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European leader in telecommunications infrastructure

Cellnex was founded in 2015 with the goal of becoming **Europe's leading telecommunications infrastructure manager** by providing a secure, high-quality service tailored to the needs of its customers. As such, Cellnex conducts its business in three main areas of service: **Telecommunications Infrastructure Services, Broadcasting Infrastructure and Other Network Services**.

Cellnex's business model focuses on the **provision of services to mobile network operators (MNOs), broadcasters and other public and private companies** acting as a neutral[1] infrastructure provider. This business model is based on innovative, efficient, sustainable, independent and quality management to create value for its shareholders, customers, employees and all stakeholders.

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

(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.

2017: Growth, expansion and consolidation

Growth

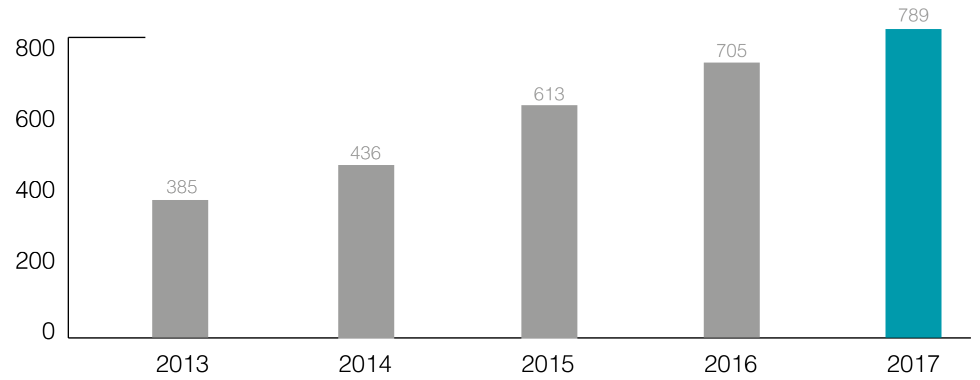
Income from operations for the period ended on 31 December 2017 reached EUR 789 million, which represents a 12% increase over the same period in 2016. This increase was mainly due to the expansion of the above-mentioned telecom infrastructure services for mobile network operators.

Telecom Infrastructure Services' income increased by 23% to EUR 471 million due to both the organic growth achieved and the acquisitions performed in 2016 and 2017. This business segment is characterised by solid growth driven by increasing demand for wireless data communication services, and by the growing interest of mobile network operators (MNO) in developing high quality networks that fulfil their consumers' needs in terms of uninterrupted coverage and availability of wireless bandwidth (based on new Long-Term Evolution "LTE" technologies), in the most efficient way. In recent years the Group consolidated its infrastructure network and long-term strategic relationships with its main customers, the mobile network operators. In addition to its current portfolio Group's Management has identified several potential acquisitions which are currently being analysed following its demanding capital deployment criteria. The Group owns a high-quality asset portfolio, which is made up of selective assets in Spain, Italy, the Netherlands, France, the United Kingdom and Switzerland and performs the subsequent streamlining and optimisation of the tower infrastructure for Telecom Infrastructure Services. Its main added value proposals in this line of business consist of providing services to additional mobile network operators in its towers and therefore streamlining the customer's network. By increasing the ratio of customers to infrastructures, the Group will generate additional income with very little additional costs. This network streamlining may generate significant efficiencies for the Group and for the MNOs.

With regard to t**he Broadcasting Infrastructure business**, income amounted to EUR 237 million, which represents a 1% increase compared with the same period in 2016. This increase is due to the switch on of the 6 DTT new licensed channels in the second quarter of 2016.

Broadcasting Infrastructure activities are characterised by predictable, recurring and stable cash flows. Although this is a mature business in Spain, broadcasting activities have shown considerable resilience to adverse economic conditions, such as those experienced in Spain in recent years, this is due to the fact that the Group's income does not depend directly on macroeconomic factors, but rather on the demand for radio and television broadcasting services by broadcasting companies.

TOTAL REVENUE (€M)



Other Network Services decreased its income by 7%, to EUR 81 million. This constitutes a specialised business that generates stable cash flows with attractive potential for growth. Taking into account the critical nature of the services in which the Group collaborates, its customers require in-depth technical know-how that is reflected in the demanding service level agreements. The Group considers that it has a privileged market presence and geographical distribution, established relationships with government agencies and excellent infrastructure for emergencies and public services. The Group's aim is to maintain long-term relationships with its customers maximise the renewal rate of its contracts and expand its business through new contracts.

The main customers and projects to which the Group renders services include the Generalitat Valenciana with the implementation and maintenance of the COMDES network in Valencia, Barcelona Town Council with the deployment and maintenance of the Wi-Fi network for the city of Barcelona, the Spanish Merchant Navy with the Global Maritime Distress and Safety System service, Securitas Direct with the SIGFOX project, the Telecommunications Center of the Catalan Government (CTTI) with the management of the RESCAT network of private communications for the emergency fleets, the deployment of the TETRA network for Line 9 of the Barcelona underground system, among others.

All of the above has helped boost operating income and operating profit, with the latter also being impacted by the measures to improve efficiency and optimise operating costs.

In line with the increase in revenue, Adjusted EBITDA was 22% higher than the same period in 2016, as a result of the assets acquired during 2017, which reflects the Group's capacity to generate cash flows on a continuous basis.

Taking into account these considerations, the consolidated net profit attributable to shareholders for the year ended on 31 December 2017 stood at EUR 33 million.

Expansion of the European presence

Internationalising via mergers and acquisitions is a basic pillar of the Cellnex strategy.

In 2017, Cellnex continued expanding its presence in Europe, and by the end of the year 43% of Adjusted EBITDA was generated outside Spain.

The six countries (Spain, Italy, France, the Netherlands, United Kingdom and Switzerland) in which the company operates share certain of the Group's main customers and therefore Cellnex can capitalise on commercial synergies.

The Group's business presents significant barriers to entry into its main markets, mainly due to its difficult-to-replicate total asset base of 21,017 sites and 1,348 nodes, which make a total of 22,365 infrastructures.

The main changes in the consolidation perimeter, together with assets purchased during financial year 2017 are as follows:

France

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

Cellnex and Bouygues Telecom have also agreed on a second project for the building of up to a maximum of 1,200 sites for a total investment of EUR 354 million. This build-to-suit project relates to sites to be built over an estimated period of 5 years from 2017 year-end.

In addition, as at 31 December 2017, the total number of infrastructures to be acquired and built was increased by up to 1,600 additional sites following the extensions reached with Bouygues Telecom in July and December (see Note 6 to the accompanying consolidated financial statements)..

