2018

Integrated Annual Report

Consolidated Financial Statements

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 25). In the event of a discrepancy, the Spanish-language version prevails.

cellnex

TABLE OF CONTENTS

Consolidated balance sheet 3
Consolidated income statement 5
Consolidated statement of comprehensive income 6
Consolidated statement of changes in net equity 7
Consolidated statement of cash flows 8

1. General information 10
2. Basis of presentation 10
3. Accounting policies and measurement bases 25
4. Issues arising from the transition to the new standards adopted during the current period 41
5. Financial and capital risk management 46
6. Business combinations 51
7. Property, plant and equipment 57
8. Goodwill and other intangible assets 63
9. Investments in associates 68
10. Current and non-current financial investments 69
11. Trade and other receivables 70
12. Cash and cash equivalents 72
13. Net equity 72
14. Borrowings 80
15. Leases 87
16. Trade and other payables 90
17. Income tax and tax situation 91
18. Provisions and other liabilities and employee benefit obligations 98
19. Revenue and expenses 106
20. Environmental information 112
21. Segment reporting 112
22. Related parties 116
23. Other disclosures 118
24. Post balance sheet events 118
25. Explanation added for translation to English 119

APPENDIX I.Subsidiaries included in the scope of consolidation at 31.12.2018 120
APPENDIX II. Associates included in the scope of consolidation at 31.12.2018 124

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2018

(Thousands of Euros)

	Notes	31 December 2018	31 December 2017 (*)	1 January 2017 (*)
ASSETS				
NON-CURRENT ASSETS				
Goodwill	Note 8	582,454	566,557	380,217
Other intangible assets	Note 8	1,321,878	1,353,959	1,035,166
Right-of-use assets	Note 15	573,565	454,735	370,903
Property, plant and equipment	Note 7	1,903,742	1,507,259	1,048,445
Investments in associates	Note 9	2,803	3,280	3,551
Financial investments	Note 10	19,593	17,694	11,640
Derivative financial instruments		-	164	-
Trade and other receivables	Note 11	19,950	10,985	7,872
Deferred tax assets	Note 17.d	55,322	40,869	39,063
Total non-current assets		**4,479,307**	**3,955,502**	**2,896,857**
CURRENT ASSETS				
Inventories		3,864	1,277	2,023
Trade and other receivables	Note 11	193,152	192,452	119,015
Receivables from associates	Note 22.c	79	78	113
Financial investments	Note 10	921	921	921
Cash and cash equivalents	Note 12	455,870	295,173	192,851
Total current assets		**653,886**	**489,901**	**314,923**
TOTAL ASSETS		**5,133,193**	**4,445,403**	**3,211,780**

The accompanying Notes 1 to 25 and Appendices I and II attached form an integral part of the consolidated balance sheet at 31 December 2018.

(*) Restated balances. Certain amounts included in the consolidated balance sheet at 31 December 2017 do not relate to those included in the consolidated financial statements for the year ended 31 December 2017, and reflect the adjustments described in Note 2.b.

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 25). In the event of a discrepancy, the Spanish-language version prevails.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2018

(Thousands of Euros)

	Notes	31 December 2018	31 December 2017 (*)	1 January 2017 (*)
NET EQUITY				
Share capital and attributable reserves				
Share capital	Note 13.a	57,921	57,921	57,921
Treasury shares	Note 13.a	(5,572)	(1,859)	(2,694)
Share premium	Note 13.b	314,522	338,733	338,733
Reserves	Note 13.c	126,002	46,384	8,874
Profit for the period	Note 13.g	(14,983)	26,270	39,817
		477,890	**467,449**	**442,651**
Non-controlling interests	Note 13.f	137,476	142,158	80,275
Total net equity		**615,366**	**609,607**	**522,926**
NON-CURRENT LIABILITIES				
Bank borrowings and bond issues	Note 14	2,996,773	2,505,301	1,683,960
Lease liabilities	Note 15	423,955	349,480	257,330
Derivative financial instruments		1,255	-	-
Provisions and other liabilities	Note 18.a	236,533	217,984	176,061
Employee benefit obligations	Note 18.b	16,196	5,646	2,496
Deferred tax liabilities		333,306	349,929	290,281
Total non-current liabilities		**4,008,018**	**3,428,340**	**2,410,128**
CURRENT LIABILITIES				
Bank borrowings and bond issues	Note 14	130,833	69,615	17,732
Lease liabilities	Note 15	102,382	76,502	87,789
Employee benefit obligations	Note 18.b	35,465	23,593	6,276
Payables to associates	Note 22.c	2	171	-
Trade and other payables	Note 16	241,127	237,575	166,929
Total current liabilities		**509,809**	**407,456**	**278,726**
TOTAL NET EQUITY AND LIABILITIES		**5,133,193**	**4,445,403**	**3,211,780**

The accompanying Notes 1 to 25 and Appendices I and II attached form an integral part of the consolidated balance sheet at 31 December 2018.

(*) Restated balances. Certain amounts included in the consolidated balance sheet at 31 December 2017 do not relate to those included in the consolidated financial statements for the year ended 31 December 2017, and reflect the adjustments described in Note 2.b.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

(Thousands of Euros)

	Notes	2018	2017 (*)
Services		867,449	757,605
Other operating income		30,422	31,738
Operating income	Note 19 a	**897,871**	**789,343**
Staff costs	Note 19.b	(172,650)	(107,354)
Other operating expenses	Note 19 c	(209,807)	(203,047)
Change in provisions	Note 19.e	983	1,517
Losses on fixed assets	Notes 7 and 8	(1,021)	(215)
Depreciation and amortisation	Notes 7 and 8	(402,846)	(351,682)
Operating profit		**112,530**	**128,562**
Financial income		3,461	1,397
Financial costs		(97,831)	(69,557)
Interest expense on lease liabilities		(54,454)	(40,917)
Net financial profit	Note 19.f	**(148,824)**	**(109,077)**
Profit of companies accounted for using the equity method	Note 9	113	96
Profit before tax		**(36,181)**	**19,581**
Income tax	Note 17	18,439	4,218
Consolidated net profit		**(17,742)**	**23,799**
Attributable to non-controlling interests	Note 13.f	(2,759)	(2,471)
Net profit attributable to the Parent Company		**(14,983)**	**26,270**
Earnings per share (in euros per share):			
Basic	Note 13 e	(0.06)	0.11
Diluted	Note 13 e	(0.06)	0.11

The accompanying Notes 1 to 25 and Appendices I and II attached form an integral part of the consolidated balance sheet at 31 December 2018.

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

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CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

(Thousands of Euros)

	2018	2017 (*)
PROFIT FOR THE PERIOD	**(17,742)**	**23,799**
Income and expenses recognised directly in net equity, transferable to the consolidated income statement:		
Variation in cash flow hedges of the Parent Company and fully and proportionately consolidated companies	(1,045)	134
Total consolidated comprehensive income	**(18,787)**	**23,933**
Attributable to:		
- Company shareholders	(16,028)	26,404
- Non-controlling interests	(2,759)	(2,471)
Total consolidated comprehensive income	**(18,787)**	**23,933**

The accompanying Notes 1 to 25 and Appendices I and II attached form an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2018.

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

CELLNEX TELECOM, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

(Thousands of Euros)

	Share capital	Treasury shares	Share premium	Reserves	Profit for the year	Non-controlling interests	Net equity
At 1 January 2017	**57,921**	**(2,694)**	**338,733**	**36,000**	**39,817**	**81,424**	**551,201**
Impact of adopting IFRS 16 (Note 4)	-	-	-	(27,126)	-	(1,149)	**(28,275)**
At 1 January 2017 restated (*)	**57,921**	**(2,694)**	**338,733**	**8,874**	**39,817**	**80,275**	**522,926**
Comprehensive income for the year	-	-	-	134	26,270	(2,471)	**23,933**
Distribution of 2016 profit	-	-	-	39,817	(39,817)	-	**-**
Change in scope	-	-	-	19,341	-	70,412	**89,753**
Treasury shares	-	835	-	743	-	-	**1,578**
Final dividend	-	-	-	(20,000)	-	(1,996)	**(21,996)**
Foreign exchange reserves	-	-	-	(2,525)	-	(4,062)	**(6,587)**
At 31 December 2017 (*)	**57,921**	**(1,859)**	**338,733**	**46,384**	**26,270**	**142,158**	**609,607**
At 1 January 2018 (*)	**57,921**	**(1,859)**	**338,733**	**46,384**	**26,270**	**142,158**	**609,607**
Impact of adopting IFRS 9	-	-	-	(7,052)	-	-	**(7,052)**
At 1 January 2018	**57,921**	**(1,859)**	**338,733**	**39,332**	**26,270**	**142,158**	**602,555**
Comprehensive income for the year	-	-	-	(1,045)	(14,983)	(2,759)	**(18,787)**
Distribution of 2017 profit	-	-	-	26,270	(26,270)	-	**-**
Change in scope	-	-	-	(462)	-	-	**(462)**
Treasury shares	-	(3,713)	-	215	-	-	**(3,498)**
Final dividend	-	-	(24,211)	-	-	(6,828)	**(31,039)**
Issuance of Convertible Bond	-	-	-	62,480	-	-	**62,480**
Foreign exchange reserves	-	-	-	(2,389)	-	4,905	**2,516**
Other	-	-	-	1,601	-	-	**1,601**
At 31 december 2018	**57,921**	**(5,572)**	**314,522**	**126,002**	**(14,983)**	**137,476**	**615,366**

The accompanying Notes 1 to 25 and Appendices I and II attached form an integral part of the statement of changes in the consolidated equity corresponding to the year ended 31 December 2018.

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

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CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

(Thousands of Euros)

	Notes	2018	2017 (*)
Profit/(loss) for the period before tax		**(36,181)**	**19,581**
Adjustments to profit-			
Depreciation	Note 19.f	402,846	351,682
Gains/(losses) on derecognition and disposals of non-current assets		1,021	215
Changes in provisions		(983)	(1,517)
Interest and other income		(3,461)	(1,397)
Interest and other expenses		152,285	110,474
Share of results of companies accounted for using the equity method	Note 9	(113)	(96)
Other income and expenses		1,487	1,011
Changes in current assets/current liabilities-			
Inventories		(2,316)	746
Trade and other receivables		1,585	(28,552)
Other current assets and liabilities		2,765	38,692
Cash flows generated by operations			
Interest paid		(119,797)	(82,311)
Interest received		840	453
Income tax received/(paid)		(20,219)	(13,349)
Employee benefit obligations and current provisions		16,519	(20,819)
Total net cash flow from operating activities (I)		**396,278**	**374,813**

The accompanying Notes 1 to 25 and Appendices I and II attached form an integral part of the consolidated statement of cash flows corresponding to the year ended 31 December 2018.

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

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

(Thousands of Euros)

	Notes	2018	2017 (*)
Business combinations and changes in the scope of consolidation		(38,154)	(471,697)
Purchases of property, plant and equipment and intangible assets	Note 7 and 8	(575,912)	(462,552)
Non-current financial investments		(10,967)	(12,050)
Total net cash flow from investing activities (II)		**(625,033)**	**(946,299)**
Acquisition of treasury shares		(5,035)	1,587
Issue of equity instruments	Note 13	62,480	-
Proceeds from issue of bank borrowings	Note 14	543,404	689,996
Bond issue	Note 14	591,615	467,159
Repayment and redemption of bank borrowings	Note 14	(603,663)	(330,274)
Net repayment of other borrowings	Note 14	(11,220)	(1,188)
Net payment of lease liabilities	Note 15	(151,596)	(137,847)
Dividends paid	Note 13	(24,211)	(20,000)
Dividends to non-controlling interests		(6,987)	(998)
Dividends received		713	367
Total net cash flow from financing activities (III)		**395,500**	**668,802**
Foreign exchange differences		(6,048)	5,006
NET (DECREASE)/INCREASE IN CASH AND CASH			
EQUIVALENTS FROM CONTINUING OPERATIONS (I)+(II)+(III)		**160,697**	**102,322**
Cash and cash equivalents at beginning of period		295,173	192,851
Cash and cash equivalents at end of period	Note 12	**455,870**	**295,173**

The accompanying Notes 1 to 25 and Appendices I and II attached form an integral part of the consolidated statement of cash flows corresponding to the year ended 31 December 2018.

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

Cellnex Telecom, S.A. and Subsidiaries
Notes to the consolidated financial statements for the year ended on 31 December 2018

1. General information

Cellnex Telecom, S.A., (hereinafter, the "Parent Company" or "Cellnex") was incorporated in Barcelona on 25 June 2008. Its registered office is at Calle Juan Esplandiú nº 11 in Madrid. On 1 April 2015, it changed its name from Abertis Telecom Terrestre, S.A.U. to Cellnex Telecom, S.A.

The Company's corporate purpose, as set out in its bylaws, includes:

- The establishment and operation of all kinds of telecommunication infrastructures and/or networks, as well as the provision, management, marketing and distribution, for its own benefit or for the benefit of third parties, of all types of services based on or through such infrastructures and/or networks.

- The planning, technical assistance, management, organisation, coordination, supervision, maintenance and conservation of such installations and services under any type of contractual arrangement allowed by law, especially administrative concessions.

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

Cellnex Telecom, S.A. is the parent of a group of companies engaged in the management of terrestrial telecommunications infrastructures.

2. Basis of presentation

a) Basis of presentation

The consolidated financial statements of Cellnex Telecom, S.A. and Subsidiaries for the year ended on 31 December 2018, 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 21 February 2019.

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 2018 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 2018 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 2017 were approved by the shareholders of the Parent Company on 31 May 2018

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 2018:

	New standards, amendments and interpretations	Obligatory Application in Annual Reporting Periods Beginning On or After:
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
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 (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	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
Amendments to IFRS 4 – Insurance Contracts	It allows entities within the scope of IFRS 4 the option to apply IFRS 9 with certain exceptions ("overlay approach") or its temporary exemption.	1 January 2018
Improvements to IFRS Cycle 2014-2016.	Minor modifications of a series of rules.	1 January 2018
Modification to IFRS 9 Characteristics of early cancellation with negative compensation	This amendment will allow the valuation at amortized cost of some financial assets prepayable in advance for an amount less than the outstanding amount of principal and interest on said principal.	1 January 2019
IFRIC 23 - Uncertainty about tax treatments	This interpretation clarifies how to apply the registration and valuation criteria of IAS 12 when there is uncertainty about the acceptability by the fiscal authority of a specific tax treatment used by the entity	1 January 2019

(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 was deferred until 1 January 2018.

(2) Early adoption is permitted together with IFRS 15.

The Group has applied the aforementioned standards and interpretations since their entry into force, which has not given rise to any significant change in its accounting policies, except for the considerations detailed below:

Adoption of IFRS 15 Revenue from contracts customers

IFRS 15 - Revenue from contracts with customers (IFRS 15) is applicable to annual periods beginning on or after January 1, 2018.

IFRS 15 replaces IAS 18 - Revenue and IAS 11 - Construction Contracts and is 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

The Group has decided to adopt IFRS 15 retrospectively, in line with the manner in which the Group has decided to adopt IFRS 16.

The Group has analyzed the different types of transactions through which it has historically generated revenues in order to identify the impact from the adoption of IFRS 15.

The majority of the revenues from the three segments (Telecommunications Infrastructure Services, Broadcasting Infrastructure and Other Network Services) do not include separate performance obligations, and in general terms, the different series of services are substantially the same and 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.

