Another function (section 15(d) of the same Regulations), is to establish the appropriate relations with the external accounts auditors or auditing firms in order to receive information on issues that may jeopardize the independence of the same, to be studied by the Committee, and any other information relative to the auditing of the accounts, as well as any other notifications envisaged in the legislation and regulations concerning the auditing of accounts. In all cases, they must receive on an annual basis from the external accounts auditors or auditing firms written confirmation of their independence with regard to the company or any organisations directly or indirectly related to the same, in addition to information regarding any additional services of any kind provided to and the pertinent fees received from these organisations by said auditors or auditing firms, or by persons or organisations related to the same in accordance with the provisions established in the applicable legislation on account auditing.

Additionally, another function of the Audit and Control Committee (section 15 ap. e) of the Board Regulations) is to issue annually, prior to the issuance of the auditors' report on the annual accounts, a report which shall express an opinion on the independence of the auditors or audit companies. This report shall contain, in any event, a valuation of the additional services provided referred to in the previous section, individually considered and as a whole, which are different from the legal audit and details in relation with the independent regime or the audit governing regulations.

In accordance with legal requirements, the Company's annual financial statements detail the fees paid to the Company's external auditor for all audit and non-audit services rendered.

The Company's governing bodies pay particular attention to ensuring the independence of financial analysts, investment banks and rating agencies.

C.1.36 Indicate whether the company has changed its external auditor during the year. If so, identify the incoming auditor and the outgoing auditor.

Yes □ No X

If there were any disagreements with the outgoing auditor, explain the content of the disagreements

C.1.37 Indicate whether the auditing firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group.

Yes X No □

	Company	Group	Total
Amount of non-audit work (thousands euros)	322	124	446
Amount of non-audit work as a % of the total amount billed by the auditing firm	36,43%	18,93%	28,98%

C.1.38 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. Indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.

Yes □ No X

C.1.39 Indicate the number of consecutive years during which the current auditing firm has been auditing the financial statements of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited.

	Company	Group
Number of consecutive years	5	5

Number of years audited by current auditing firm / Number of years the Company's financial statements have been audited (%)	100,00%	100,00%

C.1.40 Indicate and give details of any procedures through which directors may receive external advice.

Yes X **No □**

Describe the procedure

In accordance with the provisions of section 23 of the Board Regulations:

1.In order to receive assistance in the performance of their duties, non-executive Directors may, when there are special circumstances that make this necessary, request that legal, accounting, financial or other experts be hired at the Company's expense. The commissioned task must necessarily deal with specific problems of a certain importance and complexity which may arise during the performance of their office.
2.The Chief Executive Officer of the Company must be informed of any decision to engage external advisors, and may be vetoed by the Board of Directors, provided it proves that:
a) it is not necessary for the proper performance of the duties entrusted to the nonexecutive Directors; or
b) the cost is not reasonable in view of the importance of the problem and of the assets and income of the Company; or
c) the technical assistance obtained may be properly provided by in-house experts and staff members.

C.1.41 Indicate and, where appropriate, give details of whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies.

Yes X **No □**

Describe the procedure

Pursuant to section 22 of the Board of Directors' Regulation, the agenda of Board meetings will clearly indicate any points regarding which the Board of Directors must take adopt decision or a resolution so that the directors may examine or gather, in advance, the information required for the adoption thereof. All information referring to the proposals to be presented to directors will be available to them forty-eight (48) hours in advance.

The advance information sent to directors during the financial year 2017 was generally sent to the directors one week in advance of the meetings.

C.1.42 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the organisation's name or reputation, tendering their resignation as the case may be.

Yes X **No □**

Details of rules

Directors must tender their resignation to the Board and, if the Board of Directors considers it appropriate, formally resign (section 21 of the Board Regulations) in the following cases:

- When they find themselves in a situation of conflict of interests or a prohibited situation as provided for by law;
- When they are prosecuted for an alleged criminal act or are subject to disciplinary proceedings for serious or very serious misconduct instituted by the supervisory authorities;
- When their continued presence on the Board may jeopardize the Company's interests or when the reasons for which they were appointed cease to exist. The above circumstance shall be deemed to occur in the case of proprietary directors when the total shareholding they own or whose interests they represent is disposed of or when the reduction of such shareholding requires a reduction in the number of relevant proprietary directors.

C.1.43 Indicate whether any director has notified the company that they have been indicted or tried for any of the offences stated in Article 213 of the Spanish Limited Liability Companies Law.

Yes □ **No X**

Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office or, if applicable, detail the actions taken or to be taken by the board.

C.1.44 List the significant agreements entered into by the company which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects.

-Syndicated bank financing agreements are subject to early repayment if there is a change in control, where change in control is defined as the acquisition of (i) more than 50% of the voting rights or (ii) the right to appoint or remove the majority of the board members.

-Bond issue agreement: holders will have the option to request the early amortization of their bonds, in the event of a change in control (in the same terms as in bank financing), but in addition, this change in control would have to bring about a reduction in the rating of these bonds, and provided that the rating agency stated that the reduction of the credit rating is caused by the change in control.

-Some of the purchase contracts entered into by the company for the acquisition of infrastructures include a purchase option for the sellers if there is a change in control at Cellnex or at any of its subsidiaries in favour of a competitor of the sellers.

C.1.45 Identify, in aggregate form and provide detailed information on agreements between the company and its officers, executives and employees that provide for compensation, guarantee or protection clauses the event of resignation, unfair dismissal or termination as a result of a takeover bid or other kinds of operation.

Number of beneficiaries: 2
Type of beneficiary: CEO and Senior Management
Description of the agreement:
The executives have signed agreements with the company that contain compensation clauses.
In general terms, the contracts' compensation clause provides for the payment of compensation to the executive in the event of unfair dismissal. The compensation is the greatest of the following amounts: a) compensation equivalent to one year's salary, taking into consideration the annual gross fixed remuneration in cash received at the time the employment relationship is terminated, as well as the annual gross variable remuneration received by the executive in the 12 months immediately before the effective cessation of the provision of their services; or b) the compensation established by current employment legislation.

In the case of the Chief Executive Officer and other members of senior management, the compensation clause in the contracts provides for the payment of compensation in favour of the executive in the event of (i) unfair dismissal or (ii) unilateral termination of the contract by the manager due to serious breach by the company of the obligations set out in the contract, substantial modification of their duties without consent, change in control of the company in the sense provided for in Section 42 of the Commercial Code and similar circumstances.

For the Chief Executive Officer the compensation would consist of two years' fixed and variable remuneration.

Indicate whether these agreements must be reported to and/or authorized by the governing bodies of the company or its group.

	Board of Directors	**General Shareholders' Meeting**
Body authorizing clauses	Yes	No

	YES	**NO**
Is the General Shareholders' Meeting informed of such clauses?		X

C.2 Board committees

C.2.1 Give details of all the board committees, their members and the proportion of executive, proprietary and independent directors and other external directors forming them.

AUDIT AND CONTROL COMMITTEE

Name	Post	Category
MR BERTRAND BOUDEWIJN KAN	CHAIRMAN	INDEPENDENT
MR FRANCISCO JOSÉ ALJARO NAVARRO	MEMBER	PROPRIETARY
MR LEONARD PETER SHORE	MEMBER	INDEPENDENT

% of proprietary directors	33,33%
% of independent directors	66,67%
% of other external directors	0,00%

Explain the functions assigned to this committee, describe the procedures and rules of organisation and operation of the same and summarize its most important actions during the year.

As regards section C.2.1

Identify the director who is a member of the Audit Committee who has been appointed taking into account his or her knowledge and experience in the field of accounting, auditing or both, and provide information on the number of years that the Chairman of this Committee has held this post.

Name of director with experience	MR BERTRAND BOUDEWIJN KAN
Num. of years chairman has held post	1

NOMINATION AND REMUNERATION COMMITTEE

Name	Post	Category
DON GIAMPAOLO ZAMBELETTI ROSSI	CHAIRMAN	INDEPENDENT
DON PIERRE BLAYAU	MEMBER	INDEPENDENT
DON JOSEP MARIA CORONAS GUINART	MEMBER	PROPRIETARY
DOÑA MARIETA DEL RIVERO BERMEJO	MEMBER	INDEPENDENT

% of proprietary directors	25,00%
% of independent directors	75,00%
% of other external directors	0,00%

Explain the functions assigned to this committee, describe the procedures and rules of organisation and operation of the same and summarize its most important actions during the year.

As regards section C.2.1

C.2.2 Complete the following table with information on the number of female directors on the various board committees as at year-end of the past four financial years.

	Number of female directors							
	2017		2016		2015		2014	
	Financial year t		Financial year t-1		Financial year t-2		Financial year t-3	
	Number	%	Numb	%	Number	%	Number	%
Audit and Control Committee	0	0,00%	0	0,00%				
Nomination and Remuneration Committee	1	25,00%	0	0,00%				

C.2.3 Section abolished.

C.2.4 Section abolished.

C.2.5 Indicate, as appropriate, whether there are any regulations governing the board committees, the place in which they are available for consultation and any amendments that have been made during the year. Also indicate whether an annual report on the activities of each committee has been prepared voluntarily.

The Board Committees do not have their own regulations and their functioning is regulated by the Board of Directors' Regulations, which are available on the company's website. Each of these committees has drawn up an activity report for 2017, which is available on the company's website.

C.2.6 Section abolished.

D OPERATIONS WITH RELATED PARTIES AND INTRAGROUP OPERATIONS

D.1 Explain, in your case, the procedure for the approval of operations with related parties and intragroup operations.

Procedure to inform on the approval of operations with related parties

Pursuant to Section 4 of the Board of Directors' Regulations, the board will have the authority to approve operations which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto, except when these fulfil the three following conditions:
1) They are carried out by virtue of contracts, the conditions of which are standardized and apply in masse to most customers.

2) They go through at market prices, generally set by the person supplying the goods or services.
3) Their amount is no more than 1% of the group's annual revenues.

Furthermore, section 33 of the mentioned regulations establishes that:
The Board of Directors formally reserves the right to know about any important transaction by the company with a significant shareholder. With regard to ordinary transactions, the general authorization for the line of operations and their conditions of execution will suffice.

D.2 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders.

Name or corporate name of significant shareholder	**Company name or group entity**	**Nature of relationship**	**Operation type**	**Amount (Thousands of Euros)**
ABERTIS INFRAESTRUCTURAS, S.A.	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	6.800
BLACKROCK, INC.	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	1.017
CRITERIA CAIXA, S.A.U.	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	1.000
THREADNEEDLE ASSET MANAGEMENT LIMITED	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	980
CANTILLON CAPITAL MANAGEMENT LLC	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	604
MFS INVESTMENT MANAGEMENT	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	521
CRITERIA CAIXA, S.A.U.	CELLNEX TELECOM, S.A.	CONTRACTUAL	CONTRIBUTIONS TO PENSION PLANS AND LIFE INSURANCE	1.358

D.3 List relevant transactions, by virtue of their amount or importance, between your company or groups of companies and the company's managers or directors.

D.4. List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens.

D.5 Indicate the amount from related-party transactions.

14.379 (K€)

D.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.

In accordance with the Board of Directors' Regulations, directors and executives must report any conflicts of interest and abstain from participating or influencing the decision-making process on matters affected by the conflict.

Directors (section 27 c) of the Board Regulations) must abstain from participating in discussions and votes regarding resolutions or decisions in which they or a related person has a direct or indirect conflict of interest. Resolutions or decisions that affect their status as directors, such as their appointment to or removal from positions in the governing body or other similar decisions, shall be excluded from the aforementioned obligation to abstain.

Additionally, Directors (section 27 (e) of the same Regulations) must adopt the necessary measures to avoid situations in which their interests, whether for their own account or for others, may conflict with the company's interests and their duties towards the company. The foregoing excludes the cases in which the company has provided its consent, pursuant to the terms set forth in section 230 of the Spanish Limited Liability Companies Law.

Directors (section 28 of the same Regulations) must advise the Board of Directors of any direct or indirect conflict that they or people related to them might have with the Company's interests. The director concerned will refrain from taking part in resolutions or decisions related to the operation to which the conflict refers. The votes of the directors affected by the conflict and who must abstain, will be deducted for the purposes of calculating the majority of votes needed. In particular, the duty to avoid conflicts of interest obliges directors to refrain from:

a) Carrying out transactions with the company, except when these are ordinary operations, carried out under standard conditions for customers, and are of little importance, understood as those operations whose information is not required to convey a faithful image of the entity's assets, financial situation and results.

b) Using the company's name or their status of director to unduly influence the conduct of private operations.

c) Using the company's assets, including its confidential information, for private purposes. d)Taking advantage of the company's business opportunities.

d) Obtaining benefits or payments associated with the performance of their position from third parties other than the company or its Group, unless they are acts of mere courtesy.

e) Carrying out activities, for their own account or for others, that cause them to be in effective competition, whether real or potential, with the company or which, in any other way, cause a permanent conflict with the company's interests.

f) Carrying out activities, for their own account or for others, that cause them to be in effective competition, whether real or potential, with the company or which, in any other way, cause a permanent conflict with the company's interests.

In July 2016 Cellnex's Board of Directors approved a new Internal Code of Conduct (ICC) adapted to the requirements of the European Regulation on market abuse. With regard to conflicts of interest, the ICC establishes:
Principles of action
In any situation involving a "Conflict of Interest" (being a clash between the interests of the Company and the personal interests of the Affected Person), Affected Persons shall act in accordance with the following principles:
(i) Independence.
They must act at all times with loyalty to the Company, irrespective of their own interests or those of third parties.
(ii) Abstention.
They must refrain from intervening or influencing in the taking of decisions concerning matters affected by the conflict.
(iii) Confidentiality.
They shall refrain from accessing confidential information which may have a bearing on the aforesaid conflict.
Notification of Conflicts of Interest
Affected Persons shall notify the General Secretary's Office of any possible Conflicts of Interest to which they are subject by their family relationships, their personal holdings, their activities outside the Company, or on any other grounds. It shall be considered that there is no Conflict of Interests owing to family relationships when said relationship is beyond the fourth degree of consanguinity or the second degree of affinity.
It shall be considered that there is a possible Conflict of Interests derived from personal holdings when said holdings arise in relation to a company in which the Affected Person holds a management post or has a significant stake (which is understood to mean a total stake, direct or indirect, in excess of twenty per cent of its total issued share capital).
Affected Persons must ensure that the information is kept up to date, reporting any modification to or termination of previously communicated situations, as well as the emergence of any new possible Conflicts of Interest.
Communications must be issued without delay once the current or possible situation of Conflict of Interest is recognised, prior to taking any decision which may be affected by the possible Conflict of Interest.
Members of the Board of Directors In addition to the foregoing, the members of the Company's Board of Directors shall be subject to the provisions of the applicable corporate regulations and internal Company's rules.

D.7 Is more than one of the group's companies listed in Spain?

Yes □ **No X**

Identify the listed subsidiaries in Spain.

Listed subsidiaries

Indicate whether they have provided detailed disclosure on the type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;

Define the business dealings between the parent company and listed subsidiary as well as the dealings between the subsidiary and other group companies

Indicate the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies.

Mechanisms to resolve possible conflicts of interest

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Describe the risk management system in place at the company, including those of a fiscal nature.

The ongoing risk management model has been approved and supervised by the Audit and Control Committee and is currently implemented in Spain, France, the Netherlands, Italy and the United Kingdom.

To identify the risks there are guidelines defined and approved by the Audit and Control Committee. Each area of the company is responsible to identify, assess and monitor the inherent and residual risks and also to supervise and implement control measures to mitigate such measures.

The risk map is approved and reviewed by the Audit and Control Committee which informs the Board of Directors and it is also contrasted and implemented by the Executive Committee

E.2 Identify the company bodies responsible for preparing and implementing the risk management system, including the fiscal one.

The following bodies are responsible for defining, executing and monitoring the risk management system:

- The Board of Directors: the highest body responsible for defining the risk control strategy and policy.
- The Audit and Control Committee: Designated as such by the Board of Directors, its role is to monitor the effectiveness of the risk management model and the information supplied to third parties regarding the system, making sure that the risk management system is able to identify, manage, prioritize, control, monitor and provide complete information on risks.
- Risk Control: is responsible for preparing and updating risk management policies, setting out mechanisms and methodologies to identify and assess risks, updating risk mapping, implementing a system for monitoring and communications to the highest level of company governance and review the controls that mitigate the identified risks.

- Senior Management Committee: Is responsible for risk management included in the implementation of the defined risk policies, the approval of risk maps, the assigning of responsibilities, the implementation of control activities and action plans as well as the monitoring of existing risks in its area of responsibility.

- Managers: Each area manager is responsible for identifying their risks and informing the Risk Control in a timely fashion. Likewise, he or she is responsible for identifying and implementing control activities aimed at mitigating risks.

E.3 Indicate the main risks, including those of a fiscal nature, which may prevent the company from achieving its targets.

The main risks which may prevent the company from achieving its targets are:

- Strategic elements, such as mergers between telecommunications operators, emergence of new competitors, restrictions on growth in regulated markets.

- Compliance following changes in fiscal, legal or environmental law or being subject to litigation or other judicial processes.

- Financial as a result of customers defaulting on payments, access to financing, fluctuations in the stock market price.

- Operatives derived from the integration and optimization of acquisitions, increase in exposure of information systems, emergence of alternative technologies, capacity to attract and retain qualified personnel.

E.4 Identify if the company has a risk tolerance level, including a fiscal one.

The levels of tolerance are defined in the risk assessment matrix.

For the identified risks each person responsible will evaluate the possible impact of such risks should these occur and classify them as low, medium, large or critical depending on their economic impact, implications for the organisation and impact on reputation. Following this the possibility of the risk actually occurring will be evaluated. This possibility is classifies as unlikely, possible, probable and almost certain. The combination of impact and probability leads to risk prioritization.

E.5 Identify any risks, including fiscal ones, which have occurred during the year.

We highlight the most relevant risks materialized during the year:

• Litigation regarding the extension of DTT.

• Access to financing.

• Infrastructure sharing.

• Geopolitical situation.

E.6 Explain the response and monitoring plans for the main risks the company is exposed to, including fiscal risks.

Under the risk management model implemented the response and supervision plans for the main risks are established based on their assessment.

The risks considered as priorities are reviewed by the Audit and Control Committee as well as if there is any variation in the valuation of the risks not defined as priorities. Additionally, all the areas perform risk management and the Executive Committee monitors such risks.

F INTERNAL CONTROL AND MANAGEMENT OF RISK IN FINANCIAL REPORTING (ICFR)

Describe the mechanisms which comprise the internal control and management of risk in financial reporting (ICFR) at the company.

F.1 The entity's control environment

Specify at least the following components, with a description of their main characteristics:

F.1.1. What bodies and / or functions are responsible for: (i) the existence and regular updating of a suitable and effective ICFR; (ii) its implementation and (iii) its monitoring.

Internal Control over Financial Reporting (ICFR) at Cellnex forms part of its general internal control system and consists of a set of processes which the Board of Directors, the Audit and Control Committee, management and staff carry out to provide reasonable assurance of the reliability of the financial information reported to the market.

The 'Model for the Organisation and Monitoring of the ICFR' at Cellnex (hereinafter ‘ICFR Organisation Model’) establishes that the Board of Directors is the highest authority responsible for the supervision of the internal information systems, as well as the Risk Control and Management Policies. In addition, the Sections and the Board Regulations state, amongst other things, the following responsibilities:

- Defining general company policies and strategies, as well as the corporate governance policies of the organisation.
- The preparation and approval of annual accounts and any other report or information required by law.
- The financial information that, due to its status as a listed company, the company must periodically publish.
  Definition of the Risk Control and Management Policy, including taxation risks, as well as supervising internal information and control systems.
- The supervision of the correct functioning and actions of the delegated bodies, amongst which there is the Audit and Control Committee and designated directives.

According to the Board of Directors' Regulation (section 15), there are amongst the basic responsibilities of the Audit Control Committee (hereinafter the AAC):

- The supervision of the preparatory process and presentation of mandatory financial information, as well as its integrity.
- The supervision of the efficiency and suitability of internal control and risk evaluation in Cellnex as well as the best monitoring and control measures to avoid committing criminal offences and for risk management systems, including fiscal risk and the systems in place to manage compliance with all applicable legislation.

- Discussion with the account auditor of the significant weaknesses of the internal control system detected during the auditing process.
- The supervision of internal auditing services, ensuring their independence and making sure that the recommendations and suggested corrective measures be considered by the management.

Cellnex Internal Audit is in turn responsible for supervising ICFR in delegation from the Audit and Control Committee with the Finance and Corporate Development Department responsible for its design, maintenance and implementation.

F.1.2. The existence or otherwise, especially in connection with the financial reporting process, of the following elements:

- Departments and / or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the Company.

The Cellnex Board of Directors assigns the responsibility of the design and review of the organisational structure related to the preparation of the financial information to Organisation and General Services and to Finance and Corporate Development. From these guidelines the general structures and distribution of responsibilities and the procedure to design, review, update and inform on these are defined; this process being documented in the form of organisational structure charts and process models and its associated regulations which form part of the policy catalogue of Cellnex.

Cellnex has an internal organisational chart which covers all areas and which is basically divided according to department (including those departments involved in preparing, analyzing and supervising financial information). This organisational chart indicates responsibilities up to a certain management level and is supplemented by other more detailed organisational charts at departmental level.

Regarding to the preparation process of financial information, in addition to the detailed organisational charts and with the aim of assigning responsibilities, there is the ICFR Organisational Model, developed by the Department of Consolidation and Financial Reporting, part of the Finance and Corporate Development department, and which is submitted to the AAC for approval.

- Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

Cellnex has a Code of Conduct (Code of Ethics) approved by Cellnex Telecom, S.A.'s Ethics and Compliance Committee that is made up from Internal Audit, the Legal department, Resources department, the Company Secretarial department, and the Regulation department, and this has been communicated to the employees and is available on the corporate intranet. Specific training for employees is being planned.

The main values and principles set out in the Code of Ethics are: integrity, honesty, transparency and good faith. The Code of Ethics includes among its fundamental principles the commitment to offer financial information that reflects the a fair view of the economic and financial situation in compliance with generally accepted accounting principles and international financial reporting standards applicable, and the responsibility of its employees and management to ensure this is so, both by correctly carrying out their functions and by notifying the management bodies of any circumstance which might affect this commitment.

The body responsible for analyzing breaches and proposing corrective actions and sanctions is the Ethics and Compliance Committee.

- 'Whistle-blowing' channel, for the reporting to the Audit Committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

Cellnex has and promotes the use of communications channels concerning possible non-conformities with the Ethics Code and other irregular activities in the organisation, especially from a financial and accounting point of view, informing the Ethics and Compliance Committee in all cases.

As stated in the Ethics Channel Policy, which regulates the procedure, scope and application of the reports received, the latter can be communicated via a communications form, either by post or email, maintaining the confidentiality at all times.

Any communications will be received, analysed and followed up by the Ethics and Compliance Committee, and this committee will periodically inform the Nomination and Remuneration Committee and the Audit and Control Committee. From time to time the Ethics and Compliance Committee will inform the Nomination and Remuneration Committee and the Audit and Control Committee about the functioning of the Ethics Channel.

If reports have been received during the year, the Ethics and Compliance Committee will produce an annual report on the communications received, to facilitate the analysis of the functioning of the 'whistle-blowing' channel.

- Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

Regarding training programs and the periodic updating of elements which can affect the preparation and publication of financial information, Cellnex believes the continuous development and training of its staff and management to be key. In this regard, Cellnex also considers that complete and up-to-date training on accounting regulations, the rules for preparing financial information, the regulations on capital markets, taxation and internal control is necessary to ensure that the information reported to the market is reliable and in accordance with regulations.

Regarding the preparation and review of the financial information, during 2017 Cellnex implemented training plans based on the needs identified by the department of Consolidation and Accounting Regulation in relation to:

• New accounting, tax, capital markets and internal control regulations, adopted by the European Union and applicable to Cellnex.

• Changes in reporting methodology and / or information systems.

• Individual initiative from the team members of the department of Consolidation and Accounting Regulation.

Once the needs of these areas have been identified, the appropriate training activities are designed and put into effect to cover annual training objectives on these matters.

Cellnex carried out training activities during 2017 using external experts and internal training sessions, covering personnel involved in preparing and reviewing financial information. The training areas on which most emphasis was placed during 2017 relate to accounting, tax and financial matters which could have the greatest impact on the preparation of Cellnex's consolidated financial information, particularly in changes to the fiscal and accounting changes at both national and international levels and with the year's updates concerning EU-IFRS.

Cellnex has an on-line training platform where both technical training for specific work groups and a more overall training can be accessed on a voluntary and, in some cases, mandatory basis.

Additionally, specific training was carried out during 2017 regarding:

• Training in respect of the consolidation tool for our subsidiaries in Italy, The Netherlands and France.

• IFRS 16 - Leases

• IFRS 15 - Revenue recognition

• IFRS 9 - Financial instruments

Additionally , the Consolidation and Financial Reporting department has subscriptions to a number of publications and journals on accounting and financial matters and to the website of the International Accounting Standards Board which regularly sends new developments and other communications of interest which are analysed and reported to ensure they are taken into consideration when preparing Cellnex's financial information.

F.2 Risk assessment in financial reporting

Report, as a minimum, on:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- The process exists and is documented.

See Section F.2.1.5

- The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.

See Section F.2.1.5

- A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.

See Section F.2.1.5

- The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.

See Section F.2.1.5

- Finally, which of the company's governing bodies is responsible for overseeing the process.

Cellnex has a Risk Control and Management Policy that establishes the basic principles and the general framework for the control and management of all types of risks which are faced. In this manner Cellnex identifies and updates the principle risks organizing adequate information and internal control systems and performing monitoring functions.

The Internal Control and Risk Management Manual of the ICFR (hereafter Risk Management Manual) describes and formalises Cellnex’s internal control and risk management model with regards to the ICFR and establishes mechanisms used to determine the risks in this area, the key business processes along with the practical and operative documentation for this internal control model.

During the process of the drawing up and issuing financial information this manual sets out what financial information it refers to as well as the methodology for defining it. Furthermore, guidelines are established to determine whether the process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.

Cellnex has identified the relevant business processes together with their inherent risks and has designed a Risk and Controls Matrix that aims to identify the main risks, based on which control activities have been designed, such that when adequately complied with, true and reliable financial information can be obtained.

The Department of Consolidation and Accounting Regulation is entrusted with identifying and documenting risks of error in the financial information; the process is supplemented by Internal Audit, which considers identified risks of error in relation to the group's overall Risk Map (which takes into account both financial and non-financial risks). The entire process is ultimately overseen by the Audit and Control Committee.

The Cellnex Audit and Control Committee is responsible for supervising the risk control systems with the support from Internal Audit.

F.3 Control activities

Indicate the existence of at least the following components, and specify their main characteristics:

F.3.1. Procedures for reviewing and authorising the financial information and description of the ICFR to be disclosed to the markets, stating who is responsible in each case as well as documents and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

Cellnex has a Regulated Information Reporting Manual, duly approved by the ACC, where the process for preparing and approving the financial information and the description of the ICFR to be published in the market and to investors is detailed. This manual sets out the criteria to identify relevant public financial information, this being as follows:

- Regular reporting obligations (RRO):
  - Quarterly financial report.
  - Half year financial report.
  - Annual financial report and Annual Corporate Governance Report (ACGR)
- Annual report on remuneration policy for directors (ARR)
- Significant Events

Cellnex's Manual for the Issue of Regulated Information also details the departments involved in preparing, review and authorisation of the financial information and their respective responsibilities from the year end accounting processes to the publication of the relevant facts. In particular, for each set of regulated financial information to be published for the market there is a procedure for its preparation and review that requires completing questionnaires for the internal control of regulated information to ensure a reasonable security in the reliability of the entities financial statements.

Following the Manual for the Issue of Regulated Information and completing specific questionnaires for internal control is obligatory and subject to review by the internal Cellnex auditor.

On the matter of descriptive documentation regarding flows in activities and controls of the different transactions that can materially affect the financial statements, Cellnex has a ICFR Organisational Model that structures the specific mechanisms set up to maintain an internal control environment that favours the generation of complete financial information that is reliable and timely and anticipates the existence of possible irregularities as well as ways in which to detect and remedy these. Cellnex has developed procedures for those processes that are considered material and relevant as concerns their potential impact on the financial information to be published, as detailed below:
- Revenue recognition and accounts receivable
- Fixed assets and investments
- Purchases and accounts payable
- Staff costs
- Judgements and estimates
- Month end accounting, consolidation and financial reporting
- Cash and borrowings

- Taxes

Individual and consolidated financial statements, six-monthly financial reports and the financial information in the quarterly interim statements of Cellnex are prepared and reviewed by Finance and Corporate Development prior to submission to the Audit and Control Committee. Here the procedures included in the Emission of Regulated Information Manual will be applied as a prior step to a submission of the information to Cellnex Board of Directors for final approval.

Cellnex has descriptions of controls over activities and controls directly related to transactions that might have a material impact on the financial statements, to mitigate the risk of material error in the information reported to the markets. These descriptions are documented in the 'ICFR Risk and Control Matrix' and contain information on what the controls should consist of, the reason these are carried out, who should carry them out, how often, and other information on what information systems or what operations carried out by third parties are important for the effectiveness of the control operation in question. The controls cover areas such as income generation, investment and expenditure on concessions, acquisitions and subsequent valuation of other assets, analysis of the recoverability of investments, recording of taxation of profits or the correct presentation of financial instruments and of the financing operations of Cellnex.

In relation to the relevant judgements and estimations made, Cellnex reports any areas of particular uncertainty that it considers especially pertinent in its consolidated financial statements. The specific review and approval of the relevant judgements, estimates, assessments and projections as well as the key assumptions used for calculating them, with a material impact on the consolidated financial statements, are made by Finance and Corporate Development and, where applicable, by the managing director. The most significant ones, such as the monitoring of asset values and hedging policies will be treated and reviewed by the ACC before submitting them for the Board's approval.

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

Cellnex uses information systems to keep adequate records and monitor its operations and, therefore, their proper operation is a key element and one that is particularly emphasized by Cellnex. Specifically, the Consolidation and Reporting SAP BPC system has been implemented in all the Group’s companies in Spain. The process of segregation of systems with its parent company Abertis was also completed during 2016.

Regarding the companies outside of Spain the database is fed through loading files which are prepared in the relevant foreign subsidiaries and sent back to the corporate offices in Spain for loading into the system. During 2017, SAP BPC has been installed in such foreign subsidiaries so that the charging to the consolidation system may be executed from each country. This process is expected to be completed during the second half of 2018. In respect of Galata - the Italian subsidiary - in the beginning of the year it was concluded the process for system segregation with their former parent Wind Telecomunicazioni and they have also started to work fully under SAP.

The Systems department, which forms part of the Organisation and Efficiency department, which in turn forms part of the Resources department is responsible for establishing the model of internal control over the information systems in those aspects relating to access security, segregation of duties (in coordination with the business areas and support areas) change control, apart from carrying out monitoring activities for risks and controls derived from the externalisation of the systems.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

Cellnex does however regularly use reports by independent experts to value its financial instruments and undertakings to employees. In addition, Cellnex maintains certain activities associated with accounting, payroll and the administration and maintenance of its corporate information systems subcontracted to an external supplier.

Cellnex has guidelines drawn up concerning the treatment of activities with third parties both in terms of hiring and the monitoring of results. These guidelines are detailed in the internal purchasing procedures.