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

Together, these projects are expected to generate annual Adjusted EBITDA of approximately EUR 100 million on a run-rate basis (once all of the sites have been acquired and built). These projects are fully aligned with Cellnex's corporate purpose and with its international expansion strategy based on the acquisition of an initial portfolio of assets allowing for subsequent market consolidation, and represent a clear example of consistent delivery of the Company's equity story based on growth.

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

Switzerland

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

The consortium that acquired Swiss Towers AG from Sunrise Communications comprises Cellnex (54%), Swiss Life Asset Managers (28%) and Deutsche Telekom Capital Partners (18%).

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

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

Swiss Towers AG, a former subsidiary of Swiss mobile operator Sunrise Communications International, has 2,239 sites throughout Swiss territory, with a greater presence in the northern and western cantons of the country. 32% of these sites are located in urban areas and 64% on rooftops offering ideal conditions for the future roll-out and densification of equipment associated with 4G and 5G.

GRI:102-4, 102-6, 102-7, 102-10

The Netherlands

During the third quarter of 2017, Cellnex Telecom acquired the Dutch telecom infrastructure operator Alticom from Infracapital, which operates 30 long-range, high-capacity telecommunications sites for transmission equipment for voice, data and audiovisual content operators, located throughout the Netherlands. The purchase price, free of cash (Enterprise Value), amounted to EUR 129 million (see Note 2.h of the consolidated financial statements).

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

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

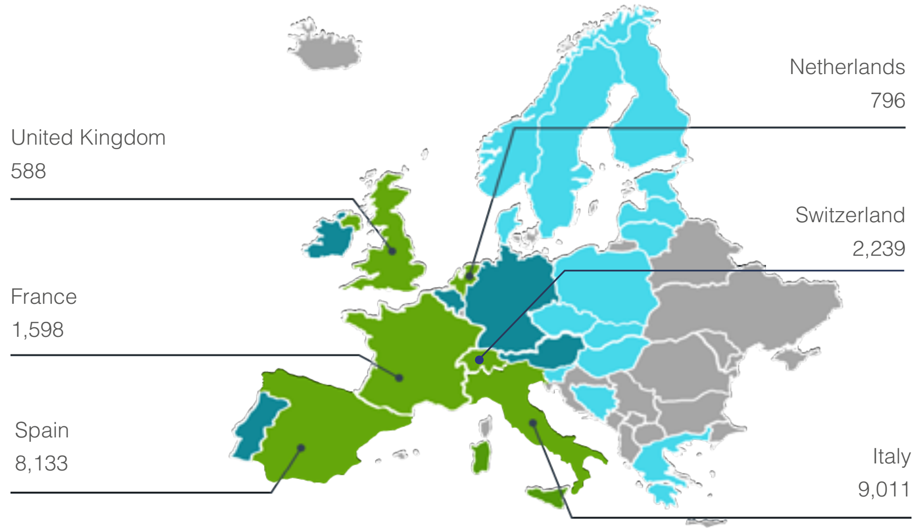
Alticom has 30 sites in the Netherlands, located mainly in urban and suburban areas. Alticom's main activity is now co-location services for telecommunications operators. However, since 2008, Alticom has radically altered its business model, moving into Data Center housing services, with growth anticipated through greater adoption of cloud services and new network architectures.

Italy

During the third quarter of 2017, Cellnex Italia acquired from Wind Tre the remaining 10% of the share capital of Galata.

The purchase was the result of exercising the put option that Wind Tre held on this 10% after the acquisition of 90% of Galata by Cellnex Italia in March 2015.

At 31 December 2017, the total number of Cellnex infrastructures (sites and nodes) in Europe was as follows:



GRI:102-4, 102-6, 102-7, 102-10

Consolidation

The Group continues to be the leading neutral Telecom Infrastructure Services provider for mobile network operators in Spain and Italy. During the year ended on 31 December 2017 and 2016 the Group expanded its Telecom Infrastructure Services to new countries: France, the Netherlands, the UK and Switzerland. In addition, the Group is the main Broadcasting Infrastructure provider in Spain with a majority share in the national and regional markets.

During 2016, Cellnex formalised policies and procedures, strengthened governance structures and implemented a project to transform management. 2017 was a year of formalisation and consolidation of the Group's corporate structure that has made it possible to move towards a global, integrated, customer-oriented and people-led company.

In that context, in 2017, Cellnex presented a new organisational vision of the Group that aims to meet the needs of international growth and the expansion of the company in other countries such as Italy, France, the United Kingdom, the Netherlands and Switzerland. To achieve this objective, the configuration of the new organisational structure was based on three fundamental principles:

1. An integrated Group based on the model of a company that shares values and principles of action, rather than a conglomerate of subsidiaries.

2. A global company with an equally global vision and maintaining a strong customer orientation.

3. An organisation in which people, and the processes on which they rely, practice leadership and apply best practices.

In line with these principles, the new organisational model introduces a (corporate) matrix structure and a more operational structure oriented to each business unit (country), so that the activities of the countries and businesses are aligned with the corporate business guidelines.

The corporate structure must guide the strategy and reinforce implementation so that the business units focus on growth and profitability, while the countries focus on meeting customer expectations.

The new organisational structure was introduced in 2017 in two phases without affecting the Group's day-to-day operation or management, thereby ensuring that an efficient, quality service was provided. In the first phase, teams were assigned and responsibilities and communication were transferred to the entire organisation, while in the second phase the programme to transform the organisational model was carried out to switch to the new Group structure.

Furthermore, within the framework of the new corporate structure, the **Department of Integration and Processes** was set up, responsible firstly for the whole end-to-end process of integrating new companies, and for monitoring and reporting on the status of the integrations; and, secondly, for designing and deploying a process map and model and making sure that it is consistent with the company's strategy at all times. As a result, Cellnex has the necessary internal processes for a systematic, smooth and orderly integration of the different businesses, assets and subsidiaries into the Group, fostering multi directional relationships within the company.

The main measure implemented in 2017, designed to ensure the internal integration processes, was the first phase of the deployment of the key computer systems used by the company in Italy, namely the financial system (SAP) and the corporate industrial system (Aqua).