In accordance with the analyses, there is no impact derived from the adoption of IFRS 15.

Adoption of IFRS 9 Financial Instruments

On 1 January 2018, the Group began 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 adopted 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 effect to date, after evaluating most of the balances with the Group's customers, amounted to approximately EUR 7 million (amount that has been provided for with a charge to reserves as of 1 January 2018).

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 had no effect on these liabilities.

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. The adoption of IFRS 16 is mandatory in annual reporting periods beginning on or after 1 January 2019, however, it was early adopted by the group for the first time for the purposes of preparing the consolidated interim financial statements corresponding to the period ended on 30 June 2018.

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 depreciation of the recognized asset and the annual financial charge associated with the financial liability (these two items together give the total 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 that 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.

For the purpose of applying IFRS 16, the Group has applied 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 described below:

- Transition form: the Group has applied IFRS 16 in line with paragraph C5 a) of its Appendix C on transition and effective date, that is, retrospectively. The Directors of the Parent Company consider that this option allows for comparative analysis between periods with greater rigor 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 has generally applied the interest rate implicit in the lease contracts. In relation to the transition process, contracts prior to 2012 have been valued using an estimated incremental borrowing rate, since the Directors have considered that the determination of the implicit rate in these contracts involved considerably greater difficulty due, among other reasons, to their age. The portfolios of contracts acquired from 2012 onwards have been valued using implicit rates, 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 covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

As indicated in previous paragraphs, the Group has decided to adopt IFRS 16 retrospectively. 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, have been 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.

The impact related to the adoption of IFRS 16 is set out in note 4 of the accompanying consolidated financial statements.

(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
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
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
Modification to IAS 28 Long-term interest in associates and joint ventures	Clarifies that IFRS 9 should be applied to long-term interests in an associate or joint venture if the equity method is not applied.	1 January 2019
		Not yet approved for use in the European Union (1)
IFRS 17 Insurance contracts	It will replace IFRS 4. It includes the principles of registration, valuation, presentation and breakdown of insurance contracts.	1 January 2021
Improvements to IFRSs, 2015 – 2017 Cycle	Modifications to a series of standards.	1 January 2019
Modification to IAS 19 Modification, reduction or liquidation of a plan.	Clarifies how to calculate the cost of the service for the current period and the net interest for the remainder of an annual period when a modification, reduction or liquidation of a defined benefit plan occurs.	1 January 2019

	New standards, amendments and interpretations	Obligatory Application in Annual Reporting Periods Beginning On or After:
Amendments to IFRS 3 Definition of a business	Clarifications to the business definition	1 January 2020
Amendments to IAS 1 and IAS 8 Definition of "materiality"	Modifications to IAS 1 and IAS 8 to align the definition of "materiality" with that contained in the conceptual framework	1 January 2020

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

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.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 6).

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 17.b).

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

g) Deferred tax assets and income tax (see Notes 3.l and 17).

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 18).

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

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

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

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

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

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

Finally, the figures contained in all the financial statements forming part of the consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in 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 2017 contained in these consolidated financial statements for 2018 is submitted solely and exclusively for the purpose of comparison.

f) Materiality

IIn 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 2018.

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 2018.

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 2018.

(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 2018 financial year were as follows:

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

(1) Acquisition Date : 08/03/2018 ; (2) Acquisition Date : 12/07/2018 ; (3) Incorporation Date : 30/11/2018 ; (4) Incorporation Date : 13/11/2018 ; (5) Liquidation date : 26/04/2018; (6) Liquidation date : 23/04/2018 ; (7) Liquidation date : 21/12/2018

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

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

ii) Acquisition of Xarxa Oberta de Catalunya

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

As a result of the above, the total acquisition price of the transaction, amounted to EUR 36 million .The actual cash outflow in relation to this transaction (Enterprise Value) has been EUR 34 million following the incorporation of EUR 2 million of cash balances on the balance sheet of the acquired company (see Note 6).

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

iii) Towerlink France S.A.S.

During the second half of 2018, Cellnex France, S.A.S. created the subsidiary Towerlink France, S.A.S. ("Towerlink France") with a share capital of EUR 1 thousand through the creation of 1,000 shares with a nominal value of EUR 1 per share.

Subsequently, on 5 December 2018, Towerlink France increased its share capital to EUR 20 thousand. The capital increase was subscribed by Cellnex France by 99.9%, while the remaining 0.01% was subscribed by Bouygues Telecom.

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

iv) Nearby Sensors, S.L.

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

Nearby Sensor, established in 2013 and based in Barcelona, is dedicated to rolling-out the Internet of Things (IoT), edge computing, and the automation of IT-OT hybrid processes (industrial IoT), that will emerge with the roll-out of 5G.

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

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

Selling/ Spun-off company	Buying/ Resulting company	Comments	Date
Disposals:			
Cellnex Telecom, S.A. [(1)]	Cellnex Telecom España, S.L.U.	Transfer of 100% of the ownership interest in Retevisión-I, S.A.U. by Cellnex Telecom, S.A.	14/02/2018
Cellnex Telecom, S.A. [(1)]	Cellnex Telecom España, S.L.U.	Transfer of 100% of the ownership interest in Tradia Telecom, S.A.U. by Cellnex Telecom, S.A.	14/02/2018
Cellnex Telecom, S.A. [(1)]	Cellnex Telecom España, S.L.U.	Transfer of 100% of the ownership interest in On Tower Telecom Infraestructuras, S.A.U. by Cellnex Telecom, S.A.	14/02/2018
Retevisión-I, S.A.U.	Cellnex Telecom España, S.L.U.	Sale of the investment in Gestora del Espectro, S.L. by Retevisión-I, S.A.U	09/10/2018
Infracapital Alticom BV	Cellnex Netherlands BV	Sale of the investment in Alticom Holding BV by Infracapital Alticom BV	29/12/2018
Alticom Holding BV	Cellnex Netherlands BV	Sale of the investment in Alticom BV and Breedlink BV by Alticom Holding BV	29/12/2018

Mergers:			
Alticom BV [(2)] Infracapital Alticom BV Alticom Holding BV	Alticom BV	Merger by absortion of Alticom BV (absorbing company) with Infracapital Alticom BV and Alticom Holding BV (absorbed companies).	29/12/2018
Galata, S.p.A. OnTower Italia, S.r.L. TMI, S.r.L	Galata, S.p.A.	Merger by absortion of Galata, S.p.A (absorbing company) with OnTower Italia, S.r.L and TMI, S.r.L (absorbed companies).	01/10/2018

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

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

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

The changes to the scope of consolidation that occurred during the 2017 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:			
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 hold 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 Deutsche Telecom Capital Partners and Swiss Life. 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) was EUR 400 million following the incorporation of EUR 38 million of cash balances on the balance sheet of the acquired company (see Note 6).

Thus, following this acquisition, Swiss Towers was 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 was 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 6).

Thus, following this acquisition, Infracapital Alticom subgroup was 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 was 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

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

(iii) Other intangible assets

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

(iv) Goodwill

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

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

Any impairment of goodwill recognised separately (that of subsidiaries and joint ventures) is reviewed annually through an impairment test (or in intermediate periods if there are signs of impairment), to determine whether its value has declined to a level below the carrying amount, and any impairment loss is recognised in consolidated profit or loss for the year, as applicable (see Notes 3.b). 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 that 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 2018, 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.

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

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

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

e) Derivative financial instruments

The Group uses derivative financial instruments to manage its financial risk, arising mainly from changes in interest rates and exchange rates (see Note 5). 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 14, and the change in the hedging reserve recognised in consolidated equity is set out in Note 13.

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 is taken directly to the income statement for the year.

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

(iv) Fair value and valuation techniques

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

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

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

- Level 2 - Inputs are based on quoted prices for similar assets or liabilities in active markets (not included in level 1), prices quoted for identical or similar assets or liabilities in markets that are not active, techniques based on valuation models for which all relevant inputs are observable in the market or can be corroborated by observable market data.

- Level 3 - In general, inputs are unobservable and reflect estimates based on market assumptions to determine the price of the asset or liability. Unobservable data used in the valuation models are significant in the fair values of the assets and liabilities

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

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

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

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

As at 31 December 2018 and 2017 the Group had derivative financial instruments (see Note 14).

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 14).

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, 2017 and 2018 with the objective to retain key personnel and incentivise the sustainable creation of value for the shareholders, is based on the variables described below:

LTIP (2015-2017)

On 10 April 2015 the Long Term Incentive Plan (2015-2017) was approved. This plan accrued from May 2015 until 31 December 2017 and was paid in 2018 after the Group's annual accounts corresponding to the 2017 financial year were approved. The beneficiaries of this Plan were the CEO, the Senior Management and certain key employees of the Cellnex Group (up to 32 employees).

The amount to be received by the beneficiaries was 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) 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 was EUR 7.8 million.

LTIP (2017-2019)

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

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

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

1. 50%; the attainment of certain RLFCF per share figures according to the market consensus and at a constant scope of consolidation. The scale of attainment is: 50% if the figure is 5% below the target, 100% if figure matches the target, and 125% if the target is beaten by 5% or more;

2. 30%; the share price appreciation calculated between the initial starting price of the period and the average price in the last quarter of 2018, weighted by the volume ("vwap"). The scale of attainment is from 75% to 125% depending on the share price performance compared to IBEX 35 and certain European and American peers; and

3. 20%; the attainment of certain Adjusted EBITDA figure according to the market consensus and the constant scope of consolidation. The scale of attainment is: 50% if the figure is 5% below the target, 100% if figure matches the target, and 125% if the target is beaten by 5% or more;

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

In accordance with the attainment above, the cost of Phase I (2017-2018) of the LTIP (2017-2019) for Cellnex is EUR 5 million, which will be paid once the Group's annual accounts corresponding to the 2018 financial year have been approved.

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

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

- 50%; the attainment of a certain RLFCF per share figure according to the market consensus and a constant scope of consolidation. The scale of attainment is: 50% if the figure is 5% below the target, 100% if figure matches the target, and 125% if the target is beaten by 5% or more; and

- 50%; the share price appreciation calculated between the initial starting price of the period and the average price in the last quarter of 2019, weighted by the volume ("vwap"). The scale of attainment is from 75% to 125% depending on the share price performance compared to IBEX 35 and certain European and American peers.

As at 31 December 2018, the estimated cost of the Phase II (2018-2019) is approximately EUR 7 million. If the maximum level of achievement of the objectives were to be attained, the estimated cost would be approximately EUR 8.8 million.

For the LTIP (2017 – 2019) all Senior Management and certain employees must receive a minimum of 30% of their LTIP remuneration in Cellnex shares and for the CEO and Deputy CEO the minimum amount is 40% of their LTIP remuneration. For the rest of the beneficiaries, this minimum percentages varies depending on the position of the employee. The share based compensation of this LTIP will be grossed up to partially offset the tax impact on the beneficiaries.

LTIP (2018-2020)

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

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

- 50%; the attainment of a certain RLFCF per share figure according to the market consensus and a constant scope of consolidation. The scale of attainment is: 50% if the figure is 5% below the target, 100% if figure matches the target, and 125% if the target is beaten by 5% or more; and

- 50%; the share price increase calculated using the initial starting price of the period and the average price in the last quarter of 2020, weighted by the volume ("vwap"). The scale of attainment is from 75% to 125% depending on the share price performance compared to IBEX 35 and certain European and American peers.

As at 31 December 2018, the estimated cost of the ILP (2018-2020) is approximately EUR 6.6 million, if it were to achieve the maximum level of achievement of the objectives, the estimated cost would be approximately EUR 8.3 million.

For the LTIP (2018 – 2020) all Senior Management and certain employees must receive a minimum of 40% of their LTIP remuneration in Cellnex shares and for the CEO and Deputy CEO the minimum amount is 50% of their LTIP remuneration. For the rest of the beneficiaries, this minimum percentages varies depending on the position of the employee. The share based compensation of this LTIP will be grossed up to partially offset the tax impact on the beneficiaries.

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.

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:

- Telecom Infrastructure Services: is the Group's main segment by turnover. It provides a wide range of integrated network infrastructure services to enable access to the Group's wireless infrastructure by MNOs and other wireless telecommunications and broadband network operators, allowing such operators to offer their own telecommunications services to their customers.

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

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

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

- Broadcasting infrastructure: is the Group's second main segment by turnover. The Group currently provides broadcasting services only in Spain, where it is the only operator offering nationwide coverage of the DTT service. Its services consist of the distribution and transmission of television and radio signals, the operation and maintenance of broadcasting networks and the provision of connectivity for media content, OTT broadcasting and other services. Through the provision of broadcasting services, Cellnex has developed unique know-how that has helped to develop other services within its portfolio.

- Other Network Services: the Group provides the infrastructure required to develop a connected society by providing the following network services: data transport, security and control, Smart communication networks including IoT, Smart Services and managed services and consulting. As a telecom infrastructure operator, Cellnex can facilitate, streamline and accelerate the deployment of these services through the efficient connectivity of objects and people, in both rural and urban environments, helping to build genuine Smart territories. This constitutes a specialized business that generates relatively stable cash flows with potential for growth.

  The Group classifies Other Network Services into five groups: (i) connectivity services; (ii) PPDR services; (iii) operation and maintenance; (iv) Smart Cities/IoT ("Internet of Things"); and (v) other services.

  In relation to this business segment, during 2018, Cellnex incorporated the XOC, a concessionary company dedicated to the management, maintenance and construction of the fiber optic network of the Generalitat de Catalunya (see Note 2.h).

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

i) The Group as Lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ii) The Group as Lessor

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

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

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

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

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

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

s) Activities affecting the environment

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

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

t) Related Party Transactions

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

u) Consolidated statement of cash flows

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

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

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

v) Transactions in foreign currencies

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

4. Issues arising from the transition to the new standards adopted during the current period

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

As mentioned in Note 2.b, IFRS 16 was applied on the transition date, 1 January 2017, and the related opening balance sheet was prepared in accordance with this standard for the purpose of providing comparative consolidated financial statements for the year ended 31 December 2017.