The Finance and Corporate Development department carries out controls on the work of these experts to check:

- The competence, capacity, accreditation and independence of these experts.
- The validity of the data and methods used.
- The reasonableness of the assumptions used, if applicable.

Certain control and risk management mechanisms have been established with the supplier to ensure that financial information derived from such activities is complete and correct, these include: a Management and Monitoring Committee for the contract, agreements in levels of service, risk indicators, service reports, measures for technology security, external audits as well as contingency and continuity plans, amongst others.

F.4 Information and communication

Indicate the existence of at least the following components, and specify their main characteristics:

F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the company's operating units.

The responsibility to define, maintain and update accounting policies within Cellnex falls upon the management of Consolidation and Financial Reporting. The duties of the Consolidation and Financial Reporting department also include responding to accounting queries made by the various business units or other corporate areas of Cellnex.

Cellnex has an accounting policies manual, the Group Reporting and Accounting Principles Handbook (GRAPH) for the purposes of preparing financial statements under EU-IFRS which is drawn up by Corporate Management Control and regularly updated by it (at least once a year) to include the rules applicable to the year. The auditing instructions sent by the external auditor to the auditors of the various group companies for the limited review or audit in each six-monthly and annual close respectively indicate that accounting principles on which they must carry out their work are those contained in the Cellnex GRAPH.

Any alterations that may take place are notified to the subsidiaries by e-mail and the complete updated manual is filed on the Accounting Regulations portal, as well as on the Corporate Management Control portal of the Cellnex Intranet. The most recent update was in November 2016 and, in any event, checks are performed to verify whether any new significant modifications have been made in the preceding quarter that might affect the preparation of consolidated annual financial information

F.4.2 Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

Cellnex has various integrated platforms of financial information for recording transactions and preparing financial information for all of its subsidiaries (SAP BCP consolidation and reporting). The completeness and reliability of such information systems are validated using the general controls stated in section F.3.2.

The preparation of regulated financial information as well as the individual financial states Cellnex's national companies is centralised Finance and Corporate Development, so to guarantee homogeneous procedures in their preparation. Every half year and yearend the 'Half year forms / Annual forms' are received, these bring together all the information necessary for the preparation of the group's consolidated financial information (summarised intermediary financial statements and annual accounts).

These 'six-monthly and annual forms' ensure uniformity of information:

- It is standard and uniform for all countries and businesses.
- It is prepared on the basis of Cellnex's accounting manual which is standard
- for all of the group companies.
- It includes applicable legal, tax, commercial and regulatory requirements.

The information in the monthly reports and FORMS 2017 is loaded directly by the controllers.

F.5 System monitoring

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1 The ICFR monitoring activities undertaken by the Audit Committee and the entity have an internal auditing function included competencies supporting the committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

Cellnex already had a model for internal control over financial reporting, which was supervised in part by Abertis' corporate functions, to see through its commitment to complete and reliable financial information, and to comply with the fact that its previous main shareholder was also a listed company.,. The adaptation of this model to the specific needs of Cellnex as a listed entity have occupied the majority of the Audit and Control Committee's activities during this year. To this effect, the AAC has carried out the following ICFR-related activities in 2017:

- Monitoring of implementation levels and possible changes to Cellnex ICFR models.

- Approving Cellnex's ICFR Organisational Model, as well as the ICFR Internal Control and Risk Management Manual, in line with Cellnex's general risk policy.

- Review of the information related to ICFR included in the Annual Corporate Governance Report.

- Review of the financial information Cellnex has published in the market.

- Supervision and periodic analysis of the evolution of the implementation of the ICFR, understanding its level of implementation and efficiency.

-Follow up of the work performed by the company's external auditors with the aim of understanding the weaknesses in the internal controls which they have detected during their work as well as other relevant aspects or incidents in these.

The Audit and Control Committee has already approved the Internal Audit Plan for 2018, which includes the necessary actions to guarantee adequate supervision and evaluation of the plans throughout the year by regularly reporting the incidents detected and the necessary actions for improvement once checked with audited areas.

Cellnex has an Internal Audit function that reports to the CAC and, as indicated by the Cellnex Board of Directors Regulations and specifically the section that corresponds tothe powers assigned to the Audit and Control Committee, has the main function o supervising the effectiveness of the company's internal controls and the internal auditing services, by verifying their suitability and integrity, and reviewing the appointment and replacement of the managers, as well as supervising the monitoring and control measures necessary for preventing criminal offences, the risk management systems, including tax-related ones, and the compliance management systems for any applicable legislation, and to discuss with the auditors any significant weaknesses in the internal control system detected while carrying out the audit.

During 2017 Internal Auditing developed various activities in key business process reviews and, as reported timely to the ACC, no significant weaknesses that could have a material impact on Cellnex's 2017 financial information have been identified; furthermore, necessary corrective actions to solve other future possible weaknesses have been carried out.

Likewise, as stated in section F.7.1, the external auditor has issued a report on the procedures agreed regarding the ICFR description made by Cellnex and which has not highlighted any material issues.

F.5.2 This includes a discussion procedure whereby the auditor (pursuant to TAS), internal auditors and other experts can report any significant internal control weaknesses encountered during their review of the annual financial statements or other assignments to the company's senior management and its Audit Committee or Board of Directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

The discussion procedure for significant weaknesses identified in relation to internal control is based, in general terms, on regular meetings maintained by the various parties involved. In this regard, the Internal Audit function communicates, on a regular basis, its conclusions regarding internal control during the reviews of the SCIIF to the Finance and Corporate Development department and to the ACC. It also reports on its conclusions relating to the internal audit processes carried out during the year, along with the implementation state of the corrective action plans established.

In relation to the relationship with external auditors, as described in section 39 of the Cellnex Board of Directors Regulations, these are channelled through the Audit and Control Committee. To this effect and to comply with its responsibility in supervising the auditor's actions as well as receiving communications regarding potential weaknesses in internal controls identified during professional actions, should there be any, the Audit and Control Committee will periodically meet with the external auditor. These communications are recorded in the Audit and Control Committee's minutes and are monitored through Internal Audit functions.

In addition, Cellnex’s external auditors have direct contact with the Chief Financial Officer and maintain periodic meetings both to obtain information necessary to carry out their work and to communicate any weaknesses detected.

F.6 Other relevant information

No additional aspects to describe have been identified.

F.7 External auditor report

Informs on:

F.7.1. Whether the ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

Cellnex has submitted to the external auditor for review the ICFR information submitted to the markets for 2017. The scope of the review procedures of the auditor are performed in accordance with Circular E14/2013 of 19 July 2013, of the Spanish Institute of Certified Auditors, which sets out the guidelines for the audit report model in relation to the Internal Control over the Financial Reporting (ICFR) of quoted companies.

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the company's compliance with the recommendations in the Code of Good Governance for listed companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons for this so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

1. **The statutes of listed companies should not place a limit on the votes that can be cast by a single shareholder or impose other obstacles to a takeover of the company by means of share purchasing on the market.**

Compliant X Explain □

2. **When a dominant and a subsidiary company are both stock market listed, the two should provide detailed disclosure on:**

   a) **The type of activity they engage in and any business dealings between them as well as between the subsidiary company and other group companies.**

   b) **The mechanisms in place to resolve possible conflicts of interest.**

Compliant □ Partially compliant □ Explain □ Not applicable X

3. **During the AGM, in addition to the written Annual Corporate Governance Report, the president of the Board of Directors will verbally inform shareholders with suitable detail on the most relevant aspects of the company's corporate governance and in particular:**

   a) **Of the changes which have taken place since the previous AGM.**

   b) **Of the specific reasons for which the company may not be complying with any recommendations contained in the Code for Corporate Governance and, should there be any, the alternative rules which have been applied in the matter.**

Compliant X Partially compliant □ Explain □

4. **The company defines and promotes a policy of communication and contact with shareholders, institutional investors and vote advisers that is completely respectful of the rules in place to avoid market abuses and a similar treatment of shareholders that are in equivalent positions.**

   The company makes public this information through its website, including information regarding the way in which the company has put this into practice and identifying the representatives or the people responsible for carrying this out.

Compliant X Partially compliant □ Explain □

5. **The Board of Directors will not put to the AGM a proposal that delegates the authority to emit shares or convertible values, excluding rights to subscription, for a value above 20% of capital at the moment of delegation.**

   When the Board of Directors approves any emissions of shares or convertible values, excluding rights to subscription, the company will publish via their website the reports regarding such exclusion to which trading legislation refers to.

Compliant X Partially compliant □ Explain □

6. **The listed companies that produce the reports listed below, be it for mandatory or voluntary purposes, should publish these on their website with sufficient time prior to the AGM, even when their distribution is not mandatory:**

   a) **Report on auditor independence.**

   b) **Report on the auditing, appointments and remunerations committees workings.**

   c) **Report by the auditing committee regarding operations with related parties.**

   d) **Report on corporate social responsibility policy.**

Compliant X Partially compliant □ Explain □

7. **The company should broadcast live through its website the Annual General Meeting.**

Compliant X Explain □

8. **The Board of Directors should seek to present the annual accounts to the Annual General Meeting without reservations or exceptions in the audit report and, should such exceptions exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of the scope and content and these limitations and exceptions.**

Compliant X Partially compliant □ Explain □

9. **The company should make permanently public on its website the requirements and processes that it will accept to accredit the ownership of shares, the right to attend the Annual General Meeting and the exercise or proxy of the right to vote.**

   These requirements and procedures should favour attendance and exercising of shareholder rights and should be applied without discrimination.

Compliant X Partially compliant □ Explain □

10. **When a legitimised shareholder has exercised prior to the AGM the right to complete the order of the day or present new proposals for agreement the company will:**

   a) **Immediately distribute these additional points and proposals for agreement.**

   b) **Make public the model for assistance cards or vote by proxy or remote vote forms with the modifications necessary to vote on the points on the order of the day and alternative proposals for agreement in the same terms as those set out by the Board of Directors.**

c) **Submit all these points or alternative proposals to a vote applying the same rules as those proposed by the Board of Directors, including the presumptions or deductions regarding the sense of the vote.**

d) **Communicate, following the AGM, a breakdown of the vote on the additional points or alternative proposals.**

Compliant □ Partially compliant □ Explain □ Not applicable X

11. Should the company plan to pay AGM attendance incentives it must previously set out a general policy regarding these incentives and ensure this policy is stable.

Compliant □ Partially compliant □ Explain □ Not applicable X

12. The Board of Directors must perform its functions with a united objective and independent criteria, treat all shareholders in similar positions equally and act in the company's best interest, this being to attain a profitable and sustainable business in the long term, as well as promoting the continuity and maximisation of the company's economic value.

In the search for company interest, other than respecting laws and regulations and behaviours of good faith, ethics and respect to commonly accepted good actions, the Board of Directors should attempt to reconcile company interests with those of their employees, suppliers, clients and other stakeholders as well as the environment

Compliant X Partially compliant □ Explain □

13. The Board of Directors should have the correct dimensions to ensure an efficient and participative functioning, making between five and fifteen directors an advisable figure.

Compliant X Explain □

14. The Board of Directors should approve a policy for appointing directors that:

a) **Be specific and possible to verify.**

b) **Ensures that the proposed appointments or reappointments be based on a previous analysis on the needs of the Board of Directors.**

c) **Favours diversity in knowledge, experience and gender.**

The result of the analysis of the needs of the Board of Directors should be included in the Appointments Committee justifications, published when announcing AGM and where the appointments or reappointments of each director must be ratified.

The policy to select directors should work towards the objective of having women in at least 30% of the Board of Director's by 2020.

The Appointments Committee will verify annually the compliance with the director selection policy and this will be reported on in the Annual Corporate Governance Report.

Compliant X Partially compliant □ Explain □

15. **Independent and proprietary directors should occupy an ample majority on the Board of Directors while the number of executive directors should be the minimum necessary, bearing in mind the complexity of the corporate group and the capital share held by the executive directors.**

Compliant X Partially compliant □ Explain □

16. **The percentage of proprietary directors in the total of non-executive directors must not be greater than the proportion of company capital held by these directors versus the remainder of the company's capital.**

    This criterion may be lessened in the following cases:

    a) **In companies with high capitalisation where there are few share based participations of legal significance.**

    b) **In companies with a plurality of shareholders represented on the Board of Directors and where these are not otherwise related.**

Compliant □ Explain X

This recommendation establishes that there must be a proportion between the share capital represented by the proprietary directors and the percentage of these directors over the total of non-executive directors. Currently, proprietary directors of Cellnex represent 44.4% of the non-executive directors while the shareholder that they represent, Abertis Infraestructuras, S.A., holds 34% of the share capital. Notwithstanding, it should not be ignored that this recommendation establishes that this criteria may be mitigated in companies in which significant shareholdings are scarce. In Cellnex, apart from Abertis Infraestructuras, S.A, there are only 5 significant shareholders (percentage higher than 3%) and, in addition, none of them has expressed interest in being able to participate in the Board.

17. **The number of independent directors should be at least half of all board members.**

    However, in cases of companies that do not have a high capitalisation or, when having a high capitalisation, have one or several shareholders acting harmoniously controlling over 30% of capital then the number of independent directors should be at least a third of all board members.

Compliant □ Explain X

18. **Companies should post the following director particulars on their websites, keeping them permanently updated:**

    a) **Professional and biographical profile.**

    b) **Other boards sat on, be these listed or not, as well as other paid activities no matter their nature.**

    c) **Indication of the category of directorship held and in the case of propriety directors that represent shareholders which of these they are linked to.**

d) **Date of first appointment as company director as well as later re-elections.**

e) **Company shares and options in his or her name.**

Compliant □ Partially compliant X Explain □

The Company partially complies with this recommendation since on its website is published up-to-date information on the professional and biographical profile of the directors; other company boards to which they belong; the category of director and in the case of proprietary directors, the shareholder they represent; the date of first appointment as board member of Cellnex and subsequent re-elections; as well as the Company shares and options in their name (i.e. the information required under a), c), d), e) and first paragraph of b) of the aforementioned recommendation). However, it does not include information on all paid activities carried out by the directors irrespective of its nature (as indicated under the second subparagraph of b)) because the website already provides sufficient information to know the professional profile of each director and to comply with recommendation 18 from the Code of Good Governance for listed companies regarding the composition of the board of directors.

19. **The corporate governance annual report should also disclose, following verification with the Appointments Committee, the reasons for the appointment of any proprietary directors at the urging of shareholders controlling less than 3% of capital; the report should explain, should the case be give, the reasons for rejecting of formal requests for board representation by shareholders with an equal or greater stake to those who have successfully applied for a propriety director.**

Compliant □ Partially compliant □ Explain □ Not applicable X

20. **Proprietary directors should resign when the shareholder they represent transfers its ownership interests in the company. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.**

Compliant □ Partially compliant □ Explain □ Not applicable X

21. **The Board of Directors should not propose the removal of any independent directors prior to the expiry of their tenure, except where just cause is found by the Board of Directors following a report by the Appointments Committee. Specifically, it will be considered just cause when the director takes on new responsibilities or obligations that does not allow him or her to dedicate the time necessary to complete the functions of the directorship, does not comply with the obligations inherent to the role or becomes involved in circumstances that compromise his or her independence, all according to the applicable legislation.**

    The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 16.

Compliant X Explain □

22. **Companies should establish rules obliging directors to inform the board of circumstance that might harm the organisation's name or reputation, tendering**

their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in the company's internal rules, the Board of Directors should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

Compliant X Partially compliant □ Explain □

23. **All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.**

    When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

    The terms of this recommendation should also apply to the Secretary of the Board of Directors, whether he or she be a director or not.

Compliant □ Partially compliant □ Explain □ Not applicable X

24. **Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.**

Compliant □ Partially compliant □ Explain □ Not applicable X

25. **The Appointments Committee should ensure that non-executive directors have sufficient time to carry out their role's functions.**

    The board's regulations should set out the maximum amount of board meetings that members can take part in.

Compliant □ Partially compliant X Explain □

Cellnex partially complies with this recommendation because the Board Regulation does not establish a maximum number of company boards in which the directors may participate, as indicated in the second paragraph of this recommendation. However the Nomination and Remuneration Committee ensures that the directors have sufficient time available for the proper performance of their duties as foreseen in the first paragraph of the recommendation. Thus, article 26 of the Board Regulation establishes that the directors in order to perform their duties must devote adequately and shall adopt the necessary measures to accurately manage and control the company. On the other hand, pursuant the self-assessment processes carried out by the

Nomination and Remuneration Committee it has not been detected any lack of availability nor any lack of dedication from the directors.

26. **The board should meet with the necessary frequency, and at least eight times a year, to properly perform its functions in accordance with a calendar and agenda set at the beginning of the year, to which each director may propose additional items not originally set out.**

Compliant X Partially compliant □ Explain □

27. **Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When absences do occur representation with instructions should be given.**

Compliant □ Partially compliant X Explain □

Section 26 of the Board of Directors' Regulations states that directors must carry out and comply with obligations set out in the company statutes and with due business diligence, keeping in mind the nature of the roles and the functions assigned to each of these. It is also established that directors must have an adequate dedication and must adopt the necessary measures to ensure good management and control of the company when carrying out their role functions. Therefore absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. However, the Board of Directors' Regulation does not set out a Board of Directors' obligation to assign representation with instructions as such requirement cannot always be possible due to no previous participation in the debates and deliberations of the matters put forward to the Board of Directors.

28. **When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.**

Compliant □ Partially compliant □ Explain □ Not applicable X

29. **The company must set out the appropriate channels for directors to obtain precise advice on comply with their role functions including, should circumstances require this, external consultations at the cost of the company.**

Compliant X Partially compliant □ Explain □

30. **Independently to the know how expected from directors when exercising their functions, companies should also offer their directors programs to update these when the circumstances be favourable to doing so.**

Compliant X Explain □ Not applicable □

31. **The session's order of the day should clearly indicate the points to be decided or agreed upon by the Board of Directors so they can previously study or collect the information necessary for their acceptance.**

When exceptionally and in light of urgent circumstances the president wishes to submit to approval by the Board of Directors decisions or agreements that are

not listed in the order of the day the prior and explicit consent of a majority of board members will be necessary and this should be recorded in the minutes.

Compliant □ Partially compliant X Explain □

The agenda for the meetings of the Board of Directors does not indicate the points regarding which a decision has to be adopted.

Notwithstanding, in the support documentation for each of the items on the agenda (which is sent to the directors prior to the Board meetings) the points regarding which a decision has to be adopted are identified (including a concrete proposal of decision to adopt). The purpose of this procedure is to allow the Directors to study and obtain prior information relevant for the decision to adopt.

32. **The directors should be periodically informed of stakeholder movements and of the opinions of significant shareholders, investors and rating agencies regarding the company and group.**

Compliant X Partially compliant □ Explain □

33. **The president, as the person responsible for the correct functioning of the Board of Directors, other than exercising functions attributed by the law and company statutes should prepare and submit to the Board of Directors a program of dates and matters to be dealt with and organise and coordinate the periodic evaluation of the board and its functioning. The president will also ensure enough time is dedicated to discussions regarding strategy and will also negotiate and revise each director's know how updating program, when circumstances be favourable to doing so.**

Compliant X Partially compliant □ Explain □

34. **When there is a coordinating director, other than the faculties set out in the law the company statutes or board of directors regulations should attribute this role with the following functions: preside the Board of Directors in the absence of the president and vice-presidents, should these exist; voice the concerns of non - executive directors, maintain contact with investors and shareholders to know their points of view and understand their concerns especially in regard to the company's corporate governance; coordinate the president succession plan.**

Compliant □ Partially compliant □ Explain □ Not applicable X

35. **The Secretary of the Board of Directors ensures that the actions and decisions of the Board of Directors keep in mind the recommendations for good governance contained in this Code of Good Governance when applicable to the company.**

Compliant X Explain □

36. **The complete Board of Directors must evaluate once a year and adopt, where necessary, an action plan to correct identified shortfalls in:**

a) The quality and efficiency of the Board of Directors' functioning.

b) The functioning and composition of its committees.

c) The diversity in the Board of Directors composition and responsibilities.

d) The performance of the Board of Directors' president and the company's top executives.

e) The performance of the contribution of each director, with special attention to those responsible for the different director's committees.

The evaluation of the different committees will be based on the reports presented by these to the Board of Directors who in turn will be evaluated by the Appointments Committee.

Every three years the Board of Directors will be assisted in its evaluations by an external consultant whose independence will be verified by the Appointments Committee.

The business relationships that the consultant or any company in its group has with the company or any group subsidiary must be listed in the Annual Corporate Governance Report.

The processes and the areas evaluated will be described in the Annual Corporate Governance Report.

Compliant X Partially compliant ☐ Explain ☐

37. When the company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself and also share the same Secretary.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

38. The board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Committee's minutes.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

39. Audit Committee members, particularly the Chairman, are appointed in light of their knowledge and experience in accounting, audit or risk management and that most of these members be independent directors.

Compliant X Partially compliant ☐ Explain ☐

40. Under the supervision of the Audit Committee there be a unit responsible for internal audit that ensures the correct functioning of internal information and control systems and whose functions depend on the non-executive president to the board or the Audit Committee.

Compliant ☐ Partially compliant X Explain ☐

The Company partially complies with this recommendation to the extent that it has an internal audit unit that carries out its work under the supervision of the Audit and Control Committee, and depends functionally on it, although it is hierarchically dependent on the General Secretariat. The reason for this decision is merely practical or operative given that the Audit and Control Committee meets approximately six times a year and the internal audit unit, due to its activity, needs to implement procedures regularly and responsively. These procedures at first are monitored by the General Secretariat without prejudice to their subsequent review by the Audit and Control Committee.

41. The head of internal audit should present an annual work programme to the Audit Committee, report directly on any incidents arising during its implementation and submit an activities report at the end of each year.

Compliant X Partially compliant □ Explain □ Not applicable □

42. That, other than those set out by law, the following responsibilities are held by the Audit Committee:

1. Regarding information and internal control systems:

a) Monitoring the preparation and integrity of the company's financial information and, where appropriate, the group by checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter and the correct application of accounting principles.

b) Monitoring the independence of the unit that undertakes the internal audit; proposing the selection, appointment, reappointment and removal of the head of the internal audit service; propose the service budget; approve the work direction and plans ensuring that activities are focused towards the company's most relevant risks; receive regular information on activities and verifying that senior management are acting on the findings and recommendations of such reports.

c) Establishing and supervising a mechanism that allows personnel to communicate in a confidential manner, and where possible and appropriate anonymously, potentially significant irregularities, especially those which are financial or in accounting, taking place within the company.

2. Regarding the external auditor:

a) In cases of external auditor resignation an investigation into the circumstances of this.

b) Monitoring that the remuneration of the external auditor does not jeopardise the works quality of the auditor's independence.

c) Supervising to ensure the company notifies as a significant event any change of auditor to the CNMV, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for these.

d) Ensuring that the external auditor takes part in an annual meeting with the full Board of Directors to inform on the work carried out and the evolution of the accounting situation and the company's risks.

e) Ensuring that the company and the external auditor respect current legislation regarding the various auditing services, the limits in the auditor's business concentration and, in general terms, the other rules regarding auditor independence.

Compliant □ Partially compliant X Explain □

The Audit and Control Committee executes the duties foreseen in the recommendation, including that of ensuring the independence of the internal audit unit. However, the selection, appointment, re-election and dismissal of the person responsible for the internal audit service as well as the budget and the work plans from that unit, are initially managed by the General Secretariat and subsequently supervised and validated by the Audit and Control Committee. This is foreseen in the Board Regulations, when it refers in article 15 that the Audit and Control Committee supervises the effectiveness of the internal control mechanisms of the Company, the internal audit services, by verifying the adequacy and integrity of the same, and by reviewing the appointment and replacement of its representatives and by ensuring their independence. For these reasons the IAGC indicates a level of partial compliance.

43. The Audit Committee should be empowered to meet with any company employee or manager and even have the possibility to summon staff without the presence of another senior officer.

Compliant X Partially compliant □ Explain □

44. The Audit Committee should be informed of corporate or structural modification operations planned by the company for their prior analysis and reporting to the Board of Directors regarding their economic condition and accounting impact and, should it be necessary, the exchange ratio.

Compliant X Partially compliant □ Explain □ Not applicable □

45. The control and risk management policy should specify at least:

a) The different types of risk, financial and non-financial (including operational, technological, legal, social, environmental, political and reputational, ...) that the company is exposed to, including amongst the financial or economic risks the contingent liabilities and other off-balance sheet risks.

b) The setting out of the level of risk that the company considers acceptable.

c) The measures in place to mitigate the impact of the identified risks, should these occur.

d) The internal reporting and control systems used to control and manage the mentioned risks, including contingent liabilities and off-balance sheet risks.

Compliant X Partially compliant □ Explain □

46. Under the direct supervision of the Audit Committee, or alternatively a specialised Board of Directors committee, there must be an internal responsibility for risk control and management exercised by a unit or internal company department that has the following functions clearly attributed to it:

a) Ensuring the correct functioning of the risk control and management systems and, more specifically, identifies, manages and quantifies in an adequate manner all the major risks that affect the company.

b) Actively participating in the preparation of the risks strategy and in important decisions regarding its management.

c) Ensuring the risk control and management systems adequately mitigate the risks within the parameters set out by the Board of Directors policies.

Compliant X Partially compliant □ Explain □

47. **The selected members of the Appointments and Remuneration Committee (or the Appointments Committee and the Remuneration Committee should these be separate) must have the suitable knowledge, aptitudes and experience for the tasks that they must fulfil and most of these members must be independent advisers.**

Compliant X Partially compliant □ Explain □

48. **Companies with a high capitalisation must have separate committees for appointments and remuneration.**

Compliant □ Explain X Not applicable □

With Cellnex's entry into the Ibex 35 in June 2016, it can now be considered as being in the large-cap company category. Nevertheless, for now it is not considered necessary to have a Nomination Committee and a separate Remuneration Committee, as the current Nomination and Remuneration Committee is qualified to analyse both aspects in a unified way. The possibility of dividing the current committee will be analysed depending on how the company evolves.

49. **The Appointments Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors.**

Any board member may suggest candidates to the Appointments Committee for its consideration.

Compliant X Partially compliant □ Explain □

50. **The Remuneration Committee must carry out its functions independently and, other than the responsibilities assigned by law, be assigned the following functions:**

a) Proposal to the Board of Directors the basic contractual conditions for senior managers.

b) Checking to ensure that the company's remuneration policy is being observed.

c) Periodically revise the remuneration policy applied to directors and senior managers, including remuneration systems that include shares, and guarantee that individual pay packages be proportional to those received by other advisers and managers in the company.

d) Monitoring of any possible conflicts of interests to ensure these do not jeopardise the independence of the external advice offered by the committee.

e) Verifying the information regarding director and senior manager remuneration contained in the different corporate documents, including the annual report on director remuneration.

Compliant X Partially compliant □ Explain □

51. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant X Partially compliant □ Explain □

52. The rules regarding the composition and functions of the supervisory committees must be set out in the Board of Directors' Regulations and these should be consistent with those applicable to legally mandatory committees, as per the previous recommendations, including:

a) That these be exclusively formed non-executive directors, with a majority of independent advisers.

c) That the committees be chaired by independent directors.

a) That the Board of Directors appoint the members of such committees keeping in mind the knowledge, aptitudes and experience of the directors and the terms of reference of each committee, consider their proposals and reports and that they report to the next Board of Directors meeting matters regarding activities of responses to findings following meetings between directors and committees.

d) That committees may engage external advisers, when they feel this is necessary for them to execute their duties.

e) That the meetings be minuted and that the minutes be made available to all directors.

Compliant □ Partially compliant □ Explain □ Not applicable X

53. The supervision of the compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policies must be attributed to a single or distributed amongst several Board of Directors' committees; these possibly being the Audit Committee, Appointments Committee, Corporate Social Responsibility Committee, should this exist, or a specialised committee that the Board of Directors, exercising their powers in self-organisation, create to that effect and with the following minimal specific functions attributed:

a) The supervision of compliance with internal codes of conduct and the company's rules in corporate governance.

b) The supervision of the shareholder and investor communications and relations strategy, including small and medium sized shareholders.

c) The periodic evaluation of the adequacy of the corporate governance system with the aim of it meeting its objective of promoting the company's interests and take into account, where applicable, the legitimate interests stakeholders.

d) The review of the company's corporate responsibility policy, ensuring that this be focused on generating value.

e) The monitoring of strategies and practices in corporate social responsibility and the evaluation of the degree of its compliance.

f) The supervision and evaluation of the relation processes with other

stakeholders.

g) The evaluation of all elements regarding the company's non-financial risks, including those of an operative, technological, legal, social, environmental, political and reputational nature.

h) The coordination of the reporting process of the non-financial information and regarding diversity, in compliance with the applicable legislation and international standards of reference.

Compliant X Partially compliant □ Explain □

54. **Corporate social responsibility must include the principles and commitments that the company takes on voluntarily in its relationship with different stakeholders, identifying at least:**

a) The objectives of the corporate social responsibility policy and the development of the support tools .

b) The corporate strategy regarding sustainability, environment and social matters.

c) The precise practices in matters regarding: shareholders, personnel, clients, suppliers, social matters, environment, diversity, fiscal responsibility, respect for human rights and prevention of illegal actions.

d) The result, associated risk and management of monitoring methods or systems in the application of the specific practices noted in the previous point.

e) The supervisory mechanisms of non-financial risks, ethics and business conduct.

f) The main channels of communication, participation and dialogue with stakeholders.

g) The responsible communication practices that avoid the manipulation of information and protect integrity and honour.

Compliant X Partially compliant □ Explain □

55. **The company must inform in a separate document or in the management report on the matters relating to corporate social responsibility, using for this one of the internationally accepted methodologies.**

Compliant X Partially compliant □ Explain □

56. **The remuneration of the directors should be that necessary to attract and retain directors with a desirable profile and to remunerate the dedication, qualification and responsibility that the role requires though it should not be high to a point where it can jeopardise the independent criteria of non-executive directors.**

Compliant X Explain □

57. **Remuneration to executive directors based on variables that relate to company or personnel performance should be limited, as well as remuneration through shares, share options or rights over shares or instruments that refer to the value of the shares and long term saving systems such as pensions, retirement systems and other social provision systems .**

The possibility of shares as remuneration can be considered when non-executive directors are conditioned to keeping these until they cease their directorship. The latter will not be applicable to shares that the director requires to be transferred to satisfy the costs regarding his or her acquisition.

Compliant X Partially compliant ☐ Explain ☐

58. **In the case of variables, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector or other similar circumstances.**

In particular, that the components of variable remuneration:

a) **Be linked to predetermined performance criteria that are measurable and that said criteria consider the assumed risk when obtaining a result.**

b) **Promote company sustainability and include non-financial criteria adequate for long term growth in value, such as compliance with internal company rules and procedures and risk control and management policies.**

c) **Be configured based on a balance between short, medium and long term objectives and that these allow for rewarding continued performance during a period of time that is sufficiently long to appreciate a contribution in sustainable value growth; therefore ensuring that the elements used to measure performance are note influenced by exceptional, occasional or extraordinary events.**

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

59. **The payment of a considerable part of the variable components of the remuneration should be deferred for the minimum amount of time necessary to confirm that the performance conditions previously set out have been met.**

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

60. **In the case of remuneration linked to company earnings, deductions should be computed following provisions stated in the external auditor's report that may lower said results.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

61. **A considerable percentage of executive director's variable remuneration be linked to the transfer of shares or financial instruments that refer to share value.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

62. **Once the shares or the options or rights over shares have been set out in the remuneration systems, the directors are not permitted to transfer the**

ownership of such shares to a value equivalent to two times their fixed annual remuneration, neither can they exercise their options or rights until at least three years have elapsed since these were agreed upon.