GRI:102-4, 102-6, 102-7, 102-10

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

Cellnex Telecom

Spain:
Cellnex Telecom España
Retevisión
Tradia
On Tower Telecom Infraestructuras
Adesal Telecom
Torre de Collserola
COTA
Gestora del Espectro

Italy:
Cellnex Italia
Galata
Towerco
Towerlink Italia
Commscon Italia
On Tower Italia
TMI

France:
Cellnex France Groupe
Cellnex France
Infr'asset Management

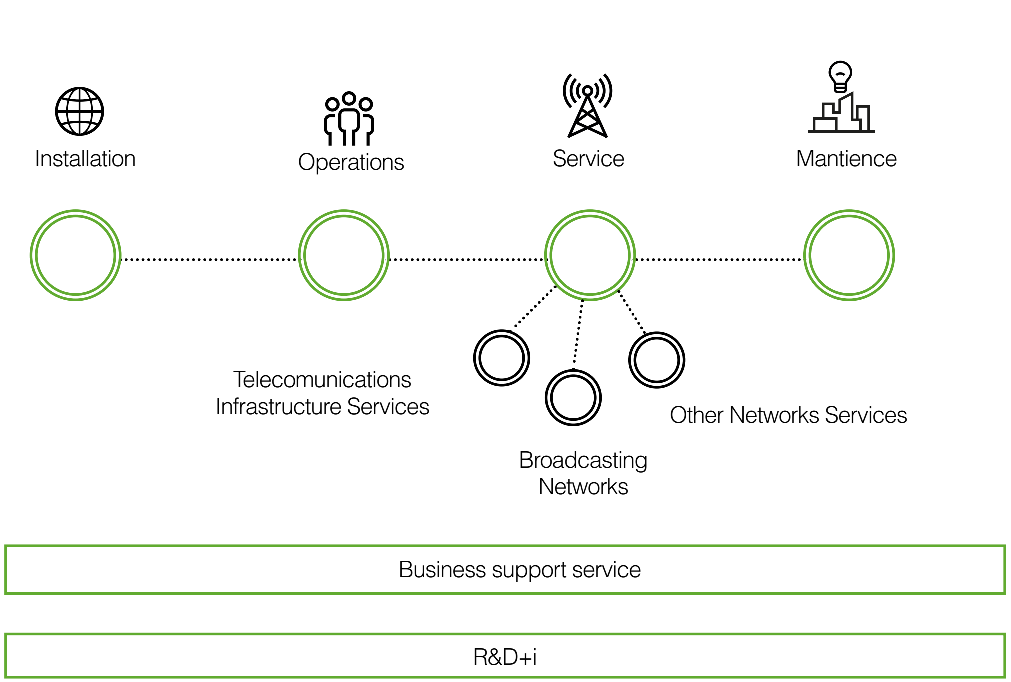
Netherlands:
Cellnex Netherlands
Towerlink Netherlands
Shere Group Netherlands
Shere Masten
Infracapital Alticom
Alticom Holding
Alticom
Breedink

United Kingdom:
Cellnex UK
Shere Group Limited
Shere Midco Limited
Watersite Holding Limited
Radiosite Limited
QS4 Limited
Shere Consulting Limited

Switzerland:
Cellnex Switzerland
Swiss Towers

THE DETAIL OF THE GROUP'S SUBSIDIARIES AND ASSOCIATES AT 31 DECEMBER 2017 AND OF THE PERCENTAGES OF OWNERSHIP IS SHOWN IN APPENDIXES I AND II, RESPECTIVELY, TO THE CONSOLIDATED FINANCIAL STATEMENTS.

Cellnex's Value Chain



Vision for 2017

Organic growth above market expectations

+ 4% new POPs

Growth in Europe

Acquisition and construction of more than 4,600 sites in France
Integration of more than 2,000 sites in Switzerland (acquisition of Swiss Towers AG)
Acquisition of Dutch tower operator Alticom

Competitive position in 5G (COMMSCOM and ALTICOM)

Preparation for future network densification needs

CAPITAL MARKETS DAY

Cellnex organises the first Capital Market Day for investors

From hosting to a full network service (From MLA to MSA)

New paradigm in the European towers sector

New organisational chart

Creation of the Department of Integration and Processes

Sustainability index

Cellnex enters the Standard Ethics index, rated “EE-“ (“adequate”), and the FTSE4GOOD index.

Market figures: Cellnex on the stock market

On 20 June 2016, the IBEX 35 Technical Advisory Committee approved Cellnex Telecom's (CLNX: SM) inclusion in the benchmark index of Spain's stock exchange, the IBEX 35, which brings together the principal companies on the Spanish stock exchange in terms of capitalisation and turnover. This milestone brought with it a broadening of the shareholder base, giving Cellnex higher liquidity and making it more attractive to investors. At present Cellnex has a solid shareholder base and the majority consensus of analysts who follow our company - 65% - is a recommendation to buy.

Cellnex's share capital amounts to EUR 57,921 thousand and is divided into 231,683,240 ordinary shares with a nominal value of EUR 0.25 each, of a single class and series, fully subscribed and paid up. Each share carries one vote.

Cellnex's share price experienced a 56% revaluation during 2017, closing at EUR 21.35 per share. The average volume traded has been approximately 1.1 million shares a day. The IBEX 35 and STOXX Europe 600 increased by 7% and 8% respectively, while the STOXX Europe 600 Telecom decreased by 4% during the same period.

Cellnex's market capitalization stood at EUR 4,946 million at the period ended on 31 December 2017, 53% higher than at start of trading on 7 May 2015, compared to a 10% drop in the IBEX 35 in the same period.

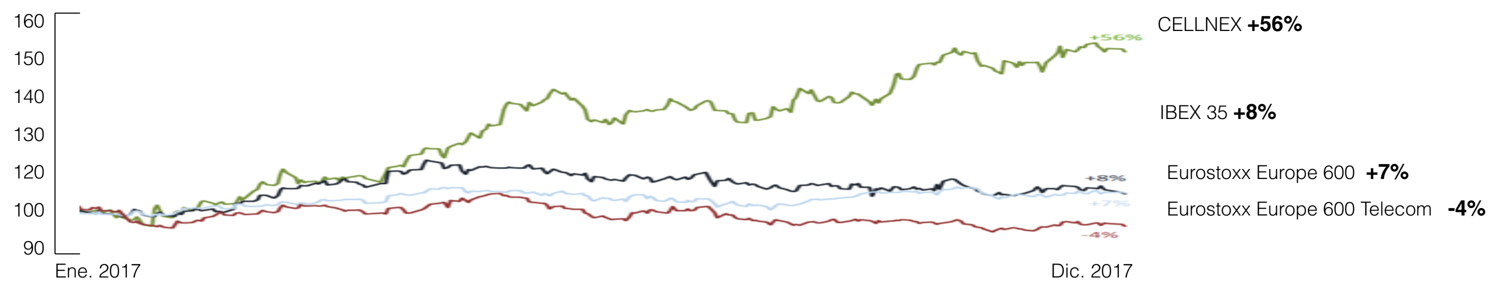
In May 2017, the final dividend for 2016 was paid in the amount of EUR 0.042325 per share and in December 2017 the interim dividend corresponding to the year 2017 amounting to EUR 0.044 per share.