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

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

Impacts on the comparative information

The reconciliation of the key figures of the Group's consolidated balance sheet and consolidated equity at 1 January 2017 and 31 December 2017, and the consolidated income statement for the year ended 31 December 2017 obtained under IFRS before applying IFRS 16 and after applying IFRS 16, is shown below:

Impact on the consolidated balance sheet at 1 January 2017 (transition date)

			Thousands of Euros
	01/01/2017	Impact of adopting IFRS 16 (Note 2.b)	01/01/2017 Restated
Right-of-use assets	-	370,903	**370,903**
Trade and other receivables	36,332	(28,460)	**7,872**
Deferred tax assets	29,181	9,882	**39,063**
Other non-current assets	2,479,019	-	**2,479,019**
Non-current assets	**2,544,532**	**352,325**	**2,896,857**
Trade and other receivables	155,039	(36,024)	**119,015**
Other current assets	195,908	-	**195,908**
Current assets	**350,947**	**(36,024)**	**314,923**
Total assets	**2,895,479**	**316,301**	**3,211,780**
Net equity	**551,201**	**(28,275)**	**522,926**
Lease liabilities	-	257,330	**257,330**
Other non-current liabilities	2,153,341	(543)	**2,152,798**
Non-current liabilities	**2,153,341**	**256,787**	**2,410,128**
Lease liabilities	-	87,789	**87,789**
Other current liabilities	190,937	-	**190,937**
Current liabilities	**190,937**	**87,789**	**278,726**
Total net equity and liabilities	**2,895,479**	**316,301**	**3,211,780**

Impact on the consolidated balance sheet at 31 December 2017

			Thousands of Euros
	31/12/2017	Impact of adopting IFRS 16 (Note 2.b)	31/12/2017 Restated
Right-of-use assets	-	454,735	454,735
Trade and other receivables	55,888	(44,903)	10,985
Deferred tax assets	27,835	13,034	40,869
Other non-current assets	3,448,913	-	3,448,913
Non-current assets	**3,532,636**	**422,866**	**3,955,502**
Trade and other receivables	226,081	(33,629)	192,452
Other current assets	297,449	-	297,449
Current assets	**523,530**	**(33,629)**	**489,901**
TOTAL ASSETS	**4,056,166**	**389,237**	**4,445,403**
Net equity	**644,914**	**(35,307)**	**609,607**
Lease liabilities	-	349,480	349,480
Other non-current liabilities	3,080,298	(1,438)	3,078,860
Non-current liabilities	**3,080,298**	**348,042**	**3,428,340**
Lease liabilities	-	76,502	76,502
Other current liabilities	330,954	-	330,954
Current liabilities	**330,954**	**76,502**	**407,456**
TOTAL NET EQUITY AND LIABILITIES	**4,056,166**	**389,237**	**4,445,403**

Impact on the consolidated equity for the period from 1 January 2017 to 31 December 2017

							Thousands of Euros
Impact at transition date 01/01/2017	**Share capital**	**Treasury shares**	**Share premium**	**Reserves**	**Profit for the year**	**Non-controlling interests**	**1 January 2017**
Equity without IFRS 16	**57,921**	**(2,694)**	**338,733**	**36,000**	**39,817**	**81,424**	**551,201**
Impact:							
IFRS 16	-	-	-	(27,126)	-	(1,149)	(28,275)
Equity under IFRS 16	**57,921**	**(2,694)**	**338,733**	**8,874**	**39,817**	**80,275**	**522,926**

							Thousands of Euros
Accumulated impact at 31/12/2017	**Share capital**	**Treasury shares**	**Share premium**	**Reserves**	**Profit for the year**	**Non-controlling interests**	**31 December 2017**
Equity without IFRS 16	**57,921**	**(1,859)**	**338,733**	**74,712**	**32,933**	**142,474**	**644,914**
Impact:							
IFRS 16	-	-	-	(28,294)	(6,697)	(316)	(35,307)
Equity under IFRS 16	**57,921**	**(1,859)**	**338,733**	**46,418**	**26,236**	**142,158**	**609,607**

Note: The amounts for the adjustments to equity are shown net of the related tax effects, if any, including the amounts both for fully consolidated companies as well as for those accounted for using the equity method, as applicable.

Impact on the consolidated income statement for year ended at 31 December 2017

			Thousands of Euros
	31/12/2017	**Impact of adopting IFRS 16 (Note 2.b)**	**31/12/2017 Restated**
Services	757,605	-	757,605
Other operating income	31,738	-	31,738
Operating income	**789,343**	**-**	**789,343**
Staff costs	(107,354)	-	(107,354)
Other operating expenses	(359,483)	156,436	(203,047)
Change in provisions	1,517	-	1,517
Losses on fixed assets	(215)	-	(215)
Depreciation and amortisation	(225,382)	(126,300)	(351,682)
Operating profit	**98,426**	**30,136**	**128,562**
Financial income	1,397	-	1,397
Financial costs	(69,557)	(40,917)	(110,474)
Net financial profit/(loss)	**(68,160)**	**(40,917)**	**(109,077)**
Profit of companies accounted for using the equity method	96	-	96
Profit before tax	**30,362**	**(10,781)**	**19,581**
Income tax	431	3,787	4,218
Consolidated net profit	**30,793**	**(6,994)**	**23,799**
Attributable to non-controlling interests	(2,140)	(331)	(2,471)
Net profit attributable to the Parent Company	**32,933**	**(6,663)**	**26,270**

Impact on the consolidated statement of cash flows for the year ended 31 December 2017

			Thousands of Euros
	31 December 2017	Impact of adopting IFRS 16	31 December 2017 Restated
Profit for the period before tax	**30,362**	**(10,781)**	**19,581**
Adjustments to profit -			
Depreciation	225,382	126,300	351,682
Gains/(losses) on derecognition and disposals of non-current assets	215	-	215
Changes in provisions	(1,517)	-	(1,517)
Interest and other income	(1,397)	-	(1,397)
Interest and other expenses	69,557	40,917	110,474
Share of results of companies accounted for using the equity method	(96)	-	(96)
Other income and expenses	1,011	-	1,011
Changes in current assets/current liabilities-			
Inventories	746	-	746
Trade and other receivables	(35,588)	7,036	(28,552)
Other current assets and liabilities	38,218	474	38,692
Cash flows generated by operations -			
Interest received/(paid)	(40,941)	(40,917)	(81,858)
Income tax received/(paid)	(13,349)	-	(13,349)
Employee benefit obligations and current provisions	(663)	-	(663)
Other receivables and payables	(9,211)	(10,945)	(20,156)
Total net cash flow from operating activities (I)	**262,729**	**112,084**	**374,813**

	Thousands of Euros		
	31 December 2017	Impact of adopting IFRS 16	31 December 2017 Restated
Business combinations and changes in the scope of consolidation	(471,697)	-	(471,697)
Purchases of property, plant and equipment and intangible assets	(462,552)	-	(462,552)
Non-current financial investments	(37,813)	25,763	(12,050)
Total net cash flow from investing activities (II)	**(972,062)**	**25,763**	**(946,299)**
Sale/(Acquisition) of treasury shares	1,587	-	1,587
Proceeds from issue of bank borrowings	689,996	-	689,996
Bond issue	467,159	-	467,159
Repayment and redemption of bank borrowings	(330,274)	-	(330,274)
Net repayment of other borrowings	(1,188)	-	(1,188)
Net payment of lease liabilities	-	(137,847)	(137,847)
Dividends paid	(20,000)	-	(20,000)
Dividends to-non controlling interests	(998)	-	(998)
Dividends received	367	-	367
Total net cash flow from financing activities (III)	**806,649**	**(137,847)**	**668,802**
Foreign exchange differences	5,006	-	5,006
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS (I)+(II)+(III)	**102,322**	-	**102,322**
Cash and cash equivalents at beginning of period	192,851	-	192,851
Cash and cash equivalents at end of period	**295,173**	**-**	**295,173**

5. 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 the Eurozone. The Group is therefore exposed to foreign currency risks and in particular to the risk of currency fluctuation in connection with exchange rate between the euro, the pound sterling and the Swiss franc. The Group strategy for hedging foreign currency risk in investments in non-euro currencies tends towards a full hedge of this risk, and must be implemented over a reasonable period of time depending on the market and the prior assessment of the effect of the hedge. This hedge can be instrumented via derivatives or borrowings in local currency, which act as a natural hedge.

Although the majority of the Group transactions are denominated in euros, the volatility in converting into euro agreements denominated in pound sterling and Swiss francs may have negative consequences to the Group, affecting its overall business, prospects, financial condition, results of operations and/or cash flow generation.

In relation to foreign currency risk, the contributions to the main aggregates of the consolidated income statement of the Group by companies operating in a functional currency other than the euro were as follows

31 December 2018

Company				Thousands of Euros	
	Functional currency	Income	%	Net profit	%
Shere Group UK	GBP	9,168	1.0%	(970)	6.4%
Cellnex Switzerland subgroup	CHF	56,041	6.2%	(3,319)	21.8%
Contribution in foreign currency		**65,209**	**7.3%**	**(4,290)**	**28.2%**
Total Cellnex Group		**897,871**	**100.0%**	**(15,234)**	**100.0%**

31 December 2017 restated

Company				Thousands of Euros	
	Functional currency	Income	%	Net profit	%
Shere Group UK	GBP	9,391	1.2%	3,136	11.9%
Cellnex Switzerland subgroup	CHF	22,651	2.9%	(3,038)	(11.6%)
Contribution in foreign currency		**32,042**	**4.1%**	**98**	**0.4%**
Total Cellnex Group		**789,343**	**100.0%**	**26,270**	**100.0%**

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 2018

				Thousands of Euros	
Company	Functional currency	Total assets	%	Equity	%
Shere Group UK	GBP	150,004	2.9%	128,837	20.9%
Cellnex Switzerland subgroup	CHF	639,682	12.5%	292,861	47.6%
Contribution in foreign currency		**789,685**	**15.4%**	**421,698**	**68.6%**
Total Cellnex Group		**5,133,193**		**615,115**	

31 December 2017 restated

				Thousands of Euros	
Company	Functional currency	Total assets	%	Equity	%
Shere Group UK	GBP	157,930	3.6%	111,597	18.3%
Cellnex Switzerland subgroup	CHF	645,860	14.5%	130,901	21.5%
Contribution in foreign currency		**803,790**	**18.1%**	**242,498**	**39.8%**
Total Cellnex Group		**4,445,403**		**609,607**	

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
			2018
	Functional currency	Income	Equity [1]
10% change:			
	GBP	947	12,884
	CHF	(5,095)	(26,624)

[1] Impact on equity from translation differences arising in the consolidation process.

			Thousands of Euros
			2017 restated
	Functional currency	Income	Equity [1]
10% change:			
	GBP	963	11,165
	CHF	(2,059)	(11,962)

[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)iInterest 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 14 of the accompanying consolidated financial statements).

As at 31 December 2018 there are financing granted from third parties covered by interest rate hedging mechanisms (see Note 14 of the accompanying consolidated financial statements).

(iii) Credit risk

Each of the Group's main business activities (Telecom Infrastructure Services, Broadcasting Infrastructure and Other Network Services) obtain a significant portion of revenues from a limited number of customers, many of which are long-term customers and have high-value contracts with the Group.

The mobile network operators are the Group's main customers in the Telecom Infrastructure Services; television and radio broadcasting operators are the main clients in the broadcasting infrastructure; and certain central, regional and local government authorities, emergency and security forces, the public service sector and telecommunications operators are the main customers in its activities relating to Other Network Services.

The Group is sensitive to changes in the creditworthiness and financial strength of its main customers due to the importance of these key customers to the overall revenues. The long-term nature of certain Group contracts with customers and the historically high renewal ratio of these contracts, together with geographic and customer diversification, specially the greater relative weight of customers with higher credit quality, helps to mitigate this risk.

The Group depends on the continued financial strength of its customers, some of which operate with substantial leverage and some of them are not investment grade or do not have a credit rating.

Given the nature of the Group's business, it has significant concentrations of credit risk, since there are significant accounts receivable as a result of having a limited number of customers. To mitigate this credit risk, the Group has in place contractual arrangements to transfer this risk to third parties via non-recourse factoring of trade receivables in which case the Group would not retain any credit risk.

The credit risk also arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, and other debt, including unsettled receivables and committed transactions.

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

The loss of significant customers, or the loss of all or a portion of the Group's expected services agreements revenues from certain customers and an increase in the Group's level of exposure to credit risk, or its failure to actively manage it, could have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

(iv) Liquidity risk

The Group carries out a prudent management of liquidity risk, which involves maintaining cash and having access to a sufficient amount of financing through established credit facilities as well as the ability to settle market positions. Given the dynamic nature of the Group's businesses, the policy of the Group is to maintain flexibility in funding sources through the availability of committed credit facilities. Due to this policy the Group has available liquidity c. EUR 1.5 billion, considering cash and available credit lines, as at the date of approval for issue of these consolidated financial statements, and has no immediate debt maturities (the maturities of the Group's financial obligations are detailed in Note 14).

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

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

(v) Inflation risk

A significant portion of the Group's operating costs could rise as a result of higher inflation. Further, most of the Group's infrastructure services contracts are indexed to inflation. As a consequence, its results of operations could be affected by inflation and/or deflation.

(vi) Risks Related to Group Indebtedness

The Group's indebtedness may increase, from time to time, due to potential new acquisitions, fundamental changes to corporate structure or joint ventures and issuances made in connection with any of the foregoing. The Group present or future leverage could have significant negative consequences, including:

- Placing the Group at a possible competitive disadvantage to less leveraged competitors and competitors that may have better access to capital resources, including with respect to acquisitions and forcing the Group to forego certain business opportunities.

- Requiring the dedication of a substantial portion of cash flow from operations to service the debt, thereby reducing the amount of cash flow available for other purposes, including, among others, capital expenditures and dividends.

- Requiring the Group to issue debt or equity securities or to sell some of its core assets, possibly not on the best terms, to meet payment obligations.

- Accepting financial covenants in the financing contracts such as: debt limitation, cash restriction, pledge of assets, amongst others.

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

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

b) Capital management

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

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

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.

As stated in the previous section 5.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 2018	31 December 2017 restated
Bank borrowings (Note 14)	585,561	633,189
Bonds issues (Note 14)	2,510,176	1,898,619
Lease liabilities (Note 14)	526,337	425,982
Derivative financial instruments (Note 14)	1,435	181
Other financial liabilities (Note 14)	31,689	42,927
Cash and cash equivalents (Note 12)	(455,870)	(295,173)
Net Borrowings [1]	**3,199,328**	**2,705,725**
Net equity (Note 13)	**615,366**	**609,607**
Total capital [2]	**3,814,694**	**3,315,332**
Leverage ratio [1]/[2]	**84%**	**82%**

6. 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 2018 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 2018 and 2017, and following a prudent approach, the vast majority of the difference between the book value of the assets acquired and the purchase price paid has been assigned to assets subject to deprecation or amortization. Thus, the resulting goodwill mainly corresponds to the net deferred tax recognised resulting from the higher fair value attributed to the net assets acquired in comparison with their tax bases.

Business combinations for 2018

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

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

As indicated in Note 2.h., during the second half of 2018, Cellnex has reached an agreement for the acquisition of 100% of the share capital of Xarxa Oberta de Comunicació i Tecnologia de Catalunya, S.A. ("XOC") from Imagina, a subsidiary of the Mediapro Group. The acquisition price of the shares has amounted to approximately EUR 33 million. Additionally, through this agreement, Cellnex acquires a set of assets for an amount of EUR 3 million, which, until the aforementioned date of acquisition, were owned by companies of the group to which Imagina belongs, and on the terms agreed by both parties.

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

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

The Group financed the acquisition of 100% of the share capital of the XOC using a mix of cash and credit facilities available.

Thus, following this acquisition, the XOC has been fully consolidated within the Cellnex Group such that as at 31 December 2018 the value of all of its assets and liabilities has been included in the consolidated balance sheet and the corresponding impact of operations in the consolidated income statement for the year.

The fair value of 100% of the net assets acquired (determined using discounted cashflows generated by the assets identified) amounts to EUR 29.3 million, therefore Goodwill for an amount of EUR 3.4 million has been registered, which includes the recognition of the deferred taxes for an amount of EUR 6.4 million relating to the step up in fair value assigned to the net assets acquired compared to their tax bases.

The fair value at the date of acquisition of the assets and liabilities of the acquired business 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 Xarxa Oberta de Catalunya assets, the purchase price allocation (PPA) process was carried out without the participation of an independent third-party expert given that:

IFRS 3 (Revised) does not require that PPA processes be carried out with an independent expert;

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 includes 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, derives from the synergies and other additional future cash flows expected to arise following the acquisition by the Group. Among other effects, this will allow the Group to strengthen and supplement its "Other Network Services" business.