The latter will not be applicable to shares that the director requires to be transferred to satisfy the costs regarding his or her acquisition.

Compliant ☐ Partially compliant X Explain ☐ Not applicable ☐

Exists an obligation of maintenance of the actions attributed to the CEO during a term of at least 2 years from their attribution.

63. **Contracted agreements must include a clause that allows the company to claim the return of variable components in remuneration when the payment of these is not adjusted to the performance conditions or when payment has taken place according to data which is latter identified as incorrect.**

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

64. **Payments for contract termination must not be grater that the amount equivalent to two years of total annual remuneration and that must not be paid until the company has been able to verify that the director has complied with the performance criteria previously set out.**

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

H OTHER INFORMATION OF INTEREST

1. If it is considered that there is any material aspect or principle relating to the Corporate Governance practices followed by the company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group explain these briefly.

2. In this section any other information, clarification or observation related to the above sections of this report can be included.

   Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. Also state whether the company voluntarily subscribes to other international, sectorial or ethical principles or standard practices. If applicable identify the Code and its date of adoption. In particular, refer to whether the Code of Good Taxation Practice of 20th of June 2010 has been adhered to.

"In 2017 Cellnex joined and maintained initiatives in the area of Corporate Social Responsibility, which are highlighted as follows:

- Collaboration agreement with the Seres Foundation that seeks "the creation of a healthier and stronger society with more competitive companies that can last for a longer period of time". The purpose of the Foundation is to help and to promote business strategic actions that contribute to the overall improvement of social reality.

- Cellnex has actively participated in the conferences promoted by the International Academy for Social Economic Development (AISES) aiming for the promotion of sustainable development.

- Collaboration agreement with IESE to establish Cellnex as a Mentor company from IESE, and define the collaboration under different projects promoted by IESE's Center for Public Sector-Private Sector.

- Participation in the Carbon Disclosure Project (CDP), one of the most recognized organisations in the field for climate change aimed at assessing the quality of information -and reporting systems-, enabled by private companies or by the public sector in the field of sustainability and environment.

- Cellnex joined the FTSE4Good sustainability index, which recognizes the good practices from listed companies regarding environmental, social and corporate governance areas.

- Cellnex joined the "Standard Ethics" sustainability index, being valued with EE rating which is equivalent to an adequate level for its good behaviour in terms of government, sustainability and social responsibility.

In addition, Cellnex Telecom continues to be part of the United Nations Global Compact and is registered under the Registry of Interest Groups or 'lobbies' created by the National Commission on Markets and Competition (CNMC) as well as registered as an Interest Group under the Catalonia's Government Transparency Registry".

NOTE OF CLARIFICATION ap. C1.17
Mr. José Aljaro Navarro is the representative of the Director of Abertis Telecom Satélites, S.A.U. in Hispasat
Mr. Luis Deulofeu Fuguet is the representative of the Chairman of Sanef, S.A. in Bil&Go

NOTE OF CLARIFICATION ap. C.2.1. AUDIT AND CONTROL COMMITTEE

The duties, procedures, organisation, operation and activities of the AUDIT AND CONTROL COMMITTEE are as follows:

a) Responsibilities

The rules of organization and operation of the Audit and Control Committee are described in the bylaws and in the Board of Directors' Regulation and, without prejudice to the other tasks assigned to it by the applicable legislation or the Board, the Audit and Control Committee will have at least the following responsibilities:

a) To inform the General Shareholders' Meeting on questions arising in relation to those matters which fall within the competence of the Committee;
b) To propose to the Board of Directors, for submission to the General Shareholders' Meeting, proposals for the selection, appointment, re-election and replacement of the external

auditors or auditing company, the contract conditions, the scope of the professional mandate and, where appropriate, revocation or non-renovation, all pursuant to the current regulations, as well as to regularly gather from the same information on the audit plan and the implementation thereof, and to safeguard their independence in the exercising of their duties;

c) To monitor the process of preparing and presenting the mandatory financial information as well as the integrity thereof;

d) To establish the appropriate relations with the external auditors or external auditing companies in order to receive information on issues which may prejudice their independence, to be studied by the Committee, and any other information related to the auditing of the accounts, as well as any other notifications envisaged in the legislation and regulations concerning the auditing of accounts. In all cases, they must receive on an annual basis from the external auditors or external auditing companies written confirmation of their independence from the Company or any organisations directly or indirectly related thereto, in addition to information regarding any additional services of any kind provided to said organisations and the corresponding fees received therefrom by the external auditors or external auditing companies, or by persons or organisations related thereto in accordance with the provisions established in the legislation applicable to the auditing of accounts;

e) To issue, on an annual basis, prior to the issue of the Audit Report, a report expressing an opinion on the independence of the external auditors or auditing companies. This report must contain, in all cases, an evaluation of the provision of the additional services referred to in the previous paragraph, considered individually and as a whole, other than the legal audit, and in connection with their independent status or with the governing regulations of the audit;

f) To inform the Board of Directors in advance on all matters provided for by the Law, the corporate bylaws and its Regulations and, in particular, regarding the financial information that the Company must publish periodically, on the creation or acquisition of holdings in entities with a special purpose or domiciled in countries or territories considered as being tax havens and on operations with associated parties;

g) To supervise compliance with the internal protocol for relationships between the majority shareholder and the Company and the companies of its respective groups, as well as to conduct any other actions established in the protocol itself for optimal compliance with the aforesaid duty of supervision;

h) To provide information in relation to the transactions that involve or could involve conflicts of interest, and in general, on the matters considered in Chapter IX of the Board of Director's Regulation;

i) To inform on operations of structural and corporate modifications which the Company plans to conduct, the economic conditions and the accounting impact thereof and, in particular, on the exchange ratio, where applicable;

j) To monitor the effectiveness of the Company's internal control, the internal audit services, verifying the suitability and integrity thereof and to review the appointment and replacement of those persons responsible for the same, to supervise the suitable security and control measures for preventing the commission of criminal offences, the risk management systems, including fiscal risks, the systems for managing compliance with all applicable regulations, as well as to discuss with the external auditors any significant weaknesses detected in the internal control system while conducting the audit;

k) To supervise a mechanism which allows employees to confidentially report potentially relevant irregularities detected inside the Company, especially those regarding finance and accounting, as well as those which may constitute a criminal responsibility for the Company.

The above responsibilities are stated by way of example, without prejudice to any others that may be conferred upon the Committee by the applicable legislation, the Board of Directors or which may be attributed thereto by the regulations governing the auditing of accounts.

b) Operation

The Board of Directors' Regulation shall define the skills of the Committee and its scheme of organization and operation.
The Board shall likewise determine who will hold the position of Chairman from among the independent directors, who will be replaced every four years, being able to be re-elected once a period of one year has elapsed since his/her resignation. The Committee itself will appoint a Secretary and may also appoint a Vice-Secretary, neither needing to be members thereof.
The Audit and Control Committee will meet as many times as necessary for the execution of its functions and will be convened by its Chairman, either on his/her own initiative or at the request of the Chairman of the Board of Directors, or of two members of the Committee itself.
The Audit and Control Committee will be validly constituted when the majority of its members attend the meeting, either present or represented. The resolutions will be adopted by a majority vote among those in attendance, present or represented.
Any member of the management team or company personnel will be obliged to attend the Audit and Control Committee's sessions and to provide them with his/her assistance and access to the information s/he has available, if so requested. The Committee can also request that the Company's external auditors attend its sessions.

1. Activities

During 2017, the Audit and Control Committee met on nine occasions and carried out the following key activities:

a) Review of financial information

- 2016 financial statements:
  - In February, the Audit and Control Committee reviewed the 2016 Annual Accounts, including the Management Report and the Annual Corporate Governance Report with the finance team and the external auditors who presented the main aspects and their conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the 2016 Annual Accounts, including Management Report and Annual Corporate Governance Report.

- 2017 financial statements:

  - In April, the Audit and Control Committee reviewed the financial results for the first quarter of the year with the finance team who presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the first quarter financial statements.
  - In May, the Audit and Control Committee reviewed the first quarter audited accounts. This information was discussed with the members of the management team responsible

for their preparation and with the external auditors who presented the main aspects and their conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the first quarter audited financial statements.

- In July, the Audit and Control Committee reviewed the half-yearly financial statements and the external auditors report. This information was discussed with the members of the management team responsible for their preparation and with the external auditors who presented the main aspects and their conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve these interim financial statements.
- In 9 November, the Audit and Control Committee reviewed the financial results for the third quarter of the year together with the third quarter audited accounts. This information was discussed with the members of the management team responsible for their preparation and with the external auditors who presented the main aspects and their conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the third quarter financial statements and the third quarter audited financial statements.

b) External Auditors

- In February, the external auditors attended the Audit and Control Committee to review the 2016 Annual Accounts, including the Management Report and the Annual Corporate Governance Report, and presented the main aspects and their conclusions.
- In May, the external auditors attended the Audit and Control Committee to review the first quarter audited financial statements and presented the main aspects and their conclusions.
- In July, the external auditors attended the Audit and Control Committee to present the report of the half-yearly financial statements.
- In November, the Audit and Control Committee met the external auditors to review the scope and audit planning, the status of its review and the preliminary conclusions of the 2017 financial statements.

c) Capital structure

- In March, the Audit and Control Committee reviewed discussed a new bond issuance and the renewal of the existing EMTN programme. The finance team presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to authorize (i) the issuance of one or several bonds, including private placements, following the EMTN programme, in Euros or Swiss Francs with a maturity of between 6 and 10 years and an amount of up to €400 million; and (ii) the execution of all documents necessary to renew the EMTN programme.
- In April, it was noted that in April 2017 Cellnex closed two private placements for a total amount of c. €140 million under the EMTN programme.
- In different meetings, the finance team presented to the Audit and Control Committee an update on the M&A pipeline and the company’s financial firepower to execute said pipeline.
- In April and May, Morgan Stanley presented to the Audit and Control Committee an equity markets update and an equity injection assessment. Also, in December, Morgan Stanley provided the Audit and Control Committee with a capital structure assessment.
- In July, it was proposed to the Audit and Control Committee the issuance of a private placement (of c. €50 million), within the existing Board authorisation.

- Following discussions in November, in December, the Audit and Control Committee reviewed the possibility to issue a convertible bond. The finance team presented the main aspects, characteristics and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the issuance of a convertible bond in January 2018.

d) Other information

- Efficiency Plan update: In February and September, those responsible for its preparation presented to the Audit and Control Committee an update on the Efficiency Plan 2016-19 noting the key items and their conclusions.
- Liquidity contract: In April, the Audit and Control Committee reviewed the status of the liquidity contract. The finance team presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to extend the liquidity contract for one year.
- Treasury shares:
  - In April, the Audit and Control Committee reviewed the status of the treasury shares. It was agreed to maintain the current policy.
  - In July, in the context of the senior management long term incentive plan, it was proposed to the Audit and Control Committee the acquisition of treasury shares for a total amount of €10 million. The Audit and Control Committee agreed to approve the proposal for the above purpose and for the specified amount. In September, it was reminded the approval of the previous meeting and the Committee provided a favourable recommendation to the Board of Directors to approve the acquisition of treasury shares on these terms.

- Dividends:
  - In February, the Audit and Control Committee reviewed the dividend policy. The finance team presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the Cellnex dividend payment.
  - In 9 November, the finance team explained to the Audit and Control Committee the proposal to distribute an interim dividend to be paid before the year end. The Committee provided a favourable recommendation to the Board of Directors to distribute an interim dividend of €10 million to be paid before the end of year 2017 (the remainder to be paid as final dividend in 2018 and to be approved by Cellnex AGM).
- IFRS 16: In February, the finance team presented to the Audit and Control Committee an update on the work being carried out to ensure the compliance with the new accounting rules. Additional updates were provided to the Audit and Control Committee in July and 9 November, those times together with PwC.
- Reappointment of auditors: In March, it was proposed to the Audit and Control Committee the reappointment of Deloitte as auditors of Cellnex for a further term of 3 years. The Committee noted the key considerations and rationale for this reappointment. The Committee provided a favourable recommendation to the Board of Directors to approve the reappointment of Deloitte as auditors of the company.
- Appointment of Chairman: In March, the Audit and Control Committee agreed unanimously to appoint Mr. Bertrand Kan as its Chairman.
- Appointment of Vice Secretary: In July, the Audit and Control Committee agreed unanimously to appoint Ms. Núria Taberner as its Vice Secretary.

- Information Security: In May, at the request of the Audit and Control Committee, the head of IT attended the Committee to provide a report on the company's IT security systems.
- RAN Sharing: In July, at the request of the Audit and Control Committee, a member of the commercial team provided a presentation on RAN sharing.
- CNMV Technical Guide: In September, the Secretary of the Committee provided a summary on the new CNMV Technical Guide on Audit Committees to the Audit and Control Committee and explained the performance of Cellnex with regard thereto.
- Registration document: In September, the Audit and Control Committee was updated on the new European prospectus regulation and the opportunity that this gives to companies to file a registration document with the CNMV in order to facilitate the issuance of debt in Spain (and also equity injections). It was agreed to provide an update to the Board and recommend the approval of the filing of the document.
- 2018 Budget: In December, a first look of the 2018 budget was provided to the Audit and Control Committee.
- Capital Markets Day: In December, the Audit and Control Committee received the presentation on the company's first Capital Markets Day held on 14 November. The key investor feedback was noted.

e) Corporate Governance

- In February, the Audit and Control Committee reviewed the three reports for the year 2017 to be approved by the Committee in connection with the Annual Accounts and the Annual Corporate Governance Report, namely: (i) the Report on the Functions and Activities of the Committee; (ii) the Report on Related Party Transactions; and (iii) the Report on the Independence of the Auditor. The Committee provided a favourable recommendation to the Board of Directors to approve these reports.

f) Tax

- In February, the tax team, together with PwC, provided the Audit and Control Committee with an update on the work carried out on the implementation of the Tax Strategy (approved by the Committee and the Board of Directors) and the development of the Tax Control Framework. The Committee approved the Tax Control Framework.
- Also in February, the tax team, together with external advisors (PwC, IplusF and Deloitte), provided the Audit and Control Committee with an overview of all the tax initiatives implemented by the company, namely: (i) Notional Interest Deduction; (ii) R&D; (iii) Patent Box; and (iv) the deductibility of Tradia Goodwill. It was confirmed that these initiatives are compliant with current tax legislation.
- In July, the tax team, together with external advisors (Garrigues), explained to the Audit and Control Committee the work undertaken with regards to financial structure defence file, concluding that the current financial structure of Cellnex has a strong economic and business rationale.
- In September, the tax team, together with PwC, presented to the Audit and Control Committee (i) an update on the tax governance, by explaining the Tax Control Framework, which are the milestones to be achieved and the implementation plan, and (ii) the tax dossier (item included following the recommendation of the good tax governance policy).

g) Monitoring internal audit

- Functions. The main Internal Audit functions are:

    - Perform the auditing activities as defined in the annual audit plan, based on reasonable and established criteria, especially in the risk level assessment and focusing on the main organizational activities, giving priority to those that are considered to be more exposed to risk, and those that are requested by Audit Committee and Control and / or by the Senior Management.
    - An adequate coordination with the external auditors to be maintained for the exchange of information regarding the audits carried out with the aim of minimizing duplication and to track the audits performed, as well as any weaknesses in the internal control identified.
    - Report to the Audit and Control Committee and Senior Management of Cellnex Group regarding the key recommendations in each company, as well as the action plan to be performed by the Company.

- Activities. The main activities carried out by Internal Audit and supervised by the Audit and Control Committee:

    - Audits:

        - Those audits included in the 2017 Audit Plan and those audits not originally included in the Audit Plan but there were requested by Audit Committee and Control and / or by the Senior Management.
        - Monitoring recommendations and action plans proposed in the different audits.

    - 2018 Audit Plan. In November, the Audit and Control Committee approved the 2018 Annual Audit Plan based upon:

        - Assessing the risk level and focusing on the main organization's activities, giving priority to those that are considered to be more exposed to risk, and those that are requested by Senior Management.
        - Defining the activities to be reviewed: basic processes (revenues, procurements, etc.), other processes (expense sheets, investment projects, etc.) or compliance (ICFR, others).

h) Risk control

This function is carried out by Internal Audit.

- Activities. The activities carried out by Internal Audit and supervised by the Committee in May, July, September and in the last meeting of the year were:

        - A revision of the risk map (including likelihood and impact) in Spain, Italy, UK, Netherlands and France.

The review of the action plans associated to the risks in Spain, Italy, UK and Netherlands.

NOTE OF CLARIFICATION ap. C.2.1 NOMINATION AND REMUNERATION COMMITTEE

Operation

In accordance with the Board of Directors' Regulations, the Board of Directors will appoint a Chair among the independent directors. The Chair must be replaced every four years and may be re-elected once a period of one year from his departure has transpired. The Appointments and Remuneration Committee will appoint a Secretary and may appoint a Vice-Secretary that will not be necessarily members of the Committee itself.

The Appointments and Remuneration Committee will meet every time the Board of Directors or its Chair request a report be issued or proposals adopted and, in any case, whenever it is deemed advisable for the proper execution of its duties. It will be convened by the Chair of the Committee, either on his/her own initiative or on the request of the Chair of the Board of Directors or of two members of the Committee itself.

The Appointments and Remuneration Committee will be validly constituted when the majority of its members attend the meeting, either present or represented. The resolutions will be adopted by a majority vote among those in attendance, present or represented.

Responsibilities

Without prejudice to the other tasks assigned to it by the Board of Directors, the Appointments and Remuneration Committee will have at least the following basic responsibilities:

a) To evaluate the competencies, knowledge and experience required in the Board of Directors. To this end, it will define the duties and skills required of the candidates to fill each vacancy, and it will evaluate the time and dedication needed for them to effectively perform their duties.

b) To establish a target for the representation of the under-represented gender on the Board of Directors, and prepare guidance on how to obtain said target.

c) To submit to the Board of Directors proposals for the appointment of independent directors for the co-optation thereof or for the submission thereof to the decision of the General Shareholders' Meeting, as well as proposals for the re-election or dismissal of the aforesaid directors by the General Shareholders' Meeting.

d) To inform on proposals for the appointment of the other directors for the co-optation thereof or for the submission thereof to the decision of the General Shareholders' Meeting, as well as proposals for the re-election or dismissal of the aforesaid directors by the General Shareholders' Meeting.

e) To inform on proposals for the appointment and dismissal of members of the Senior Management and the basic conditions of their contracts.

f) To inform, in advance, on the appointment by the Board of Directors of the Chair and, where applicable, of one or more Vice-Chairs, as well as the appointments of the Secretary and, where applicable, of one or more Vice-Secretaries. The same procedure shall be followed to agree on the dismissal of the Secretary and, where applicable, of each Vice-Secretary.

g) To examine and organise the succession of the Chair of the Board of Directors and of the Company's CEO and, if appropriate, to make proposals to the Board of Directors for such succession to occur in an orderly and well planned manner.

h) To propose to the Board of Directors the remuneration policy for the directors and general managers, or for those individuals who perform their senior management duties reporting directly to the Board of Directors, to executive committees or to CEOs, as well as the individual remuneration and all other contractual conditions for executive directors, ensuring compliance therewith.

i) To suggest to the Board of Directors which members should form part of each of the Committees.

j) To periodically review the remuneration programmes, considering their suitability and returns.

k) To propose to the Board of Directors, for submission to the General Shareholders' Meeting for an advisory vote, the drafting of an annual report on the remuneration of its directors, under the terms of article 541 of the Law on Capital Companies, already other provision which may replace the same in the future.

l) To consider the suggestions made to it by the Chair, Board members, company executives or shareholders.

m) To provide information regarding the appointment and dismissal of managers who have direct dependence to the Board of Directors or some of its members, as well as establishing the basic conditions of their contracts, including remuneration, and also inform decisions on remuneration of directors, within the statutory framework and, where appropriate, of the remuneration policy adopted by the General Meeting of Shareholders

n) To monitor compliance with the corporate governance rules and internal codes of conduct.

o) To monitor the corporate social responsibility strategy and practices, and to assess the degree of compliance therewith.

Activities.
Eight meetings have been held involving the following actions, amongst others:

(A) Corporate Governance:

The relevant report was issued assessing the competence, experience and merits of independent Director, Ms Marieta del Rivero, in view of her appointment as Board member and her joining the ARC.
The restructuring of the composition of the Appointments and Remuneration Committee (ARC) and of the Audit and Control Committee (ACC) was put forward.
The Board was informed favourably as to the appointment of Bertand Kan as vice-chairman of the Board of Directors.
An external evaluation was carried out of the functioning of the Board and Committees, for submission to the Board.
Reports were given on the ACGR (annual corporate governance report) and the ARR (annual report on remunerations).

(B) Actions in relation to remuneration:

The degree of compliance by the CEO with the targets for 2016 was analysed and his performance assessed. Also evaluated were the CEO’s targets for 2017, the relevant proposals being put to the Board.
Based on a comparative study by an external company, the CEO’s remuneration for 2017 was proposed and, consequently, the amendment to the remunerations policy for Directors was prepared and approved for submission to the Board and approval by the Annual General Meeting.

The directors' remuneration was reviewed in order to adjust it to the market also taking into account the directors' degree of involvement and commitment.
Based on market studies, the remuneration of the top executives (reporting directly to the CEO) for implementation as of 2018 was analysed, and the corresponding proposal was put to the Board for approval. Also put to the Board were various addenda to the contracts of these directors to include certain clauses that were not duly regulated.
The approval of a Long-term Incentives Plan (ILP 2017-2019) applicable to the CEO and certain key personnel of the company together with the corresponding contracts was prepared and put to the Board.

(C) Corporate Social Responsibility actions:

The CSR Master Plan for 2016-2020 was followed up. This instrument integrates all the company's ethical, environmental and social initiatives whose yearly progress is included in the Integrated Annual Report.

(D) Actions in relation to the Code of Ethics:

A Criminal Offences Prevention Model was adopted and implemented via the Ethics and Compliance Committee.
A training plan was supervised on the Code of Ethics and supplementary Regulations for all employees of the Group in Spain, with a view to applying it to the rest of countries in which the Company operates.

(E) Talent management:

The ARC analysed the actions carried out to date by Management, basically the Succession Plan and High Potential Programme.

NOTE OF CLARIFICATION ap. D2

Transactions with Criteria Caixa, S.A.U. corresponding to contributions to pension plans and life insurance for the amount of 1,358 have been made with the companies of the Caixa Group.

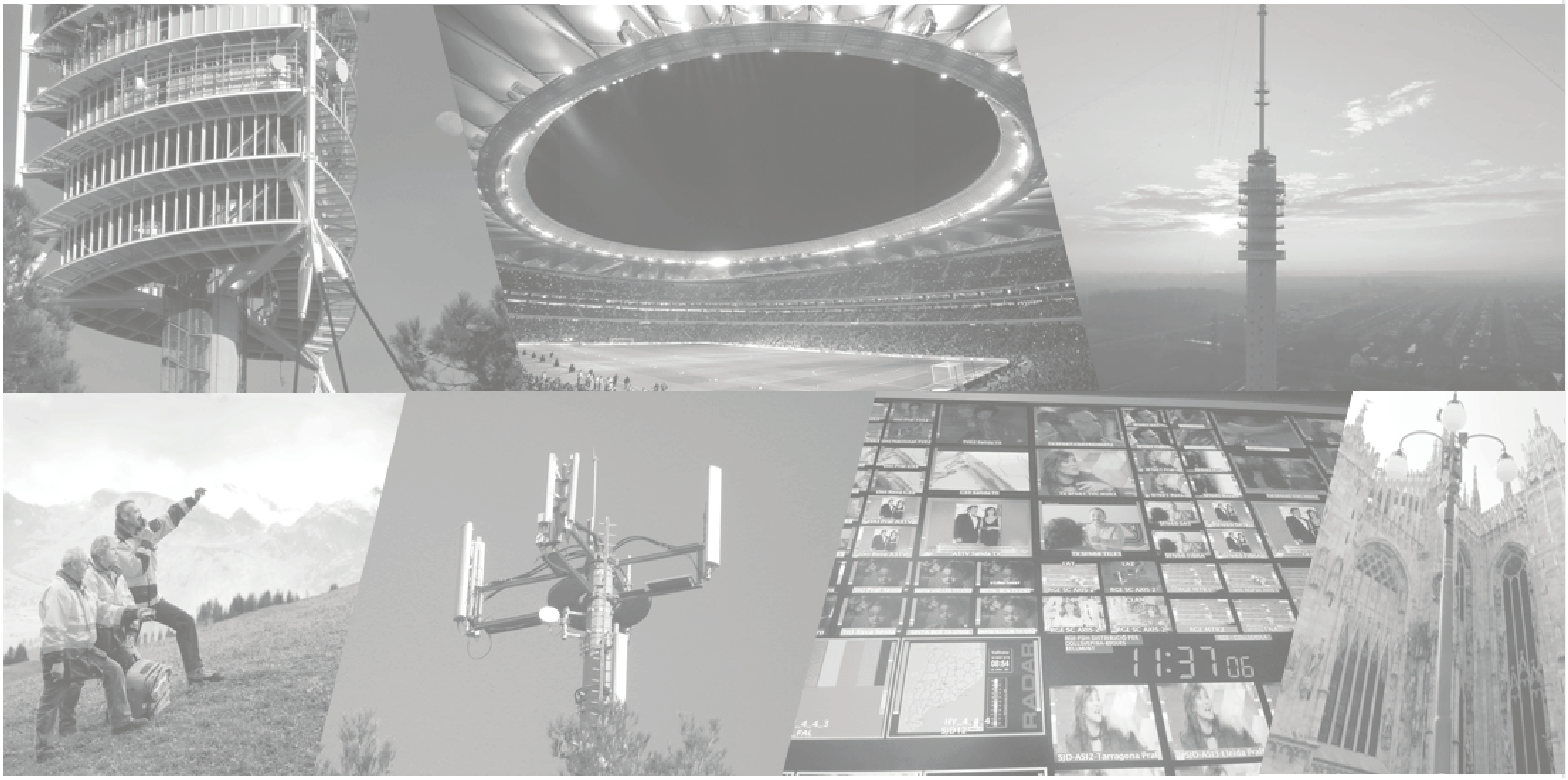
-VidaCaixa, S.A. - Cellnex Telecom, S.A. and its subsidiaries - Contractual - Contribution of pension plans and life insurance - 1.316

-Segur Caixa Adeslas, S.A. - Cellnex Telecom, S.A. and its subsidiaries - Contractual - Contribution of pension plans and life insurance - 42

This annual corporate governance report was approved by the company's Board of Directors at its meeting held on 15 February 2018.

State whether any Directors voted against or abstained in connection with the approval of this Report.

Yes □ No X



Consolidated Financial Statements

2017

Cellnex Telecom, S.A.
and Subsidiaries

Consolidated Financial Statements
for the year ended
31 December 2017 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 2017, 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 2017, 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 2017 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, 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 on that of each CGU in particular.	Our audit procedures included, among others, obtaining and analysing the impairment tests conducted by the Group, and we verified the clerical accuracy of the estimated future cash flows considered in those tests and analysed their consistency with the approved business plans. 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 and an analysis of their consistency with the actual data relating to the performance of the CGUs. We involved our in-house valuation specialists 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 evaluated whether the disclosures included in Notes 6 and 7 to the accompanying consolidated financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

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 those 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 carried out primarily two business combinations in 2017, relating to the acquisitions of Swiss Towers AG and the Infracapital Alticom Subgroup as described in Notes 2-h and 5. These acquisitions 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, including most notably the acquisition of Swiss Towers AG indicated in Note 16. Also, in order to determine the fair value of the assets and liabilities acquired, 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. Consequently, the analysis of these transactions was a key audit matter in our audit.	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 and on the recognition for accounting purposes of the put option delivered in the acquisition of Swiss Towers AG. For each business combination, we obtained the analysis performed by the Group for purchase price allocation purposes, and we verified the clerical accuracy of the calculations performed and the reasonableness of the main assumptions considered therein. To this end, we analysed the consistency of the future cash flow projections considered in the analysis performed with the assumptions obtained from the business plan relating to the business 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 assessed their competence, capacity and objectivity, and obtained an understanding of their work as experts and the suitability of that work as audit evidence.

We involved our in-house valuation specialists 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 evaluated whether the disclosures included in Notes 2-h, 5 and 16 to the accompanying consolidated financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

Contingent liabilities	
Description	**Procedures applied in the audit**
As indicated in Note 16, as a result of its business activity the Group is involved in various court and administrative proceedings with various agencies, including most notably two penalties imposed by the Spanish National Competition Commission and certain proceedings relating to the European Commission's decision ordering the recovery of state aid. This is a key matter for our audit, since the analysis of contingencies requires the directors to make significant judgements and estimates, in particular as to whether it is probable that there will be a future outflow of resources and the reliable estimation of amount of the obligation. The directors make these judgements and estimates mainly on the basis of the analysis of the legal and financial department, which in turn is based on the information available at any given time and the outcomes of similar litigation, and of the opinion of their legal advisers.	Our audit procedures included, among others, analysing the judgements used by the directors based on the opinion of their legal advisers, the information available at any given time and the outcomes of similar litigation. For this purpose, we sent confirmation letters to, and obtained responses from, the lawyers and legal advisers used by the Group, and in our analysis we paid particular attention to the matters relating to the court and administrative proceedings in progress with the Spanish National Competition Commission and the European Commission. In relation to the aforementioned court proceedings, we involved our legal specialists for the purpose of analysing the reasonableness of the conclusions reached by the directors considering the various factors on which those conclusions were based. In addition, we analysed and concluded upon the suitability of the accounting treatment applied by the Group, including the disclosures made in relation to these matters, which are contained in Note 16 to the consolidated financial statements for 2017.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2017, 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 consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels of review:

a) A specific level that applies 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 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 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 in the preceding paragraphs, we have checked that the specific information described in section a) above has been provided and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2017 and its content and presentation are 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 15 February 2018.