The evolution of Cellnex shares in 2017, compared to the evolution of IBEX 35, STOXX Europe 600 and STOXX Europe 600 Telecom, is as follows:

The detail of the main stock market indicators of Cellnex in 31 December 2017 and 2016 is as follows:

	31 December 2017	31 December 2016
Number of shares	231,683,240	231,683,240
Stock market capitalisation at period/year end (millions of euros)	4,946	3,166
Share price at close (EUR/share)	21.35	13.67
Maximum share price for the period (EUR/share)	21.77	17.13
Date	19/12/2017	04/01/2016
Minimum share price for the period (EUR/share)	13.16	12.61
Date	31/01/2017	14/11/2016
Average share price for the period (EUR/share)	17.76	14.78
Average daily volume (shares)	1,087,014	1,061,555

Progression of Cellnex shares



Treasury shares

During the period ended on 31 December 2017, Cellnex Telecom, S.A. has continued to rely on a liquidity contract, maintaining a final balance of 87 thousand treasury shares at an average price per share of EUR 21.416, which represent 0.04% of the share capital of the Parent Company.

The acquisition of treasury shares has been carried out by means of a liquidity contract[(2)] signed by Cellnex on 31 May 2016 with Santander Investment Bolsa, Sociedad de Valores, S.A.U. in order to manage its portfolio of treasury shares.

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

Financial and operating figures

The year ended on 31 December 2017 highlights the strong alignment between the objectives set and the results achieved, given that the Group considers as a key element the integration of this growth into its management processes, ensuring that it can guarantee and deliver quality service to customers.

Cellnex believes that certain Alternative Performance Measures (APMs) provide financial information in addition to that obtained from the applicable accounting standards (EU-IFRSs) that are useful for assessing the performance of the Group and which are used by management in its decision-making processes. In this regard, in accordance with the recommendations issued by the European Securities and Markets Authority (ESMA), the definition and determination of the main APMs employed are disclosed in the accompanying consolidated financial statements, and therefore, they are validated by the Group auditor (Deloitte).

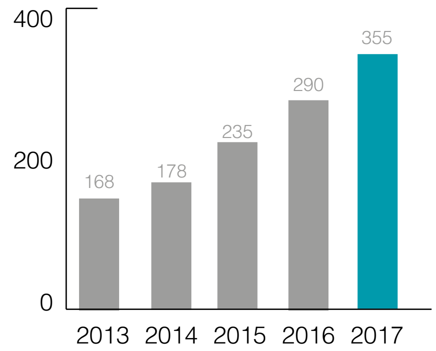
Adjusted EBITDA (Thousands of Euros)

	31 December 2017	31 December 2016
Broadcasting infrastructure	237,258	235,234
Telecom Infrastructure Services	471,585	382,539
Other Network Services	80,500	86,812
Operating income	**789,343**	**704,585**
Staff costs	(107,354)	(97,471)
Repairs and maintenance	(28,307)	(26,522)
Leases	(146,170)	(127,490)
Utilities	(74,073)	(72,604)
General and other services	(109,631)	(116,990)
Depreciation and amortisation charge	(225,382)	(176,779)
Operating profit	**98,426**	**86,729**
Depreciation and amortisation	225,382	176,779
Non-recurring expenses(1)	27,959	23,458
Advances to customers	2,771	2,590
Adjusted operating profit before depreciation and amortisation charge (Adjusted EBITDA(2))	**354,538**	**289,556**

(1) Non-recurring expenses mainly include expenses related to inorganic growth projects, tax associated with acquisitions, together with the amortization of advances to customer and prepaid expenses (impact on the 2017 income statement, without cash effect).

(2) Adjusted EBITDA: Profit from operations before D&A and after adding back (i) certain non-recurring items (such as cost related to acquisitions and contract renegotiation) or (ii) certain non-cash items (such as advances to customers and prepaid expenses).

ADJUSTED EBITDA (€ M)



GRI: 102-7, management approach for indirect economic impacts (103-1, 103-2, 103-3)

Non-recurring expenses are set out below (see in Note 17.c of the accompanying consolidated financial statements):

Non-recurring expenses (Thousands of Euros)

	31 December 2017	31 December 2016
Costs related to acquisitions (1)	10,877	9,736
Contract renegotiation (2)	3,825	5,631
Prepaid expenses (3)	13,257	8,091
Advances to customers (4)	2,771	2,590
Total non-recurring expenses and advances to customers	**30,730**	**26,048**

(1) It mainly includes the expenses incurred during the acquisition processes, relating to M&A activities (non-recurring item).

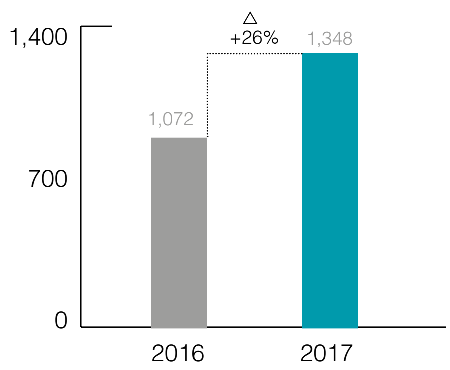
(2) It relates to the cancellation expenses concerning the renegotiation of some contracts with services providers. This renegotiations took place in order to achieve significant savings in costs over the coming years (non-recurring item).

(3) It mainly includes prepaid ground rental costs amounting to EUR 10,929 thousand (EUR 3,766 thousand in 2016), prepaid energy and agency fees incurred to renegotiate rental contracts for an amount of EUR 2,328 thousand (EUR 4,325 thousand in 2016), and which are taken to the consolidated income statement over the life of the corresponding ground lease contract (non-cash item).