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

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

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

Finally, given the date on which the acquisition of Xarxa Oberta de Catalunya was completed, at the date of signing these consolidated financial statements, 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 2017

The initial accounting for the business combinations involving Swiss Towers and Alticom subgroup described in Note 5 of the 2017 consolidated financial statements is now considered to have been completed, since one year has elapsed since the acquisition made in June and August and September of 2017, respectively. The comparative income statement for the 2018 year-end would not have been materially different due to the above consideration.

The main relevant business combinations for the 2017 year end are detailed below:

Acquisition of Swiss Towers AG

As regards the business combination described in Note 5 of the consolidated annual accounts for the 2017 financial year, 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, during the 2018 financial year, the Group has decided to reassess the identification of these assets, with the results 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 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.

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

The assets and liabilities of Swiss Towers arising from the acquisition of 54% of the company were 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**	

The operating income and net loss[3] contribution since acquisition amounted to EUR 23 million and EUR 2 million, respectively, corresponding to the impact of 100% of financial results of Swiss Towers in the accompanying consolidated income statement. In addition, if Swiss Towers, had been acquired on 1 January 2017, and consequently, this Company had been fully consolidated for the year ended 31 December 2017, it would have contributed an operating income and net loss for an amount of EUR 54 million and EUR 5 million, respectively.

At the current date, this business combination described in Note 5 of the consolidated annual accounts for the 2017 financial year is considered to be definitive as twelve months have elapsed since the acquisition (August 2017). The comparative income statement for the year ended 31 December 2018 would not have been materially different due to the above consideration.

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.

3. Net loss including the additional depreciation of revalued assets.

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, was 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 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), derived 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 were 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**	

The operating income and net profit[4] contribution since acquisition amounted to EUR 5 million and EUR 2 million, respectively, corresponding to the impact of 100% of financial results of Infracapital Alticom in the accompanying consolidated income statement. In addition, if Infracapital Alticom, had been acquired on 1 January 2017, and consequently, this subgroup had been fully consolidated for the year ended 31 December 2017, it would have contributed an operating income and net profit for an amount of EUR 15 million and EUR 5 million, respectively.

At the current date, this business combination described in Note 5 of the consolidated annual accounts for the 2017 financial year is considered to be definitive as twelve months have elapsed since the acquisition (September 2017). The comparative income statement for the year ended 31 December 2018 would not have been materially different due to the above consideration.

4. Net loss including the additional depreciation of revalued assets.

7. Property, plant and equipment

The changes in this heading in the consolidated balance sheets in 2018 and 2017 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 2018				
Cost	1,431,335	522,136	77,690	**2,031,161**
Accumulated depreciation	(263,054)	(260,848)	-	**(523,902)**
Carrying amount	**1,168,281**	**261,288**	**77,690**	**1,507,259**
Carrying amount at beginning of year	1,168,281	261,288	77,690	**1,507,259**
Changes in the consolidation scope (Note 6)	4,851	14,216	-	**19,067**
Additions	455,303	35,260	68,604	**559,167**
Disposals (net)	(393)	1,045	-	**652**
Transfers	39,118	18,149	(57,299)	**(32)**
Foreign exchange differences	3,330	(24)	-	**3,306**
Depreciation charge	(125,182)	(60,495)	-	**(185,677)**
Carrying amount at close	**1,545,308**	**269,439**	**88,995**	**1,903,742**
At 31 December 2018				
Cost	1,933,140	588,350	88,995	**2,610,485**
Accumulated depreciation	(387,832)	(318,911)	-	**(706,743)**
Carrying amount	**1,545,308**	**269,439**	**88,995**	**1,903,742**

				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 depreciation	(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 6)	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 depreciation	(263,054)	(260,848)	-	**(523,902)**
Carrying amount	**1,168,281**	**261,288**	**77,690**	**1,507,259**

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 2018

Changes in the scope of consolidation and business combinations

Additions in 2018 due to changes in the scope of consolidation and business combinations are mainly due to the acquisition of the XOC as detailed in Notes 2.h and 6.

Signed acquisitions and commitments

France

Agreements reached during 2016 and 2017

At 31 December 2018, in accordance with the agreements reached with Bouygues during 2016 and 2017, Cellnex, through its subsidiary Cellnex France, has committed to acquire and build up to 5,100 sites that will be gradually transferred to Cellnex until 2022 (see Note 6 of the 2017 consolidated financial statements). Of the proceeding 5,100 sites, a total of 2,803 sites have been transferred to Cellnex at 31 December 2018.

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

Extension of the partnership during 2018

On 10 December 2018, Cellnex Telecom announced that it has reached an additional agreement with Bouygues that will reinforce and extend the cooperation and partnership started in 2016, as detailed in Note 6 of the 2017 Consolidated Financial Statements. Under the terms of this new agreement, Cellnex Telecom will commit up to EUR 250 million over five years for the construction of up to 88 strategic telecom centers, also called ‘Central Offices’ and ‘Metropolitan Offices’, with capacity to house data processing capabilities. Such deployment is expected to be carried out until 2024, with the execution expected to be primarily backloaded. In addition, under this agreement, Cellnex may also acquire up to 62 additional ‘Mobile Switching Centers’ and ‘Metropolitan Offices’, which would be gradually transferred to Cellnex from 2020 to 2021.Therefore, will play a key role in the future deployment of 5G networks, as they will also provide processing capabilities in order to reduce data latency.

These new assets, once all have been built and acquire, will contribute an estimated[5] up to EUR 39 million of additional Adjusted EBITDA[(5)].

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

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

5. Note that all Bouygues transactions have a common characteristic “up to” as Bouygues has not the obligation to reach the highest number of sites.

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

Spain

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

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

Switzerland

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

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

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

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 6):

- Swiss Towers (EUR 90,115 thousand),
- Infracapital Alticom subgroup (EUR 35,289 thousand)

Signed acquisitions and commitments

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 related to the acquisition of up to 1,800 sites for a total enterprise value of EUR 500 million and involved urban sites in the main cities of France (c.85% located in areas with a population above 400,000 inhabitants) which had to be gradually transferred to Cellnex France over a period of 2 years.

Cellnex and Bouygues Telecom had 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 related 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 consisted 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.

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 2018 and 2017, the Group had not entered into any additional framework agreements with any other customers.

In addition, during 2018 and 2017 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 2018 and 2017 the Group had the following investments in property, plant and equipment located abroad:

	Thousands of Euros	
	Net book value	
	31 December 2018	31 December 2017
Italy	228,054	200,215
Netherlands	78,095	84,143
France	843,813	491,175
United Kingdom	9,326	9,703
Switzerland	89,866	90,372
Total	**1,249,154**	**875,608**

Fully depreciated assets

At 31 December 2018, fully depreciated property, plant and equipment amounted to EUR 846,171 thousand (EUR 722,455 thousand in 2017).

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, the selling party has the right to repurchase the aforementioned infrastructures. Control is defined as having (i) more than 50% of shares with voting rights or (ii) the right to appoint or dismiss the majority of the members of the board of directors).

In addition, such repurchase right may also be granted in the event that a competitor of the selling party acquires a significant portion of the shares or obtains voting or governance rights which can be exercised in a way that can negatively affect the selling party's interests. Change of control provisions can be triggered both at Cellnex Telecom and at subsidiary level.

Purchase commitments at year-end

At year-end the Group held purchase agreements for material assets amounting to EUR 952,659 thousand (EUR 709,876 thousand in 2017).

Impairment

At 2018 and 2017 year-end, the Directors of the Parent Company have not identified any indications of impairment related to the property, plant and equipment.

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

The fair value was calculated as follows:

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

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

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

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

2018

The discount rate before tax[6] considered for On Tower Telecom Infraestructuras, S.A.U., Cellnex France, S.A.S. and Swiss Towers was 7.1%, 6.4% and 5.7%, respectively.

The activity growth rate[7] considered for On Tower Telecom Infraestructuras, S.A.U., Cellnex France, S.A.S. and Swiss Towers was 2.5%, 5.0% and 2.0%[8] per annum, respectively.

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

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

2017

The discount rate before tax 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 considered for On Tower Telecom Infraestructuras, S.A.U. and Cellnex France, S.A.S. was 1.9% and 2.9% per annum, respectively.

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

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

Sensitivity to changes in the key assumptions

With regards to the impairment tests carried out on the business of On Tower Telecom Infraestructuras, S.A.U. Cellnex France, S.A.S. and Swiss Towers, the recoverable amount obtained (determined based on the fair value as indicated previously) exceeds the carrying value of the assigned assets to such an extent that even if the hypothesis used were changed there would be no significant risk of impairment. The carrying amount of these assets stands at approximately EUR 1,342 million at 2018 year-end (EUR 900 million at 2017 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 2018 and 2017. 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 2018 and 2017.

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

6. 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..
7. Relates to revenue. The compound growth rate or CAGR reflects the increments built into the contracts related to the assets. Proforma basis 2018.
8. Proforma basis 2018.

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 17).

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 2018 and 2017, the Group's Directors considered that the insurance coverage was sufficient to cover the risks relating to its activities.

Other disclosures

At 31 December 2018 and 2017, the Group did not have significant property, plant and equipment subject to restrictions or pledged as collateral on liabilities.

8. Goodwill and other intangible assets

The changes in this heading in the consolidated balance sheets in 2018 and 2017 were as follows:

	Thousands of Euros			
	Goodwill	Intangible assets for telecom infrastructure services	Computer software and other intangible assets	Total
At 1 January 2018				
Cost	566,557	1,461,195	36,518	**2,064,270**
Accumulated amortisation	-	(123,344)	(20,410)	**(143,754)**
Carrying amount	**566,557**	**1,337,851**	**16,108**	**1,920,516**
Carrying amount at beginning of year	566,557	1,337,851	16,108	**1,920,516**
Changes in the scope of consolidation (Note 6)	12,759	25,640	2,050	**40,449**
Additions	-	1,239	10,026	**11,265**
Disposals	-	(2)	-	**(2)**
Transfers	-	-	42	**42**
Foreign exchange differences	3,138	10,163	1	**13,302**
Amortisation charge	-	(75,274)	(5,966)	**(81,240)**
Carrying amount at close	**582,454**	**1,299,617**	**22,261**	**1,904,332**
At 31 December 2018				
Cost	582,454	1,498,235	48,637	**2,129,326**
Accumulated amortisation	-	(198,618)	(26,376)	**(224,994)**
Carrying amount	**582,454**	**1,299,617**	**22,261**	**1,904,332**

				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 6)	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**

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
	31/12/2018	31/12/2017
Concession intangibles	79,745	83,857
Customer network services contracts	1,050,083	1,071,300
Location intangibles	169,789	182,694
Net intangibles for telecom infrastructure service	**1,299,617**	**1,337,851**

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

Additions for the 2017 financial year due to changes in the scope of consolidation and business combinations corresponded 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 6).

Goodwill

Gross goodwill and the accumulated losses in value recognised at 31 December 2018 and 2017, respectively, are detailed as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Gross goodwill	582,454	566,557
Accumulated valuation adjustments	-	-
Net goodwill	**582,454**	**566,557**

The detail of goodwill, classified by cash-generating unit, at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Galata	170,630	170,630
Tradia Telecom	42,014	42,014
TowerCo	2,995	2,995
Adesal	363	363
Commscom	11,835	11,835
Towerlink Netherlands	35,307	35,307
Shere Masten	66,089	66,089
Shere Group UK [1]	29,221	29,250
OnTower Italia	508	508
Swiss Towers [1]	149,339	146,174
Infracapital Alticom subgroup	60,019	60,019
TMI	1,373	1,373
Zenon Digital Radio	2,638	-
XOC	3,456	-
Sintel	2,438	-
BRT Tower	951	-
DFA Telecomunicazioni	3,278	-
Goodwill	**582,454**	**566,557**

[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 2018 financial year are due to changes in the scope of consolidation and business combinations, as detailed in Note 2.h.

The goodwill amounting to EUR 42,014 thousand at 31 December 2018 and 2017, 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 2017 financial year were due to changes in the scope of consolidation and business combinations, and corresponded 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.

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 2017 impairment tests with regard to the 2018 results, no significant variances were detected.

The fair value was calculated as follows:

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

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

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

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

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

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

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

The most significant assumptions used in determining the fair value of the main cash-generating units in 2018 and 2017 with the most relevant intangible assets and goodwill were as follows:

2018

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

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

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

All CGUs apart from TowerCo and Commscon have been projected until 2040 in line with the duration of the service contracts in the Telecom Infrastructure Services business segment. As the TowerCo business is based on a concession agreement with Atlantia, this CGU has been projected until the end of the concession in 2038. Commscon's business has different market dynamics, as a result, this CGU has been projected until 2025.

2017

The discount rate before tax considered for Tradia Telecom, Towerco, Galata, Commscon, Towerlink Netherlands, Shere Group UK and Shere Masten 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 and Shere Group Netherlands was 1.3%, 1.5%, 1.9%, 10.2%, 1.9%, 2.4% and 1.8% per annum, 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.

Sensitivity to changes in the key assumptions

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

The impairment tests carried out demonstrate that the unit to which the recognised goodwill or intangible assets in telecom infrastructures are allocated is deemed capable of recovering the net value recognised at 31 December 2018 and 2017. 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 2018.

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

Intangible assets abroad

At 31 December 2018 and 2017, the Group had the following intangible assets located abroad:

	Thousands of Euros	
	Net book value	
	31 December 2018	31 December 2017
Italy	695,871	720,488
Netherlands	541,170	562,411
Switzerland	440,696	441,727
United Kingdom	134,631	140,628
France	1	-
Total	**1,812,369**	**1,865,254**

Fully amortised assets

At 31 December 2018, fully amortised intangible assets amounted to EUR 25,974 thousand (EUR 22,444 thousand in 2017).

Purchase commitments at year-end

The drawn up purchase agreements at 31 December 2018 amounted to EUR 37 thousand (EUR 1,949 thousand in 2017).

Other information

At 31 December 2018 and 2017 there are no significant intangible assets subject to restrictions or pledged as guarantees for liabilities.

9. Investments in associates

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

	Thousands of Euros	
	2018	2017
At 1 January	**3,280**	**3,551**
Profit for the year	113	96
Changes in perimeter	123	-
Others	(713)	(367)
At 31 December	**2,803**	**3,280**

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

		Thousands of Euros
		Value of the shareholding
	31 December 2018	31 December 2017
Torre Collserola, S.A.	1,960	2,375
Consorcio de Telecomunicaciones Avanzadas, S.A. (COTA)	761	905
Nearby Sensors, S.L	82	-
At 31 December	**2,803**	**3,280**

In addition to the impairment tests referred to above, the Group carried out impairment tests to determine the recoverability of the investments in associates. To carry out these tests, the Group considered future cash flow projections in a manner similar to that indicated in Note 8. No indication was found of a need to recognise any provision for impairment in the consolidated income statement for the 2018 and 2017 financial years.

10. Current and non-current financial investments

The changes in this heading in 2018 and 2017 were as follows:

						Thousands of Euros
	2018			2017		
	Non-current	Current	Total	Non-current	Current	Total
At 1 January	**17,694**	**921**	**18,615**	**11,640**	**921**	**12,561**
Additions	3,386	-	3,386	7,065	-	7,065
Charge to the consolidated income statement	-	(1,487)	(1,487)	-	(1,011)	(1,011)
Transfer	(1,487)	1,487	-	(1,011)	1,011	-
At 31 December	**19,593**	**921**	**20,514**	**17,694**	**921**	**18,615**

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 concerning their fair value.