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

15 February 2018

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 2017 and
Consolidated Directors' Report

Translation of a report originally issued in Spanish prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 23). 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 23). In the event of a discrepancy the Spanish-language version prevails.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2017

(Thousands of Euros)

	Notes	31 December 2017	31 December 2016
ASSETS			
NON-CURRENT ASSETS			
Goodwill	Note 7	566,557	380,217
Other intangible assets	Note 7	1,353,959	1,035,166
Property, plant and equipment	Note 6	1,507,259	1,048,445
Investments in associates	Note 8	3,280	3,551
Financial investments	Note 9	17,694	11,640
Derivative financial instruments	Note 13	164	-
Trade and other receivables	Note 10	55,888	36,332
Deferred tax assets	Note 15.d	27,835	29,181
Total non-current assets		**3,532,636**	**2,544,532**
CURRENT ASSETS			
Inventories		1,277	2,023
Trade and other receivables	Note 10	226,081	155,039
Receivables from associates	Note 20.c	78	113
Financial investments	Note 9	921	921
Cash and cash equivalents	Note 11	295,173	192,851
Total current assets		**523,530**	**350,947**
TOTAL ASSETS		**4,056,166**	**2,895,479**
NET EQUITY			
Share capital and attributable reserves			
Share capital	Note 12.a	57,921	57,921
Treasury shares	Note 12.a	(1,859)	(2,694)
Share premium	Note 12.b	338,733	338,733
Reserves	Note 12.c	74,712	36,000
Profit for the year	Note 12.g	32,933	39,817
		502,440	**469,777**
Non-controlling interests	Note 12.f	142,474	81,424
Total net equity		**644,914**	**551,201**
NON-CURRENT LIABILITIES			
Borrowings	Note 13	2,505,301	1,683,960
Provisions and other liabilities	Note 16.a	219,422	176,604
Employee benefit obligations	Note 16.b	5,646	2,496
Deferred tax liabilities	Note 15.d	349,929	290,281
Total non-current liabilities		**3,080,298**	**2,153,341**
CURRENT LIABILITIES			
Borrowings	Note 13	69,615	17,732
Employee benefit obligations	Note 16.b	13,135	6,276
Payables to associates	Note 20.c	171	-
Trade and other payables	Note 14	248,033	166,929
Total current liabilities		**330,954**	**190,937**
TOTAL NET EQUITY AND LIABILITIES		**4,056,166**	**2,895,479**

The accompanying Notes 1 to 23 and Appendices I and II attached form an integral part of the consolidated balance sheet at 31 December 2017

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017
(Thousands of Euros)

	Notes	2017	2016
Services		757,605	670,413
Other operating income		31,738	34,172
Operating income	Note 17.a	**789,343**	**704,585**
Staff costs	Note 17.b	(107,354)	(97,471)
Other operating expenses	Note 17.c	(359,483)	(343,680)
Change in provisions	Note 17.d	1,517	250
Losses on fixed assets		(215)	(176)
Depreciation and amortisation	Note 17.e	(225,382)	(176,779)
Operating profit		**98,426**	**86,729**
Financial income	Note 17.f	1,397	1,179
Financial costs	Note 17.f	(69,557)	(46,954)
Net financial profit		**(68,160)**	**(45,775)**
Profit of companies accounted for using the equity method	Note 8	96	65
Profit before tax		**30,362**	**41,019**
Income tax	Note 15.c	431	(633)
Consolidated net profit		**30,793**	**40,386**
Attributable to non-controlling interests	Note 12.f	(2,140)	569
Net profit attributable to the Parent Company		**32,933**	**39,817**
Earnings per share (in euros per share):			
Basic	Note 12.e	0.14	0.17
Diluted	Note 12.e	0.14	0.17

The accompanying Notes 1 to 23 and Appendices I and II attached form an integral part of the consolidated income statement corresponding to the year ended 31 December 2017.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

(Thousands of Euros)

	2017	2016
PROFIT FOR THE YEAR	**30,793**	**40,386**
Income and expenses recognised directly in net equity, transferable to the consolidated income statement:		
Variation in cash flow hedges Parent Company		
fully and proportionately consolidated companies	134	-
Total consolidated comprehensive income	**30,927**	**40,386**

Attributable to:		
- Parent Company shareholders	33,067	39,817
- Non-controlling interests	(2,140)	569
Total consolidated comprehensive income	**30,927**	**40,386**

The accompanying Notes 1 to 23 and Appendices I and II attached form an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2017.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017
(Thousands of Euros)

	Share capital	**Treasury shares**	**Share premium**	**Reserves**	**Profit for the year**	**Non-controlling interests**	**Net equity**
At 1 January 2016	**57,921**	**-**	**338,733**	**10,422**	**47,290**	**82,851**	**537,217**
Comprehensive earnings for the year	-	-	-	-	39,817	569	40,386
Distribution of 2015 profit	-	-	-	47,290	(47,290)	-	-
Dividends	-	-	-	(21,083)	-	(1,996)	(23,079)
Treasury Shares	-	(2,694)	-	(265)	-	-	(2,959)
Foreign exchange reserve	-	-	-	(364)	-	-	(364)
At 31 December 2016	**57,921**	**(2,694)**	**338,733**	**36,000**	**39,817**	**81,424**	**551,201**
At 1 January 2017	**57,921**	**(2,694)**	**338,733**	**36,000**	**39,817**	**81,424**	**551,201**
Comprehensive earnings for the year	-	-	-	134	32,933	(2,140)	30,927
Distribution of 2016 profit	-	-	-	39,817	(39,817)	-	-
Dividends	-	-	-	(20,000)	-	(1,996)	(21,996)
Treasury Shares	-	835	-	743	-	-	1,578
Foreign exchange reserve	-	-	-	(1,323)	-	(5,226)	(6,549)
Changes in perimeter	-	-	-	19,341	-	70,412	89,753
At 31 December 2017	**57,921**	**(1,859)**	**338,733**	**74,712**	**32,933**	**142,474**	**644,914**

The accompanying Notes 1 to 23 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 2017.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

(Thousands of Euros)

	Notes	2017	2016
Profit for the year before tax		**30,362**	**41,019**
Adjustments to profit-			
Depreciation	Notes 17.e	225,382	176,779
Gains/(losses) on derecognition and disposals of non-current assets		215	176
Changes in provisions	Note 17.d	(1,517)	(250)
Interest and other income	Note 17.f	(1,397)	(1,179)
Interest and other expenses	Note 17.f	69,557	46,954
Share of results of companies accounted for using the equity method	Note 8	(96)	(65)
Other income and expenses		1,011	890
Changes in current assets/current liabilities-			
Inventories		746	2,282
Trade and other receivables		(35,588)	29,884
Other current assets and liabilities		38,218	(14,235)
Other cash flows from operating activities-			
Interest paid		(41,394)	(24,311)
Interest received		453	1,103
Income tax paid		(13,349)	(11,477)
Employee benefit obligations and current provisions		(663)	(2,864)
Other receivables and payables		(9,211)	7,200
Total net cash flow from operating activities (I)		**262,729**	**251,906**
Business combinations and changes in scope of consolidation	Note 5	(471,697)	(525,358)
Purchases of property, plant and equipment and intangible assets		(462,552)	(228,563)
Non-current financial investments		(37,813)	(16,087)
Total net cash flow from investing activities (II)		**(972,062)**	**(770,008)**
Purchase of treasury shares		1,587	(2,949)
Proceeds from issue of bank borrowings	Note 13	689,996	271,745
Bond issue	Note 13	467,159	801,804
Repayment and redemption of bank borrowings	Note 13	(330,274)	(381,619)
Net repayment of other borrowings (Profits)		(1,188)	(6,608)
Dividends paid		(20,000)	(21,083)
Dividends to non-controlling interests		(998)	(1,996)
Dividends received		367	28
Total net cash flow from financing activities (III)		**806,649**	**659,322**
Foreign exchange differences		**5,006**	**631**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS (I)+(II)+(III)		**102,322**	**141,851**
Cash and cash equivalents at beginning of year	Note 11	192,851	51,000
Cash and cash equivalents at end of year		**295,173**	**192,851**

The accompanying Notes 1 to 23 and Appendices I and II attached form an integral part of the consolidated statement of cash flows corresponding to the year ended 31 December 2017.

Cellnex Telecom, S.A. and Subsidiaries

Notes to the consolidated financial statements for the year ended on 31 December 2017

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, on its own account or on account 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 2017, 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 15 February 2018.

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 2017 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 2017 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 2016 were approved by the shareholders of the Parent Company on 27 April 2017.

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 2017:

New standards, amendments and interpretations		**Obligatory Application in Annual Reporting Periods Beginning On or After:**
Amendments to IAS 7, Disclosure Initiative (issued in January 2016)	Introduces additional breakdown requirements on financing activities	1 January 2017
Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016)	Clarification of the principles established in relation to the recognition of deferred tax assets due to unrealised losses.	1 January 2017
Improvements to IFRSs, 2014-2016 cycle (issued in December 2016)	Minor amendments to a series of standards (different effective dates).	1 January 2017

IAS 7, *Statement of Cash Flows. Disclosure Initiative.*

The amendments to IAS 7 introduce the following new disclosures in relation to changes in liabilities arising from financing activities so that users of financial statements can evaluate changes in these liabilities: changes arising from financing cash flows; changes arising from obtaining or losing control of subsidiaries or other businesses; the effect of changes in foreign exchange rates; changes in fair values; and other changes.

Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities. The disclosure requirements also apply to changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

IAS 12 Amended. Income *Tax. Recognition of Deferred Tax Assets for Unrealised Losses.*

The amendments to IAS 12 clarify the requirements for the recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. The aspects clarified are as follows:

- An unrealised loss on a debt instrument measured at fair value will give rise to a deductible temporary difference, regardless of whether its holder expects to recover its carrying amount through sale or on at maturity.

- An entity must assess a deductible temporary difference in combination with all of its other deductible temporary differences. If tax law restricts the utilisation of tax losses, an entity must assess their utilisation in combination only with other deductible temporary differences of the appropriate type.

- The estimate of the future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

- The estimate of future taxable profit excludes tax deductions resulting from the reversal of deductible temporary differences.

IFRS Annual Improvements cycle 2014-2016 – Minor amendments to IFRS 12.

The IFRS Annual Improvements cycle 2014-2016 introduces minor amendments and clarifications to IFRS 12 - Disclosure of Interests in Other Entities. The European Union has not yet approved its adoption.

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

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

At the date of formal preparation of these 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		
IFRS 15 – Revenue from Contracts with Customers (issued in May 2014)	New revenue recognition standard (supersedes IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31).	1 January 2018 (1)
IFRS 9 – Financial Instruments (issued in July 2014)	Replaces the requirements in IAS 39 relating to the classification, measurement, recognition and derecognition of financial assets and financial liabilities, hedge accounting and impairment.	1 January 2018
Clarifications to IFRS 15 (issued in April 2016)	Relate to the identification of performance obligations, principal versus agent considerations, the granting of licenses and whether the licence transfers to a customer either at a point in time or over time, as well as to the transition requirements.	1 January 2018
Amendments to IFRS 4 – Insurance Contracts (issued in September 2016)	Provides entities, within the scope of IFRS 4, with the option to apply IFRS 9 ("overlay approach") or a temporary exemption therefrom.	1 January 2018
Improvements to IFRS Cycle 2014-2016	Minor modifications of various standards	1 January 2018
IFRS 16 – Leases (issued in January 2016)	Replaces IAS 17 and the related interpretations. The main change in the new standard is the introduction of a single lessee accounting model which requires a lessee to recognise all leases in the balance sheet (with certain limited exceptions) with an impact similar to the current finance leases (there will be depreciation of the right-of-use asset and a finance cost due to the amortised cost of the liability).	1 January 2019
Not yet approved for use in the European Union (2)		
Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions (issued in June 2016)	Limited amendments to clarify specific matters such as the effects of vesting conditions on the measurement of a cash-settled share-based payment, the classification of share-based payment transactions with net settlement features and certain aspects of modifications to a share-based payment.	1 January 2018
Amendments to IAS 40 – Transfers of Investment Property (issued in December 2016)	The amendment clarifies that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use of the property.	1 January 2018
IFRIC 22 – Foreign Currency Transactions and Advance Consideration (issued in December 2016)	This interpretation determines 'the date of the transaction' for the purpose of determining the exchange rate to use in advance consideration transactions in a foreign currency.	1 January 2018

IFRIC 23 – Uncertainty over Income Tax Treatments (issued in June 2017)	This interpretation clarifies how to apply the IAS 12 registration and valuation criteria when there is uncertainty about the acceptability by the tax authority of a particular tax treatment used by the entity.	1 January 2019
Amendments to IFRS 9 – Advance payment characteristics with negative compensation (published in October 2017)	The amendment allows entities to measure at amortized cost some prepaid financial assets with so-called negative compensation.	1 January 2019
Amendments to IAS 28 – Long-term interests in Joint Ventures (published in October 2017)	The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in a joint venture that forms part of the net investment in the joint venture	1 January 2019
Modification of IAS 19 Modification, reduction or liquidation of a plan	In accordance with the proposed amendments, when a change occurs in a defined benefit plan (due to a modification, reduction or liquidation), the entity will use updated hypotheses in the determination of the cost of the services and the net interest for the period after the change of plan	1 January 2019
IFRS 17 – Insurance contracts (issued in May 2017)	Replaces IFRS 4. Describes the accounting principles for the measurement, valuation, presentation and disclosure of insurance contracts in order for the entity to provide relevant and reliable information that allows users to determine the effect of insurance contracts on the financial statements.	1 January 2021
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014)	Clarification in relation to the gain or loss resulting from such transactions involving a business or assets.	No set date

(1) The initial effective date of the IASB for this standard as of 1 January 2017, although the IASB issued a clarification to the standard in which its entry into force is deferred until 1 January 2018.
(2) The status of approval by the European Union of these standards can be checked on the EFRAG website.

Adoption of IFRS 16 *Leases*

IFRS 16, *Leases* (hereinafter, "IFRS 16") was issued by the IASB in January 2016 and endorsed by the European Union in November 2017. IFRS 16 modifies the fundamentals of accounting by lessees of those contracts that constitute a lease.

In accordance with IFRS 16, except in those cases in which the contract refers to a low-value asset or the term of the contract is one year or less, the lessee must:

1) Recognize a financial liability equivalent to the current value of the fixed payments to be made during the term of the lease;

2) Recognize in the balance sheet an asset for the right to use the corresponding asset, which will be valued taking as reference the amount of the associated financial liability, to which will be added the direct expenses incurred to enter the contract, the payments that have been made in advance, as well as future dismantling costs;

3) Reflect in the income statement the amortization of the recognized asset and the annual financial charge associated with the financial liability (thus leaving the lease expense associated with the fixed payments reflected in the income statement);

4) Reflect the tax effect associated with the difference between the criteria of IFRS 16 and the applicable for tax purposes, both in the balance sheet and in the income statement.

In those cases in which the lease agreements have been incorporated in the context of a business combination, the lease liability will be valued at the present value of the remaining lease payments, as if the lease acquired was a new lease on the date of the acquisition of the business. The right-of-use asset will be recorded for the same amount as the lease liability, adjusted to reflect the favourable or unfavourable terms of the lease with respect to market conditions.

The assets associated with the rights of use will be subject to the corresponding impairment tests, as will the rest of the assets with a defined useful life.

In relation to the statement of cash flows, cash payments for the principal part of the lease liability will be classified as a financing payment.

Given that the application of IFRS 16 implies a radical change in the accounting of what has been designated to date as an "operating" lease, and given that the Group uses this type of lease substantially, especially to acquire the right to use land and buildings, where it locates its infrastructures, this standard will have a very significant effect on the Group's consolidated accounts once it has been adopted. For this reason, as indicated in the consolidated annual accounts for the year ended 31 December, 2016, as well as in the interim financial statements for the period ended 30 June, 2017, the Group undertook a project dating back as early as 2016, to prepare for adoption. To date the work carried out has been (i) the review of the different types of lease contracts that the Group has been subscribing and / or acquiring through business combinations, (ii) the definition of accounting policies adapted to the Group's activities, (iii) the capture of data from leases, (iv) the implementation of new IT tools, as well as (v) the redesign of certain processes.

At the date of issuance for approval of these annual accounts, this project is relatively advanced, and it is expected that it could be substantially completed during the first quarter of 2018, whereby the Group is currently contemplating the possibility of adopting the standard in advance for its consolidated financial statements for the 2018 financial year. If this were the case, the Group would apply the practical solution indicated in paragraph C3 of appendix C on transition and effective date, which stipulates that it is not necessary to re-evaluate whether a contract is, or contains a lease on the date of initial application. In addition, the main policies, estimates and criteria used in applying IFRS 16 approved by the Directors of the parent company are set out below:

- Transition form: the Group will apply IFRS 16 in line with paragraph C5 a) of its Appendix C on transition and effective date, that is, retroactively. The Directors of the Parent Company consider that this option allows for comparative analysis between periods with greater rigor (the consolidated financial statements for the 2018 financial year will be presented, for comparative purposes, together with figures for the restated 2017 year-end) and, also, it also allows the use of discount rates calculated on dates on which the Group entered into leases which, consequently, are directly related to those contracts and consistent with the decision to assume the corresponding conditions at the time.

- Discount rates: the Group would generally apply the interest rate implicit in the lease contracts. In relation to the transition process, contracts prior to 2012 are currently being 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 are being valued using implicit rates, obtained through a methodology designed for this purpose, in line with the definition of the implicit interest rate of the lease established in IFRS 16.

- Lease term considered for each contract : in relation in particular 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 whether the contracts with customers associated with the leases allow, or not, the early termination of the lease. The most common types of contracts and the main criteria for determining their term are:

    - For those lease agreements associated with contracts with customers that restrict the ability of Cellnex to terminate leases, the term of the latter is determined by reference to the term of the contract with the customer during which the latter may require Cellnex to maintain the lease. Thus, in those cases in which the contract with the customer has an initial extendable term either by means of the two parties agreeing (Cellnex and the customer), or by means of a unilateral decision by Cellnex, the term considered as reference is the initial term. If the extension of the initial term of the contract with the customer depends exclusively on the latter, the term of the lease also considers the term of the extension. The term of the lease is, in any case, at most, the maximum term during which Cellnex is entitled to use the asset under the lease agreement.

    - For those leases associated with customer contracts that allow Cellnex to terminate the leases, where the Group has a unilateral right to early termination, the lease term is determined as the period of time during which the probability of Cellnex exercising the option of early termination is below approximately 15%. The probability that Cellnex will exercise the option of early termination is determined considering the probability that the Group will leave the infrastructure located in the land or construction that it is relocated, or the lease is terminated and this termination qualifies as a cancellation in line with section 3.3 of IFRS 9, *Financial Instruments*. When the Group does not have a unilateral right of early termination, the term of the lease is the non-cancellable period established in the contract.

- As indicated in previous paragraphs, the Group has decided to adopt IFRS 16 retroactively. As a result, those leases that have been renegotiated and have been affected in general by circumstances that have triggered the need to reassess the lease at later dates, are being recalculated on the dates on which the circumstances occurred.

- The Group applies the exemption to recognize assets and liabilities relating to assets of low value in leases of assets with a value of less than EUR 5 thousand when newly purchased. In relation to the exemption of short-term leases, this exemption is being used only in relation to secondary or accessory assets.

As indicated in this note, to date the implementation process of IFRS 16 is relatively advanced, and it is estimated that it could be substantially completed during the first quarter of 2018.

Therefore, at the date of preparation of these consolidated financial statements, the Group has concluded the review processes of the different types of lease contracts and the definition of accounting policies applicable to them, with the main ones described above.

In addition, the Group has completed the process of capturing the necessary data for all lease agreements existing on 1 January and 31 December 2017 in Spain, Italy and France in a format and in such a way that they can be processed by the IT applications that are currently being implemented. The total number of contracts in these locations is approximately 19,618. This data is currently being reviewed. In addition, with regard to the process of capturing contract data in the Netherlands, the United Kingdom and Switzerland (operation acquired in 2017) this is still ongoing. The total number of contracts in these locations is approximately 2,875.

As can be seen from the preceding paragraphs, IFRS 16 will involve the application of complex logic and calculations to a large number of contracts. For this reason, in addition, the Group designed in previous years a plan for the development and implementation of computer applications capable of performing these calculations. The implementation of these applications is in an advanced state, although still to be completed, as well as the corresponding loading of data and testing procedures.

Due to the high number of contracts and the need to apply this logic and calculations to each of them, a circumstance that requires completing the processes of data capture and implementation of applications, even though the degree of progress of adoption is substantial, the effect that the adoption of IFRS 16 will have cannot yet be determined.

Adoption of IFRS 15

IFRS 15 - Revenue from contracts with customers (IFRS 15) was issued by the IASB in May 2014 and is applicable to annual periods beginning on or after January 1, 2018. This standard was adopted by the European Union in 2016.

In line with the manner in which the Group has decided to adopt IFRS 16, it is the intention of the Group to adopt IFRS 15 completely retroactively.

IFRS 15 will replace IAS 18 - Revenue and IAS 11 - Construction Contracts and will be based on the principle that income is recognized when the control of a good or service is transferred to the customer. It establishes a five-step process to determine what income should be recognized:

- Identification of contracts with customers
- Identification of separate performance obligations
- Determination of the price of the contract
- Assignation of the overall price to the performance obligations and
- Recognition of the revenue for each performance obligation

During 2016 and 2017, the Group has been analyzing the different types of transactions through which it has historically generated revenues in order to identify possible differences between its practices to date in terms of revenue recognition and those that would result once IFRS 15 has been applied. It is evident from the analyses that the amounts reported to date will not be modified once the standard has been adopted.

The majority of the revenues from the three segments (Telecommunications Infrastructure Services, Broadcasting Infrastructure and Other Network Services) do not include separate performance obligations, in general terms, of different series of services that are substantially the same and that have the same transfer pattern to the customer. In cases where several performance obligations are identified, in general all obligations are met over time and in the same period and with the same pattern.

Adoption of IFRS 9 *Financial Instruments*

On 1 January, 2018, the Group will begin to apply the new classification and measurement requirements introduced by IFRS 9, Financial Instruments (hereinafter, IFRS 9). The intention of the Group Management is also to adopt IFRS 9 for hedge accounting. The Group Management plans to adopt the standard retrospectively, with the practical expedients allowed under the standard, without re-expressing the comparative figures for the year 2017.

In relation to the financial assets of the Group, once the requirements of the new standard have been initially evaluated, the values for which they are recognized as of 31 December, 2017 should only be modified as a result of the application of the new model of impairment for loans and accounts receivable, in particular for the effect of considering the expected loss in certain customers. The estimated effect to date, after evaluating most of the balances with the Group's customers, would amount to approximately EUR 6 million (amount to be provided for with a charge to reserves as of 1 January, 2018). Although the Group Management has yet to complete the analysis of this type of financial assets, it does not expect that figure to be modified materially.

In relation to the Group's financial liabilities, given that the new requirements only affect financial liabilities that are designated as at fair value through profit or loss and the Group has no liabilities of this type, IFRS 9 will have no effect on these liabilities.

c) Presentation currency of the Group

These consolidated financial statements are presented in Euros because the Euro is the currency of the main economic area in which the Group operates.

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

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

d) 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.

e) 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.

f) Provisions for staff obligations (see Notes 3.m and 16).

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.

g) Deferred tax assets and income tax (see Notes 3.l and 15).

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.

h) Provisions: the probability of occurrence and the amount of the undetermined contingent liabilities (see Notes 3.o and 16).

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 basis of historical cost, 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 on the basis of 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.

e) Comparative information

As required by the IFRS, the information relating to the financial year ended on 31 December 2016 contained in these consolidated financial statements for 2017 is submitted solely and exclusively for the purpose of comparison.

***f)* 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 2017.

g) 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 2017.

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 2017.

(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.g.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.

h) Changes in the scope of consolidation

The most significant changes in the scope of consolidation and in the companies included in it during the 2017 financial year were as follows:

Name of the Company	Company with direct shareholding and % acquired/maintained		Consolidation method
Acquisitions/incorporations:			
Cellnex France Groupe, S.A.S. (1)	Cellnex Telecom, S.A.	100%	Full
Infr'asset, S.A.S. (2)	Cellnex France Groupe, S.A.S.	100%	Full
Cellnex Switzerland AG (3)	Cellnex Telecom, S.A.	54%	Full
Galata S.p.A. (4)	Cellnex Italia, S.r.L.	10%	Full
Swiss Towers AG (5)	Cellnex Switzerland AG	100%	Full
Cellnex Telecom España, S.L.U. (6)	Cellnex Telecom, S.A.	100%	Full
Breedlink BV (7)	Alticom Holding BV	100%	Full
Infracapital Alticom BV (7)	Cellnex Netherlands BV	100%	Full
Alticom BV (7)	Alticom Holding BV	100%	Full
Alticom Holding BV (7)	Infracapital Alticom BV	100%	Full

(1) Incorporation Date : 23/03/2017 (2) Acquisition Date : 21/04/2017 (3) Incorporation Date : 05/05/2017 (4) Acquisition Date : 04/07/2017 (5) Acquisition Date : 03/08/2017 (6) Incorporation Date : 02/08/2017 (7) Acquisition Date : 12/09/2017

i) Cellnex France Groupe, S.A.S.

In the first quarter of 2017 the Group created the subsidiary Cellnex France Groupe, S.A.S. ("Cellnex France Groupe") with a share capital of EUR 1,050 thousand.

ii) Cellnex Switzerland AG

In the second quarter of 2017, Cellnex Telecom, S.A. created the subsidiary Cellnex Switzerland AG ("Cellnex Switzerland") with a share capital of CHF 100 thousand through the creation of 100,000 shares with a nominal value of CHF 1 per share.

Subsequently, on 23 May 2017, the Parent Company sold 46,320 shares of Cellnex Switzerland, representing 46% of the share capital of the company to Swiss Life GIO II EUR Holding S.a.r.l. ("Swiss Life") and DTCP NL II C.V. ("Deutsche Telekom Capital Partners", DTCP) for a total amount of 46,320 Swiss francs.

As a result of this transaction, at 31 December 2017, the Parent Company holds a 54% stake in Cellnex Switzerland.

iii) Galata S.p.A.

During the third quarter of 2017, pursuant to the put option agreement entered into with Wind Tre SpA, on 27 February 2015, the latter exercised its rights to transfer the total amount of its shareholding in Galata SpA to Cellnex Italia. As a result, Cellnex Italia acquired an additional 10% of the share capital of Galata for EUR 87,518 thousand. Following this acquisition, Cellnex Italia now holds 100% of the share capital of Galata.

iv) Swiss Towers AG

In the third quarter of 2017, Cellnex Switzerland (a subsidiary in which the Group has a 54% stake) acquired, from Sunrise Communications International, 100% of Swiss Towers AG, a subsidiary of the Swiss mobile operator for a total of EUR 438 million, in a consortium with Swiss Life and DTCP. This acquisition has involved the integration of 2,239 telecommunication sites located in Switzerland.

The actual cash outflow for Cellnex Switzerland in relation to this transaction (Enterprise Value) has been EUR 400 million following the incorporation of EUR 38 million of cash balances on the balance sheet of the acquired company (see Note 5).

Thus, following this acquisition, Swiss Towers has been fully consolidated within the Cellnex Group as of the acquisition date, such that as at 31 December 2017 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.

v) Cellnex Telecom España, S.L.U.

In the second half of 2017 the Group created a further subsidiary in Spain, Cellnex Telecom España, S.L.U., with a share capital of EUR 3 thousand.

vi) Infracapital Alticom Subgroup

In the third quarter of 2017 the Group signed a contract with Infracapital F1 Sarl to purchase 100% of the share capital of Infracapital Alticom, owner of 30 sites located in the Netherlands for a total amount of EUR 133 million. The transaction was completed following several administrative authorizations.

The actual cash outflow for the Group in relation to this transaction (Enterprise Value) was EUR 129 million following the incorporation of EUR 4 million of cash balances on the balance sheet of the acquired company (see Note 5).

Thus, following this acquisition, Infracapital Alticom subgroup has been fully consolidated within the Cellnex Group as of the acquisition date, such that as at 31 December 2017 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.

Also, in 2017 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 company	Buying company	Comments	Date
Disposals:			
Shere Group Netherlands, BV	Cellnex Netherlands, BV	Sale of 100% of the ownership interest in Shere Masten, BV by Shere Group Netherlands, BV	15/12/2017

The changes to the scope of consolidation that occurred during the 2016 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:			
Commscon Italia, S.r.L. (1)	Cellnex Italia, S.r.L.	100%	Full
Cellnex Netherlands, B.V. (formerly Protelindo Netherlands, B.V.) (2)	Cellnex Telecom, S.A.	100%	Full
Towerlink Netherlands, B.V. (formerly Protelindo Towers, B.V.) (2)	Cellnex Netherlands, B.V. (formerly Protelindo Netherlands, B.V.)	100%	Full
Cellnex France, S.A.S. (3)	Cellnex Telecom, S.A.	100%	Full
Shere Group Limited (4)	Cellnex Telecom, S.A.	100%	Full
Shere Midco Ltd (4)	Shere Group Limited	100%	Full
Shere Group Netherlands BV (4)	Shere Midco Ltd	100%	Full
Shere Masten BV (4)	Shere Group Netherlands BV	100%	Full
Watersite Holding Limited (4)	Shere Midco Ltd	100%	Full
Radiosite Limited (4)	Shere Midco Ltd	100%	Full
QS4 Limited (4)	Shere Midco Ltd	100%	Full
Shere Consulting Limited (4)	Shere Midco Ltd	100%	Full
Sirtel S.r.L. (5)	Cellnex Italia, S.r.L.	100%	Full

(1) Acquisition Date – 22/06/2016 (2) Acquisition Date – 1/07/2016 (3) Incorporation Date – 8/07/216 (4) Acquisition Date – 15/10/2016 (5) Acquisition Date – 20/12/2016

i) Commscon Italia, S.r.L.

The acquisition of 100% of the share capital of the Italian company Commscon Italia, S.r.l. ("Commscon") was completed for an amount of EUR 19,904 thousand in the second quarter of 2016, through its Italian subsidiary Cellnex Italia, S.r.L. The actual cash outflow for the Group in relation to this transaction was EUR 18,729 thousand following the incorporation of EUR 1,175 thousand of cash balances on the balance sheet of the acquired company (see Note 5).

Thus, following this acquisition, Commscon was consolidated within the Cellnex Group as of it acquisition date, such that as at 31 December 2016 the value of all of its assets and liabilities were included in the consolidated balance sheet and the corresponding impact of operations in the consolidated income statement for the year.

ii) Cellnex Netherlands subgroup (formerly Protelindo Netherlands subgroup)

In the second quarter of 2016 Cellnex Telecom reached an agreement to acquire 100% of the share capital of Protelindo Netherlands, B.V. (which, in turn, owns all the shares of Protelindo Towers, B.V.), a subsidiary of the Indonesian telecommunications towers group PT Sarana Menara Nusantara for EUR 112 million. As a result of the acquisition, Cellnex directly owns all the shares of Protelindo Netherlands B.V. and, consequently, all the shares of Protelindo Towers B.V. The enterprise value in relation to this transaction was EUR 109 million considering the incorporation of EUR 3 million of cash balances and receivables on the balance sheet of the acquired company (see Note 5).

Thus, following this acquisition, the Protelindo Netherlands subgroup was fully consolidated within the Cellnex Group as of the acquisition date, such that as at 31 December 2016 the value of all of its assets and liabilities were included in the consolidated balance sheet and the corresponding impact of operations in the consolidated income statement for the year.

On 1 July 2016 Protelindo Netherlands B.V. changed its name to Cellnex Netherlands B.V. ("Cellnex Netherlands"). On 24 October 2016 Protelindo Towers B.V. changed its name to Towerlink Netherlands B.V. ('Towerlink Netherlands').

iii) Cellnex France, S.A.S.

In the third quarter of 2016 the Group created the subsidiary Cellnex France, S.A.S. ("Cellnex France") with a share capital of EUR 20 thousand. Subsequently, Cellnex signed an agreement with Bouygues Telecom, S.A. ('Bouygues Telecom') for the acquisition, through Cellnex France, of 230 telecom infrastructures for a total consideration of approximately EUR 80 million (see Note 6). In the final quarter of 2016 Cellnex and Bouygues Telecom closed the second phase of the agreement with the acquisition of 270 additional telecom infrastructures for a total consideration of EUR 67 million. Thus, the total investment in the acquisition of the 500 telecom infrastructures amounted to EUR 147 million (see Note 6).

The telecom infrastructures acquired from Bouygues Telecom were effectively integrated in Cellnex and operated by the company in a gradual process that allowed the completion of the formal administrative procedures with landlords and local administrations. This process has taken place from September 2016 until the end of 2017.