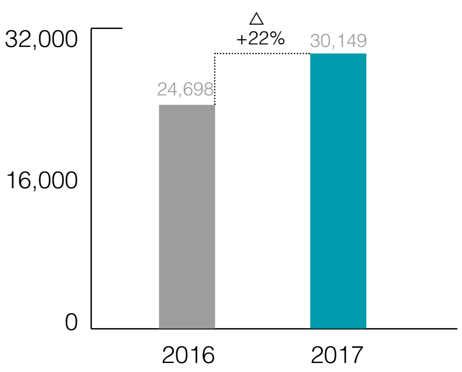
(4) It includes the amortization of amounts paid for sites to be dismantled and their corresponding dismantling costs, which are treated as advances to customers in relation to the subsequent services agreement entered into with the customer (mobile telecommunications operators). These amounts are deferred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

Business indicators

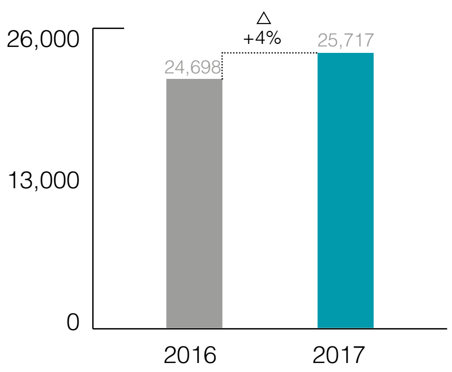
DAS NODES (1)



PoPs (TOTAL) (2)



PoPs (ORGANIC GROWTH)



(1) DAS: Distributed Antenna System

(2) PoPs: Points of Presence

Consolidated Cash Flow Generation

The ability of the Group to generate stable and growing cash flows allows it to guarantee the creation of value, sustained over time, for its shareholders. At 31 December 2017 and 2016 the Recurring Leveraged Free Cash Flow ("RLFCF") was calculated as follows.

Recurring leveraged free cash flow (Thousands of Euros)

	31 December 2017	31 December 2016
Adjusted EBTIDA (1)	354,538	289,556
Maintenance capital expenditures (2)	(25,348)	(21,423)
Changes in current assets/current liabilities (3)	3,376	17,931
Net payment of interest (4)	(40,941)	(23,208)
Income tax payment (5)	(13,349)	(11,477)
Net dividends to non-controlling interests (6)	(631)	-
Recurring leveraged free cash flow	**277,645**	**251,379**
Expansion Capex (7)	(88,136)	(57,307)
Expansion Capex (Build to Suit programs) (8)	(51,749)	-
M&A Capex (cash only) (9)	(829,961)	(669,683)
Non-Recurrent Items (cash only) (10)	(14,702)	(9,736)
Net Cash Flow from Financing Activities (11)	807,280	659,322
Other Net Cash Out Flows (12)	1,945	(32,124)
Net Increase of Cash (13)	**102,322**	**141,851**

(1) Adjusted EBITDA: Profit from operations before D&A and after adding back (i) certain non-recurring items (such as cost related to acquisitions (€11Mn) and contract renegotiation (€4Mn)) or (ii) certain non-cash items (such as advances to customers (€3Mn) and prepaid expenses (€13Mn)).
(2) Maintenance capital expenditures: investment in existing tangible or intangible assets, such as investment in infrastructure, equipment and information technology systems, and are primarily linked to keeping sites in good working order, but which excludes investment in increasing the capacity of sites.
(3) Changes in current assets/current liabilities (see the relevant section in the Consolidated Statement of Cash Flows Statement for the year ended 31 December 2017), following the same methodology used in 2016.
(4) Net payment of interest corresponds to the net of "Interest paid" and "Interest received" in the accompanying Consolidated Cash Flows Statement for the year ended 31 December 2017, following the same methodology used in 2016.
(5) Income tax payment (see the relevant section in the accompanying Consolidated Cash Flows Statement for the year ended 31 December 2017), following the same methodology used in 2016.
(6) Corresponds to the net of "Dividends to non-controlling interests" and "Dividends received" in the accompanying Consolidated Cash Flows Statement for the year ended 31 December 2017, following the same methodology used in 2016.
(7) Expansion capital expenditures: Site adaptation for new tenants (€37Mn) + Ground leases (cash advances and land acquisitions €42Mn) + Other efficiency measures associated with energy and connectivity (€9Mn). Following the same methodology used in 2016.
(8) Build to Suit committed with Bouygues (€45Mn) and Sunrise (€7Mn), at the closing of the M&A projects.
(9) M&A capital expenditures (cash only): Investments in shareholdings of companies as well as significant investments in acquiring portfolios of sites (asset purchases), after integrating into the consolidated balance sheet mainly the "Cash and cash equivalents" of the acquired companies and the contribution of minority shareholders.
The amount resulting from: (2)+(7)+(8)+(9) corresponds to "Total Investment" (see caption "Consolidated Balance Sheet and Capital Expenditure" in the accompanying Annual Integrated Report for the year ended 31 December 2017) and; also mainly corresponds to "Total net cash flow from investing activities" (see the relevant section in the accompanying Consolidated Cash Flows Statement for the year ended 31 December 2017), following the same methodology used in 2016.
(10) It consists of "non-recurring expenses and advances paid to customers" that have involved cash movements, which correspond to "Costs related to acquisitions" (11Mn) and "Contract renegotiations" (€4Mn).
(11) Mainly corresponds to "Total net cash flow from financing activities" (see the relevant section in the Consolidated Statement of Cash Flows Statement for the year ended 31 December 2017), following the same methodology used in 2016.
(12) "Foreign exchange differences" (see the relevant section in the Consolidated Statement of Cash Flows Statement for the year ended 31 December 2017), and other items, following the same methodology used in 2016.
(13) "Net (decrease)/increase in cash and cash equivalents from continuing operations" (see the relevant section in the Consolidated Statement of Cash Flows Statement for the year ended 31 December 2017), following the same methodology used in 2016.

GRI: 102-7, management approach for indirect economic impacts (103-1, 103-2, 103-3), 203-1

Net Debt Evolution

Net Debt Evolution (including accrued interest) (Thousands of Euros)

	31 December 2017	31 December 2016
Beginning of Period	**1,499,454**	**926,938**
Recurring leveraged free cash flow	(277,645)	(251,379)
Expansion Capex	88,136	57,307
Expansion Capex (Build to Suit programs)	51,749	-
M&A Capex (cash only)	829,961	669,683
Non-Recurrent Items (cash only)	14,702	9,736
Other Net Cash Out Flows	(1,945)	32,124
Payment of Dividends (1)		
Treasury Stock (liquidity contract) (2)	(1,587)	2,949
Net repayment of other borrowings (3)	1,188	6,607
Accrued Interest Not Paid and Others (non-cash)	12,622	22,438
End of Period	**2,236,635**	**1,499,454**

(1) "Dividends paid" (see the relevant section in the Consolidated Statement of Cash Flows Statement for the year ended 31 December 2017), following the same methodology used in 2016.