Additions

Corresponds to the pluri-annual commercial costs assumed by the Group in order to obtain the service provision services agreements with the mobile telephone operators, through the purchase, 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 2018 and 2017, in line with the terms of the service 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 2018 and 2017, this amount was recorded as a reduction to revenues amounting to EUR 1,487 and 1,011 thousand respectively (see Note 19).

Transfers

The transfers from the 2018 and 2017 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.

11. Trade and other receivables

The breakdown of this heading in the accompanying consolidated balance sheet at 31 December 2018 and 2017 is as follows:

						Thousands of Euros
	31/12/2018			31/12/2017 restated		
	Non-current	Current	Total	Non-current	Current	Total
Trade receivables	-	132,345	**132,345**	-	113,175	**113,175**
Allowances for doubtful debts (impairments)	-	(14,283)	**(14,283)**	-	(7,736)	**(7,736)**
Trade receivables	**-**	**118,062**	**118,062**	**-**	**105,439**	**105,439**
Other financial assets	9,216	2,882	**12,098**	4,475	13,947	**18,422**
Current tax assets	-	5,582	**5,582**	-	5,941	**5,941**
Receivables with other related parties (Note 21.dii)	-	50	**50**	-	271	**271**
Other receivables	10,734	66,576	**77,310**	6,510	66,854	**73,364**
Other receivables	**19,950**	**75,040**	**95,040**	**10,985**	**87,013**	**97,998**
Trade and other receivables	**19,950**	**193,152**	**213,102**	**10,985**	**192,452**	**203,437**

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 2018 and 2017, the account had no significant past-due balances that were not provided for.

The balance of public-sector debtors as at 31 December 2018 and 2017, amounted to EUR 23,527 thousand and EUR 21,926 thousand, respectively.

At 2018 year-end the amount utilized under the non-recourse factoring agreements stood at EUR 54 million (EUR 53 million as at 2017 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 2018 the limit under the non-recourse factoring agreements stood at EUR 222 million (EUR 243 million as at 2017 year-end).

During 2017, the Group reached a non-recourse factoring agreement in relation to the collection rights that derive from certain administrative recovery procedures, as described in Note 18.c of the accompanying consolidated financial statements. At 31 December 2018, the amount utilized under this non-recourse factoring agreement stood at EUR 5 million (EUR 14.7 million at 31 December 2017).

Allowances for doubtful debts (write-downs)

The changes in the allowance for doubtful debts in the years ended 31 December 2018 and 2017 were as follows:

	Thousands of Euros	
	2018	2017
At 1 January	**7,736**	**8,193**
Impact of IFRS 9 (see Note 4)	7,047	-
At 1 January after IFRS 9	**14,783**	**8,193**
Disposals	(1,144)	797
Net changes	644	(1,254)
At 31 December	**14,283**	**7,736**

Disposals in 2018 and 2017 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 receivables

At 31 December 2018 and 2017 "Other receivables" comprises:

- Other tax receivables amounting to EUR 46,276 thousand (EUR 40,960 thousand in 2017) which mainly corresponds to VAT receivable. At 31 December 2018, it mainly included VAT receivable derived from the acquisition of mobile telecom infrastructures in France and in Spain (see Note 7), that amounted to EUR 25,268 thousand and EUR 9,358 thousand, respectively (EUR 24,428 thousand and EUR 8,590 thousand, respectively, at 31 December 2017).

- 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 376 thousand and EUR 703 thousand, respectively (EUR 596 thousand and EUR 963 thousand, respectively, in 2017), 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 14).

- 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.

12. Cash and cash equivalents

The breakdown of "Cash and cash equivalents" at 31 December 2018 and 2017, is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Cash on hand and at banks	405,870	240,157
Term deposits at credit institutions maturing in less than 3 months	50,000	55,016
Cash and cash equivalents	**455,870**	**295,173**

13. Net equity

a) Share capital and treasury shares

Share capital

At 31 December 2018 and 2017, 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 concerning the number of shares held made to the National Securities Market Commission, the shareholders who hold significant shareholdings in the share capital of the Parent Company, both directly and indirectly, greater than 3% of the share capital at 31 December 2018 and 2017, are as follows:

		% ownership
Company	31 December 2018	31 December 2017
ConnecT	29.90%	-
Abertis Infraestructuras, S.A.	-	34.00%
MFS Investment Management [(1)]	-	5.11%
Criteria Caixa, S.A.U	5.00%	5.00%
Threadneedle Asset Management Ltd [(2)]	5.00%	4.90%
Blackrock, Inc. [(3)]	4.75%	4.99%
Canada Pension Plan Investment Board	3.16%	-
Permian Investment Partners, LP	3.16%	-
	50.97%	**54.00%**

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

[(1)] In 2017, MFS Investment Management controlled 4.51% of the rights to vote through Massachusetts Financial Services Company. The remaining collective institutions had a shareholding lower than 3%.

[(2)] Threadneedle Asset Management Ltd controls 5.00% (4.90% in 2017) 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%.

[(3)] Corresponds to managed collective institutions with a percentage lower than 5%. In addition, there is a total holding of 1.253% through financial instruments connected to shares in the Parent Company. At the year-end 2017, this shareholding corresponded to managed collective institutions with a percentage lower than 5%. In addition, there was a total holding of 1.06% through financial instruments connected to shares in the Parent Company.

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

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

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

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

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

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

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

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

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

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

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

On 31 May 2018, the ordinary general shareholder's meeting of Cellnex, pursuant to article 297.1.(b) of the Spanish Companies Act, resolved to delegate in favour of the Parent Company's Board of Directors the faculty to increase the share capital, whether through one or more issuances, up to an amount equivalent to 50% of the Parent Company's share capital on 31 May 2018 (the date of such resolution), until May 2023 (i.e. the authorization has a term of 5 years). This authorization includes the power to exclude the pre-emptive subscription rights of shareholders, in accordance with the provisions of article 506 of the Spanish Companies Act; however, under these circumstances the Board of Directors has the authority to issue up to 20% of the share capital (this limit being included within the maximum limit of 50% referred above).

Furthermore, the ordinary general shareholder's meeting of Cellnex resolved to delegate in favour of the Parent Company's Board of Directors (also with a term of 5 years, i.e., until May 2023) the faculty to:

i) issue convertible bonds up to a limit of 20% of the Parent Company's share capital on 31 May 2018 (this limit being also included within the maximum limit of 50% referred above);

ii) 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).

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[9] 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 aforementioned contract was cancelled on May 9, 2018.

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. During 2018, the Parent Company has registered a profit of EUR 215 thousand (a profit of EUR 743 thousand in 2017), 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.

At 31 December 2017, the number of shares subject to the liquidity contract was 86,758 shares. During 2018, Cellnex carried out discretional purchases of 250,604 treasury shares mainly regarding the Long Term Incentive Plan "2015-2017" (See Note 18), representing 0.11% of the total shares outstanding, of which 54,330 have been transferred to beneficiaries.

As a result of the operations carried out, the number of treasury shares as at 31 December 2018 amounts to 263,855 shares and represents 0.11% of the share capital of Cellnex Telecom, S.A. (0.04% as at 31 December 2017).

The use of the treasury shares held at 31 December 2018 will depend on the agreements reached by the Corporate Governance bodies.

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

2018

	Number (Thousands of Shares)	Average Price	Purchases/Sales (Thousands of Euros)
At 1 January 2018	**87**	**21.427**	**1,859**
Purchases	4,365	21.921	95,680
Sales/Others	(4,188)	21.961	(91,967)
At 31 December 2018	**264**	**21.117**	**5,572**

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**

9. 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.

b) Share premium

During 2013 and as a consequence of the group restructuring which involved the contribution of the terrestrial telecommunications business to the Parent Company, the share premium increased by EUR 338,733 thousands.

During 2018, with the purpose to comply with the Company´s dividend policy, the Board of Directors, pursuant to the authority granted by resolution of the Annual Shareholders' Meeting, approved the distribution of a total dividend charged to the share premium reserve amounting to EUR 24,211 thousand.

c) Reserves

The breakdown of this account is as follows:

	Thousands of Euros	
	31 December 2018	31 December 2017 restated
Legal reserve	11,584	11,584
Reserves from retained earnings	213,870	48,204
Reserves of consolidated companies	(96,361)	(13,917)
Hedge reserves	(929)	134
Foreign exchange differences	(2,162)	413
Reserves	**126,002**	**46,418**

(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 2018 and 2017, the legal reserve had reached the legally established minimum.

(ii) Reserves from retained earnings and other reserves

The main impact on this line during 2018 corresponded to the issue of a Convertible Bond in January 2018 (see Note 14). The underlying number of shares of the Convertible Bond is equivalent to 6.8% of the Company's share capital, based on the initial conversion price of EUR 38.0829 which represented a premium of 70% over the volume weighted average price per share on the Spanish Stock Exchange between market opening at the date of issue (January 16th, 2018) and pricing of such offering.

At 31 December 2018, the convertible bond reserve amounted to EUR 62,480 thousand.

(iii) Hedge reserve

This line item includes the reserve generated by the effective portion of the changes in the fair value of the derivative financial instruments designated and classified as cash flow hedges and/or hedges of net investments in foreign operations in the case of the fully consolidated companies.

(iv) Foreign exchange differences

The detail of this line item at 31 December 2018 and 2017 is as follows:

		Thousands of Euros
	31 December 2018	31 December 2017
Cellnex Switzerland (CHF)	(2,575)	(5)
Shere Subgroup (Sterling)	413	418
Total	**(2,162)**	**413**

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.

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

During 2018, with the purpose to comply with the Company´s dividend policy, the Board of Directors, pursuant to the authority granted by resolution of the Annual Shareholders' Meeting of 31 May 2018, approved the distribution of a dividend charged to the share premium reserve in the amount of EUR 11,816 thousand, which represented EUR 0.0510 per share. In addition, on 8 November 2018, the Board of Directors, approved the distribution of a dividend charged to the share premium reserve in the amount of EUR 12,395 thousand, which represented EUR 0.0535 per share.

Along with the final cash dividend of EUR 12 million to be paid in 2019 (pursuant to the corresponding approval by AGM), the total cash dividend distribution against 2018 results or reserves will have increased by 10% in relation to the dividend distributed against 2017 results or reserves.

Thus, the Directors of Cellnex Telecom, S.A. will submit for approval of the Annual General Meeting (AGM) the following proposal for the distribution of the results of the year ended 31 December 2018:

	Thousands of Euros
Basis of distribution (Profit and Loss)	**(26,146)**
Distribution:	
Accumulated profit and loss reserve	(26,146)
Total	**(26,146)**

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	
	2018	2017 restated
Profit/(loss) attributable to the Parent Company	(14,983)	26,270
Weighted average number of shares outstanding (Note 12.a)	231,419,541	231,562,641
Basic EPS attributable to the Parent Company (euros per share)	(0.06)	0.11
Diluted EPS attributable to the Parent Company (euros per share)	(0.06)	0.11

f) Non-controlling interests

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

The detail of the non-controlling interests at 31 December 2018 and 2017 is as follows:

				Thousands of Euros
	Country	% owned by Cellnex	31 December 2018	31 December 2017 restated
Cellnex Switzerland AG subgroup	Switzerland	54%	135,361	139,320
Adesal Telecom, S.L.	Spain	60%	2,115	2,838
			137,476	**142,158**

The changes in this heading were as follows:

	Thousands of Euros	
	2018	2017 restated
At 1 January restated	**142,158**	**80,275**
Profit/(loss) for the year	(2,759)	(2,471)
Dividends	(6,828)	(1,996)
Change in scope of consolidation	-	70,412
Exchange differences	4,905	(4,062)
At 31 December	**137,476**	**142,158**

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 2018

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

31 December 2017 restated

	Thousands of Euros	
	Cellnex Switzerland subgroup [(1)]	Galata [(2)]
Non-current assets	575,445	-
Current assets	54,324	-
Total assets	**629,769**	**-**
Non-current liabilities	224,166	-
Current liabilities	47,771	-
Total liabilities	**271,937**	**-**
Net assets	**357,832**	**-**
Income	22,651	211,204
Expenses	(5,923)	(64,901)
Gross operating profit	**16,728**	**146,303**
Profit attributable to the shareholders	**(759)**	**20,013**
Operating activities	(13,789)	110,590
Investment activities	(254,130)	(3,739)
Financing activities	121,664	(91,189)
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.

g) Profit/(loss) for the year

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

	Thousands of Euros	
Subsidiaries / Subgroup	**2018**	**2017 restated**
Cellnex Telecom, S.A.	(88,818)	(67,360)
Cellnex Telecom España, S.L.U	(1,368)	-
Retevisión I, S.A.U.	45,781	71,755
Tradia Telecom, S.A.U.	15,650	21,254
On Tower Telecom Infraestructuras, S.A.U.	5,777	3,352
Adesal Telecom, S.L.	141	708
Towerco, S.p.A.	3,339	3,695
Galata, S.p.A.	17,905	3,197
Cellnex Italia, S.r.L.	(315)	(949)
Commscon Italia, S.r.L.	(949)	(876)
On Tower Italia	55	89
Cellnex Netherlands, Group	3,976	1,266
Cellnex France	(13,468)	(10,374)
Shere Group subgroup	(767)	3,943
Cellnex Switzerland	(3,319)	(3,389)
SGL Reserve (anteriormente Cellnex UK)	(280)	(41)
TMI	41	-
Cellnex France Group	(140)	-
Infr'asset Management	28	-
Sintel	100	-
Zenon Digital Radio	354	-
Xarxa Oberta de Catalunya	1,281	-
BRT Tower	9	-
DFA Telecomunicazioni	10	-
Towerlink France	(6)	-
Net profit attributable to the Parent Company	**(14,983)**	**26,270**

14. Borrowings

The breakdown of borrowings at 31 December 2018 and 2017 is as follows:

						Thousands of Euros
	31 December 2018			31 December 2017		
	Non-current	Current	Total	Non-current	Current	Total
Bond issues and other loans	2,410,286	99,890	2,510,176	1,869,145	29,474	1,898,619
Loans and credit facilities	582,730	2,831	585,561	630,858	2,331	633,189
Derivative financial instruments	1,255	180	1,435	-	181	181
Other financial liabilities	3,757	27,932	31,689	5,298	37,629	42,927
Borrowings	**2,998,028**	**130,833**	**3,128,861**	**2,505,301**	**69,615**	**2,574,916**

During the period ended at 31 December 2018, the Group increased its borrowings from bond issues and loans and credit facilities (which do not include any debt held by Group companies registered using the equity method of consolidation, "Derivative Financial Instruments" or "Other financial liabilities") by EUR 563,929 thousand to EUR 3,095,737 thousand.

The increase in the Group's borrowings from bond issues and loans and credit facilities position as of 31 December 2018 is mainly due to the issuance of the Convertible Bonds (as defined herein) with a carrying amount of EUR 543,631 thousand as of 31 December 2018 and the establishment of a EUR 500 million Euro-Commercial Paper ("ECP") Programme. In addition, Cellnex refinanced certain bilateral credit facilities with lower margins and longer maturities and amended the CHF 190,000 thousand syndicated loan (notional) into a CHF 150,000 thousand loan and a CHF 40,000 thousand revolving facility (after a temporary limit of CHF 40,449 thousand). The Group also amended the debt placed in Cellnex Switzerland (CHF 180,000 thousand notional)

As of 31 December 2018 and 2017, the average interest rate of all available borrowings would have been 1.9% and 2.0% respectively, in the event they had been entirely drawn down. The average weighted interest rate as of 31 December 2018 of all available borrowings drawn down was 2.2 % (2.4% as of 31 December 2017).