This transaction represented the beginning of a long-term cooperation with one of France's leading mobile operators. In addition to the acquisition of the portfolio of telecom infrastructures, Cellnex signed a contract to provide services to Bouygues Telecom. This contract stated that the income would start to accrue when the administrative procedures with landlords have been completed.

iv) Shere Group subgroup

In the third quarter of 2016 the Group signed a contract with Arcus Infrastructure Partners and other minority shareholders to purchase 100% of the share capital of Shere Group Limited, owner of 1,004 sites located in the Netherlands and UK for an enterprise value of EUR 393 million. The transaction was completed following several administrative authorizations.

Thus, following this acquisition, Shere Group has been fully consolidated within the Cellnex Group as of the acquisition date, such that as at 31 December 2016 the value of all of its assets and liabilities were included in the consolidated balance sheet and the corresponding impact of operations in the consolidated income statement for the year.

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. Thus, despite 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) Goodwill and other 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 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 2017, financial assets were classified into the following categories:

(i) Current and non-current financial investments

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.

(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.

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 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.

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 2017 and 2016 the Group had no derivative financial instruments.

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 – LTIP

The amounts considered by the Group in relation to the Long Term Incentive Plans which were formalised in 2015 and 2017 with the objective to retain key personnel and incentivise the sustainable creation of value for the shareholders, is based on the variables described below:

On 10 April 2015 the Long Term Incentive Plan (2015-2017) was approved for certain employees, amongst which are the Chief Executive Officer and members of the Senior Management. This plan accrues from May 2015 until 31 December 2017 and is payable once the Group's annual accounts corresponding to the 2017 financial year have been approved. The beneficiaries of the Plan are the Chief Executive Officer, the Senior Management and some key employees of the Cellnex Group (up to a maximum of 32 people). 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%:

- The increase in the share price between the initial starting price of the IPO and the average price in the last quarter of 2017, weighted by the volume ("vwap"), following a scale of achievement.

- The attainment of certain performance parameters according to the market consensus and the constant scope of consolidation, following a scale of attainment.

With regards to the LTIP (2015-2017) dated 10 April 2015 for the benefit of certain employees, the weighted average degree of fulfilment of the following two objectives was 111%. For the first objective, which was related to Cellnex share price appreciation, the percentage of attainment was 120% and for the second objective, which was related to the Adjusted EBTIDA figure obtained as at 31 December 2017, the percentage of attainment was 102%.

The cost of the LTIP (2015-2017) for Cellnex, anticipating that the maximum degree of fulfilment of the objectives will be obtained, is currently estimated at EUR 7.8 million.

In addition, on 27 April 2017 the Group approved the LTIP (2017-2019) for certain employees, which is divided into two phases

- 2017-2018: this accrues from January 2017 until 31 December 2018 and is payable once the Group's annual accounts corresponding to the 2018 financial year have been approved.
- 2018-2019: this accrues from January 2018 until 31 December 2019 and is payable once the Group's annual accounts corresponding to the 2019 financial year have been approved.

The beneficiaries are the CEO, Senior Management and several key employees of the Cellnex Group (up to a maximum of 50 staff). The amount receivable by the beneficiaries will be determined by the degree of fulfilment of certain objectives regarding Cellnex's relative share price performance, and the attainment of certain performance parameters according to the market consensus and the constant scope of consolidation, following a scale of attainment.

The cost of the Long Term Incentive Plan (2017-2019) for Cellnex if it were to reach the maximum level of achievement of the objectives is estimated at approximately EUR 10.6 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: while they are 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.

i) 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 register of income should occur based on the actual flow of goods and services, irrespective of when the corresponding collections are made. Any collection that may be obtained for all of a service performed during a given period of time will be considered unearned revenue recognised on the liability side of the consolidated balance sheet under “Provisions and other liabilities” and “Trade and other payables”, and will be taken to the consolidated income statement when the benefits of the service are received.

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.

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:

- Broadcasting infrastructure activity: broadcasting activities consist of the distribution and transmission of television and FM radio signals, as well as the operation and maintenance of radio broadcasting networks, the provision of connectivity for media content, OTT radio broadcasting services (over-the-top multi-screen services) and other services.

  The provision of these services requires unique, large mast infrastructure that only the Group has in Spain; knowledge of how to manage the radio spectrum; and the capacity to comply with very demanding levels of service.

- Telecom Infrastructure Services: this activity consists of providing a wide range of integrated network infrastructure services which allows access to the Group’s wireless infrastructure to mobile network operators and other wireless and broadband telecommunications network operators, which in turn, allows the operators to offer their own telecommunications services to its 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.

[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.

- Other Network Services: this activity consists of providing connectivity services for telecommunications operators (other than broadcasting operators), radio communication, operation and maintenance services, commercial services, Smart Cities/IoT ("Internet of Things") and other services.

  The Group provides integral solutions for essential services and government bodies as a multi-service and neutral service supplier. The Group's services include public protection and disaster relief (PPDR) services (including TETRA and digital mobile radio technologies), public safety and emergency networks such as maritime networks, Smart Cities, IoT, small cells and commercial activities.

  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.

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases:

(i) Operating leases

Expenses from operating leases are taken to the income statement on an accruals basis. Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment, which will be allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

(ii) Finance leases

For finance leases in which the Group acts as the lessee, the Group recognises the cost of leased assets in the balance sheet based on the nature of the leased asset and, simultaneously, a liability for the same amount. This amount is the fair value of the leased asset at the inception of the lease or, if lower, the present value of the minimum lease payments, plus the purchase option, when there is no reasonable doubt that it will be exercised. The calculation does not include contingent payments, service costs or taxes that can be passed on by the lessor. The total finance charge on the lease is taken to the income statement for the year in which it is incurred, using the effective interest method. Contingent payments are expensed on an accruals basis. The assets recognised for these types of transactions are depreciated on the basis of their nature using criteria similar to those applied to other items of property, plant and equipment.

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 18).

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 statements, 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 2017

Company	Functional currency	Thousands of Euros			
		Income	%	Net profit	%
Shere Group UK	GBP	9,391	1.2%	3,136	9.5%
Cellnex Switzerland subgroup	CHF	22,651	2.9%	(3,038)	(9.2%)
Contribution in foreign currency		**32,042**	**4.1%**	**98**	**0.3%**
Total Cellnex Group		**789,343**		**32,933**	

31 December 2016

Company	Functional currency	Thousands of Euros			
		Income	%	Net profit	%
Shere Group UK	GBP	1,878	0.27%	(644)	1.62%
Contribution in foreign currency		**1,878**	**0.27%**	**(644)**	**1.62%**
Total Cellnex Group		**704,585**		**39,817**	

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 2017

Company	Functional currency	Thousands of Euros			
		Total assets	%	Equity	%
Shere Group UK	GBP	155,408	3.8%	111,645	17.3%
Cellnex Switzerland	CHF	586,583	14.5%	131,585	20.4%
Contribution in foreign currency		**741,991**	**18.3%**	**243,230**	**37.7%**
Total Cellnex Group		**4,057,166**		**644,914**	

31 December 2016

Company	Functional currency	Thousands of Euros			
		Total assets	%	Equity	%
Shere Group UK	GBP	167,515	5.79%	(1,008)	(0.18%)
Contribution in foreign currency		**167,515**	**5.79%**	**(1,008)**	**(0.18%)**
Total Cellnex Group		**2,895,479**		**551,201**	

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	
	2017	
Functional currency	Income	Equity [1]
10% change:		
GBP	963	11,165
CHF	(2,059)	(11,962)

	Thousands of Euros	
	2016	
Functional currency	Income	Equity [1]
10% change:		
GBP	188	13,474

[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).

On 31 December 2017 there are financing granted from third parties covered by interest rate hedging mechanisms (see Note 3.e and Note 13 of the accompanying consolidated financial statements). In this regard, at 31 December 2016 the Group held no derivative financial instruments.

(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 income 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 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.

During the years for which information is reported, no credit limits were exceeded and management does not expect to incur losses as a result of default by any of the counterparties indicated above. The provision recognised for doubtful debts is not significant compared with the balance of accounts receivable on 31 December 2017.

(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, as at 31 December 2017 the Group has available liquidity over EUR 2 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 (see 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

Following a long period of low inflation, there is a possibility that it could increase because of the policies of the European Central Bank and the Bank of England. Although most of the Group's operating costs could increase as a result of an increase in the inflation rate, the Group has the majority of its income-generating contracts linked to inflation. In this regard, the Management does not expect that an increase in the inflation rate could have a significant impact on the Group's business, or on the results of operations and cash flows.

(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.

As part of the acquisition financing of Swiss Towers, the Group has to comply with certain financial obligations that limit the total net debt to EBITDA of its subsidiary Cellnex Switzerland (see note 13 of these accompanying consolidated interim financial statements).

On 31 December 2017, Cellnex Switzerland is in compliance with the above-mentioned obligation. No other Group financing contracts are in default under any payment obligation, either of principal or interest and may distribute dividends without limitation.

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.

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.

This 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.

During the year, the Group's capital structure changed significantly. The increase in borrowings in 2016 was caused by the asset purchases and business combinations carried out (see Notes 5, 6 and 7), and had a significant impact on, amongst others, the leverage ratio at 31 December 2017 compared with 2016 (See attached Integrated Annual Report).

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 2017	**31 December 2016**
Bank borrowings (Note 13)	633,189	281,839
Bonds issues (Note 13)	1,898,619	1,410,466
Derivative financial instruments (Note 13)	181	-
Other financial liabilities (Note 13)	42,927	9,387
Cash and cash equivalents (Note 11)	(295,173)	(192,851)
Net Borrowings (1)	**2,279,743**	**1,508,841**
Net equity (Note 12)	**644,914**	**551,201**
Total capital (2)	**2,924,657**	**2,060,042**
Leverage ratio (1)/(2)	**78%**	**73%**

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 2017 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 and the timing of the transfer of title or rights to the assets, which may be accomplished in phases.

As a result of the business combinations performed during 2017 and 2016, 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.

Business combinations for 2017

The main relevant business combinations for the 2017 year end are detailed below:

Acquisition of Swiss Towers AG

As indicated in Note 2.h., during the third quarter of 2017, Cellnex Switzerland (a 54% owned Group subsidiary) acquired 100% of Swiss Towers AG from Sunrise Communications International for a total of EUR 438 million, in a consortium with Swiss Life and DTCP. This acquisition has involved the integration of 2,239 telecommunication sites located in Switzerland.

The actual cash outflow for Cellnex Switzerland in relation to this transaction (Enterprise Value) has been EUR 400 million following the incorporation of EUR 38 million of cash balances on the balance sheet of the acquired company.

Cellnex Switzerland financed the acquisition of 100% of the share capital of Swiss Towers using existing cash and credit facilities together with borrowings at Cellnex Switzerland level (see Note 13 of the accompanying interim financial statements).

Thus, following this acquisition, Swiss Towers has been fully consolidated within the Cellnex Group as of the acquisition date, such that as at 31 December 2017 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 breakdown of the net assets acquired and goodwill generated by the purchase of 100% of Swiss Towers, at the acquisition date, is as follows:

	Thousands of Euros
Total acquisition price [1]	438,474
Fair value of the net assets acquired	289,808
Resulting goodwill	**148,666**

[1]The acquisition price represents the amount paid by Cellnex Switzerland for 100% of Swiss Towers AG. The Group has a 53.78% stake in Cellnex Switzerland (see Note 2.h)

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 acquisition of Swiss Towers, 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

This intangible asset relates to the customer base existing at the acquisition date due to the Group’s infrastructure service contracts 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 and 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.

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 (EUR 149 million), derives from the synergies and other additional future cash flows expected to arise following acquisition by the Group. Among other effects, this acquisition provides a first entry point into the Swiss market.

The assets and liabilities of Swiss Towers arising from the acquisition of 54% of the company are as follows:

	Thousands of Euros		
	Value acquired		
Debit/(Credit)	Fair value	Carrying Value	Revaluation
Cash and cash equivalents	37,859	37,859	-
Property, plant and equipment	90,115	90,115	-
Other intangible assets	310,961	24	310,937
Trade and other current assets	7,555	7,555	-
Trade creditors	(34,402)	(34,402)	-
Provisions	(58,711)	(48,323)	(10,388)
Deferred tax liabilities	(63,569)	173	(63,742)
Net assets	**289,808**	**53,001**	**236,807**
Non-controlling interests	(133,949)	(24,497)	(109,452)
Net assets acquired	**155,859**	**28,504**	**127,355**
Total acquisition price	438,474	438,474	
Cash in from other shareholders	(146,507)	(146,507)	
Cash and cash equivalents	(37,859)	(37,859)	
Cash outflow in the acquisition	**254,108**	**254,108**	

	Thousands of Euros	
	Contribution since acquisition[2]	Proforma December 2017 [3]
Operating Income	22,651	54,362
Net Loss [1]	(2,156)	(5,174)

[1] Net Loss including the additional depreciation of revalued assets.
[2] Impact of 100% of financial results in the consolidated income statement.
[3] As if Swiss Towers had been acquired effective 1 January 2017, and consequently that this company had been fully consolidated at 100% for the period ended 31 December 2017.

Finally, given the date on which the acquisition of Swiss Towers was completed, at the date of signing these consolidated financial statements for the ended on 31 December 2017, 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.

Acquisition of Infracapital Alticom subgroup

As indicated in Note 2.h., in the third quarter of 2017 the Group signed a contract with Infracapital F1 Sarl to purchase 100% of the share capital of Infracapital Alticom, owner of 30 sites located in the Netherlands for a total amount of EUR 133 million. The transaction was completed following several administrative authorizations.

The actual cash outflow for the Group in relation to this transaction (Enterprise Value) was EUR 129 million following the incorporation of EUR 4 million of cash balances on the balance sheet of the acquired company.

The Group financed the acquisition of 100% of the share capital of Infracapital Alticom subgroup using existing cash and credit facilities.

Thus, following this acquisition, the Infracapital Alticom subgroup has been fully consolidated within the Cellnex Group as of the acquisition date, such that as at 31 December 2017 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 breakdown of the net assets acquired and goodwill generated by the purchase of 100% of Infracapital Alticom subgroup, at the acquisition date, is as follows:

	Thousands of Euros
Total acquisition price	132,726
Fair value of the net assets acquired	72,707
Resulting goodwill	**60,019**

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 acquisition of Infracapital Alticom subgroup, considering that IFRS 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 make a purchase price allocation with the participation of an independent third party expert, having obtained the results as detailed below.

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

This intangible asset relates to the customer base existing at the acquisition date due to the Group's infrastructure service contracts 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 and 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.

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 (EUR 60 million), derives from the synergies and other additional future cash flows expected to arise following acquisition by the Group.

The assets and liabilities of Infracapital Alticom arising from the acquisition of all interest in the subgroup are as follows:

	Thousands of Euros		
	Value acquired		
Debit/(Credit)	Fair value	Carrying Value	Revaluation
Cash and cash equivalents	4,030	4,030	-
Property, plant and equipment	35,289	35,289	-
Other intangible assets	66,208	-	66,208
Trade and other current assets	-	-	-
Trade payables	(3,468)	(3,468)	-
Provisions	(12,800)	-	(12,800)
Deferred tax liabilities	(16,552)	-	(16,552)
Net assets acquired	**72,707**	**35,851**	**36,856**
Total acquisition price	132,726	132,726	
Cash and cash equivalents	(4,030)	(4,030)	
Cash outflow in the acquisition	**128,696**	**128,696**	

	Thousands of Euros	
	Contribution since acquisition(2)	Proforma December 2017 (3)
Operating Income	5,102	15,306
Net Loss (1)	1,670	5,009

(1) Net Loss including the additional depreciation of revalued assets.
(2) Impact of 100% of financial results in the consolidated income statement.
(3) As if Infracapital Alticom had been acquired effective 1 January 2017, and consequently that this subgroup had been fully consolidated at 100% for the period ended 31 December 2017.

Finally, given the date on which the acquisition of Infracapital Alticom subgroup was completed, at the date of signing these consolidated financial statements for the period ended on 31 December 2017 the above allocation was provisional and 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 2016

The initial accounting for the business combinations involving Commscon, Cellnex Netherlands subgroup (formerly Protelindo Netherlands subgroup) and Shere Group subgroup described in Note 5 to the 2016 consolidated financial statements is now considered to have been completed, since one year has elapsed since the acquisition made in June and July and October of 2016, respectively. The comparative income statement for the 2017 year-end would not have been materially different due to the above consideration.

The business combinations for the 2016 year end are detailed below:

Acquisition of Commscon Italia, S.r.L.

As indicated in Note 2.h. through its Italian subsidiary Cellnex Italia, S.r.l. the acquisition of 100% of the share capital of the Italian company Commscon Italia, S.r.l. (Commscon) was completed for an amount of EUR 19,904 thousand. The actual cash outflow for the Group in relation to this transaction was EUR 18,729 thousand following the incorporation of EUR 1,175 thousand of cash balances on the balance sheet of the acquired company.

Commscon was founded in 2002 and specializes in the provision of mobile telephone network coverage services in areas catering for large numbers of people, such as airports, hospitals, stadiums and large office blocks. The network coverage is achieved using over 1,000 antennae nodes which are part of the DAS (Distributed Antenna Systems) operated by Commscon.

These infrastructures offer network coverage in sites such as the Milan, Genova and Brescia underground networks, San Siro stadium in Milan, Juventus stadium in Turin, Milan-Malpensa airport, Bergamo and Milan hospitals, high-speed train tunnels, the Gran Sasso tunnel in Teramo and the historical centre of Milan.

The Group financed the acquisition of 100% of the share capital of Commscon using existing a mix of cash and credit facilities available.

Thus, following this acquisition, Commscon was fully consolidated within the Cellnex Group such that as at 31 December 2016 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 period.

The fair value of 100% of the net assets acquired (determined basically using discounted cashflows generated by the assets identified) amounted to EUR 13.1 million, therefore Goodwill for an amount of EUR 11.8 million was registered, which included the recognition of the deferred taxes for an amount of EUR 5 million relating to the step up in fair value assigned to the net assets acquired compared to their tax bases. In addition, a provision was recognised for certain contingent consideration contemplated in the purchase contract for EUR 5 million, subject to the achievement of certain long-term growth objectives of Commscon.

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 Commscon 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;

- 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 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 (EUR 5 million), derived from the synergies and other additional future cash flows expected to arise following acquisition by the Group. Among other effects, this will allow the Group to strengthen and supplement its “Telecom Infrastructure Services” business in the terrestrial telecommunications field in the Italian market.

The assets and liabilities of Commscon, S.r.L. arising from the acquisition of all interest in the company were as follows:

	Thousands of Euros		
	Value acquired		
Debit/(Credit)	Fair value	Carrying Value	Revaluation
Cash and cash equivalents	1,175	1,175	-
Property, plant and equipment	1,181	1,181	-
Other intangible assets	21,092	3,180	17,912
Financial assets	301	301	-
Trade and other current assets	4,311	4,311	-
Trade creditors	(7,900)	(7,900)	-
Provisions	(2,000)	-	(2,000)
Deferred tax liabilities	(5,087)	-	(5,087)
Net assets acquired	**13,073**	**2,248**	**10,825**

	Thousands of Euros	
	Contribution since acquisition[(2)]	Proforma December 2016 [(3)]
Operating Income	4,577	9,155
Net Loss [(1)]	(725)	(1,450)

[(1)] Net Profit including the additional depreciation of revalued assets.
[(2)] Impact of full consolidation of the 100% in the consolidated income statement from acquisition date.
[(3)] As if Commscon Italia S.r.L. had been acquired on 1 January 2016, and consequently that this company had been fully consolidated at 100% for the year ended 31 December 2016.

At the current date, this business combination described in Note 5 of the consolidated annual accounts for the 2016 financial year is considered to be definitive as twelve months have elapsed since the acquisition (end of June 2016). The comparative income statement for the year ended 31 December 2017 would not have been materially different due to the above consideration.

Acquisition of Protelindo Netherlands subgroup

As it indicated in Note 2.h., on 27 May 2016 Cellnex Telecom reached an agreement to acquire 100% of the share capital of Protelindo Netherlands, B.V. (which, in turn, owns all the shares of Protelindo Towers, B.V.), a subsidiary of the Indonesian telecommunications towers group PT Sarana Menara Nusantara for EUR 112 million . As a result of the acquisition, Cellnex directly owns all the shares of Protelindo Netherlands B.V. and, consequently, all the shares of Protelindo Towers B.V. The actual cash outflow for the Group in relation to this transaction was EUR 109 million following the incorporation of EUR 3 million of cash balances and receivables on the balance sheet of the acquired company.

On 1 July 2016 Protelindo Netherlands B.V. changed its name to Cellnex Netherlands B.V. On 24 October 2016 Protelindo Towers B.V. changed its name to Towerlink Netherlands B.V.

The Group financed the acquisition of 100% of the share capital of Protelindo Netherlands subgroup using existing cash and credit facilities.

Thus, following this acquisition, Protelindo Netherlands has been fully consolidated within the Cellnex Group such that as at 31 December 2016 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 period.

The breakdown of the net assets acquired and goodwill generated by the purchase of 100% of Protelindo Netherlands subgroup, at the acquisition date, was as follows:

	Thousands of Euros
Total acquisition price	112,066
Fair value of the net assets acquired	76,759
Resulting goodwill	35,307

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 Protelindo Netherlands subgroup, considering that IFRS 3 helps reassess the allocation process during a period of one year and given the complexity of identifying the acquired intangible assets, the Group has decided to make a purchase price allocation with the participation of an independent third party expert, having obtained the results as detailed below.

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

This intangible asset relates to the customer base existing at the acquisition date due to the Group's infrastructure service contracts 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 and 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.

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 (EUR 24.1 million), derives from the synergies and other additional future cash flows expected to arise following acquisition by the Group. Among other effects, this acquisition provides a first entry point into the Dutch market, which has a strong presence of independent telecom infrastructure operators and is highly dynamic in the context of networks based on Small Cells and DAS (Distributed Antennae Systems).

The assets and liabilities of Protelindo Netherlands arising from the acquisition of all interest in the subgroup were as follows:

	Thousands of Euros		
	Value acquired		
Debit/(Credit)	Fair value	Carrying Value	Revaluation
Cash and cash equivalents	2,291	2,291	-
Property, plant and equipment	19,183	19,183	-
Other intangible assets	96,400	-	96,400
Trade and other current assets	1,292	1,292	-
Trade creditors	(3,938)	(3,938)	-
Provisions	(15,596)	(2,383)	(13,213)
Deferred tax liabilities	(22,874)	1,226	(24,100)
Net assets acquired	**76,758**	**17,671**	**59,087**

	Thousands of Euros	
	Contribution since acquisition[(2)]	Proforma December 2016 [(3)]
Operating Income	4,193	8,386
Net Loss [(1)]	954	1,909

[(1)] Net Profit including the additional depreciation of revalued assets.
[(2)] Impact of 100% of financial results in the consolidated income statement.
[(3)] As if Cellnex Netherlands had been acquired effective 1 January 2016, and consequently that this subgroup had been fully consolidated at 100% for the period ended 31 December 2016.

At the current date, this business combination described in Note 5 of the consolidated annual accounts for the 2016 financial year is considered to be definitive as twelve months have elapsed since the acquisition (end of July 2016). The comparative income statement for the year ended 31 December 2017 would not have been materially different due to the above consideration.

Acquisition of Shere Group subgroup

As it indicated in Note 2.h., on 29 September 2016 the Group signed a contract with Arcus Infrastructure Partners and minority shareholders to purchase 100% of the share capital of Shere Group Limited, owner of 1,004 sites located in Netherlands and UK for an enterprise value of EUR 393 million. The transaction was completed following several administrative authorizations.

The 464 sites that Shere Group operates in the Netherlands are spread evenly throughout the country. They also complement the network of 261 sites that Cellnex acquired through the Protelindo acquisition (see Note 2.h), without duplication. The tenancy ratio of the infrastructures located in Shere Group's sites in the Netherlands stood at 2.7x.

Of the 540 sites located in the UK most were income rights contracts with only 47 owned masts and are concentrated mainly in England and Wales. The tenancy ratio of those sites is 1.6x. The Cellnex Group has financed the acquisition of 100% of the share capital of Shere Group subgroup using existing credit facilities.

Thus, following this acquisition, Shere Group was fully consolidated within the Cellnex Group, such that as at 31 December 2016 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.

In relation to the aforementioned acquisition two Cash Generating Units (CGUs) have been identified, which are expected to benefit from the synergies of the business combination. The Group companies which form the subgroup Shere Group with domicile in the United Kingdom make up the CGU denominated Shere Group UK, whilst the Group companies of this subgroup with domicile in the Netherlands make up the CGU Shere Group Netherlands (see Annex I.)

The breakdown of the net assets acquired and goodwill generated by the purchase of 100% of Shere Group subgroup, at the acquisition date, was as follows:

	Thousands of Euros
Total acquisition price[(1)]	408,636
Fair value of the net assets acquired	293,690
Resulting goodwill	114,946

[(1)] The actual cash outflow for the Group in relation to this transaction was EUR 393 million following the incorporation of cash balances and receivables on the balance sheet of the acquired company.

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 acquisition of Shere Group subgroup, considering that IFRS 3 helps reassess the allocation process during a period of one year and given the complexity of identifying the acquired intangible assets, the Group has decided to make a purchase price allocation with the participation of an independent third party expert, having obtained the results as detailed below.

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 identification criteria of IAS 38 (Intangible Assets), and consists of:

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 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 and 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.

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 (EUR 90 million), derives from the synergies and other additional future cash flows expected to arise following acquisition by the Group. Among other effects, this will allow the Group to strengthen and supplement its "Telecom Infrastructure Services" business in the terrestrial telecommunications field in the European market.

The assets and liabilities of Shere Group arising from the acquisition of all interest in the subgroup were as follows:

	Thousands of Euros		
	Value acquired		
Debit/(Credit)	Fair value	Carrying Value	Revaluation
Cash and cash equivalents	13,576	13,576	-
Property, plant and equipment	23,038	-	23,038
Investment Properties	-	282,964	(282,964)
Other intangible assets	364,063	-	364,063
Trade and other current assets	4,350	4,350	-
Trade creditors	(7,659)	(7,659)	-
Provisions	(13,532)	-	(13,532)
Deferred tax liabilities	(90,146)	-	(90,146)
Net assets acquired	**293,690**	**293,231**	**459**

	Thousands of Euros	
	Contribution since acquisition[(2)]	Proforma December 2016 [(3)]
Operating Income	5,612	22,449
Net Loss [(1)]	(1,177)	(4,708)

[(1)] Net Profit including the additional depreciation of revalued assets.
[(2)] Impact of the 16 days and 2 months of full consolidation of the 100% in the consolidated income statement.
[(3)] As if Shere Group had been acquired effective 1 January 2016, and consequently that this subgroup had been fully consolidated at 100% for the period ended 31 December 2016.

At the current date, this business combination described in Note 5 of the consolidated annual accounts for the 2016 financial year is considered to be definitive as twelve months have elapsed since the acquisition (end of October 2016). The comparative income statement for the year ended 31 December 2017 would not have been materially different due to the above consideration.

6. Property, plant and equipment

The changes in this heading in the consolidated balance sheets in 2017 and 2016 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 2017				
Cost	872,114	518,559	50,634	**1,441,307**
Accumulated amortisation	(167,181)	(225,681)	-	**(392,862)**
Carrying amount	**704,933**	**292,878**	**50,634**	**1,048,445**
Carrying amount at beginning of year	704,933	292,878	50,634	**1,048,445**
Changes in the consolidation scope (Note 5)	125,166	238	-	**125,404**
Additions	420,123	27,833	46,914	**494,870**
Disposals (net)	(713)	(198)	-	**(911)**
Transfers	17,175	2,361	(19,575)	**(39)**
Foreign exchange differences	(2,942)	66	(283)	**(3,159)**
Depreciation charge	(95,461)	(61,890)	-	**(157,351)**
Carrying amount at close	**1,168,281**	**261,288**	**77,690**	**1,507,259**
At 31 December 2017				
Cost	1,431,335	522,136	77,690	**2,031,161**
,Accumulated amortisation	(263,054)	(260,848)	-	**(523,902)**
Carrying amount	**1,168,281**	**261,288**	**77,690**	**1,507,259**

	Land and buildings	Plant and machinery and other fixed assets	Property, plant and equipment under construction	Total
	Thousands of Euros			
At 1 January 2016				
Cost	721,552	472,412	6,155	**1,200,119**
Accumulated amortisation	(102,345)	(161,961)	-	**(264,306)**
Carrying amount	**619,207**	**310,451**	**6,155**	**935,813**
Carrying amount at beginning of year	619,207	310,451	6,155	**935,813**
Changes in the consolidation scope (Note 5)	23,203	20,293	-	**43,496**
Additions	130,211	23,959	47,293	**201,463**
Disposals (net)	(159)	(17)	-	**(176)**
Transfers	3,638	2,253	(2,814)	**3,077**
Foreign exchange differences	-	54	-	**54**
Depreciation charge	(71,167)	(64,115)	-	**(135,282)**
Carrying amount at close	**704,933**	**292,878**	**50,634**	**1,048,445**
At 31 December 2016				
Cost	872,114	518,559	50,634	**1,441,307**
Accumulated amortisation	(167,181)	(225,681)	-	**(392,862)**
Carrying amount	**704,933**	**292,878**	**50,634**	**1,048,445**

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 acclimatization).

“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 2017

Changes in the scope of consolidation and business combinations

Additions in 2017 due to changes in the scope of consolidation and business combinations related to the infrastructure for mobile telecommunications operators following the acquisitions detailed below (see Note 2.h and 5):

- Swiss Towers (EUR 90,115 thousand),
- Infracapital Alticom subgroup (EUR 35,289 thousand)

Signed acquisitions and commitments

Cellnex France

On 31 January 2017 Cellnex agreed with Bouygues Telecom the acquisition and building of up to a maximum of 3,000 sites in France, structured around two projects. The first one relates to the acquisition of up to 1,800 sites for a total enterprise value of EUR 500 million and involves urban sites in the main cities of France (c.85% located in areas with a population above 400,000 inhabitants) which are to be gradually transferred to Cellnex France over a period of 2 years.

Cellnex and Bouygues Telecom have also agreed on a second project for the building of up to 1,200 sites for a total investment of EUR 354 million. This build-to-suit project relates to sites to be built over an estimated period of 5 years.

During 2017, it was agreed to extend the agreement with Bouygues Telecom dated 31 January, 2017, as detailed below:

- On 25 July, 2017, the Group reached an agreement to acquire up to 600 additional urban sites in France for an amount of EUR 170 million, which are to be gradually transferred to Cellnex France no later than 2020.

- On 15 December 2017 an extension of build-to-suit project with Bouygues Telecom was agreed in the following terms: i) up to 1,000 additional sites to be build (increasing the agreement to build sites from up to 1,200 to up to 2,200 sites) and (ii) increase the period of construction of sites in 1 additional year, as a result of which the new execution period is 5 years from now.

As a result of these extensions, the agreement with Bouygues Telecom consists of the acquisition and construction of up to 5,100 sites in France.

Others

On 30 June 2017 Cellnex reached an agreement with K2W for the acquisition of up to 32 sites in Netherlands for a total amount of EUR 12.6 million.

In addition, on 26 December 2017, Cellnex reached an agreement with MASMOVIL by which the Group acquired 551 sites in Spain for an amount of EUR 36 million, approximately.

In this context, MASMOVIL will be co-located in these locations, with Cellnex acting as an industrial partner for future collaboration agreements regarding network deployment. It also further consolidates the relationship that both companies already started in 2013 in the area of passive mobile infrastructure externalization and sharing.