(2) "Purchase of treasury shares" (see the relevant section in the Consolidated Statement of Cash Flows Statement for the year ended 31 December 2017), following the same methodology used in 2016.

(3) "Net repayment of other borrowings (Profits)" (see the relevant section in the Consolidated Statement of Cash Flows Statement for the year ended 31 December 2017), following the same methodology used in 2016.

Net Payment of Interest

The reconciliation between the net payment of interest according to the consolidated statement of cashflows and the net interest expense for 2017 and 2016 is as follows:

Net Payment of Interest (Thousands of Euros)

	31 December 2017	31 December 2016
Interest Income (Note 17.g)	1,397	1,179
Interest Expense (Note 17.g)	(69,557)	(46,954)
Bond & loan interest accrued not paid	35,722	16,962
Bond issue costs – non-cash	-	4,983
Put Options – non-cash	5,365	3,978
Amortised costs – non-cash	2,119	4,932
Interest accrued in prior year paid in current year	(15,987)	(8,288)
Net payment of interest as per the Consolidated Statement of Cashflows	**(40,941)**	**(23,208)**

Income Tax Payment

The reconciliation between the payment of income tax according to the consolidated statement of cashflows and the current income tax expense for 2017 and 2016 is as follows:

Income Tax Payment (Thousands of Euros)

	31 December 2017	31 December 2016
Current tax expense (Note 15.c)	**(20,273)**	**(12,640)**
Payment of income tax prior year	(1,303)	(279)
Receivable of income tax prior year	458	-
Income tax (receivable)/payable	7,289	1,223
Others	481	219
Payment of income tax as per the Consolidated Statement of Cashflows	**(13,349)**	**(11,477)**

GRI: 102-7, management approach for indirect economic impacts (103-1, 103-2, 103-3), 203-1

Consolidated Balance Sheet and Capital Expenditure

Total assets at 31 December 2017 stood at EUR 4,056 million, a 40% increase compared with the year-end December 2016, as a result of the investments made during the 2017. Around 71% of total assets relates to property, plant and equipment and other intangible assets, in line with the nature of the Group's business related to the management of terrestrial telecommunications infrastructure. The increase in property, plant and equipment and other intangible assets is a result of the above-mentioned acquisitions.

Consolidated net equity amounted to EUR 645 million, a 17% increase on year-end 2016, mainly due to the profit generated during the year, the final dividend and the acquisition of treasury shares.

Total capital expenditure for the year ended 31 December 2017 and 2016, including property, plant and equipment, intangible assets, advance payments on ground rentals and business combinations are summarised as follows:

Type of investment (Thousands of Euros)

	31 December 2017	31 December 2016
Maintenance capital expenditures [(1)]	25,348	21,423
Expansion capital expenditures (2)	139,885	57,307
M&A capital expenditures [(3)]	1,017,454	705,556
Total investment	**1,182,687**	**784,286**

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

(2) Expansion capital expenditures: Site adaptation for new tenants, ground leases (cash advances and land acquisitions), built-to-suit (Bouygues and Sunrise programmes), and other efficiency measures associated with energy and connectivity. Following the same methodology used in 2016.

(3) M&A capital expenditures: Investments in shareholdings of companies as well as significant investments in acquiring portfolios of sites (asset purchases).

Information relating to the deferred of payments to suppliers

SEE NOTE 14 OF THE CONSOLIDATED FINANCIAL STATEMENTS

Use of financial instruments

SEE NOTE 4 OF THE CONSOLIDATED FINANCIAL STATEMENTS

Creating value in the company

Cellnex' borrowings are represented by a combination of loans, credit facilities and bonds issues. As at 31 December 2017, the total limit of loans and credit facilities available was EUR 1,695,922 thousand (EUR 960,348 thousand as at 31 December 2016), of which EUR 1,152,351 thousand represents credit facilities and EUR 543,571 thousand in loans (EUR 868,098 thousand in credit facilities and EUR 92,250 thousand in loans as at 31 December 2016). In addition, the total outstanding amount in bonds was EUR 1,890,000 thousand (EUR 1,415,000 thousand as at 31 December 2016).

As at 31 December 2017, Cellnex weighted average cost of debt (considering both the drawn and undrawn borrowings) was 2.0%(3) (2.0% as at 31 December 2016) and the weighted average cost of debt (considering only the drawn down borrowings) was 2.4% (2.5% as at 31 December 2016).

Cellnex´s Financial Structure (Thousands of Euros)

	Notional as of 31 December 2017			Notional as of 31 December 2016		
	Límit	Drawn	Undrawn	Límit	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**

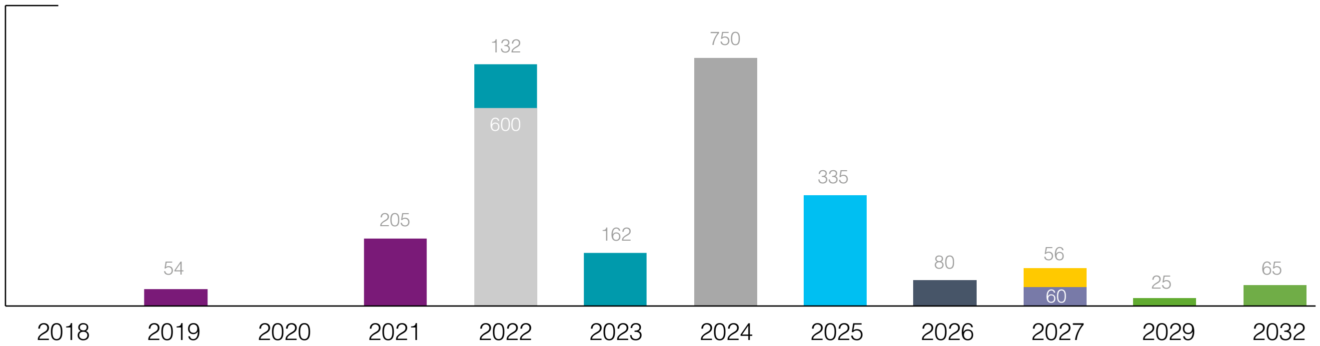
GRI: 102-7, management approach for indirect economic impacts (103-1, 103-2, 103-3), 203-1