In addition, pursuant to the amendments to IAS 7, a reconciliation of the cash flows arising from financing activities is set out below, together with the associated liabilities in the opening and closing balance sheet, distinguishing between changes that give rise to cash flows and those that do not:

31 December 2018

	01/01/2018	Cash flows	Changes in the scope of consolidation	Exchange rate	Transfers to liabilities held for sale	Other [(2)]	31/12/2018
Bond issues	1,898,619	591,615	-	147	-	19,795	2,510,176
Loans and credit facilities and other financial liabilities [(1)]	676,297	(71,479)	925	7,896	-	5,046	618,685
Borrowings	**2,574,916**	**520,136**	**925**	**8,043**	**-**	**24,841**	**3,128,861**

(1) Which also includes Derivative financial instruments.

(2) It mainly includes arrangement expenses accrued and change in interest accrued not paid.

31 December 2017

	01/01/2017	Cash flows	Changes inthe scope of consolidation	Exchange rate	Transfers to liabilities held for sale	Other [(2)]	31/12/2017
Bond issues	1,410,466	467,159	-	-	-	20,994	1,898,619
Loans and credit facilities and other financial liabilities [(1)]	291,226	358,534	-	(10,787)	-	37,324	676,297
Borrowings	1,701,692	**825,693**	**-**	**(10,787)**	**.**	**58,318**	**2,574,916**

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

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

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

As of 31 December 2018 and 2017, the breakdown, by maturity, type of debt and by currency of the Group's borrowings (excluding debt with companies accounted for using the equity method of consolidation) is as follows:

Borrowings by maturity

The maturities of the Group's borrowings based on the repayment schedule as of 31 December 2018 and 2017 are shown in the table below.

31 December 2018

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

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

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 and other loans	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**

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

Borrowings by type of debt

	Thousands of Euros					
	Notional as of 31 December 2018 (*)			Notional as of 31 December 2017 (*)		
	Limit	Drawn	Undrawn	Limit	Drawn	Undrawn
Bond issues and other loans	2,552,835	2,552,835	-	1,890,000	1,890,000	-
Loans and credit facilities	1,606,398	586,471	1,019,927	1,695,922	635,852	1,060,070
Total	**4,159,233**	**3,139,306**	**1,019,927**	**3,585,922**	**2,525,852**	**1,060,070**

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

As of 31 December 2018, the total limit of loans and credit facilities available was EUR 1,606,398 thousand (EUR 1,695,922 thousand as of 31 December 2017), of which EUR 1,287,415 thousand in credit facilities and EUR 318,984 thousand in loans (EUR 1,152,351 thousand in credit facilities and EUR 543,571 thousand in loans as of 31 December 2017).

Furthermore, of the EUR 1,606,398 thousand of loans and credit facilities available (EUR 1,695,922 thousand as of 31 December 2017), EUR 640,523 thousand (EUR 602,172 thousand as of 31 December 2017) can be drawn down either in Euros (EUR) or in other currencies, such as Pound Sterling (GBP), Swiss franc (CHF) and U.S. dollar (USD).

As of 31 December 2018 the total amount drawn down of the loans and credit facilities was EUR 586,471 thousand (EUR 635,852 thousand drawn down as of 31 December 2017).

Borrowings by currency

	Thousands of Euros	
	31 December 2018 (*)	31 December 2017 (*)
Euro	2,664,708	2,128,520
GBP	167,909	175,316
CHF	327,840	300,435
Borrowings	**3,160,457**	**2,604,271**

(*) The amounts shown in the preceding table relate to the cash flows set forth in the contracts, which differ from the carrying amount of the borrowings due to the effect of applying IFRS criteria set down in IFRS9 borrowings.

At the year ended on 31 December 2018 and 2017, the foreign exchange risk on the net investment of operations of the Group companies denominated in non-Euro currencies is managed by means of borrowings denominated in the corresponding foreign currency.

In this regard, as of 31 December 2018 and 2017, the Group maintained borrowings in GBP, which acted as a natural hedge of the net investment of Cellnex UK Limited (previously Shere Group Ltd.). These borrowings amounted to GBP 150,200 thousand with a Euro value of EUR 167,909 thousand (GBP 155,546 thousand with a Euro value of EUR 175,316 thousand as of 31 December 2017) 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 Cellnex UK Group. The maturities of these borrowings are between 2022 and 2023.

In addition, as of 31 December 2018, the Group maintained borrowings in CHF, which act as a natural hedge of the net investment in Cellnex Switzerland. Such borrowings amounted to CHF 212,035 thousand with a Euro value of EUR 188,157 thousand (CHF 195,583 thousand with a Euro value of EUR 167,136 thousand as of 31 December 2017) 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 Swiss Towers acquisition (see Note 6), the Group also maintained through its subsidiary Cellnex Switzerland additional borrowings in CHF amounting to CHF 157,409 thousand with a Euro value of EUR 139,683 thousand (CHF 155,986 thousand with a Euro value of EUR 133,299 thousand as of 31 December 2017).

Bond issues and other loans

The detail of the bonds and other financing instruments at 31 December 2018 and 2017 is as follows:

		Thousands of Euros
	31 December 2018	31 December 2017
Bond issues	2,447,318	1,898,619
Promissory notes and commercial paper	62,858	-
Bond issues and other loans	**2,510,176**	**1,898,619**

i) Euro Medium Term Note Programme – (EMTN) Programme

In May 2015, the Group established an EMTN Programme through the Parent Company. This Programme is registered on the Irish Stock Exchange and is renewed annually. As at 31 December 2018, the EMTN Programme allows the issue of bonds in the aggregate amount of up to EUR 3,000 million and the latest renewal date was May 2018.

In March 2016, Cellnex was added to the list of companies whose corporate bonds are eligible for the Corporate Sector Purchase Programme (CSPP) by European Central Bank (ECB). However, the BCE publicly announced that they will not increase the size and reinvest the proceeds of the Corporate Purchase Programme (CSPP) from December 2018 onwards.

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

31 December 2018

During the period ended on 31 December 2018, there have been no changes regarding the issuance of bonds as of 31 December 2017.

31 December 2017

Issue	Initial duration	Maturity	Fitch / S&P rating	ISIN	Coupon	Initial Notional (Thousands of Euros)	Notional as of 31 December 2017 (Thousands of Euros)
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.

The bond issues have certain associated costs, customary in this type of transactions such as arrangement expenses and advisors' fees, which amount to EUR 7,896 thousand as of 31 December 2018 in relation to the bonds issued, which the Group defers over the life of the bonds and are taken to the consolidated income statement following a financial criteria. In this regard, an amount of EUR 27,900 thousand and EUR 24,343 thousand was deducted from bond issues in the consolidated balance sheet as of 31 December 2018 and 2017, respectively. The arrangement expenses and advisor's fees accrued in the consolidated income statement for the period ended 31 December 2018 in relation to the bond issues amounted to EUR 4,339 thousand (EUR 3,286 thousand as of 31 December 2017).

ii) Convertible bond issues

In January 2018, Cellnex issued a convertible bond which showed a carrying amount of EUR 543,631 thousand as of 31 December 2018 ("Convertible Bond"). The underlying number of shares of the Convertible Bond is equivalent to 6.8% of the Company's share capital, based on the initial conversion price of EUR 38.0829 which represented a premium of 70% over the volume weighted average price per share on the Spanish Stock Exchange between market opening at the date of issue (January 16th, 2018) and pricing of such offering.

The Convertible Bond carries a coupon of 1.5% of the notional amount payable annually in arrears. Cellnex may opt to redeem all (but not part) of the Convertible Bond on or after July 18, 2022, if the market value of the underlying Shares per €100,000 of principal amount of the Convertible Bond exceeds €130,000 during a specified period of time, or, at any time, if more than 85% of the aggregate principal amount of the Convertible Bond initially issued has been converted and/or redeemed and/or purchased and cancelled. The Convertible Bond has a duration of eight years, reaching maturity on January 2026, and is rated BBB- by Fitch. It is trading on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange.

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

Issue	Initial Duration	Maturity	Fitch / S&P rating	ISIN	Coupon	Balance as at 31 December 2018 (Thousands of Euros)
16/01/2018	8 years	16/01/2026	BBB-/NA	XS1750026186	1.5%	543,631
Total						**543,631**

Clauses regarding changes of control

The Terms and Conditions of the bonds include a change of control put clause, at the option of bondholders, which could result in its early repayment.

For the bonds issued under the EMTN Programme, the put option can only be triggered if a change of control event occurs and there is a rating downgrade caused by the change of control event (as defined in the Terms and Conditions of the EMTN Programme). For the convertible bond, the put option can only be triggered if a change of control occurs or if a tender offer triggering event occurs (as defined in the Terms and Conditions of the convertible bonds).

Under the EMTN Programme and the Convertible Bond, a "change of control event" is defined as the acquisition of more than 50% of the voting rights in respect of Cellnex or the right to appoint or dismiss all or the majority of the members of the Board of Directors of Cellnex.

Bonds obligations and restrictions

As of 31 December 2018 and 2017, 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.

iii) Euro-Commercial Paper Programme – (ECP) Programme

In June 2018, Cellnex established an ECP Programme with the Irish Stock Exchange. The ECP Programme has a limit of EUR 500 million or its equivalent in GBP, USD and CHF. As of 31 December 2018, the amount utilized under the ECP Programme was EUR 44,200 thousand and CHF 21,000 thousand with a Euro value of EUR 18,635 thousand.

Bonds obligations and restrictions

As at 31 December 2018, the Parent Company has no restrictions regarding the use of capital resources nor has guarantees and the bonds rank pari passu with the rest of the unsecured and unsubordinated borrowings.

Loans and credit facilities

As of 31 December 2018, the total limit of loans and credit facilities available was EUR 1,606,398 thousand (EUR 1,695,922 thousand as of 31 December 2017), of which EUR 1,287,415 thousand in credit facilities and EUR 318,984 thousand in loans (EUR 1,152,351 thousand and EUR 543,571 thousand respectively as of 31 December 2017).

During the period ended 31 December 2018, Cellnex has arranged two credit facilities of EUR 100,000 thousand each with maturities in 2022 and 2023. During the same period, Cellnex has repaid a EUR 50,000 thousand loan, has cancelled credit facilities by EUR 50,000 thousand and has refinanced the CHF 190,000 thousand syndicated loan (notional) into a CHF 150,000 thousand loan and a CHF 40,000 thousand revolving facility (after a temporary limit of CHF 40,449 thousand).

As of 31 December 2018, Cellnex Switzerland refinanced and amended the CHF 170,000 thousand syndicated facility into a CHF 180,000 thousand revolving facility with a maturity of five years (2023). As a result of the refinancing, the new CHF revolving facility does not have any covenants nor share pledges requirements.

During the previous year, 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 (2029). This loan includes an obligation of Parent Company to maintain at least a corporate rating of BB by Standard & Poor's and Fitch Ratings Ltd, and Ba2 by Moody's. As of the date hereof, Cellnex has drawn an amount of EUR 24,375 thousands (EUR 25,000 thousand as of 31 December 2017) of this loan and is in compliance with all its obligations under the EIB loan agreement.

Clauses regarding changes of control

For the loans and credit facilities entered into by Cellnex, the change of control trigger is at Cellnex level and for the syndicated facilities agreement entered into by Cellnex Switzerland, the trigger is at Cellnex Switzerland level and its wholly owned subsidiary, Swiss Towers. In both cases, a "change of control event" exists when a third party, alone or together with others, acquires either 50% of shares with voting rights, or obtains the right to appoint or dismiss the majority of the members of the board of directors of the relevant company.

Loans and credit facilities obligations and restrictions

At 31 December 2018 and 2017, the Parent Company has no restrictions regarding the use of capital resources derived from the loans and credit facilities.

Submitted guarantees and financial ratios

As of 31 December 2018 and 2017, all the loans and credit facilities entered into by the Group are unsecured and unsubordinated, had no guarantees or shares pledged, ranked pari passu with the rest of the unsecured and unsubordinated borrowings, and did not require the Group to comply with any financial ratio.

Derivative financial instruments

From time to time the Group considers hedging the interest rate risk on the portion of its Euro financing bearing floating interest rates through Interest Rate Swaps (IRS). In a floating-to-fixed IRS, interest rates are swapped so that the Company receives a floating interest rate (Euribor) from the bank in exchange for a fixed interest rate payment for the same nominal amount. The floating interest rate received for the IRS offsets the floating interest rate payment on the borrowings. The end result is a fixed interest rate payment on the hedged borrowings.

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

The Group determines the fair value of interest rate or foreign exchange derivatives by discounting cash flows on the basis of the implicit Euro interest rate and exchange rate calculated on the basis of market conditions at the measurement date and adjusting this by the bilateral credit risk with the objective of reflecting its own and its counterpart's credit risk.

The Group performs potential interest rate and foreign exchange rate hedging operations in accordance with its risk management policy. These operations are intended to mitigate the effect that changes in interest and exchange rates could have on the future cash flows of the bonds, loans and credit facilities linked to variable interest rates, cash flows in foreign currencies and variations in investments in foreign currencies.

As mentioned above, the bond issued in April 2017 for EUR 80 million and maturing in April 2026 has been hedged with floating-to-fixed IRS, converting the floating rate of the bond into a fixed rate. The notional amount and the maturity of the IRS match those of the underlying bond. As a result of the contracted IRS the final interest rate on the EUR 80 million bond is 2.945%.

Other financial liabilities

"Other financial liabilities" relates mainly to certain grants awarded (arranged as repayable advances) to other Group companies (Retevisión-I, S.A.U. and Tradia Telecom, S.A.U.) under the Ministry for Industry, Tourism and Trade's PROFIT programme. According to the technical-financial terms of the grant resolutions, the repayable advances bear no interest.

As of 31 December 2018, the Group reached agreements for recourse factoring in relation to balances for VAT receivables derived from the acquisition of mobile telecom infrastructures in France amounting to EUR 25,268 thousand. During 2017, the Group reached agreements for recourse factoring for a total amount of EUR 35 million as of 31 December 2017, in relation to balances for tax receivables. This related 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 as of 31 December 2017.

Corporate rating

At 31 December 2018 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.

15. Leases

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

Amounts recognised in the consolidated balance sheet

As of 31 December 2018 and 2017, the amounts recognized in the consolidated balance sheet related to lease agreements are:

Right of use

		Thousands of euros
		Net book value
	31 December 2018	31 December 2017 restated
Right of use		
Sites	546,080	420,253
Offices	16,222	14,530
Satellites	6,922	15,054
Vehicles	1,175	2,726
Concessions	3,166	2,172
Total	**573,565**	**454,735**

The additions of rights of use during the year 2018 amount to 118,427 thousand euros (176,759 thousand euros in 2017).