Movements in 2016

Changes in the scope of consolidation and business combinations

Additions in 2016 due to changes in the scope of consolidation and business combinations related to the infrastructure for mobile telecommunications operators following the acquisitions detailed below (see Note 2.h and 5):

- Commscon (EUR 1,181 thousand)
- Cellnex Netherlands (EUR 19,183 thousand)
- Shere Group (EUR 23,038 thousand)
- On Tower Italia (EUR 94 thousand)

Signed acquisitions and commitments

In the Telecom Infrastructure Services business, the Group entered into framework agreements with mobile operators for the purchase of a certain amount of telecom infrastructures, which were subsequently executed through asset sale and purchase agreements.

Additions in the year included the acquisition of 230 mobile telephone towers for EUR 80 million acquired from Bouygues Telecom in the third quarter of 2016, through its subsidiary Cellnex France, S.A.S. In the final quarter of 2016 Cellnex Telecom and Bouygues Telecom closed the second phase of the agreement, which incorporated a further 270 towers involving an investment of EUR 67 million in addition to the EUR 80 million in the first package of assets. Thus, the cumulative investment in the acquisition of the 500 towers amounted to EUR 147 million.

This transaction opened a long-term collaboration path with one of the main mobile telephone operators in France. The acquisition of this infrastructure portfolio was accompanied by a contract for Cellnex to provide services to Bouygues Telecom.

The Company typically acquired telecommunications infrastructures from telecommunications carriers or other tower operators and subsequently integrated those sites into its existing network. The financial results of the Company's acquisitions were included in the Company's consolidated financial statements for the year ended 31 December 2016 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 arrangement and the timing of the transfer of title or rights to the assets, which may be accomplished in phases.

At year-end 2016, the Group had not entered into any additional framework agreements with any other customer.

In addition, during the year 2016 there were additions associated with the business expansion and maintenance of the Group's operations, mainly in equipment for the broadcast of the new MUXs placed in service during the current fiscal year, and signal transportation.

Property, plant and equipment abroad

At 31 December 2017 and 2016 the Group had the following investments in property, plant and equipment located abroad:

	Thousands of Euros	
	Net book value	
	31 December 2017	31 December 2016
Italy	200,215	208,961
Netherlands	84,143	40,201
France	491,175	151,879
United Kingdom	9,703	1,290
Switzerland	90,372	-
Total	**875,608**	**402,331**

Fully depreciated assets

At 31 December 2017, fully depreciated property, plant and equipment amounted to EUR 722,455 thousand (EUR 395,553 thousand in 2016).

Change of control clauses

With regards to the Group's acquisitions of infrastructures from mobile telecommunications operators, the agreements signed with the selling parties contain change of control provisions which state that if a competitor of the selling party becomes a controlling shareholder of the relevant company (where control is defined as having (i) more than 50% of shares with voting rights or (ii) the right to appoint or dismiss the majority of the members of the board of directors), the selling party has the right to repurchase the aforementioned infrastructures. In addition, such repurchase right may also be granted in the event that a competitor of the selling party acquires a significant portion of the shares or obtains voting or governance rights which can be exercised in a way that can negatively affect the selling party's interests. Change of control provisions can be triggered both at Cellnex Telecom or at Group company level.

Purchase commitments at year-end

At year-end the Group held purchase agreements for material assets amounting to EUR 709,876 thousand (EUR 8,549 thousand in 2016).

Impairment

At 2017 and 2016 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) in Spain and France, being the countries in which the business operates.

  - For expenses, trends were considered in light of expected changes in the CPI for Spain and France and the projected activity of the business.

  - In addition, the Group considered the impact of infrastructure maintenance 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.

  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 eight years are generally based on the closing 2017 and on the most recent medium-term projection and, after the ninth year, on the activity growth rate evident from the service contracts.

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

2017

The discount rate before tax[1] considered for On Tower Telecom Infraestructuras, S.A.U. and Cellnex France, S.A.S. was 7.5% and 7.4%, respectively.

The activity growth rate[2] considered for On Tower Telecom Infraestructuras, S.A.U. and Cellnex France, S.A.S. was 1.9% and 2.9%[3], 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.

[1] 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..
[2] Relates to revenue. The compound growth rate or CAGR reflects the increments built into the contracts related to the assets.
[3] Proforma basis 2017.

2016

The discount rate before tax considered for On Tower Telecom Infraestructuras, S.A.U. and Cellnex France, S.A.S. was 8.5% and 8.5%, respectively.

The activity growth rate considered for On Tower Telecom Infraestructuras, S.A.U. and Cellnex France, S.A.S. was 2.5% and 2.6%, 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.

With regards to the impairment tests carried out on the business of On Tower Telecom Infraestructuras, S.A.U. and Cellnex France, S.A.S., 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 900 million at 2017 year-end (EUR 530 million at 2016 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 2017 and 2016. 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 2017 and 2016.

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 15).

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 2017 and 2016, the Group’s Directors considered that the insurance coverage was sufficient to cover the risks relating to its activities.

Other disclosures

At 31 December 2017 and 2016, the Group did not have significant property, plant and equipment subject to restrictions or pledged as collateral on liabilities.

7. Goodwill and other intangible assets

The changes in this heading in the consolidated balance sheets in 2017 and 2016 were as follows:

	Thousands of Euros			
	Goodwill	Intangible assets for telecom infrastructure services	Computer software and other intangible assets	**Total**
At 1 January 2017				
Cost	380,217	1,081,913	28,976	**1,491,106**
Accumulated amortisation	-	(60,169)	(15,554)	**(75,723)**
Carrying amount	**380,217**	**1,021,744**	**13,422**	**1,415,383**
Carrying amount at beginning of year	380,217	1,021,744	13,422	**1,415,383**
Changes in the scope of consolidation (Note 5)	210,059	377,170	-	**587,229**
Additions	-	15,059	7,503	**22,562**
Disposals	(20,636)	-	-	**(20,636)**
Transfers	-	-	39	**39**
Foreign exchange differences	(3,083)	(12,947)	-	**(16,030)**
Amortisation charge	-	(63,175)	(4,856)	**(68,031)**
Carrying amount at close	**566,557**	**1,337,851**	**16,108**	**1,920,516**
At 31 December 2017				
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**

	Thousands of Euros			
	Goodwill	Intangible assets for telecom infrastructure services	Computer software and other intangible assets	**Total**
At 1 January 2016				
Cost	216,002	596,651	20,220	**832,873**
Accumulated amortisation	-	(22,782)	(11,444)	**(34,226)**
Carrying amount	**216,002**	**573,869**	**8,776**	**798,647**
Carrying amount at beginning of year	216,002	573,869	8,776	**798,647**
Changes in the scope of consolidation (Note 5)	162,597	483,665	-	**646,262**
Additions	-	-	8,694	**8,694**
Foreign exchange differences	1,618	4,852	-	**6,470**
Transfers	-	(3,255)	62	**(3,193)**
Amortisation charge	-	(37,387)	(4,110)	**(41,497)**
Carrying amount at close	**380,217**	**1,021,744**	**13,422**	**1,415,383**
At 31 December 2016				
Cost	380,217	1,081,913	28,976	**1,491,106**
Accumulated amortisation	-	(60,169)	(15,554)	**(75,723)**
Carrying amount	**380,217**	**1,021,744**	**13,422**	**1,415,383**

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	
	31/12/2017	**31/12/2016**
Concession intangibles	83,857	87,967
Customer network services contracts	1,071,300	792,234
Location intangibles	182,694	141,543
Net intangibles for telecom infrastructure service	**1,337,851**	**1,021,744**

Goodwill

Gross goodwill and the accumulated losses in value recognised at 31 December 2017 and 2016, respectively, are detailed as follows:

	Thousands of Euros	
	31/12/2017	**31/12/2016**
Gross goodwill	566,557	380,217
Accumulated valuation adjustments	-	-
Net goodwill	**566,557**	**380,217**

The detail of goodwill, classified by cash-generating unit, at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	31/12/2017	**31/12/2016**
Galata	170,630	170,630
Tradia Telecom	42,014	42,014
TowerCo	2,995	2,995
Adesal	363	363
Commscom	11,835	11,835
Cellnex Netherlands	35,307	35,307
Shere Group Netherlands	66,089	76,616
Shere Group UK (1)	29,250	39,949
OnTower Italia	508	508
Swiss Towers (1)	146,174	-
Infracapital Alticom subgroup	60,019	-
TMI	1,373	-
Goodwill	**566,557**	**380,217**

(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.

The main variations in the 2017 financial year are due to changes in the scope of consolidation and business combinations, and correspond to the impact of the takeover of Swiss Towers and Infracapital Alticom subgroup amounting to EUR 146,174 and EUR 60,019 thousand, respectively, as at 31 December 2017.

The goodwill amounting to EUR 42,014 thousand at 31 December 2017 and 2016, 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.

The main variations in the 2016 financial year were due to changes in the scope of consolidation and business combinations, and corresponded to the impact of the takeover of Commscon Italy, Protelindo Netherlands, Shere Group Netherlands, Shere Group UK and Sirtel amounting to EUR 11,835, 35,307, 76,616, 39,949 and 508 thousand, respectively, at the date of acquisition (see Note 5).

Intangible assets in telecom infrastructure

Additions for the 2017 financial year due to changes in the scope of consolidation and business combinations correspond to the allocation of the purchase price resulting from the acquisitions of Swiss Towers and Infracapital Alticom subgroup amounting to EUR 310,962 and 66,208 thousand, respectively (see Note 2.i and 5).

Additions for the 2016 financial year due to changes in the scope of consolidation and business combinations correspond to the allocation of the purchase price resulting from the acquisitions of Commscon Italy, Protelindo Netherlands, Shere Group Netherlands, Shere Group UK and Sirtel and to intangible assets in telecom infrastructures amounting to EUR 18,180, 96,400, 119,826, 249,089 and 1,780 thousand, respectively (see Note 2.i and 5).

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 2016 impairment tests with regard to the 2017 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 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 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.

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 eight years are generally based on the closing 2017 and on the most recent medium-term projection and, after the ninth year, on the activity growth rate evident from the service contracts.

The most significant assumptions used in determining the fair value of the main cash-generating units in 2017 and 2016 with the most relevant intangible assets and goodwill were as follows:

2017

The discount rate before tax considered for Tradia Telecom, Towerco, Galata, Commscon, Towerlink Netherlands, Shere Group UK and Shere Group Netherlands was 7.1%, 8.2%, 8.2%, 8.2%, 6.1%, 6.3% and 6.1%, respectively.

The activity growth rate considered for Tradia Telecom, Towerco, Galata, Commscon, Towerlink Netherlands, Shere Group UK, Shere Group Netherlands, Swiss Towers and Inf was 1.3%, 1.5%, 1.9%, 10.2%, 1.9%, 2.4% and 1.8%, respectively. The Commscon's growth rate was determined at 10.2% 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.

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 and the average contract duration is 9 years.

2016

The discount rate before tax considered for Tradia Telecom, Towerco, Galata, Commscon, Towerlink Netherlands, Shere Group UK and Shere Group Netherlands was 7.9%, 9.4%, 9.4%, 9.4%, 7.3%, 7.7% and 7.3%, respectively.

The growth rate considered for all the CGUs, apart from Commscon and Tradia Telecom, was 2.0%, which represented a 0.5% increment on the 'terminal g' of 1.5% (apart from Tradia Telecom which represented 1.0%). Tradia's growth rate was determined at 1.2% due to the broadcasting component, and Commscon's growth rate was determined at 18.18% due to the highly dynamic market and growth opportunities.

All CGUs apart from TowerCo and Commscon were 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 was projected until the end of the concession in 2038. Commscon's business has different market dynamics and the average contract duration was 9 years.

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 2017 and 2016. 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 2017.

Intangible assets abroad

At 31 December 2017 and 2016, the Group had the following intangible assets located abroad:

	Thousands of Euros	
	Net book value	
	31 December 2017	**31 December 2016**
Italy	720,488	750,211
Netherlands	562,411	451,888
United Kingdom	140,628	160,357
Switzerland	441,727	-
Total	**1,865,254**	**1,362,456**

Fully amortised assets

At 31 December 2017, fully amortised intangible assets amounted to EUR 22,444 thousand (EUR 17,172 thousand in 2016).

Purchase commitments at year-end

The drawn up purchase agreements at 31 December 2017 amounted to EUR 1,949 thousand (EUR 502 thousand in 2016).

Other information

At 31 December 2017 and 2016 there are no significant intangible assets subject to restrictions or pledged as guarantees for liabilities.

8. Investments in associates

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

	Thousands of Euros	
	2017	2016
At 1 January	**3,551**	**3,514**
Profit for the year	96	65
Others	(367)	(28)
At 31 December	**3,280**	**3,551**

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

	Thousands of Euros	
	Value of the shareholding	
	31 December 2017	31 December 2016
Torre Collserola, S.A.	2,375	2,683
Consorcio de Telecomunicaciones Avanzadas, S.A. (COTA)	905	868
Total	**3,280**	**3,551**

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 2017 and 2016 financial years.

9. Current and non-current financial investments

The changes in this heading in 2017 and 2016 were as follows:

	Thousands of Euros					
	2017			2016		
	Non-current	Current	**Total**	Non-current	Current	**Total**
At 1 January	**11,640**	**921**	**12,561**	**12,530**	**921**	**13,451**
Additions	7,065	-	7,065	-	-	-
Charge to the consolidated income statement	-	(1,011)	(1,011)	-	(890)	(890)
Transfer	(1,011)	1,011	-	(890)	890	-
At 31 December	**17,694**	**921**	**18,615**	**11,640**	**921**	**12,561**

Current and non-current financial investments relate to the effect of the accounting treatment adopted by the Group in reference to the telecom infrastructures acquired, which are to be subsequently dismantled. These purchases are considered advances to customers and are recognised under these headings (Note 3.d).

The balances of the financial assets are reflected at their face value, there being no significant differences with regards to 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, from these operators, of the telecom infrastructures, the dismantling of which has been agreed to along with the related cost.

Charge to the consolidated income statement

During 2017 and 2016, 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 2017 and 2016, this amount was recorded as a reduction to revenues amounting to EUR 1,011 and 890 thousand respectively (see Note 17).

Transfers

The transfers from the 2017 and 2016 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.

10. Trade and other receivables

The breakdown of this heading in the accompanying consolidated balance sheet at 31 December 2017 and 2016 is as follows:

	Thousands of Euros					
	31/12/2017			**31/12/2016**		
	Non-current	Current	**Total**	Non-current	Current	**Total**
Trade receivables	-	113,175	**113,175**	-	112,054	**112,054**
Allowances for doubtful debts (impairments)	-	(7,736)	**(7,736)**	-	(8,193)	**(8,193)**
Trade receivables	**-**	**105,439**	**105,439**	**-**	**103,861**	**103,861**
Other financial assets	43,243	47,145	**90,388**	29,327	36,148	**65,475**
Current tax assets	-	5,941	**5,941**	-	3,006	**3,006**
Receivables with other related parties (Note 20.dii)	-	271	**271**	-	498	**498**
Other receivables	12,645	67,285	**79,930**	7,005	11,526	**18,531**
Other receivables	**55,888**	**120,642**	**176,530**	**36,332**	**51,178**	**87,510**
Trade and other receivables	**55,888**	**226,081**	**281,969**	**36,332**	**155,039**	**191,371**

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 2017 and 2016, the account had no significant past-due balances that were not provided for.

The balance of public-sector debtors as at 31 December 2017 and 2016, amounted to EUR 21,926 thousand and EUR 27,749 thousand, respectively.

At 2017 year-end the amount utilized under the non-recourse factoring agreements stood at EUR 53 million (EUR 46.3 million as at 2016 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 2017 the limit under the non-recourse factoring agreements stood at 243 million (EUR 242 million as at 2016 year-end).

In addition, during 2017, the Group reached a non-recourse factoring agreement for an amount of EUR 14.7 million, in relation to the collection rights that derive from certain administrative recovery procedures, as described in Note 16.c of the accompanying consolidated statements.

Allowances for doubtful debts (impairments)

The changes in the allowance for doubtful debts in the years ended 31 December 2017 and 2016 were as follows:

	Thousands of Euros	
	2017	**2016**
Opening balance at 1 January	**8,193**	**9,831**
Disposals	797	(1,585)
Net changes	(1,254)	(53)
Total	**7,736**	**8,193**

Disposals in 2017 and 2016 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.

Other financial assets

At 31 December 2017 and 2016, the current and noncurrent portion of Other Financial Assets is mainly made up of amounts paid in advance for rentals to the landlords, where the Group's sites are located, of EUR 44,284 short term and EUR 43,243 thousand long term (EUR 31,792 and 28,473 thousand respectively at 31 December 2016), and amounts paid to professional advisors to achieve discounts in the lease contracts for EUR 2,511 thousand (EUR 2,100 thousand at 31 December 2016). These amounts are taken to the consolidated income statement over the term of the ground and rooftop lease contracts.

Of the above amounts EUR 43,243 thousand (EUR 28,473 at 31 December 2016) relates to extraordinary prepayments made to landlords and owners of rooftops in order to achieve savings in the contract rentals and EUR 44,284 thousand (EUR 31,792 thousand at 31 December 2016) relates to prepayments in the ordinary course of business.

The Group also includes the deposits established as a result of the leases that the Group companies have agreed with third parties. No deposit pending maturity has been subject to renegotiation during the year.

Other receivables

'Other receivables' is made up of:

- Current tax assets amounting to EUR 40,960 thousand (EUR 3,006 thousand in 2016), as described in Note 15.b. In 2017, it mainly includes VAT receivable derived from the acquisition of mobile telecom infrastructures in France and in Spain (see Note 6), that amounts to EUR 24,428 thousand and EUR 8,590 thousand, respectively.

- A receivable amounting to EUR 2,045 thousand (EUR 2,045 thousand in 2016) related to the previous shareholding held in Teledifusión de Madrid, S.A. which does not accrue interest and has an agreed payment schedule, as is indicated in the payments agreement maturing in the 2020 financial year. The Group has not registered the receivable at its amortised cost as it considers that the impact of the financial restatement is not significant.

- 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 amounting to EUR 1,532 thousand (EUR 1,983 thousand in 2016) , received by the Group under the guise of PROFIT grants and refundable loans.

  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" at 31 December 2017 and 2016, is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Cash on hand and at banks	240,157	133,720
Term deposits at credit institutions maturing in less than 3 months	55,016	59,131
Cash and cash equivalents	**295,173**	**192,851**

12. Net equity

a) Share capital and treasury shares

i. Share capital

At 31 December 2017 and 2016, the share capital of Cellnex is represented by 231,683,240 cumulative and indivisible ordinary registered shares of EUR 0.25 par value each, fully subscribed and paid.

In accordance with the notifications about the number of corporate shares made to the National Securities Market Commission, the shareholders who hold significant shareholdings in the share capital of the Parent Company, both direct and indirect, greater than 3% of the share capital at 31 December 2017 and 2016, are as follows:

	% ownership	
Company	**2017**	**2016**
Abertis Infraestructuras, S.A.	34.00%	34.00%
Blackrock, Inc. (1)	4.99%	5.54%
MFS Investment Management (2)	5.11%	-
Criteria Caixa, S.A.U	5.00%	5.00%
Threadneedle Asset Management Ltd (3)	4.90%	7.76%
	54.00%	**52.30%**

(1) Corresponds to managed collective institutions with a percentage lower than 5%. In addition, there is a total holding of 1.06% through financial instruments connected to shares in the Parent Company. At the year-end 2016, this shareholding was through Blackrock Advisors, LLC of 3.22% and the rest corresponded to managed collective institutions with a percentage lower than 3%. In addition, there was a total holding of 0.38% through financial instruments connected to shares in the Parent Company.

(2) MFS Investment Management controls 4.51% of the rights to vote through Massachusetts Financial Services Company. The remaining collective institutions have a shareholding lower than 3%.

(3) Threadneedle Asset Management Ltd controls 4.90% of the rights to vote across several investment funds and other accounts. None of the above mentioned funds and/or accounts have a shareholding higher than 3%. At 2016 year-end Threadneedle Asset Management Ltd controlled 7.76 % 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 %.

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

In April 2015, the then Sole Shareholder of Cellnex (Abertis Infraestructuras, S.A.), pursuant to article 297.1.(b) of the Spanish Companies Act, decided to delegate in favour of the Parent Company's Board of Directors the faculty to increase the share capital, in one or several capital increases, up to an amount equivalent to the 50% of the share capital prevailing at that moment and until April 2020 (the authorization has a term of 5 years). The exclusion of the pre-emptive subscription rights is explicitly set out, in accordance with the provisions of article 506 of the Spanish Companies Act, and the Board of Directors has the authority to issue up to 20% of the share capital (such limit is included within the maximum of 50%) without pre-emptive subscription rights. These authorizations may be delegated to any of the Board members.

Furthermore, in accordance with the above-mentioned Sole Shareholder decisions, the following authorizations were delegated to the Board of Directors of the Parent Company:

i. The power to issue convertible bonds up to an amount of EUR 750 million.

ii. The power to purchase treasury shares up to a limit of 10% of the share capital of the Parent Company.

In addition, the Annual General Meeting (AGM) held on 30 June 2016 approved the modification of the AGM rules in order to adapt the drafting thereof to comply with the modification in article 406 of the Spanish Companies Act, which was altered due to article 45 of the Law 5/2015, such that the Board of Directors has the authority to agree the issuance and placement in regulated markets of bonds, and agree to confer guarantees for the issuance of bonds and the AGM has the authority to agree the issuance of bonds convertible to shares or bonds that offer the bondholders a share in corporate earnings (such authorities can be delegated by the AGM to the Board of Directors.)

ii. 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.

The acquisition of treasury shares has been carried out by means of a liquidity contract(1) signed by Cellnex on 31 May 2016 with Santander Investment Bolsa, Sociedad de Valores, S.A.U. in order to manage its portfolio of treasury shares.

The liquidity contract lasts for twelve months and can be renewed tacitly at yearly intervals. The number of shares initially subject to the agreement amount to 139,000 shares and the amount transferred to the cash account amounts to EUR 2,000 thousand. As at 31 December 2017 the Parent Company has registered a profit of EUR 743 thousand (a loss of EUR 267 thousand in 2016), 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.

As a result of the operations carried out, the balance of treasury shares as at 31 December 2017 represents 0.04% of the share capital of Cellnex Telecom, S.A. (0.09% as at 31 December 2016).

(1) Liquidity contract in accordance with the CNMV circular 1/2017 of 26 April covering liquidity contracts for the purpose of their acceptance as market practice.

The use of the treasury shares held at year-end will depend on the agreements reached by the Corporate Governance bodies.

The movement in the portfolio of treasury shares in 2017 and 2016 were as follows:

2017

	Number (Thousands of Shares)	Average Price	Purchases/Sales (Thousands of Euros)
At 1 January 2017	**197**	**13.675**	**2,694**
Purchases	15,827	17.112	270,817
Sales	(15,937)	17.045	(271,652)
At 31 December 2017	**87**	**21.427**	**1,859**

2016

	Number (Thousands of Shares)	Average Price	Purchases/Sales (Thousands of Euros)
At 1 January 2016	-	-	-
Purchases	10,108	14.607	147,654
Sales	(9,911)	14.626	(144,960)
At 31 December 2016	**197**	**13.676**	**2,694**

b) Share premium

During 2013 and as a consequence of the group restructure which involved the contribution of the terrestrial telecommunications business to the Parent Company, the share premium increased by EUR 338,733 thousands.

At 31 December 2017 and 2016 there were no changes in this account.

c) Reserves

The breakdown of this account is as follows:

	Thousands of Euros	
	31 December 2017	**31 December 2016**
Legal reserve	11,584	11,584
Reserve from retained earnings	48,204	25,950
Reserves of consolidated companies	14,377	(1,170)
Hedge reserves	134	-
Foreign exchange differences	413	(364)
Reserves	**74,712**	**36,000**

(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 2017 and 2016, the legal reserve had reached the legally established minimum.

(ii) Reserves of consolidated companies

The breakdown of the Reserves of the companies included in the Group's scope of consolidation is as follows:

	Thousands of Euros	
	31 December 2017	**31 December 2016**
Cellnex Telecom, S.A.	(57,699)	-
Retevisión-I, S.A.U.	28,676	28,660
Tradia Telecom, S.A.U.	47,178	42,588
On Tower Telecom Infraestructuras, S.A.U.	(6,018)	(4,636)
Adesal Telecom, S.L.	(372)	555
Towerco, S.p.A.	(2,698)	9,350
Galata, S.p.A	(23,243)	4,494
Cellnex Italia, S.r.L.	30,086	(82,924)
Commscon Italia, S.r.L	(1,154)	-
OnTower Italia	(55)	-
Cellnex Netherlands, B.V	954	-
Cellnex France, S.A.S.	(555)	-
Shere Group	(1,173)	-
Cellnex Switzerland Group	10	-
Infracapital Alticom BV Group	-	-
Consorcio de Telecomunicaciones Avanzadas, S.A.	508	505
Torre de Collserola, S.A.	(68)	238
Total	**14,377**	**(1,170)**

(iii) Foreign exchange differences

The detail of this line item at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	31 December 2017	**31 December 2016**
Cellnex Switzerland (CHF)	(5)	-
Shere Subgroup (Sterling)	418	(364)
Total	**413**	**(364)**

d) Interim dividend and proposed dividends

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

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

During the 2017 financial year an interim cash dividend amounting to EUR 10,194 thousand was distributed, which represents EUR 0.04 gross for each of the shares that make up the share capital of Cellnex Telecom, S.A. (EUR 10,194 thousand at year-end 2016, representing EUR 0.04 gross per share).

The forecast accounting statement drawn up by Cellnex Telecom, S.A. in accordance with the legal requirements and which demonstrates the existence of sufficient profit in the period for the distribution of the aforementioned interim dividend, and of the liquidity required to make the payment, was as follows (EUR thousands):

Cellnex Telecom, S.A. forecast statement drawn up on 30 September 2017 for the distribution of the interim dividend

Net profit from the period between 1 January and 30 September 2017	14,099
To deduct:	
Legal reserve	-
Maximum possible distribution	14,099
Total 2017 interim dividend	**10,194**
Available in credit facilities of Cellnex Telecom, S.A. at 30 September 2017	1,130,116
Available in cash as at 30 September 2017	259,966
Receipts and payments foreseen up to 30 September 2017	(169,647)
Liquidity available before payment	**1,220,435**
Interim dividend	(10,194)
Liquidity available after payment	**1,210,241**

Along with the final cash dividend of EUR 12 million to be paid in 2018 (pursuant to the corresponding approval by AGM), the total cash dividend distribution against 2017 results or reserves will have increased by 10% in relation to the dividend distributed against 2016 results.

Thus, the Directors of Cellnex Telecom, S.A. will submit for approval of the Annual General Meeting the following proposal for the distribution of the results of the year ended 31 December 2017:

	Thousands of Euros
Basis of distribution (Profit and Loss)	**19,381**
Distribution:	
Interim Dividend	10,194
Final Dividend	-
Reserves	9,187
Total	**19,381**

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	
	2017	**2016**
Profit attributable to the Parent Company	32,933	39,817
Weighted average number of shares outstanding (Note 12.a)	231,562,641	231,597,289
Basic EPS attributable to the Parent Company (euros per share)	0.14	0.17
Diluted EPS attributable to the Parent Company (euros per share)	0.14	0.17

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 changes in this heading were as follows:

	Thousands of Euros	
	2017	**2016**
Balance at 1 January	**81,424**	**82,851**
Profit for the year	(2,140)	569
Dividends	(1,996)	(1,996)
Change in scope of consolidation	70,412	-
Exchange differences	(5,226)	-
Balance at 31 December	**142,474**	**81,424**

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 2017

	Thousands of Euros	
	Cellnex Switzerland subgroup [(1)]	**Galata** [(2)]
Non-current assets	527,599	-
Current assets	54,324	-
Total assets	**581,923**	**-**
Non-current liabilities	247,406	-
Current liabilities	35,240	-
Total liabilities	**282,646**	**-**
Net assets	**299,277**	**-**
Income	25,285	211,204
Expenses	(15,382)	(146,809)
Gross operating profit	**9,903**	**64,395**
Profit attributable to the shareholders	**(6,305)**	**25,132**
Operating activities	(21,980)	52,180
Investment activities	(254,130)	(23,392)
Financing activities	129,855	(13,126)
Cashflows	**(146,255)**	**15,662**

[(1)] Company over which control was obtained in August 2017 (see Note 2-h); hence, only five months of the aggregates of its income and cash flows has been included in the consolidated statement of profit or loss and the consolidated statement of cash flows for the year, respectively.

[(2)] At 4 July 2017, Cellnex acquired an additional 10% of the share capital of Galata. As a result of this acquisition, at 31 December 2017, Cellnex holds 100% of the share capital of Galata (see Note 2-h); hence, only six months of the aggregates of its income and cash flows has been included in the figures detailed above.

31 December 2016

	Thousands of Euros
	Galata
Non-current assets	187,785
Current assets	146,999
Total assets	**334,784**
Non-current liabilities	19,089
Current liabilities	61,676
Total liabilities	**80,765**
Net assets	**254,019**
Income	210,886
Expenses	(156,564)
Gross operating profit	**54,322**
Profit attributable to the shareholders	**13,326**
Operating activities	(27,153)
Investment activities	(1,388)
Financing activities	(1,291)
Cashflows	**(29,832)**

g) Profit for the year

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

	Thousands of Euros	
Subsidiaries / Subgroup	**2017**	**2016**
Cellnex Telecom, S.A.	(67,083)	(41,309)
Retevisión I, S.A.U.	68,911	61,146
Tradia Telecom, S.A.U.	20,730	17,998
On Tower Telecom Infraestructuras, S.A.U.	6,416	(1,382)
Adesal Telecom, S.L.	708	1,547
Towerco, S.p.A.	3,649	4,073
Galata, S.p.A.	8,316	(4,131)
Cellnex Italia, S.r.L.	(939)	3,378
Commscon Italia, S.r.L.	(855)	(725)
On Tower Italia	89	-
Cellnex Netherlands, Group	1,566	954
Cellnex France	(9,519)	(555)
Shere Group subgroup	3,943	(1,177)
Cellnex Switzerland	(3,038)	-
Cellnex UK	39	-
Net profit attributable to the Parent Company	**32,933**	**39,817**

13. Borrowings

The breakdown of borrowings at 31 December 2017 and 2016 is as follows:

	Thousands of Euros					
	31 December 2017			31 December 2016		
	Non-current	Current	Total	Non-current	Current	Total
Bond issues	1,869,145	29,474	**1,898,619**	1,397,939	12,527	**1,410,466**
Loans and credit facilities	630,858	2,331	**633,189**	278,660	3,179	**281,839**
Derivative financial instruments	-	181	**181**	-	-	-
Other financial liabilities	5,298	37,629	**42,927**	7,361	2,026	**9,387**
Borrowings	**2,505,301**	**69,615**	**2,574,916**	**1,683,960**	**17,732**	**1,701,692**

During the period ended at 31 December 2017, Cellnex has increased its gross financial debt (which does not include any debt held by Group companies registered using the equity method of consolidation, "Derivative financial instruments" or "Other financial liabilities") by EUR 839,503 thousand, up to EUR 2,531,808 thousand, mainly due to the issue of EUR 475,000 thousand in bonds and the drawdown in loans and credit facilities as explained below.

As at 31 December 2017, Cellnex weighted average cost of debt (considering both the drawn and undrawn borrowings) would be 2.0% (2.0% as at 31 December 2016) and the weighted average cost of debt (considering only the drawn down borrowings) was 2.4% (2.5% as at 31 December 2016).