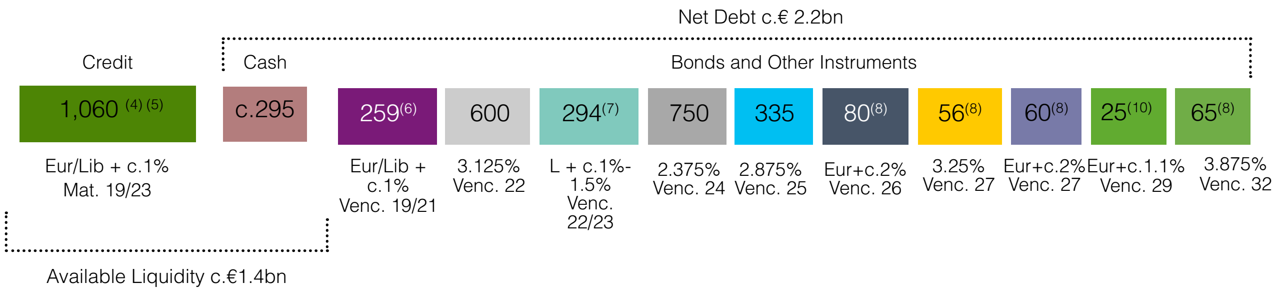
The following graph sets forth Cellnex's notional contractual obligations in relation to borrowings as of 31 December 2017 (EUR million).

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

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

CONTRACTUAL OBLIGATIONS AS OF 31 DECEMBER 2017 (EUR MILLION)





(3) Considering current Euribor rates; cost over full financing period to maturity
(4) RCF Euribor 1M; Credit facilities Euribor 1M and 3M; floor of 0% applies
(5) Maturity 5 years with 2 extensions of 1 year to be mutually agreed
(6) Includes c.£150Mn debt in GBP; hedge investment in Shere Group (UK)
(7) c.CHF355Mn debt in Swiss Francs hedge investment in Swiss Towers: project financing local level + Cellnex's equity contribution
(8) Private placement
(9) Bilateral loan
(10) EIB

Liquidity and Capital Resources

On 31 December 2017, net bank borrowings and bond issues amounted to EUR 2,237 million (EUR 1,499 million as at 31 December 2016), including a consolidated cash and cash equivalents position of EUR 295 million (EUR 193 million as at 31 December 2016). The ratio of net bank borrowings and bond issues to Adjusted annualised EBITDA amounts to 5.5x [11] (4.6x in December 2016).

The average annual cost on 31 December 2017 of all available borrowings would be 2.0% if entirely drawn down (2.0% in 2016).

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

Bank borrowings and bond issues (Thousands of Euros)

	December 31 2017	December 31 2016
Bank borrowings (Note 13)	633,189	281,839
Bond issues (Note 13)	1,898,619	1,410,466
	2,531,808	**1,692,305**
Cash and equivalents (Note 11)	(295,173)	(192,851)
Net bank borrowings and bond issues	**2,236,635**	**1,499,454**

Breakdown of the available liquidity at 31 December 2017 and 2016 (Thousands of Euros)

	December 31 2017	December 31 2016
Available in credit facilities (Note 13)	1,060,070	679,797
Cash and cash equivalents (Note 11)	295,173	192,851
Available liquidity at 31 December 2017	**1,355,243**	**872,648**

(11) The ratio is calculated as 12-month forward-looking Adjusted EBITDA (see outlook 2018), divided by net debt 2017.

GRI: 102-7, management approach for economic performance (103-1, 103-2, 103-3)

Shareholder remuneration

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

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

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

2017-2019 Dividend Policy

The following Dividend Policy shall be applicable:

- 2017: dividend, which will be distributed against 2017 Net Profit, will be equivalent to that of 2016 (€20Mn against 2016 Net Profit) increased by 10%.

- 2018: dividend, which will be distributed against 2018 Net Profit, will be equivalent to that of 2017, increased by 10%.

- 2019: dividend, which will be distributed against 2019 Net Profit, will be equivalent to that of 2018, increased by 10%.

The payment of the dividends will be made on the specific dates to be determined in each case and will be duly announced.

Notwithstanding the above, the Company's ability to distribute dividends depends on a number of circumstances and factors including, but not limited to, net profit attributable to the Company, any limitations included in financing agreements and Company's growth strategy. As a result, such circumstances and factors may modify this Dividend Policy. In any case, any future amendment on this policy will be duly announced.

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

GRI: 102-7, management approach for economic performance (103-1, 103-2, 103-3)

Cellnex's tax contribution

The Cellnex fiscal strategy sets out the fundamental guidelines governing the decisions and actions of the Cellnex Group in taxation matters. The Company has also developed a standard for control and management of fiscal risks, which defines the principles and structure of the framework for managing and monitoring such risks.

The Group acts responsibly in tax matters in its business management and meets its tax obligations in all the countries in which it operates, currently Spain, Italy, the Netherlands, France, the UK and Switzerland, applying consistent fiscal criteria in accordance with regulations, Statute and case law and maintaining appropriate relations with the corresponding tax authorities.

Cellnex is also sensitive to and aware of its responsibility in the economic development of the territories in which it operates, helping to create economic value by paying taxes, both on its own account and those collected from third parties. Accordingly, it makes a substantial effort and pays great attention to fulfilling its tax obligations, in accordance with the applicable rules in each territory.

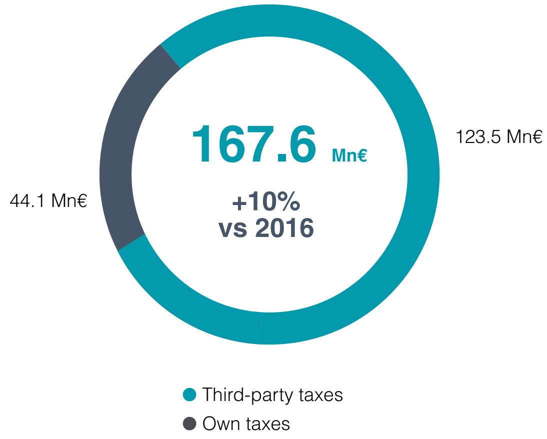
Following OECD methodology on cash basis accounting, **Cellnex's total tax contribution in 2017** was € 167.6 million (151.9 in FY 2016). Own taxes are those paid by the company and third party taxes are those collected and aid into the various tax offices on behalf of such third parties, therefore they are not a cost to the company.

Cellnex's total tax contribution in 2017 (€ million)

	Own taxes (1)	Third-party taxes (2)	Total
Spain	27.7	78	105.7
Italy	11.4	33.5	44.9
France	0.03	-	0.03
Netherlands	1	7.3	8.3
United Kingdom	0.8	1.7	2.5
Switzerland	3.2	3	6.2
Total	**44.1**	**123.5**	**167.6**

(1) Includes taxes that are an effective cost to the company (basically includes payments of income tax, local taxes, miscellaneous taxes and employer's social security contributions).