Lease liabilities

		Thousands of euros
	31 December2018	31 December 2017 restated
Maturity analysis – contractual undiscounted cash flows		
Less than one year	152,268	124,456
One to five years	272,452	250,502
More than five years	342,434	333,553
Total undiscounted lease liabilities at 31 December	**767,154**	**708,511**
Lease liabilities included in the statement of financial position at 31 December		
Current	102,382	76,502
Non-Current	423,955	349,480
Total	**526,337**	**425,982**

Amounts recognised in the consolidated income statement

As of 31 December 2018 and 2017, the amounts recognized in the consolidated income statement related to lease agreements are:

		Thousands of euros
	31 December 2018	31 December 2017 restated
Depreciation and amortisation		
Depreciation Right of Use:		
Sites	(122,170)	(110,900)
Offices	(3,369)	(2,778)
Satellites	(8,132)	(10,745)
Vehicles	(2,007)	(1,774)
Concessions	(251)	(103)
	(135,929)	**(126,300)**
Financial costs		
Interest expense on lease liabilities	**(54,454)**	**(40,917)**
Other operating expenses		
Expense related to contracts with low value asset	(4,287)	(3,295)
Expense related to variable lease payments	(7,250)	(8,582)
	(11,537)	**(11,878)**

During the period ended on 31 December 2018 and 2017, the Group has not recognized in the consolidated income statement, income from subleasing right-of-use assets, nor gains or losses arising from sale and leaseback transactions by a significant amount.

Amounts recognised in the statement of cash flows

The total amount of cash outflows in relation to lease agreements in 2018 amounts to EUR 206,050 thousand (EUR 178,764 thousand in 2017), of which EUR 39,557 thousand (EUR 25,763 thousand in 2017) relates to cash advances to landlords, EUR 54,454 thousand (EUR 40,917 thousand in 2017) relates to interest payments on lease liabilities and EUR 112,039 thousand (EUR 112,084 thousand in 2017) relates to payments of lease instalments in the ordinary course of business.

Lease agreements. Cellnex Group as lessee

i) Real estate leases

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

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

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

Extension options

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

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

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

Discount rates

The Group has generally applied the interest rate implicit in the lease contracts. In relation to the transition process, contracts prior to 2012 have been valued using an estimated incremental borrowing rate, since the Directors have considered that the determination of the implicit rate in these contracts involved considerably greater difficulty due, among other reasons, to their age. The portfolios of contracts acquired from 2012 onwards have been valued using implicit rates.

The interest rate implicit in the lease is defined by IFRS 16 as the rate of interest that causes the present value of (a) the lease payments and (b) the unguaranteed residual value to equal the sum of (i) the fair value of the underlying asset and (ii) any initial direct costs of the lessor. The interest rate implicit in the lease has been obtained, with the assistance of external valuation experts, through a methodology designed for this purpose, in line with the above definition and based on the following components: fair value of the leased asset at lease commencement and end date and annual rent payments. The initial direct costs of the lessor are deemed immaterial considering the nature of the assets leased. The fair value of the leased asset has been measured using a market approach, according to which the leased asset (land or/and buildings) is valued based on observable market prices of similar assets to which adjustments related to surface area, location, size and other relevant factors are made.

The incremental borrowing rate (IBR) is defined by IFRS 16 as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR has been obtained through a methodology designed for this purpose, in line with the definition above and based on the following components: local reference rate, credit spread adjustment and lease specific adjustment. The credit spread adjustment is based on the Group's creditworthiness and the debt issuance costs. No lease specific adjustment has been applied, as the nature of the leases is essentially the same.

ii) Other leases

Cellnex leases offices, vehicles and satellites with terms of 6 to 10 years, 3 to 5 years and 3 years, respectively.

The Group also leases IT and other equipment with contract terms of one to three years. These leases are either short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

iii) Sale-and-leaseback

During 2018 and 2017, no significant sale-and-leaseback transactions have been performed.

16. Trade and other payables

Trade and other payables

	Thousands of Euros	
	31 December 2018	**31 December 2017**
Trade payables	152,429	148,700
Current tax liabilities	11,320	8,828
Other payables to Government Agencies	32,821	33,668
Other payables to related parties (Note 20.d)	2,504	1,605
Other payables	42,053	44,774
Trade and other payables	**241,127**	**237,575**

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

At 31 December 2018 and 2017, "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 17.b.

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	
	2018	2017
Total payments in the year	195,249	188,278
Total payments outstanding	3,705	9,511
Average payment period to suppliers (days)	36 days	45 days
Ratio of transactions paid (days)	36 days	46 days
Ratio of transactions outstanding (days)	41 days	33 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.

17. Income tax and tax situation

a) Tax information

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

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

Tax audits and litigation

At 31 December 2018, in general the Group companies had open for review by the tax authorities all the taxes applicable to them for which the statute of limitations period had not expired at that date in each of the jurisdictions where they are located.

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

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

The Company considers that no significant impacts derived from the tax audit will be revealed, nor will possible interpretative differences in the tax legislation.

b) Balances for tax payable and receivable

The tax receivables held by the Group with the tax authorities at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
VAT receivable	43,422	38,876
Canary Islands tax refundable	-	182
Other taxes	2,854	1,902
Tax receivables	**46,276**	**40,960**

In 2018 and 2017, this caption mainly included VAT receivable derived from the acquisition of mobile telecom infrastructures in France (see Note 7), that amounts to EUR 25,268 thousand (EUR 24,428 thousand and EUR 8,590 thousand, in France and Spain, respectively, in 2017).

The current tax payables held by the Group with tax authorities at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
VAT payable	25,844	27,640
Canary Island tax payable	108	134
Social security payable	2,525	2,009
Personal income tax withholdings	2,291	2,243
Other taxes	2,053	1,642
Tax payables	**32,821**	**33,668**

c) Corporation tax expense

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

	2018	2017
Spain	25%	25%
Italy [1]	28.82%	28.82%
Netherlands [2]	25%	25%
United Kingdom	19%	19%
France [3]	28%/33.3%	33.3%
Switzerland [4]	20.4%	20.5%

[1] The standard income tax rate was 28.82% in Italy, which is made up of the IRES (Imposta sul Reddito delle Societa) at a rate of 24% and the IRAP (regional business tax in Rome) at a rate of 4.82%.

[2] Progressive decrease of the Dutch standard corporate income tax (CIT) rate from 25% to 20.5% by 2021. For fiscal years starting on or after 1 January 2018, a 20% CIT rate will apply on the first EUR 200 thousand of taxable income of all entities. The lower CIT rate for 2019 is 19% (2018: 20%) for taxable income up to EUR 200 thousand and the standard rate of 25% (2018: 25%) applies to taxable income exceeding EUR 200 thousand.

[3] The Finance Bill for 2018 provides for a progressive decrease of the French standard corporate income tax (CIT) rate from 33.3% to 25% by 2022. For fiscal years starting on or after 1 January 2018, a 28% CIT rate will apply on the first EUR 500 thousand of taxable income of all entities. Taxable income in excess of EUR 500 thousand will still be subject to a 33.3% CIT rate. For financial years beginning on or after 1 January 2019, a 28% CIT rate will apply on the first EUR 500 thousand of taxable income and a 31% rate on the taxable income in excess of EUR 500 thousand. For fiscal years starting on or after 1 January 2020, 2021 and 2022 a 28%, 26.5% and 25% rate will apply for all entities, respectively.

[4] The standard income tax rate was 20.5% 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	
	2018	**2017 restated**
Consolidated profit before tax	(36,181)	30,362
Theoretical tax [1]	9,254	(7,263)
Impact on tax expense from (permanent differences):		
Non-deductible expenses	(1,401)	1,263
Other deductions	2,498	2,617
Income from transfer of know-how	1,797	1,787
Income tax (expense)/credit for the year	**12,148**	**(1,596)**
Tax loss carryforwards	4,599	-
Changes in tax rates	-	2,566
Other tax effects	1,691	(539)
Other tax effects	**6,291**	**2,027**
Income tax (expense)/credit	**18,439**	**431**

[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 2018 and 2017 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 2018 and 2017 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 included 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 were 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 were 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	
	2018	2017
Current tax	(18,290)	(20,273)
Deferred tax	37,502	21,215
Tax from prior years / other	(773)	(511)
Income tax expense	**18,439**	**431**

“Deferred tax” in 2018 and 2017 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 16,343 thousand (EUR 16,229 thousand in 2017).

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			
	2018		2017	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
At 1 January restated	**40,869**	**(349,929)**	**39.063**	**(290,281)**
Debits/(credits) in income statement	11,433	3,555	(2,315)	5,587
Debits/(credits) due to incorporation into scope and business combinations	451	12,984	405	(67,106)
IFRS 16	3,532	-	3,152	-
Transfers	143	-	564	-
Changes in tax rates	-	-	-	2,566
Others	(1,106)	84	-	(695)
At 31 December	**55,322**	**(333,306)**	**40,869**	**(349,929)**

i) Deferred tax assets

The breakdown of the deferred tax assets is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017 restated
Deferred tax assets:		
Provision for third-party liabilities	9,493	4,465
Limit on depreciation and amortisation of fixed assets	5,733	6,632
Employee benefit obligations	4,702	4,615
Other provisions	3,021	2,729
Timing differences in revenue and expense recognition	372	1,146
Asset revaluation	5,493	6,280
IFRS 16	15,902	13,034
Tax credits recognised:		
Tax loss carry forwards	9,198	-
Limit on depreciation and amortisation of fixed assets	854	1,323
Asset revaluation	553	645
Total deferred tax assets	**55,322**	**40,869**

Provision for third-party liabilities

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

Limit on depreciation and amortisation of fixed assets

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

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

Asset revaluation

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

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

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

Tax losses carry forwards

As of 31 December 2018 the Group had tax losses from UK companies available for carry forward against future profits, as detailed below:

- Non-trade loan relationship deficit of EUR 11.3 million (EUR 11.3 million at 31 December 2017) which related to GBP 10.1 million (GBP 10.1 million at 31 December 2017), 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 13.4 million at 31 December 2017) which related to GBP 11.9 million (GBP 11.9 million at 31 December 2017) which is available to offset against future trading profits generated by the same company that incurred the loss.

In addition, tax losses from Spanish and French companies available for carry forward against future profits, amounted to EUR 19 million and EUR 23 million (EUR 0 million and EUR 10 million, respectively, at 31 December 2017).

As of 31 December 2017, the tax losses from Dutch companies available for carry forward against future profits amounted to EUR 1 million (EUR 0 million in 2018).

The potential deferred tax asset arising on the losses carried forward in the group companies detailed above has not been recognized yet in the accompanying consolidated balance sheet, except for the tax losses in Spain and France recognized at 31 December 2018 amounting to EUR 4.6 million and EUR 4.6 million, respectively (EUR 0 million in 2017) . The aforementioned tax losses do not have an expiration date.

ii) Deferred tax liabilities

The breakdown of the deferred tax liabilities is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Deferred tax liabilities:		
Business combinations [1]	(324,489)	(338,858)
Accelerated depreciation and amortisation	(8,896)	(11,570)
Amortization goodwill in Spanish companies & others	80	499
Total deferred tax liabilities	**(333,306)**	**(349,929)**

[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 2018 and 2017 relating to the tax effect associated with recognising, at fair value, the net assets and liabilities acquired in the main business combinations and/or changes in the scope of consolidation, is as follows:

Acquisitions	Incorporation	2018	2017
Towerco	2014	22,630	23,817
Galata	2015	115,392	122,605
Commscon	2016	3,482	4,127
Cellnex Netherlands subgroup (1)	2016	83,041	88,775
Shere Group subgroup (1)	2016	19,302	20,323
On Tower Italia	2016	463	484
Swiss Towers	2017	59,191	62,453
Infracapital Alticom subgroup	2017	14,825	16,273
Xarxa Oberta de Catalunya	2018	6,163	-
Total		**324,489**	**338,858**

(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 2018 and 2017 will be used as follows:

	Thousands of Euros		
	31/12/2018		
	Less than one year	More than one year	Total
Deferred tax assets	9,722	45,600	**55,322**
Deferred tax liabilities	(21,628)	(311,678)	**(333,306)**

	Thousands of Euros		
	31/12/2017 restated		
	Less than one year	More than one year	Total
Deferred tax assets	8,233	32,636	**40,869**
Deferred tax liabilities	(22,315)	(327,613)	**(349,928)**

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.

18. Provisions and other liabilities and employee benefit obligations

a) Provisions and other liabilities

The detail of "Provisions and other liabilities" at 31 December 2018 and 2017 is as follows:

		Thousands of Euros
	31 December 2018	31 December 2017 restated
Put option Galata S.p.A	-	-
Put option Cellnex Switzerland AG	66,515	60,839
Asset Retirement Obligation	84,275	78,919
National Competition Committee Sanction	23,000	16,000
Provision for other responsibilities [1]	41,847	50,092
Deferred income and other liabilities	20,896	12,134
Provisions and other liabilities	**236,533**	**217,984**

[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, Deutsche Telekom Capital Partners ("DTCP") and Cellnex Telecom, S.A. entered into a put option agreement, in which DTCP has a put option to sell its stake (18%) to Cellnex, payable in cash or in Cellnex Telecom, S.A. shares ("DTCP Put Option"). The price for exercising the DTCP Put Option is calculated using a base of CHF 65 million (with a Euro value of EUR 58 million), increasing by the higher of fair market value and a c.9.3% return 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.

As of 31 December 2018 the DTCP Put Option amounted to EUR 67 million (EUR 61 million at 31 December 2017).

During 2018, EUR 6 million (EUR 3 million in 2017) was recorded in the accompanying consolidated income statement to update the value for the passage of time at c.9.3% per year.

iii) Asset Retirement Obligation

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

iv) National Competition Committee Sanction

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

v) Provision for other Responsibilities

This caption includes the provisions for other liabilities in relation to the business combinations undertaken by the Group relating to the acquisitions of Galata, Commscon, Towerlink Netherlands, Shere Group, Swiss Towers, Alticom and Xarxa Oberta de Catalunya, Zenon and DFA Telecomunicazioni amounting to EUR 287 thousand, EUR 260 thousand, EUR 5,425 thousand, EUR 4,226 thousand, EUR 10,084 thousand, EUR 12,800 thousand, EUR 4,000 thousand, EUR 2,000 thousand and EUR 1,000 thousand, respectively. In this respect the corresponding provisions included in this caption as at 31 December 2017 in relation 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, EUR 10,084 thousand and EUR 12,800 thousand respectively (see Note 6).

In addition, 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 1,766 thousands based on the best estimation at the period end date (EUR 3,060 thousand in 2017).

vi) Deferred Income and Other Liabilities

This item mainly includes amounts claimed from Group companies in ongoing litigation at the period end and other risks related to management of the Group. The amounts were estimated based on the amounts claimed or stipulated in court rulings issued at the end of each year shown and appealed against by the aforementioned companies.