The Group's borrowings were arranged under market conditions, therefore their fair value do 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 prioritises securing sources of financing at Parent Company level. The aim of this policy is to secure financing at a lower cost and longer tenure 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 at 31 December 2017 and 31 December 2016, the breakdown of the Group's borrowings (i) by maturity, (ii) by type of debt and (iii) by currency was as follows (excluding debt with companies accounted for using the equity method):

(i) Borrowings by maturity

31 December 2017

	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	1,890,000	32,962	-	-	-	600,000	1,290,000	1,922,962
Arrangement expenses		(3,488)	(3,641)	(3,805)	(3,980)	(3,570)	(5,859)	(24,343)
Loans and credit facilities	1,695,922	3,389	179,725	625	80,625	133,083	240,754	638,201
Arrangement expenses		(1,058)	(1,076)	(936)	(870)	(614)	(458)	(5,012)
Derivative financial instruments	-	181	-	-	-	-	-	181
Other financial liabilities	-	37,629	1,568	1,310	687	694	1,039	42,927
Total	**3,585,922**	**69,615**	**176,576**	**(2,806)**	**76,462**	**729,593**	**1,525,476**	**2,574,916**

31 December 2016

	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	1,415,000	15,254	-	-	-	-	1,415,000	**1,430,254**
Arrangement expenses	-	(2,727)	(2,808)	(2,892)	(2,978)	(3,067)	(5,316)	**(19,788)**
Loans and credit facilities	960,348	3,347	73,119	125,792	-	80,000	-	**282,258**
Arrangement expenses	-	(168)	(68)	(69)	(70)	(44)	-	**(419)**
Other financial liabilities	-	2,026	2,047	1,567	1,319	689	1,739	**9,387**
Total	**2,375,348**	**17,732**	**72,290**	**124,398**	**(1,729)**	**77,578**	**1,411,423**	**1,701,692**

(ii) Borrowings by type of debt

	Thousand of Euros			Thousand of Euros		
	Notional as of 31 December 2017			Notional as of 31 December 2016		
	Limit	**Drawn**	**Undrawn**	**Limit**	**Drawn**	**Undrawn**
Bond issues	1.890.000	1.890.000	-	1.415.000	1.415.000	-
Loans and credit facilities	1.695.922	635.852	1.060.070	960.348	280.552	679.797
Total	**3.585.922**	**2.525.852**	**1.060.070**	**2.375.348**	**1.695.552**	**679.797**

As at 31 December 2017, the total limit of loans and credit facilities available was EUR 1,695,922 thousands (EUR 960,348 thousands as at 31 December 2016), of which EUR 1,152,351 thousands in credit facilities and EUR 543,571 thousands in loans (EUR 868,098 thousands in credit facilities and EUR 92,250 thousands in loans as at 31 December 2016).

Furthermore, of the EUR 1,695,922 thousand of loans and credit facilities available (EUR 960,348 thousand as at 31 December 2016), EUR 602,172 thousand (EUR 267,598 thousand as at 31 December 2016) can be drawn down either in Euros (EUR) or in other currencies, such as Pound Sterling (GBP), Swiss franc (CHF) and US dollar (USD).

As at 31 December 2017 the amount drawn down of the loans and credit facilities was EUR 635,852 thousand (EUR 280,552 thousand drawn down as at 31 December 2016).

(iii) Borrowings by currency

	Thousands of Euros	
	30 September 2017 (*)	**31 December 2016 (*)**
Euro	2,128,520	1,543,307
GBP	175,316	178,592
CHF	300,435	-
Borrowings	**2,604,271**	**1,721,899**

(*) The amounts shown in the preceding table relate to the cash flows set forth in the contracts, which differ from the carrying amount of the borrowings due to the effect of applying IFRS criteria set down in IAS39.

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

In this regard, as at 31 December 2017 and 2016, the Group maintains borrowings in GBP, which act as a natural hedge of the net investment of the Shere UK Group. These borrowings amount to GBP 155,546 thousand with a Euro value of EUR 175,316 thousand (GBP 152,907 thousand with a Euro value of EUR 178,592 thousand as at 31 December 2016) and are held by means of various credit facilities denominated in GBP. These non-derivate financial instruments are assigned as net investment hedges against the net assets of the Shere UK Group. The maturities of these borrowings are between 2019 and 2021.

In addition, as at 31 December 2017, the Group maintains borrowings in CHF, which act as a natural hedge of the net investment in Cellnex Switzerland. Such borrowings amount to CHF 195,583 thousand with a Euro value of EUR 167,136 thousand (CHF zero with a Euro value of EUR zero at 31 December 2016) and are held by means of various facilities denominated in CHF. These non-derivate financial instruments are assigned as net investment hedges against the net assets of Cellnex Switzerland. The maturity of these borrowings is in 2023.

Furthermore, in the context of the acquisition of Swiss Towers, the Group also maintains through its subsidiary Cellnex Switzerland additional borrowings in CHF amounting CHF 155,986 with a Euro value of EUR 133,299 (CHF zero with a Euro value of EUR zero at 31 December 2016).

Bond issues

In May 2015 the Group established a Euro Medium Term Note (EMTN) Programme through the Parent Company. This Programme is registered on the Irish Stock Exchange and is renewed annually. As at 31 December 2017, this EMTN Programme allows the issue of bonds in the aggregate amount of up to EUR 3,000 million and the latest renewal date is May 2017.

In March 2016 Cellnex was added to the list of companies whose corporate bonds are eligible for the Corporate Sector Purchase Programme (CSPP) by European Central Bank (ECB).

Since July 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 2017

				Thousands of Euros			
Issue	Initial Duration	Maturity	Fitch / S&P rating	ISIN	Coupon	Initial Notional	**Notional as of 31 December 2017**
27/07/2015	7 years	27/07/2022	BBB-/BB+	XS1265778933	3.125%	600,000	600,000
10/08/2016	8 years	16/01/2024	BBB-/BB+	XS1468525057	2.375%	750,000	750,000
16/12/2016	16 years	20/12/2032	BBB-/NA	XS1538787497	3.875%	65,000	65,000
18/01/2017	8 years	18/04/2025	BBB-/BB+	XS1551726810	2.875%	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.

31 December 2016

				Thousands of Euros			
Issue	Initial Duration	Maturity	Fitch / S&P rating	Issue	Coupon	Initial Notional	**Notional as of 31 December 2016**
27/07/2015	7 years	27/07/2022	BBB-/BB+	XS1265778933	3.125%	600,000	**600,000**
10/08/2016	8 years	16/01/2024	BBB-/BB+	XS1468525057	2.375%	750,000	**750,000**
16/12/2016	16 years	20/12/2032	BBB-/NA	XS1538787497	3.875%	65,000	**65,000**
Total						**1,415,000**	**1,415,000**

The bond issues have certain associated costs, customary in this type of transactions, such as arrangement expenses and advisers' fees. These amount to EUR 7,841 thousand in relation to the bonds issued in 2017 (EUR 13,196 thousand in 2016), 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 24,343 thousand and EUR 19,788 thousand was deducted from bond issues in the Consolidated Balance Sheet as at 31 December 2017 and 31 December 2016 respectively.

The arrangement expenses and adviser's fees accrued in the Consolidated Income Statement for the period ended 31 December 2017 in relation to the bond issues amounted to EUR 3,286 thousand (EUR 1,759 thousand in 2016).

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.

This put option can only be triggered if a change of control event occurs (whether due to the acquisition of 50% of shares with voting rights or due to obtaining the right to appoint or dismiss the majority of the members of the Parent Company's Board of Directors) and there is a rating downgrade caused by this change of control event.

Bonds obligations and restrictions

As at 31 December 2017 and 2016, 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.

Loans and credit facilities

As at 31 December 2017, the total limit of loans and credit facilities available was EUR 1,695,922 thousands (EUR 960,348 thousands at year-end 2016), of which EUR 1,152,351 thousands in credit facilities and EUR 543,571 thousands in loans (EUR 92,250 thousands and EUR 868,098 thousands respectively at year-end 2016).

During the period ended at 31 December 2017, the Group entered into long term loans agreements in EUR of EUR 156,500 thousand, of which EUR 100,000 thousand with a variable interest rate of Euribor plus a margin and a maturity date in 2029, and EUR 56,500 thousand with a fixed rate of 3.25% and maturity date in 2027. The Group also signed new credit facilities with a limit of EUR 275,000 thousand, all with a variable interest rate of Euribor plus a margin and maturities between 2019 and 2021.

In the context of the acquisition of Swiss Towers in Switzerland, the Parent Company entered into a syndicated loan agreement with a limit of CHF 190,000 thousand (EUR 162,365 thousand) and Cellnex Switzerland entered into a syndicated facilities agreement with a limit of CHF 170,000 thousand (EUR 145,274 thousand) of which CHF 155,000 thousand (EUR 132,456 thousand) corresponds to a term loan and CHF 15,000 thousand (EUR 12,818 thousand) to a credit facility. In addition, the Parent Company drew down CHF 5,100 thousand (EUR 4,358 thousand) from its available credit facility in CHF. As at 31 December 2017, the total amount of drawn down debt in CHF was CHF 351,569 thousand (EUR 300,435 thousand).

As at 31 December 2017 Cellnex signed a loan agreement with the European Investment Bank (EIB) for an amount of EUR 100,000 thousands with an estimated maturity of 12 years. This loan was negotiated at very competitive terms and includes an obligation of the Parent Company with regards to its corporate rating. As of the date hereof, Cellnex is in compliance with all its obligations under the EIB agreement.

Clauses regarding changes of control

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

As at 31 December 2017 and 2016, 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 at 31 December 2017 and 2016, all the loans and credit facilities entered into by the Parent Company are unsecured and unsubordinated, have no guarantees or shares pledged, rank pari passu with the rest of the unsecured and unsubordinated borrowings, and do not require the Parent Company's to comply with any financial ratio.

As at 31 December 2017, the Cellnex Switzerland financing described above is secured by share pledge of Swiss Tower and Cellnex Switzerland has to comply with a financial ratio relating to its leverage. As of the date hereof, Cellnex Switzerland and Swiss Towers are in compliance with all their obligations under the syndicated facilities agreement.

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 ("IRSs"). 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%.

As at 31 December 2016, the Group had no derivative financial instrument contracts.

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 (see Note 10).

In addition, during 2017, the Group reached agreements for recourse factoring for a total amount of EUR 35 million, in relation to balances for tax receivables. This relates to VAT receivable derived from the acquisition of mobile telecom infrastructures in France and in Spain, amounting to EUR 30,325 thousand, and current tax assets amounting to EUR 4,402 thousand (see Note 15.b).

Corporate rating

As at 31 December 2017 Cellnex holds a long term “BBB-“ (Investment Grade) with negative outlook according to the international credit rating agency Fitch Ratings Ltd. and a long-term “BB+” with stable outlook according to the international credit rating agency Standard & Poor’s Financial Services LLC.

14. Trade and other payables

The detail of this heading at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	31 December 2017	31 December 2016
Trade payables	148,700	97,229
Other payables to Government Agencies	42,496	29,310
Other payables to related parties (Note 20.d)	1,605	1,403
Remuneration payable	10,458	9,850
Other payables	44,774	29,137
Trade and other payables	**248,033**	**166,929**

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

At 31 December 2017 and 2016, “Trade payables” included mainly the amounts payable for trade purchases made by the Group and their related costs.

“Other payables to Government Agencies” includes all balances payable by the Group to the tax authorities as detailed in Note 15.b.

The most significant balance recognised under “Remuneration payable” relates to the bonus accrued by employees during the year, and which the Group will pay if the targets set are met.

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

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	
	2017	**2016**
Total payments in the year	188,278	190,707
Total payments outstanding	9,511	11,707
Average payment period to suppliers (days)	45 days	39 days
Ratio of transactions paid (days)	46 days	40 days
Ratio of transactions outstanding (days)	33 days	24 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 or proportionately 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.

15. Income tax and tax situation

a) Tax information

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

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

During the year ended 31 December 2016, Cellnex Telecom, S.A. became the head of a new consolidated tax group for the purposes of Value Added Tax (VAT) in Spain.

Tax audits and litigation

At 31 December 2017, 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.

Additionally, during 2015 general inspection activities were opened for Abertis Infraestructuras, S.A. with regards to consolidated Corporation Tax for the 2010 and 2011 financial years and with regards to the Value Added Tax of the group of companies for the period July-December 2011. During the year ended 31 December 2016 the scope of the inspection was extended to include the consolidated corporation tax and value added tax for the group of companies for the 2012 and 2013 financial years.

In this regard, it must be noted that between 2010 and 2013 financial years both Cellnex Telecom, S.A. and its Spanish subsidiaries were subsidiaries of the Abertis consolidated tax group. With regards to value added tax, Adesal Telecom. S.L. was included in the Abertis VAT group during the period between July and December 2011, Adesal Telecom, S.L. and On Tower Telecom Infraestructuras, S.A.U. were included in the VAT group for 2012; and Adesal Telecom, S.L., On Tower Telecom Infraestructuras, S.A.U., Retevisión-I, S.A.U. and Tradia Telecom, S.A.U were included in the VAT group for 2013.

At the date of issue for approval of these consolidated financial statements the inspection activities have concluded with no repercussions for Cellnex Telecom, S.A. or its subsidiaries.

b) Balances for tax payable and receivable

The tax receivables held by the Group with the tax authorities at 31 December 2017 and 2016 are as follows:

	Thousands of Euros	
	31/12/2017	**31/12/2016**
VAT receivable	38,876	1,266
Canary Islands tax refundable	182	-
Other taxes	1,902	1,740
Tax receivables	**40,960**	**3,006**

In 2017, this caption mainly includes VAT receivable derived from the acquisition of mobile telecom infrastructures in France and in Spain (see Note 6), that amounts to EUR 24,428 thousand and EUR 8,590 thousand, respectively.

The current tax payables held by the Group with tax authorities at 31 December 2017 and 2016 are as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
VAT payable	27,640	20,316
Canary Island tax payable	134	107
Social security payable	2,009	1,669
Personal income tax withholdings	2,243	1,807
Other taxes	1,642	3,351
Tax payables	**33,668**	**27,250**

c) *Corporation tax expense*

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

	2017	2016
Spain	25%	25%
Italy [1]	28.82%	32%
Netherlands	25%	25%
United Kingdom	19%	20%
France	33.3%	33.3%
Switzerland [2]	20.5%	-

[1] The standard income tax rate in 2017 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%. In 2016 was 32.32%, which is made up of the IRES (Imposta sul Reddito delle Societa) at a rate of 27.5% and the IRAP (regional business tax in Rome) at a rate of 4.82%.

[2] The standard income tax rate in 2017 was 20.5% in Switzerland, which is made up of federal, cantonal and communal (municipal) taxes. Lower rates are available for privileged companies.

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	
	2017	**2016**
Consolidated profit before tax	30,362	41,019
Theoretical tax [1]	(7,263)	(9,556)
Impact on tax expense from (permanent differences):		
Non-deductible expenses	1,263	(287)
Notional Interest Deductions Italy	2,617	6,710
Income from transfer of know-how	1,787	2,828
Income tax expense for the year	**(1,596)**	**(305)**
Changes in tax rates	2,566	(14)
Other tax effects	(539)	(314)
Other tax effects	**2,027**	**(328)**
Income tax expense	**431**	**(633)**

[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 2017 and 2016 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 2017 and 2016 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 2017 includes the adjustment to the new tax rates made to the deferred tax assets and liabilities in accordance with a change in the UK corporation tax rate. A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2017 have been calculated based on these rates, given that, according to IAS 12, deferred tax assets and liabilities must be measured using the tax rates that are expected to be applied in the period in which the liability is cancelled, based therefore on the tax rates that have been substantively enacted at the end of the reporting period.

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

	Thousands of Euros	
	2017	**2016**
Current tax	(20,273)	(12,640)
Deferred tax	21,215	11,853
Tax from prior years / other	(511)	154
Income tax expense	**431**	**(633)**

"Deferred tax" in 2017 and 2016 mainly relates to the impact of the deferred tax liabilities associated with the business combinations detailed below.

Tax withholdings and payments on account totalled EUR 16,229 thousand (EUR 11,208 thousand in 2016).

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			
	2017		2016	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
At 1 January	**29,181**	**(290,281)**	**28,899**	**(183,246)**
Debits/(credits) in income statement	(2,315)	5,587	(947)	12,800
Debits/(credits) due to incorporation into scope and business combinations	405	(67,106)	1,229	(119,835)
Transfers	564		-	-
Changes in tax rates	-	2,566	-	-
Others	-	(695)	-	-
At 31 December	**27,835**	**(349,929)**	**29,181**	**(290,281)**

	Thousands of Euros	
	31/12/2017	**31/12/2016**
Reconciliation of movements		
Deferred tax asset debits in income statement	(2,315)	(947)
Deferred tax liability credits income statement	5,585	12,800
Changes in tax rates	2,566	-
Deferred tax expense in income statement	**5,836**	**11,853**

i) Deferred tax assets

The breakdown of the deferred tax assets is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Deferred tax assets:		
Provision for third-party liabilities	4,465	5,982
Limit on depreciation and amortisation of fixed assets	6,632	7,561
Employee benefit obligations	4,615	2,417
Other provisions	2,729	1,702
Timing differences in revenue and expense recognition	1,146	1,751
Asset revaluation	6,280	7,436
Tax credits recognised:		
Limit on depreciation and amortisation of fixed assets	1,323	1,595
Asset revaluation	645	737
Total deferred tax assets	**27,835**	**29,181**

Provision for third-party liabilities

The Group has yet to avail itself of the tax credit recognised in 2012 for the collective redundancy procedure, which at year-end 2017 and 2016 had yet to be paid in full.

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

As at 31 December 2017 the Group has tax losses from UK companies available for carry forward against future profits, as detailed below:

- Non-trade loan relationship deficit of EUR 11.3 million (EUR 11.8 million at 31 December 2016) which relates to GBP 10.1 million (GBP 10.1 million at 31 December 2016), which is available to offset future non-trade income and capital gains of the company that incurred the loss, and

- Trading losses of EUR 13.4 million (EUR 14.5 million at 31 December 2016) which relates to GBP 11.9 million (GBP 12.4 million at 31 December 2016) which is available to offset against future trading profits generated by the same company that incurred the loss.

In addition, tax losses from Dutch and French companies available for carry forward against future profits, amounts to EUR 0.2 million and EUR 9.5 million, respectively (EUR 0 million and EUR 0.3 million, respectively at 31 December 2016).

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 Dutch tax losses recognized at 31 December 2017 amounting to EUR 0.2 million (EUR 0 million in 2016) . The aforementioned tax losses do not have an expiration date except for the Dutch tax losses that can be carried forward nine years.

ii) Deferred tax liabilities

The breakdown of the deferred tax liabilities is as follows:

	Thousands of Euros	
	31/12/2017	**31/12/2016**
Deferred tax liabilities:		
Business combinations [1]	(338,858)	(274,318)
Accelerated depreciation and amortisation	(11,570)	(15,827)
Amortization goodwill in Spanish companies & others	499	(136)
Total deferred tax liabilities	**(349,929)**	**(290,281)**

[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.

Business combinations

The detail of the deferred tax liabilities recorded at 31 December 2017 and 2016 relating to the 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, is as follows:

Acquisitions	**Incorporation**	**2017**	**2016**
Towerco	2014	23,817	24,997
Galata	2015	122,605	129,818
Commscon	2016	4,127	4,769
Cellnex Netherlands subgroup (1)	2016	88,775	23,498
Shere Group subgroup (1)	2016	20,323	90,730
On Tower Italia	2016	484	506
Swiss Towers	2017	62,453	-
Infracapital Alticom subgroup	2017	16,273	-
Total		**338,858**	**274,318**

(1) As described in Note 2.h, during 2017 was sold the 100% of the ownership interest in Shere Masten, BV by Shere Group Netherlands, BV to Cellnex Netherlands.

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 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 companies, 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 2017 and 2016 will be used as follows:

	Thousands of Euros		
	31/12/2017		
	Less than one year	More than one year	**Total**
Deferred tax assets	8,233	19,502	**27,735**
Deferred tax liabilities	(76,093)	(273,835)	**(349,928)**

	Thousands of Euros		
	31/12/2016		
	Less than one year	More than one year	**Total**
Deferred tax assets	6,294	22,887	**29,181**
Deferred tax liabilities	(38,696)	(251,585)	**(290,281)**

The factors taken into consideration for maintaining a deferred tax asset at 31 December 2017 and 2016 and which support its future recoverability were as follows:

- 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.

- Thus, in 2017 and 2016, the Group generated taxable profit of EUR 32,608 thousand and EUR 38,774 thousand, respectively, in its Spanish companies which enabled the Group to use the deferred tax assets and maintain a taxable profit for both years.

16. Provisions and other liabilities and employee benefit obligations

a) Provisions and other liabilities

The detail of "Provisions and other liabilities" at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	31 December 2017	**31 December 2016**
Put option Galata S.p.A	-	85,294
Put option Cellnex Switzerland AG	60,839	-
Asset Retirement Obligation	78,919	31,486
National Competition Committee Sanction	16,000	16,000
Provision for other responsibilities (1)	50,092	34,097
Deferred income and other liabilities	13,572	9,727
Provisions and other liabilities	**219,422**	**176,604**

(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) Galata Put Option

On 27 February 2015 a Put Option contract was signed in relation to the acquisition of Galata, S.p.A., which could be exercised wholly and not partially over the shares which represent the share capital of Galata owned by Wind and through said contract Wind was able to sell all the shares in Galata that it holds on that date to Cellnex Italia. The price for exercising the Put Option was calculated using a base of EUR 77 million, increasing by 6% per year and decreasing by the dividends paid by Galata to Wind over a maximum period of 4 years.

Cellnex calculated the amount for exercising the Put Option at the end of the first year which is from when Wind was able to exercise the Put Option, such that the amount payable at the end of the first year (26 March 2016) was EUR 81,620 thousand. As at 30 June 2017 the Put Option amounted to EUR 87,518 thousand (EUR 85,294 thousand and EUR 80,414 thousand at 2016 year-end and at the time of acquiring company on 26 March 2015, respectively).

On July 4, 2017, the minority shareholder of Galata exercised its pre-emption rights for the transfer of its entire ownership interest of Galata, pursuant to the Put Option contract signed on 27 February 2015. As a result of the above, Cellnex Italia acquired an additional 10% of the share capital of Galata for EUR 87,518 thousand. With this acquisition, Cellnex Italia now holds 100% of the share capital of Galata. This transaction had no impact on the consolidated income statement for the year 2017 (see Note 2.h).

During the year ended on 31 December 2017, EUR 2,224 thousand was recorded in the accompanying consolidated income statement to update the value for the passage of time at 6% per annum.

ii) Cellnex Switzerland Put Option

During the third quarter of 2017, in relation to the Cellnex Switzerland incorporation (see Note 2.h of these consolidated financial statements), Deutsche Telekom Capital Partners ("DTCP") and Cellnex Telecom, S.A. entered into a put option agreement, in which DTCP has a put option to sell its stake (18%) to Cellnex, payable in cash or in Cellnex Telecom, S.A. shares ("DTCP Put Option"). The price for exercising the DTCP Put Option is calculated using a base of CHF 65 million (with a Euro value of EUR 58 million), increasing by c. 9.3% per year.

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

Cellnex calculated the amount for exercising the DTCP Put Option at the end of the first year which is from when DTCP was able to exercise the DTCP Put Option, such that the amount payable at the end of the first year (May 2018) was EUR 63 million. As at 31 December 2017 the DTCP Put Option amounted to EUR 61 million.

During the year ended on 31 December 2017, EUR 3 million was recorded in the accompanying consolidated income statement to update the value for the passage of time at c. 9.3% per annum.

iii) *Asset Retirement Obligation*

This caption includes the contractual obligation to dismantle and decommission the mobile telecom infrastructures. (See Note 3.o.i)

iv) *National Competition Committee Sanction*

This caption includes the possible sanction levied by the National Competition Committee on 19 May 2009 amounting to EUR 16,000 thousand (Note 16.c), which has been recorded in the consolidated balance sheet as the cash flow outflow has been estimated as probable.

v) *Provision for other Responsibilities*

This caption includes the provisions for other liabilities in relation to the business combinations undertaken by the Group This caption includes the provisions for other liabilities relating to the acquisitions of Galata, Commscon Italy, Protelindo Towers, Shere Group and in 2017 of Swiss Towers and Alticom amounting to EUR 2,403 thousand, EUR 2,000 thousand, EUR 13,213 thousand, EUR 6,532 thousand, 10,084 and 12,800 respectively (see Note 5). In this respect the corresponding provisions included in this caption as at 31 December 2016 in relation to the acquisitions of Galata, Commscon Italy, Protelindo Towers and Shere Group amounted to EUR 8,000 thousand, EUR 2,000 thousand, EUR 13,213 thousand and EUR 6,532 thousand, respectively (see Note 5).

In addition as at 31 December 2017 this provision includes an amount relating to the long term liability derived from the cancellation of the rental contract relating to the building which housed certain corporate offices up to that date. The liability amounts to EUR 3,060 thousands based on the best estimation at the yearend date (EUR 4,352 thousand in 2016).

vi) *Deferred Income and Other Liabilities*

This item mainly includes amounts claimed from Group companies in ongoing litigation at 31 December 2017 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 2017 and 2016, this caption also includes the recognition of a contingent consideration contemplated in the purchase contract of Commcon Italia S.r.L. for EUR 5 million, which is subject to the achievement of certain long term growth objectives of the company (see Note 5).

b) Employee benefit obligations

The detail of "Employee benefit obligations" at 31 December 2017 and 2016 is as follows:

	Thousands of Euros					
	31 December 2017			31 December 2016		
	Non-current	Current	**Total**	Non-current	Current	**Total**
Defined benefit obligations	2,864	470	**3,334**	1,932	236	**2,168**
Employee benefit obligations	2,782	12,665	**15,447**	564	6,040	**6,604**
Employee benefit obligations	**5,646**	**13,135**	**18,781**	**2,496**	**6,276**	**8,772**

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 2,342 thousand (EUR 1,932 thousand in 2016) under “Non-current provisions” and EUR 470 thousand (EUR 236 thousand in 2016) 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 2017 and 2016 for these obligations as a decrease in staff costs were EUR 297 thousand and EUR 67 thousand and, as a finance cost, were EUR 10 thousand and EUR 20 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	
	2017	**2016**
At 1 January	**2,168**	**2,167**
Current service cost	86	94
Interest cost	10	20
Actuarial losses/(gains)	(383)	(26)
Benefits paid	(95)	(87)
Changes in the consolidation scope	1,548	-
At 31 December	**3,334**	**2,168**

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	
	2017	**2016**
At 1 January	-	-
Sponsor contributions	(287)	87
Benefits paid	(95)	(87)
Changes in the consolidation scope	1,026	-
At 31 December	**644**	-

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:

	2017	2016
Annual discount rate	0.50% - 0.75%	0.50%
Salary increase rate	2.00% - 2.25%	2.00%

ii. Current and non-current employee benefit obligations

Long Term Incentive Plan ("LTIP")

On 10 April 2015 the Long Term Incentive Plan (2015-2017) was approved for certain employees. This plan accrues from May 2015 until 31 December 2017 and is payable once the Group's annual accounts corresponding to the 2017 financial year have been approved. The beneficiaries of the Plan are the Chief Executive Officer, the Senior Management and some key employees of the Cellnex Group (up to a maximum of 32 people). 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%:

- The share price appreciation calculated between the initial starting price of the IPO and the average price in the last quarter of 2017, weighted by the volume ("vwap"), following a scale of achievement.

- The attainment of certain performance parameters according to the market consensus and the constant scope of consolidation, following a scale of attainment.

With regards to the LTIP (2015-2017) dated 10 April 2015 for the benefit of certain employees, the weighted average degree of fulfilment of the following two objectives was 111%. For the first objective, which was related to Cellnex share price appreciation, the percentage of attainment was 120% and for the second objective, which was related to the Adjusted EBTIDA figure obtained as at 31 December 2017, the percentage of attainment was 102%.

The cost of the LTIP (2015-2017) for Cellnex, anticipating that the maximum degree of fulfilment of the objectives will be obtained, is currently estimated at EUR 7.8 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 7,211 thousand for this item in the short-term of the accompanying condensed consolidated balance sheet as at 31 December 2017.

In addition, on 27 April 2017 the Group approved the LTIP (2017-2019) for certain employees, which is divided into two phases:

- 2017-2018: this accrues from January 2017 until 31 December 2018 and is payable once the Group's annual accounts corresponding to the 2018 financial year have been approved.
- 2018-2019: this accrues from January 2018 until 31 December 2019 and is payable once the Group's annual accounts corresponding to the 2019 financial year have been approved.

The beneficiaries are the CEO, Senior Management and several key employees of the Cellnex Group (up to a maximum of 50 staff). The amount receivable by the beneficiaries will be determined by the degree of fulfilment of certain objectives regarding Cellnex's relative share price performance, and the attainment of certain performance parameters according to the market consensus and the constant scope of consolidation, following a scale of attainment.

The cost of the Long Term Incentive Plan (2017-2019) for Cellnex if it were to reach the maximum level of achievement of the objectives is estimated at approximately EUR 10.6 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 2,616 thousand for this item in the long-term of the accompanying condensed consolidated balance sheet as at 31 December 2017.

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.

A provision was recognised for this collective redundancy procedure at 31 December 2012, estimating a cost of EUR 50,779 thousand for 220 employees. During the 2017 financial year, no staff left as a result of the execution of this agreement (No staff left in 2016).

The changes in this heading in 2017 and 2016 were as follows:

	Thousands of Euros	
	2017	**2016**
Balance at 1 January	**6,604**	**8,626**
Benefits paid	(64)	(2,952)
Payment to income statement	-	-
Additions	7,827	2,000
Others	1,080	(1,070)
Balance at 31 December	**15,447**	**6,604**

The balance payables at 31 December 2017 and 2016 associated with the collective redundancy procedures carried out by the Group represent expected payments related to the process.

c) Contingent liabilities

At 31 December 2017, the Group has guarantees with third parties amounting to EUR 73,534 thousand (EUR 49,549 thousand at the close of 2016). 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 Competition Commission (CNC) imposed a fine of EUR 22.7 million on Abertis Telecom, S.A.U. (now Cellnex Telecom, S.A.) 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 CNC 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 CNC to recalculate that amount in accordance with the provisions of law 16/89. The CNMC has issued its decision recalculating the aforementioned amount, reducing it to EUR 18.7 million and this decision was appealed against in the National High Court on 29 September 2016. Based on the opinion of its legal advisers, at 31 December 2017the Group has recorded a provision for a total of EUR 16 million (EUR 16 million at the close of 2016).

On 8 February 2012, the Board of the National Competition Commission (CNC) imposed a fine of EUR 13.7 million on Abertis Telecom, S.A.U. (now Cellnex Telecom, S.A.) 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 CNC 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 CNC to recalculate the fine as it considered that the criteria used at the time by the CNC 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. Therefore, until the appeal before the Supreme Court is resolved, the CNC will not start the process of calculating the fine. With regard to these proceedings, the Parent Company's Directors, based on the opinion of their legal advisers, categorise the risk of this fine as possible and, therefore, have not recognised any provision.

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, Retevisión-I, S.A.U. will be responsible for paying these fines. At 31 December 2017, Cellnex Telecom, S.A. has provided three guarantees amounting to EUR 32.5 million (EUR 36.4 million at the close of 2016) to cover the disputed rulings with the National Competition Commission 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.