(2) Includes taxes that do not affect the result but are collected by Cellnex on behalf of the tax administration or are paid in for third parties (basically includes net value added tax, deductions from employees and third parties, and employees' Social Security contributions).



Value generated and distributed

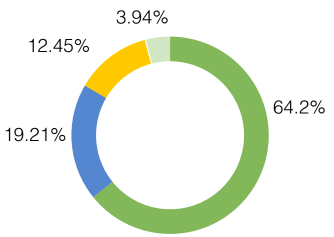
Value generated in 2017 by Cellnex reached 791 € million, distributed mainly to suppliers, employees, shareholders and public administration.

791 € MILLION

VALUE GENERATED IN 2017

558 € MILLION

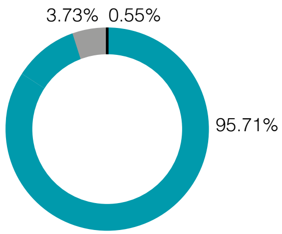
AMOUNT DISTRIBUTED



- Purchased goods and services
- Staff costs
- Financial costs
- Environmental costs 0.13
- Ordinary dividends
- Corporation tax 0.08

233 € MILLION

AMOUNT WITHHELD



- Amortisations
- Result no distributed
- Provisions

Key Indicators and contribution to the Sustainable Development Goals

1.55x

Infrastructure sharing ratio

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Check of the carbon footprint of Cellnex Spain and Italy

13 CLIMATE ACTION

Incorporation of a new women independent Director

5 GENDER EQUALITY

92%

of customers satisfied with the service provided by Cellnex

17 PARTNERSHIPS FOR THE GOALS

Preparation of a responsible and proximity Procurement Policy

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Pilot project with services sector entities in an IoT connectivity project in social housing

17 PARTNERSHIPS FOR THE GOALS

1.7Mn €

R&D projects investment

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Post balance sheet events

Spain corporate reorganisation

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

- Acquisition by Cellnex Telecom España, S.L.U. of 100% of the shares of Retevisión-I, S.A.U., Tradia Telecom, S.A.U. and On Tower Telecom Infraestructuras, S.A.U. owned by Cellnex Telecom, S.A., for a carrying amount of EUR 977 million.

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

2018 convertible bond

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

The bonds will carry a coupon of 1.5% payable annually in arrears. Cellnex may opt to redeem all (but not some) of the bonds on or after 18 July 2022, if the market value of the underlying shares per EUR 100,000 principal amount of the bonds exceeds EUR 130,000 during a specified period of time, or, at any time, if more than 85% of the aggregate principal amount of the bonds initially issued have been converted and/or redeemed and/or purchased and cancelled. The Terms and Conditions of the bonds include a change of control put clause, at the option of bondholders, which could result in early repayment.

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

Treasury shares purchase program

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

Reorganisation plan

In February 2018 the Group has communicated its intention to present a plan to adjust the workforce in its Spanish subsidiaries Tradia and Retevisión, which manage the terrestrial television infrastructure network. The Group has started conversations with the workforce representatives in order to propose and to reach an agreement in similar conditions to the reorganisation plan made between 2012 and 2014.

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

In this way, the Group is seeking to renew its workforce and modify the professional profiles required to manage these new technologies. In other countries which Cellnex has entered in recent years as part of the expansion of its telecommunications infrastructure management business for mobile telephones, the Group has established a lean structure, using outsourced resources for the various infrastructure maintenance services.

Strategic challenges

When it was floated in 2015, Cellnex identified four key strategic challenges on which the company aimed to focus, in an attempt to respond to the aim of sustained growth (diversification and internationalisation) and sustainable growth (capability to manage and integrate this growth) to ensure the competitiveness and attractiveness of the project in both the medium and the long term.

Since then, Cellnex has worked to achieve the above-mentioned challenges. During 2017, a number of measures and initiatives were implemented in response to each of the challenges, which are set out on the pages indicated below:

Cellnex Strategic Challenges

Transform the company from a national single-product company into an international and multi-product one through the challenge of adaptation.

- **Management processes:** see section "People management", pages 72-79
- **Corporate governance:** see section "Corporate Governance", pages 57-64
- **Organisational culture:** see section "Corporate Culture", page 56
- **Recasting and reinforcing the teams:** see section "People management", pages 72-79
- **Adopting a model for integration of new acquisitions:** see section "Consolidation", page 14

Combining growth and consolidation
Conclude new agreements with large and small telecommunications service operators for the provision of mobile broadband connectivity, broadcasting and "Internet of Things" projects. This translates into sustained growth of the sharing ratio and the number of teams deployed at our network of sites.

- See section "Business Model", pages 38-50

Maintain the momentum towards internationalisation.
Consolidate positions in Spain and Italy and explore and exploit opportunities in markets such as the UK, Germany and France; they are the vectors of the inorganic growth of Cellnex Telecom, capitalising on the dynamics of mobile operators outsourcing networks.

- See section Growth, Expansion and Consolidation, pages 10-16

Meet expectations: maintaining investor confidence.
Cellnex's IPO in 2015 was also a "pact" with shareholders regarding the company's future performance. Fulfilling this commitment means responding to all challenges ahead and earning investor confidence in the Cellnex project.

- See section "Key figures", pages 18-19

Business outlook

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

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

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

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

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

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

This outlook for the Group, along with the ongoing efforts to improve efficiency, allows it to expect higher on-going operating returns.

No new risks or uncertainties are expected other than those noted above [12] that are inherent to the business or those indicated in the accompanying consolidated financial statements for the year ended on 31 December 2017. Nonetheless, the Group has strived and will continue to strive to optimise its management control over operating costs and investments.

(12) See details in Annex I

Future prospects. The great opportunity of the Digital Single Market

Cellnex is playing an important role in achieving the objectives of the Digital Single Market Strategy. An example of this is that, in 2017, Cellnex received a loan of EUR 100 million from the European Investment Bank (EIB) for the development of mobile telecommunications infrastructure in Spain and Italy. The agreement is supported by the European Fund for Strategic Investments, the central pillar of the Investment Plan for Europe, known as the “Juncker Plan”.

Specifically, Cellnex plans to deploy new telecommunications sites in rural and urban environments, as well as DAS nodes, which will be located at points of high demand for mobile broadband communications. This funding is crucial to prepare mobile networks for the arrival of 5G, which will help to comply with the Digital Single Market Strategy, one of whose objectives is for at least one city in each EU Member State to be able to offer 5G services by 2020.