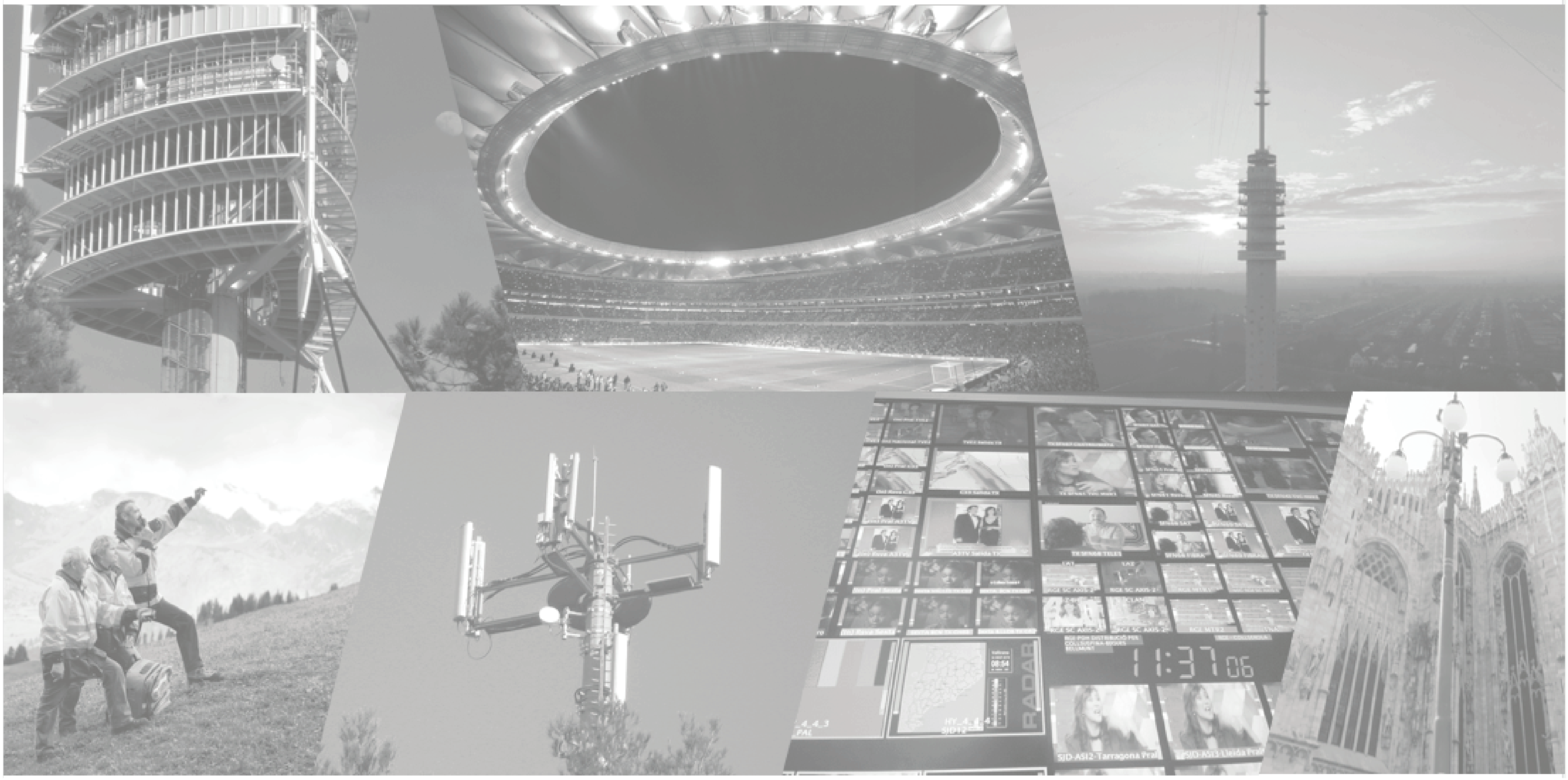


# Consolidated Financial Statements

# 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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.

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

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

- 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** |

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | Land and buildings | Plant and machinery and other fixed assets | Property, plant and equipment under construction | **Total** |
| **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.

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[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 | Broadcasting infrastructure | Telecom Infrastructure Services | Other Network Services | Total |
|---|---|---|---|---|
| | Thousands of Euros | | | |
| | 2016 | | | |
| 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 | Thousands of Euros 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 employees** | **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 | Verificati on services | Tax advisory services | Other services | Audit of financial statements | Verificati on 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<br>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) | Ownership interest: % | 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<br>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<br>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<br>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<br>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.