The Spanish government, through the Secretary of State for the Information Society and Digital Agenda ("SESIAD"), ordered the various regional governments to issue recovery orders based on the calculations made. The administrative recovery procedures began in Castilla y León, La Rioja, Aragón, Extremadura, Andalusia, the Balearic Islands, Madrid, Navarra, Valencia and Catalonia, and all of these were opposed on the basis that the amounts claimed are not legally valid given that the proceedings are pending resolution. Judicial recovery procedures were also initiated in Andalusia, La Rioja and Madrid. The only proceeding which has been resolved by the courts was the proceeding related to the Autonomous Community of Madrid, and on 31 March 2016 judgement was passed whereby the Superior Court of Justice of Madrid revoked the order, passed by the Community of Madrid, to recover the aid. In July 2017 Retevisión I, S.A.U and the Government of the Community of Madrid have reached an agreement by which they have agreed to pay the recovery of the State Aids and the procedure of reimbursement to Retevisión I, S.A.U of said amounts. In the meantime, the governments of Aragon, Andalusia and Madrid have carried out the provisional execution of the recoveries of the State Aid. Retevisión I, S.A.U filed a claim against these regional Governments for damages and losses caused. In this regard, at 31 December 2017, the Group has recognized an amount of EUR 14.7 million under "change in provisions" of the consolidated income statement for the period (EUR 0 million at 31 December 2016).

Without prejudice to all of this, 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. In this regard, based on the opinion of its legal advisers, the Group has accrued an asset amounting to EUR 14.7 million in relation to this claim (EUR 0 million at 31 December 2016), since the recovery of these amounts is considered to be virtually certain.

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 has been lodged against that judgment on 23 February 2017, and as a result no amount has been provided for because the Group considers that the future appeal before the European Court of Justice will succeed in the same way as the general process described above.

The appeals filed with the European Court of Justice do not hold in abeyance the enforceability of the orders to return the aid.

d) Contingent assets

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

17. Revenue and expenses

a) Operating income

The breakdown of operating income by item for the 2017 and 2016 financial years is as follows:

	2017	2016
Services	760,376	673,003
Other operating income	31,738	34,172
Advances to customers	(2,771)	(2,590)
Operating income	**789,343**	**704,585**

“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 2017 and 2016 are as follows:

	Thousands of Euros			
	2017			
Contracted revenue	**Broadcasting infrastructure**	**Telecom Infrastructure Services**	**Other Network Services**	**Total (*)**
Spain	215,215	131,998	44,089	**391,302**
Italy	-	229,966	-	**229,966**
Netherlands	-	41,923	-	**41,923**
France	-	45,090	-	**45,090**
United Kingdom	-	7,342	-	**7,342**
Switzerland	-	52,623	-	**52,623**
Less than one year	**215,215**	**508,942**	**44,089**	**768,246**
Spain	246,829	466,420	112,203	**825,452**
Italy	-	856,399	-	**856,399**
Netherlands	-	121,047	-	**121,047**
France	-	188,019	-	**188,019**
United Kingdom	-	21,632	-	**21,632**
Switzerland	-	215,949	-	**215,949**
Between one and five years	**246,829**	**1,869,466**	**112,203**	**2,228,498**
Spain	20,994	1,525,851	1,734	**1,548,579**
Italy	-	3,988,269	-	**3,988,269**
Netherlands	-	122,512	-	**122,512**
France	-	1,460,214	-	**1,460,214**
United Kingdom	-	23,598	-	**23,598**
Switzerland	-	2,151,552	-	**2,151,552**
More than five years	**20,994**	**9,271,996**	**1,734**	**9,294,724**
Domestic	483,038	2,124,269	158,025	**2,765,332**
International	-	9,526,135	-	**9,526,135**
Total	**483,038**	**11,650,404**	**158,025**	**12,291,468**

(*) At 31 December 2017, 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, 2017 would increase to EUR 16 billion approximately, on a run rate basis.

Contracted revenue	Thousands of Euros 2016 Broadcasting infrastructure	Telecom Infrastructure Services	Other Network Services	Total
Spain	198,436	107,280	58,041	**363,757**
Italy	-	222,964	-	**222,964**
Netherlands	-	26,204	-	**26,204**
France	-	9,934	-	**9,934**
United Kingdom	-	8,091	-	**8,091**
Less than one year	**198,436**	**374,473**	**58,041**	**630,950**
Spain	390,444	383,234	96,591	**870,269**
Italy	-	1,022,778	-	**1,022,778**
Netherlands	-	98,839	-	**98,839**
France	-	44,933	-	**44,933**
United Kingdom	-	21,892	-	**21,892**
Between one and five years	**390,444**	**1,571,676**	**96,591**	**2,058,711**
Spain	20,494	1,411,500	16,851	**1,448,845**
Italy	-	3,973,454	-	**3,973,454**
Netherlands	-	121,434	-	**121,434**
France	-	377,988	-	**377,988**
United Kingdom	-	26,182	-	**26,182**
More than five years	**20,494**	**5,910,558**	**16,851**	**5,947,903**
Domestic	609,374	1,902,014	171,483	**2,682,871**
International	-	5,954,693	-	**5,954,693**
Total	**609,374**	**7,856,707**	**171,483**	**8,637,564**

b) Staff costs

The detail of staff costs is as follows:

	Thousands of Euros 2017	2016
Wages and salaries	80,557	74,981
Social Security contributions	18,336	16,502
Retirement fund and other contingencies and commitments	3,201	1,394
Other employee benefit costs	5,260	4,594
Staff costs	**107,354**	**97,471**

The increase in staff costs is mainly due to the incorporation of staff from the companies acquired (see Note 5).

The average number of employees at the Group, its subsidiaries and associates in 2017 and 2016, broken down by job category and gender, is as follows:

	2017			2016		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Chief Executive Officer	1	-	1	1	-	1
Senior Management	8	1	9	6	1	7
Middle management	96	25	121	98	22	120
Other employees	992	264	1,256	938	229	1,167
Average number of	**1,097**	**290**	**1,387**	**1,043**	**252**	**1,295**

The number of employees at the Cellnex Group at the end of the 2017 and 2016 financial years, broken down by job category and gender, was as follows:

	2017			2016		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Chief Executive Officer	1	-	1	1	-	1
Senior Management	7	1	8	6	1	7
Middle management	96	25	150	101	24	125
Other employees	1,002	271	1,273	939	231	1,170
Number of employees	**1,106**	**297**	**1,403**	**1,047**	**256**	**1,303**

At 31 December 2017, the Board of Directors of the Parent Company is formed of 10 members, 9 of which are male, and 1 are female.

The increase in the number of employees is due to the change in consolidation scope resulting in the addition of the personnel from the companies acquired (see Note 5).

c) Other operating expenses

The detail of "Other operating expenses" in the consolidated income statement is as follows:

	Thousands of Euros	
	2017	**2016**
Repairs and maintenance	28,307	26,522
Leases	146,170	127,490
Utilities	74,073	72,604
Other operating costs	110,933	117,064
Total	**359,483**	**343,680**

Leases include a significant amount of costs, which are recharged to the Group's principal customers (pass-through).

"Other operating costs" contains (i) certain expenses that are non-recurring, or (ii) certain expenses that do not represent a cash flow, as detailed below:

	Thousands of Euros	
	2017	**2016**
Costs related to acquisitions [1]	10,877	9,736
Contract renegotiation [2]	3,825	5,631
Prepaid expenses [3]	13,257	8,091
Total non-recurring expenses	**27,959**	**23,458**
Total recurring expenses	**82,974**	**93,606**
Total general services and other	**110,933**	**117,064**

(1) Non-recurring item. It mainly includes the expenses incurred during the acquisition processes.
(2) Non-recurring item. It relates to the cancellation expenses made in relation to renegotiate some contracts with services providers. This renegotiations took place in order to achieve significant savings in costs over the coming years.
(3) Non-cash item. It mainly includes prepaid ground rental costs amounting to EUR 10,929 thousand (EUR 3,766 thousand in 2016), prepaid energy and agency fees incurred to renegotiate rental contracts for an amount of EUR 2,328 thousand (EUR 4,325 thousand in 2016), and which are taken to the consolidated income statement over the life of the corresponding ground lease contract.

Additionally, in the 2017 financial year, the accrual of advances to customers amounting to EUR 2,771 thousand was recognised as a reduction to revenue (EUR 2,590 thousand in the same period in 2016). See Note 17.a.

Operating lease commitments

Total future minimum rentals payable under operating leases are recurring, as all the current leases are considered essential for the Group's operations.

The detail of the operating lease payments undertaken by the Group is as follows:

	Thousands of Euros	
Minimum operating lease payments	**2017**	**2016**
Less than one year	97,937	78,270
Between one and five years	185,692	132,093
More than five years	119,215	96,791
Total	**402,844**	**307,154**

The calculation of the minimum future payments for leases recognises the contractual clauses for unilateral cancelation of the agreement upon payment of the corresponding penalty charge or in its absence if the prevailing legislation applicable to each lease allows the unilateral cancellation by the Group. These amounts do not contemplate prepaid ground rentals.

d) *Change in provisions*

The detail of "Changes in provisions" in the consolidated income statement is as follows:

	Thousands of Euros	
	2017	**2016**
Allowance for doubtful debts (Note 10)	(1,254)	(53)
Other non-current provisions (Note 16)	2,771	303
Ending balance	**1,517**	**250**

e) *Depreciation and amortisation charge*

The detail of "Depreciation and amortisation" in the consolidated income statement is as follows:

	Thousands of Euros	
	2017	**2016**
Intangible assets (Note 7)	68,031	41,497
Property, plant and equipment (Note 6)	157,351	135,282
Ending balance	**225,382**	**176,779**

f) *Net interest expense*

The breakdown of finance income and costs by item is as follows:

	Thousands of Euros	
	2017	**2016**
Finance income and interest from third parties	676	1,179
Exchange gains/(losses)	773	-
Derivative financial instruments	(52)	-
Total Interest income	**1,397**	**1,179**

	Thousands of Euros	
	2017	**2016**
Finance costs and interest arising from third parties	6,545	2,780
Bond interest expense	49,935	25,910
Bond issue costs	-	4,983
Exchange gains/(losses)	-	39
Interest cost relating to provisions	(807)	503
Derivative financial instruments	129	-
Other finance costs	13,755	12,739
Total interest expense	**69,557**	**46,954**

18. 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 2017 and 2016, 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 2017 amounted to EUR 5,237 thousand (EUR 5,032 thousand in 2016), with accumulated depreciation and amortisation of EUR 2,477 thousand (EUR 2,244 thousand in 2016).

Expenses incurred to protect and improve the environment recognised directly in the income statement amounted to EUR 719 thousand (EUR 889 thousand in 2016) 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.

19. Segment reporting

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

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

In addition, the business segments described below were established based on the organisational structure of the Cellnex Group prevailing as at 31 December 2017 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 which consists of providing a wide range of integrated network infrastructure services which allows access to the Group's wireless infrastructure to mobile network operators and other wireless and broadband telecommunications network operators, which in turn, allows the operators to offer their own telecommunications services to its customers.

- Broadcasting Infrastructure activities, which consist of the distribution and transmission of television and FM radio signals, as well as the operation and maintenance of radio broadcasting networks, the provision of connectivity for media content, OTT radio broadcasting services (over-the-top multi-screen services) and other services. The broadcasting infrastructure activities were created in 2001 with the acquisition of Tradia Telecom, S.A.U. and the acquisition of Retevisión-I, S.A.U. in 2003.

- Other Network Services, including connectivity services for telecommunications operators (other than broadcasting operators), radio communication, operation and maintenance services, commercial services, Smart Cities/IoT ("Internet of Things") and other services.

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.

Segmental reporting is set out below:

	Thousands of Euros						
	2017						
	Spain	Italy	Netherlands	France	Switzerland	Other countries	**Total**
Operating income	455,778	243,844	34,868	22,812	22,651	9,390	**789,343**
Operating expenses	(265,248)	(165,054)	(5,775)	(13,098)	(13,780)	(2,580)	**(465,535)**
Depreciation and amortization	(94,539)	(66,972)	(27,835)	(16,867)	(12,893)	(6,276)	**(225,382)**
Net Interest	(64,267)	(80)	(107)	(2,366)	(1,378)	38	**(68,160)**
Profit of companies accounted for using the equity method	96	-	-	-	-	-	**96**
Income tax	(1,666)	(1,477)	1,222	-	(248)	2,600	**431**
Consolidated net profit	**30,154**	**10,261**	**2,373**	**(9,519)**	**(5,648)**	**3,172**	**30,793**
Attributable non-controlling interest	471	-	-	-	(2,611)	-	**(2,140)**
Net profit attributable to the Parent Company	**29,683**	**10,261**	**2,373**	**(9,519)**	**(3,037)**	**3,172**	**32,933**

	Thousands of Euros				
	2016				
	Spain	Italy	Netherlands	Other countries	**Total**
Operating income	**454.134**	**238.994**	**7.927**	**3.530**	**704.585**
Operating expenses	(267.344)	(171.142)	(1.057)	(1.534)	**(441.077)**
Depreciation and amortization	(98.693)	(68.690)	(6.597)	(2.799)	**(176.779)**
Net Interest	(40.673)	(4.272)	(318)	(512)	**(45.775)**
Profit of companies accounted for using the equity method	65	-	-	-	**65**
Income tax	(8.460)	7.245	467	115	**(633)**
Consolidated net profit	**39.029**	**2.135**	**422**	**(1.200)**	**40.386**
Attributable non-controlling interest	1.028	(459)	-	-	**569**
Net profit attributable to the Parent Company	**38.001**	**2.594**	**422**	**(1.200)**	**39.817**

There have been no significant transactions between segments during 2017 or 2016.

The Group has one customer that exceeds 10% of its total revenue. The total income from this customer in the period ended on 31 December 2017 amounted to EUR 207,131 thousand. During the same period in the 2016 financial year, the Group had three customers that exceeded 10% of its revenue and the amount ascended to EUR 339,752 thousand.

The assets and liabilities of each segment at 31 December 2017 and 2016 are as follows:

	Thousands of Euros						
	31 December 2017						
	Spain	Italy	Netherlands	France	Switzerland	Other countries	**Total**
Goodwill and other intangible assets	55,261	720,488	562,411	-	441,727	140,629	**1,920,516**
Tangible fixed assets	631,651	200,215	84,143	491,175	90,372	9,703	**1,507,259**
Other non-current assets	61,001	41,529	2,040	108	160	23	**104,861**
Total non-current assets	**747,913**	**962,232**	**648,594**	**491,283**	**532,259**	**150,355**	**3,532,636**
Total current assets	296,678	81,318	24,909	60,848	54,324	5,453	**523,530**
TOTAL ASSETS	**1,044,591**	**1,043,550**	**673,503**	**552,131**	**586,583**	**155,808**	**4,056,166**
Borrowings	2,374,722	-	-	-	130,579	-	**2,505,301**
Other non-current liabilities	94,023	189,171	145,783	(1,046)	118,695	28,371	**574,997**
Total non-current liabilities	**2,468,745**	**189,171**	**145,783**	**(1,046)**	**249,274**	**28,371**	**3,080,298**
Borrowings	47,550	-	-	21,735	331	(1)	**69,615**
Other current liabilities	149,645	51,602	6,533	22,374	34,910	(3,725)	**261,339**
Total current liabilities	197,195	51,602	6,533	44,109	35,241	(3,726)	**330,954**
TOTAL LIABILITIES	**2,665,940**	**240,773**	**152,316**	**43,063**	**284,515**	**24,645**	**3,411,252**

	Thousands of Euros			
	31 December 2016			
	Spain	Italy	Other countries	**Total**
Goodwill and intangible assets	52,927	750,211	612,245	**1,415,383**
Property, plant and equipment	646,114	208,962	193,369	**1,048,445**
Other non-current assets	53,027	26,422	1,255	**80,704**
Total non-current assets	**752,068**	**985,595**	**806,869**	**2,544,532**
Total current assets	**263,206**	**64,484**	**23,257**	**350,947**
TOTAL ASSETS	**1,015,274**	**1,050,079**	**830,126**	**2,895,479**
Borrowings	1,683,960	-	-	**1,683,960**
Other non-current liabilities	43,517	280,056	145,808	**469,381**
Total non-current liabilities	**1,727,477**	**280,056**	**145,808**	**2,153,341**
Borrowings	17,732	-	-	**17,732**
Other current liabilities	124,872	(30,142)	78,475	**173,205**
Total current liabilities	**142,604**	**(30,142)**	**78,475**	**190,937**
TOTAL LIABILITIES	**1,870,081**	**249,914**	**224,283**	**2,344,278**

The information by business segment is set out below:

	Thousands of Euros			
	2017			
	Broadcasting infrastructure	Telecom Infrastructure Services	Other Network Services	**Total**
Services (Gross)	237,258	442,618	80,500	**760,376**
Other income	-	31,738	-	**31,738**
Advances to customers	-	(2,771)	-	**(2,771)**
Operating income	**237,258**	**471,585**	**80,500**	**789,343**

	Thousands of Euros			
	2016			
	Broadcasting infrastructure	Telecom Infrastructure Services	Other Network Services	**Total**
Services (Gross)	235,234	351,443	86,326	**673,003**
Other income	-	33,686	486	**34,172**
Advances to customers	-	(2,590)	-	**(2,590)**
Operating income	**235,234**	**382,539**	**86,812**	**704,585**

20. Related parties

a) Directors and Senior Management

The remuneration earned by the Parent Company's Directors in the 2017 and 2016 financial years was as follows:

i. The members of the Board of Directors received EUR 1,108 thousand for exercising the duties in their capacity as directors of Cellnex Telecom, S.A. (EUR 870 thousand in 2016).

ii. For performing senior management duties, the Chief Executive Officer received EUR 1.120 thousand, corresponding to fixed and variable remuneration (EUR 900 thousand in 2016) and EUR 2,331 thousand for the achievement of the multi-annual objectives established in the "Long Term Incentive Plan" (2015-2017) accrued during the last three years, which will be settled during the first quarter of 2018 (0 thousand euros in 2016).

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 175 thousand and EUR 14 thousand, respectively (EUR 150 thousand and EUR 13 thousand in 2016).

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 2017 financial year for members of Senior Management amounted to EUR 2.369 thousand (EUR 2,018 thousand in 2016) and EUR 3,107 thousand for the achievement of the multi-annual objectives established in the "Long Term Incentive Plan" (2015-2017) accrued during the last three years, which will be settled during the first quarter of 2018 (0 thousand euros in 2016).

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 142 thousand and EUR 194 thousand, respectively. In 2016 they received EUR 158 thousand and EUR 153 thousand, respectively.

The Group had agreements with two members of the Senior Management linked to certain executives employed by the company until the second half of 2017. One of them has terminated its relationship with the Group and the Group paid EUR 450 thousand in compensation. One agreement remains until 2018.

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 an executives and directors civil liability policy for the members of the Board of Directors, the Chief Executive Officer and all the directors of the Cellnex Telecom group at a cost amounting to EUR 98,7 thousand and EUR 111.1 thousand at 31 December 2017 and 2016, respectively.

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

The assets and liabilities held in associates of the Cellnex Group, at 31 December 2017 and 2016, are as follows:

	Thousands of Euros		
	31 December 2017		**31 December 2016**
	Assets	**Liabilities**	**Assets**
	Other commercial assets	Other commercial liabilities	Other commercial assets
Consorcio de Telecomunicaciones Avanzadas, S.A.	78	-	113
Torre de Collserola, S.A.	-	171	-
Total	**78**	**171**	**113**

The main transactions performed by the Group with associates during 2017 relate to services received from Torre Collserola, S.A. for EUR 2,401 thousand (EUR 2,510 thousand in 2016).

d) Other related parties

Other related parties, in addition to the Abertis Group companies and associates, 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).

During 2017, there was a change of control in CaixaBank whereby Criteria Caixa (a significant shareholder of Cellnex) no longer exercises control over CaixaBank. In this regard, as of 31 December 2017, Caixabank no longer has the status of a related company of Cellnex. However, in accordance with the disclosures required by the IFRSs, the transactions carried out with Caixabank during the 2017 financial year 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. Financing and retirement obligations

The main transactions carried out by the Group with related parties at 31 December 2017 relate to payments to VidaCaixa, S.A Seguros y Reaseguros and SegurCaixa Adeslas, S.A. de Seguros Generales y Reaseguros in the amount of EUR 1,316 thousand and EUR 42 thousand, respectively for termination benefits and contributions to pension plans and life insurance policies (1,257 and 521, respectively in 2016).

ii. Services rendered and received

The transactions carried out with Abertis Group companies and associates during 2017 and 2016 are as follows:

	Thousands of Euros			
	2017		2016	
	Services rendered	Services received	Services rendered	Services received
Abertis Group	**2,212**	**14,379**	**795**	**15,696**

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.

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.

iii. *Other*

The assets and liabilities held by the Group in Abertis Group companies and associates are as follows:

	Thousands of Euros			
	31 December 2017		31 December 2016	
	Other commercial assets	Other Payables	Other commercial assets	Other Payables
Abertis Group	**271**	**1,605**	**498**	**1,403**

21. Other disclosures

The remuneration of the auditors for 2017 and 2016 is as follows:

	Thousands of Euros							
	2017				2016			
	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.	735	239	-	-	612	241	-	-
Rest of Deloitte	358	167	21	19	254	148	62	48
Total	**1,093**	**406**	**21**	**19**	**866**	**389**	**62**	**48**

22. Post balance sheet events

Spain corporate reorganisation

Additionally, on 14 February 2018, the following operations occurred between Spanish companies within the scope of consolidation in which Cellnex holds a 100% shareholding, and as such, this will not have an impact on the consolidated financial statements for 2018:

- Acquisition by 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., for their carrying amount of EUR 977 million.

- To finance the acquisition, Cellnex Telecom, S.A. made an equity contribution to Cellnex Telecom España, S.L. for the same amount.

2018 convertible bond

On 8 January 2018, Cellnex Telecom priced the issuance of EUR 600 million of convertible bonds. The shares underlying the bonds are equivalent to 6.8% of the company's share capital, based on the initial conversion price. The bonds' conversion price into Cellnex shares has initially been set at EUR 38.0829 representing a premium of 70% over the volume weighted average price of a share on the Spanish Stock Exchange between market opening at that date and pricing of the offering.

The bonds will carry a coupon of 1.5% payable annually in arrears. 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 initially issued have been converted and/or redeemed and/or purchased and cancelled. The Terms and Conditions of the bonds include a change of control put clause, at the option of bondholders, which could result in early repayment.

The Issuance was rated by Fitch, with a rating of BBB-, which is the company's current rating. Cellnex intends to seek admission to trading for the bonds on the Open Market (*Freiverkehr)* of the Frankfurt Stock Exchange.

Treasury shares purchase program

During January 2018, Cellnex purchased 67,505 treasury shares, representing 0,03% of the total shares outstanding, with an average price of EUR 21,55 per share, valuing the total stake at that time at EUR 1,458 thousands.

Reorganisation plan

In February 2018 the Group has communicated its intention to present a plan to adjust the workforce in its Spanish subsidiaries Tradia and Retevisión, which manage the terrestrial television infrastructure network. The Group has started conversations with the workforce representatives in order to propose and to reach an agreement in similar conditions to the reorganisation plan made between 2012 and 2014.

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.

In this way, the Group is seeking to renew its workforce and modify the professional profiles required to manage these new technologies. In other countries which Cellnex has entered in recent years as part of the expansion of its telecommunications infrastructure management business for mobile telephones, the Group has established a lean structure, using outsourced resources for the various infrastructure maintenance services.

23. Explanation added for translation to English

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

Madrid, 15 February 2018

APPENDIX I. Subsidiaries included in the scope of consolidation at 31.12.2017

Company	Registered office	Ownership interest: Cost (Thousands of Euros)	Ownership interest: %	Company holding the interest	Consolidation method	Activity	Auditor
Direct ownership:							
Retevision-I, S.A.U.	Juan Esplandiú, 11 28007 Madrid	368,938	100%	Cellnex Telecom, S.A.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Tradia Telecom, S.A.U.	Av, Del Parc Logístic, 12-20 08040 Barcelona	127,121	100%	Cellnex Telecom, S.A.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
On Tower Telecom Infraestructuras, S.A.U.	Juan Esplandiú, 11 28007 Madrid	395,711	100%	Cellnex Telecom, S.A.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Cellnex Italia, S.r.L.	Via Carlo Veneziani 58, 00148 Rome, Italy	789,610	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex UK Limited (1)	55 Old Broad Street, London, EC2M 1RX, United Kingdom	-	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	-
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	518,091	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
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	3	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	-
Cellnex Switzerland AG	Postastrasse 12 CH-6301, Zug, Switzerland	170,483	54%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte

Company	Registered office	Ownership interest Cost (Thousands of Euros)	%	Company holding the interest	Consolidation method	Activity	Auditor
Indirect ownership interest:							
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	780,518	100%	Cellnex Italia, S.r.L.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Adesal Telecom, S.L.	Ausias March 20, Valencia	3,904	60.08%	Tradia Telecom, S.A.U.	Full consolidation	Provision of related services for terrestrial telecommunications concessions and operators	Deloitte
Gestora del Espectro, S.L. (1)	Juan Esplandiú, 11 28007 Madrid	3	100%	Retevision-I, S.A.U.	Full consolidation	Development, implementation, management and marketing of terrestrial telecommunications services	-
TowerLink Italia, S.r.L (1)	Via Carlo Veneziani 58, 00148 Rome, Italy	10	100%	Cellnex Italia, S.r.L..	Full consolidation	Terrestrial telecommunications infrastructure operator	-
Commscon Italia, Sr.L.	Via Carducci 32, 20123 Milano	24,904	100%	Cellnex Italia, S.r.L	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
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
On Tower Italia, S.r.L. (formerly Sirtel)	Via Carlo Veneziani 56L, 00148 Rome, Italy	1,978	100%	Cellnex Italia, S.r.L	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Shere Midco Ltd	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	188,161	100%	Shere Group Limited	Full consolidation	Holding Company	Deloitte
Shere Group Netherlands B.V.	Leeghwaterstraat 21, 2811 DT Reeuwijk, Netherlands	115,113	100%	Shere Midco Ltd	Full consolidation	Holding Company	Deloitte
Shere Masten B.V.	Leeghwaterstraat 21, 2811 DT Reeuwijk, Netherlands	278,085	100%	Cellnex Netherlands BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte

Company	Registered office	Ownership interest Cost (Thousands of Euros)	%	Company holding the interest	Consolidation method	Activity	Auditor
Watersite Holding Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	29,704	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Radiosite Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	31,879	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
QS4 Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	1,977	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Shere Consulting Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	2,598	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Infr’asset Management, S.A.S.	1 Avenue de la Cristallerie, 92310 Sèvres	870	100%	Cellnex France Groupe, S.A.S.	Full consolidation	Terrestrial telecommunications infrastructure operator	-
Infracapital Alticom BV	Branderweg 7, 8042 PD, Zwolle	132,726	100%	Cellnex Netherlands, BV	Full consolidation	Holding Company	Deloitte
Alticom Holding BV	Branderweg 7, 8042 PD, Zwolle	36,012	100%	Infracapital Alticom BV	Full consolidation	Holding Company	Deloitte
Alticom BV	Branderweg 7, 8042 PD, Zwolle	45,622	100%	Alticom Holding BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Breedlink BV	Branderweg 7, 8042 PD, Zwolle	470	100%	Alticom Holding BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Swiss Towers AG	Binzmühlestrasse 130, 8050 Zúrich, Switzerland	498,054	54%	Cellnex Switzerland AG	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
TMI, S.r.L.	Via Carlo Veneziani 56L, 00148 Rome, Italy	1,375	100%	Cellnex Italia, S.r.L	Full consolidation	Terrestrial telecommunications infrastructure operator	-

(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 2017 consolidated financial statements with which it should be read.

Subsidiaries included in the scope of consolidation at 31.12.2016

Company	Registered office	Ownership interest: Cost (Thousands of Euros)	%	Company holding the interest	Consolidation method	Activity	Auditor
Direct ownership:							
Retevision-I, S.A.U.	Av, Del Parc Logístic, 12-20 08040 Barcelona	368,938	100%	Cellnex Telecom, S.A.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Tradia Telecom, S.A.U.	Av, Del Parc Logístic, 12-20 08040 Barcelona	127,121	100%	Cellnex Telecom, S.A.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
On Tower Telecom Infraestructuras, S.A.U.	Av, Del Parc Logístic 12-20, 08040 Barcelona	28,457	100%	Cellnex Telecom, S.A.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Cellnex Italia, S.r.L.	Via Carlo Veneziani 58, 00148 Rome, Italy	789,610	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex UK Limited (1)	55 Old Broad Street, London, EC2M 1RX, United Kingdom	-	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	-
Cellnex Netherlands, BV (formerly Protelindo Netherlands, BV)	Dr. Lelykade 22, Unit 9, 2583CM's - Gravenhage	112,066	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex France, S.A.S.	30 Rue Godot de Mauroy, 75009 Paris	80,000	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Shere Group Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	408,636	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Indirect ownership interest:							
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	693,000	90%	Cellnex Italia, S.r.L.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Adesal Telecom, S.L.	Ausias March 20, Valencia	4,464	60.08%	Tradia Telecom, S.A.U.	Full consolidation	Provision of related services for terrestrial telecommunications concessions and operators	Deloitte

Company	Registered office	Ownership interest Cost (Thousands of Euros)	%	Company holding the interest	Consolidation method	Activity	Auditor
Gestora del Espectro, S.L. (1)	Av, Del Parc Logístic, 12-20 08040 Barcelona	3	100%	Retevision-I, S.A.U.	Full consolidation	Development, implementation, management and marketing of terrestrial telecommunications services	-
TowerLink Italia, S.r.L (1)	Via Carlo Veneziani 58, 00148 Rome, Italy	10	100%	Cellnex Italia, S.r.L..	Full consolidation	Terrestrial telecommunications infrastructure operator	-
Commscon Italia, Sr.L.	Via Carducci 32, 20123 Milano	24,904	100%	Cellnex Italia, S.r.L	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
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
On Tower Italia, S.r.L. (formerly Sirtel)		1,930	100%	Cellnex Italia, S.r.L	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Shere Midco Ltd	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	188,161	100%	Shere Group Limited	Full consolidation	Holding Company	Deloitte
Shere Group Netherlands B.V.	Leeghwaterstraat 21, 2811 DT Reeuwijk, Netherlands	115,113	100%	Shere Midco Ltd	Full consolidation	Holding Company	Deloitte
Shere Masten B.V.	Leeghwaterstraat 21, 2811 DT Reeuwijk, Netherlands	189.003	100%	Shere Group Netherlands BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Watersite Holding Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	29,704	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Radiosite Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	31,879	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
QS4 Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	1,977	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Shere Consulting Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	2,598	100%	Shere Midco Ltd	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 2017 consolidated financial statements with which it should be read.

APPENDIX II. Associates included in the scope of consolidation at 31.12.2017

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	2,439	41.75%	17,118	11,430	4,280	8	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%	3,734	666	1,909	314	Tradia Telecom, S.A.U.	Equity method	Provision of related services for terrestrial telecommunications concessions and operators	Other auditors

This appendix forms an integral part of Note 2.h. to the consolidated financial statements for 2017 with which it should be read.

Associates included in the scope of consolidation at 31.12.2016

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	2,439	41.75%	17,679	11,253	4,364	(11)	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%	3,379	432	1,784	200	Tradia Telecom, S.A.U.	Equity method	Provision of related services for terrestrial telecommunications concessions and operators	Other auditors

This appendix forms an integral part of Note 2.h. to the consolidated financial statements for 2017 with which it should be read.