At 31 December 2018 and 2017, this caption also includes the recognition of a contingent consideration contemplated in the purchase contract of Commscon for EUR 5 million, which is subject to the achievement of certain long term growth objectives of the company.

b) Employee benefit obligations

The detail of "Employee benefit obligations" at 31 December 2018 and 2017 is as follows:

						Thousands of Euros
	31 December 2018			31 December 2017		
	Non-current	Current	Total	Non-current	Current	Total
Defined benefit obligations	3,304	92	**3,396**	2,864	470	**3,334**
Employee benefit obligations	12,892	35,373	**48,265**	2,782	23,123	**25,905**
Employee benefit obligations	**16,196**	**35,465**	**51,661**	**5,646**	**23,593**	**29,239**

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 3,304 thousand (EUR 2,864 thousand in 2017) under "Non-current provisions" and EUR 92 thousand (EUR 470 thousand in 2017) 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 2018 and 2017 for these obligations as a decrease in staff costs were EUR 292 thousand and EUR 297 thousand and, as a finance cost, were EUR 17 thousand and EUR 10 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
	2018	2017
At 1 January	**3,334**	**2,168**
Current service cost	307	86
Interest cost	17	10
Actuarial losses/(gains)	(15)	(383)
Benefits paid	(247)	(95)
Changes in the consolidation scope	-	1,548
At 31 December	**3,396**	**3,334**

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
	2018	2017
At 1 January	**-**	**-**
Sponsor contributions	309	(287)
Benefits paid	(247)	(95)
Changes in the consolidation scope	-	1,026
At 31 December	**62**	**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:

	2018	2017
Annual discount rate	0.75%	0.50% - 0.75%
Salary increase rate	2.00% - 2.25%	2.00% - 2.25%

ii) Current and non-current employee benefit obligations

Long Term Incentive Plan ("LTIP")

i) *ILP (2015-2017)*

On 10 April 2015 the Long Term Incentive Plan (2015-2017) was approved. This plan accrued from May 2015 until 31 December 2017 and was paid in 2018 after the Group's annual accounts corresponding to the 2017 financial year were approved. The beneficiaries of this Plan were the CEO, the Senior Management and certain key employees of the Cellnex Group (up to 32 employees).

The amount to be received by the beneficiaries was 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) 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 was EUR 7.8 million.

Based on the best possible estimation of the related liability and taking into consideration all the available information, the Group recognised a provision of EUR 7,211 thousand for this item in the short-term of the consolidated balance sheet as at 31 December 2017.

As of 31 December 2018, the Long Term Incentive Plan (2015-2017) has been fully paid to its beneficiaries, therefore, at this date no provision has been recorded regarding to this Plan, since it has been extinguished.

ii) *ILP (2017-2019)*

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

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

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

1. 50%; the attainment of certain RLFCF per share figures according to the market consensus and at a constant scope of consolidation. The scale of attainment is: 50% if the figure is 5% below the target, 100% if figure matches the target, and 125% if the target is beaten by 5% or more;

2. 30%; the share price appreciation calculated between the initial starting price of the period and the average price in the last quarter of 2018, weighted by the volume ("vwap"). The scale of attainment is from 75% to 125% depending on the share price performance compared to IBEX 35 and certain European and American peers; and

3. 20%; the attainment of certain Adjusted EBITDA figure according to the market consensus and the constant scope of consolidation. The scale of attainment is: 50% if the figure is 5% below the target, 100% if figure matches the target, and 125% if the target is beaten by 5% or more;

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

In accordance with the attainment above, the cost of Phase I (2017-2018) of the LTIP (2017-2019) for Cellnex is EUR 5 million, which will be paid once the Group's annual accounts corresponding to the 2018 financial year have been approved.

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

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

- 50%; the attainment of a certain RLFCF per share figure according to the market consensus and a constant scope of consolidation. The scale of attainment is: 50% if the figure is 5% below the target, 100% if figure matches the target, and 125% if the target is beaten by 5% or more; and

- 50%; the share price appreciation calculated between the initial starting price of the period and the average price in the last quarter of 2019, weighted by the volume ("vwap"). The scale of attainment is from 75% to 125% depending on the share price performance compared to IBEX 35 and certain European and American peers.

As at 31 December 2018, the estimated cost of the Phase II (2018-2019) is approximately EUR 7 million. If the maximum level of achievement of the objectives were to be attained, the estimated cost would be approximately EUR 8.8 million.

For the LTIP (2017 – 2019) all Senior Management and certain employees must receive a minimum of 30% of their LTIP remuneration in Cellnex shares and for the CEO and Deputy CEO the minimum amount is 40% of their LTIP remuneration. For the rest of the beneficiaries, this minimum percentages varies depending on the position of the employee. The share based compensation of this LTIP will be grossed up to partially offset the tax impact on the beneficiaries.

Based on the best possible estimation of the related liability and taking into consideration all the available information, the Group has recognised a provision of EUR 3.5 million and EUR 5 million for this item in the long-term and short-term; respectively, of the accompanying consolidated balance sheet as at 31 December 2018 (EUR 2.6 million as at 31 December 2017 in the long-term). Thus, the impact on the accompanying consolidated income statement for the 2018 year-end amounted to EUR 5.9 million (EUR 2.6 million in 2017).

iii) *ILP (2018-2020)*

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

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

- 50%; the attainment of a certain RLFCF per share figure according to the market consensus and a constant scope of consolidation. The scale of attainment is: 50% if the figure is 5% below the target, 100% if figure matches the target, and 125% if the target is beaten by 5% or more; and

- 50%; the share price increase calculated using the initial starting price of the period and the average price in the last quarter of 2020, weighted by the volume ("vwap"). The scale of attainment is from 75% to 125% depending on the share price performance compared to IBEX 35 and certain European and American peers.

As at 31 December 2018, the estimated cost of the ILP (2018-2020) is approximately EUR 6.6 million, if it were to achieve the maximum level of achievement of the objectives, the estimated cost would be approximately EUR 8.3 million.

For the LTIP (2018 – 2020) all Senior Management and certain employees must receive a minimum of 40% of their LTIP remuneration in Cellnex shares and for the CEO and Deputy CEO the minimum amount is 50% of their LTIP remuneration. For the rest of the beneficiaries, this minimum percentages varies depending on the position of the employee. The share based compensation of this LTIP will be grossed up to partially offset the tax impact on the beneficiaries.

Based on the best possible estimation of the related liability and taking into consideration all the available information, the Group has recognised a provision of EUR 2.2 million for this item in the long-term of the accompanying consolidated balance sheet as at 31 December 2018. Thus, the impact on the accompanying consolidated income statement for the 2018 year-end amounted to EUR 2.2 million.

Reorganisation Plan (2018 – 2019)

During the first quarter of 2018, the Group reached an agreement with the workers' representatives of Retevisión-I, S.A.U. and Tradia Telecom, S.A.U. regarding a collective redundancy procedure to conclude up to 180 employment contracts in 2018 and 2019, as detailed below.

On 27 February 2018, these group companies reached an agreement with the workers' legal representatives consisting of income plans for employees of 57 years of age or older as of 31 December 2017 and, on the other hand, lump-sum indemnity payments as a result of the voluntary termination of employment contracts for other employees not included in the annuity plan. The period during which employees could voluntarily participate in the annuity plan ended on 31 May 2018, whereas the period for claiming the lump-sum termination benefits will start on 7 January 2019 and end on 31 January 2019.

The provision of the workforce agreement will be cashed out in 2018, 2019 and first months of 2020. Accordingly, efficiencies should crystalize from 2020 onwards.

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

At 31 December 2018, a provision was recognised for this collective redundancy procedure, with an estimated cost of EUR 55 million. During 2018, following execution of part of this agreement, 111 employees were made redundant for a cost of EUR 31 million.

The movements in 2018 of the provision were as follows:

			Thousands of Euros
			2018
	Non-current	Current	Total
At 1 January	**-**	-	-
Charge to the consolidated income statement	7,968	47,352	55,320
Payments	-	(31,441)	(31,441)
At 31 December	**7,968**	**15,911**	**23,879**

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

Others

In 2012 the Group reached an agreement with the worker representatives of Retevisión-I, S.A.U. and Tradia Telecom, S.A.U. regarding a collective redundancy procedure to terminate up to 220 employment contracts in 2013 and 2014. On 21 December 2012, Retevisión-I, S.A.U. reached an agreement with the workers' legal counsel consisting, on the one hand, of income plans for employees 57 years of age or older and, on the other hand, lump-sum indemnity payments as a result of the voluntary termination of employment contracts for other employees not included in the annuity plan. The period during which employees could voluntarily participate in the annuity plan ended on 31 May 2013, whereas the period for claiming the lump-sum termination benefits ended on 15 November 2014. Within this collective redundancy procedure, an agreement was reached regarding a series of objective employment contract terminations in relation to personnel affected by the closure of certain maritime emergency response centres as a result of the reduction in the contract entered into with the Ministry of Public Works, giving rise to terminations at 31 March 2013.

On 21 December 2012, Tradia Telecom, S.A.U. reached an agreement with the workers' legal counsel consisting, on the one hand, of terminations in the form of early retirement for employees 57 years of age or older and, on the other hand, voluntary terminations with lump-sum indemnity payments as a result of terminating the employment contracts for other employees not included in the annuity plan. The period during which employees could voluntarily participate in the annuity plan ended on 31 May 2013. The period during which employees could avail themselves of the lump-sum termination benefits ended on 15 November 2014.

At 31 December 2012, a provision was recognised for this collective redundancy procedure, estimating a cost of EUR 50,779 thousand for 220 employees. During 2018, payments to employees have been made in relation to the aforementioned agreement amounting to EUR 2,640 thousand (there were no cash outflows at the end of 2017). Therefore, as at 31 December 2018, the Group had a short-term provision in the accompanying consolidated balance sheet amounting to EUR 2,312 thousand (EUR 4,952 thousand at the 2017 year end).

The balance payables at 31 December 2018 and 2017 associated with the collective redundancy procedures carried out by the Group represent expected payments related to the process.

c) Contingent liabilities

At 31 December 2018, the Group has guarantees with third parties amounting to EUR 56,327 thousand (EUR 73,534 thousand at the close of 2017). These relate mainly to guarantees provided by financial institutions before public authorities in connection with grants and technical guarantees, and before third parties in connection with rental guarantees.

Also, on 19 May 2009, the Board of the National Commission on Markets and Competition (CNMC in Spanish) imposed a fine of EUR 22.7 million on Cellnex Telecom, S.A. (formerly Abertis Telecom, S.A.U.) for abusing its dominant position in the Spanish

market for transmitting and broadcasting TV signals, pursuant to article 2 of the Competition Act and article 102 of the Treaty on the Functioning of the European Union. The Group filed an appeal for judicial review with the National Appellate Court against the CNMC fine, which was dismissed in the judgement passed on 16 February 2012. This judgement was appealed to the Supreme Court on 12 June 2012. On 23 April 2015 the appeal was resolved, upholding the appeal and annulling the decision of the CNC with regard to the amount of the fine, ordering the current CNMC to recalculate that amount in accordance with the provisions of law 16/89. The CNMC has issued its decision recalculating the aforementioned amount, reducing it to EUR 18.7 million and this decision was appealed against in the National High Court on 29 September 2016. Based on the opinion of its legal advisers, at 31 December 2018 the Group has recorded a provision for a total of EUR 16 million (EUR 16 million at the close of 2017).

On 8 February 2012, the Board of the National Commission on Markets and Competition (CNMC in Spanish) imposed a fine of EUR 13.7 million on Cellnex Telecom, S.A. (formerly Abertis Telecom, S.A.U.) for having abused its dominant position, pursuant to article 2 of the Competition Act and article 102 of the Treaty on the Functioning of the European Union. The company allegedly abused its dominant position in wholesale service markets with access to infrastructure and broadcast centres of Cellnex Telecom, S.A. for broadcasting DTT signals in Spain, and retail service markets for transmitting and distributing DTT signals in Spain by narrowing margins. On 21 March 2012, the Group filed an appeal for judicial review against the decision of the CNMC with the National Appellate Court, also requesting a delay of payments with regard to the fine until the court passes a ruling on this matter. This delay was granted on 18 June 2012. On 20 February 2015 the National Appellate Court partially upheld the appeal, ordering the CNMC to recalculate the fine as it considered that the criteria used at the time by the CNMC were not appropriate. Notwithstanding the foregoing, on 26 May 2015, an appeal was filed with the Supreme Court against the judgement of the National Appellate Court on the grounds that it is not only about the recalculation of the amount but also that the Group did not break any competition rules. On 23 March 2018, the Supreme Court issued a judgment dismissing the appeal, and is awaiting the return of the file to the CNMC for the recalculation of the sanction. Cellnex Telecom, S.A., filed a nullity incident, which was dismissed on 19 July 2018. On 10 October 2018, Cellnex Telecom, S.A., filed an appeal with the Constitutional Court against the ruling. With regard to these proceedings, at 31 December 2018, the Parent Company's Directors, based on the opinion of their legal advisers, has recognized an amount of EUR 7 million under "change in provisions" of the consolidated income statement for the period (EUR 0 million at 31 December 2017).

Moreover, and because of the spin-off of Abertis Telecom S.A.U. (now Abertis Telecom Satélites, S.A.U.) on 17 December 2013, Cellnex Telecom, S.A. assumed all rights and obligations that may arise from the aforementioned legal proceedings, as they relate to the spin-off business (terrestrial telecommunications). An agreement has therefore been entered into between Cellnex Telecom, S.A. and Abertis Telecom Satélites, S.A.U. stipulating that if the aforementioned amounts have to be paid, Cellnex Telecom, S.A. will be responsible for paying these fines. At 31 December 2018, Cellnex Telecom, S.A. has provided three guarantees amounting to EUR 32.5 million (EUR 32.5 million at the close of 2017) to cover the disputed rulings with the CNMC explained above.

In relation to the digitalization and expansion of the terrestrial television networks in remote rural areas in Spain during the digital transformation process, the European Commission issued a decision concluding that Retevisión-I, S.A.U. and other operators of platforms for transmitting terrestrial and satellite signals had received state aid, in the amount of EUR 260 million, that is contrary to the Treaty on the Functioning of the European Union. The ruling ordered Spain to recover the amount of the aid received. The aid received by Retevisión-I, S.A.U. amounted to approximately EUR 40 million, as estimated by the European Commission, since the Spanish authorities failed to specify the exact amount in the various return processes. In this regard, Retevisión-I, S.A.U., as well as the rest of Public Administrations involved, appealed to the General Court of the European Union against that decision, which was rejected though a Ruling given on 26 November 2015. However, on 5 February 2016 various appeals were filed against this ruling before the European Court of Justice. In this regard, at the end of 2017, the Group recognized an amount of EUR 14.7 million under "change in provisions" of the consolidated income statement. At 31 December 2018, no impact has been recognised in the consolidated income statement for the year-end.

On 20 December 2017, the Court of Justice of the European Union (CJEU) issued a judgment in which, considering one of the appeals filed, it immediately annulled the Commission's decision, erga omnes, with the consequence that as of today the decision is annulled by a final judgment and that the recovery obligations incumbent upon the Public Administrations and the obligations of the companies to return the amounts have lapsed.

During the period between the Decision of the European Commission and the Judgment of the Court of Justice of the European Union, the Governments of Aragón, Andalucía and Madrid proceeded to the provisional execution of recoveries of State Aid. As a result of the annulment of the Decision, Retevisión-I, S.A.U has recovered, in March 2018, the amounts corresponding to the Madrid and Aragón Goverments. Therefore, as of 31 December 2018, only the amount corresponding to Andalucía remains

pending to be received. In this regard, at 31 December 2018, based on the opinion of its legal advisers, the Group has an asset amounting to EUR 5 million in relation to this claim (EUR 14.7 million at 31 December 2017), since the recovery of this amount 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.

On 26 April 2018, the Court of Justice of the European Union issued a judgment rejecting the appeals filed by Cellnex Telecom, S.A. and Telecom Castilla La Mancha, S.A. Likewise, on 20 September 2018, a judgment was handed down dismissing the appeal filed by the Kingdom of Spain. In this regard, as at 31 December 2018, based on the opinion of its legal advisers, the Group has not recognised a provision in relation to this claim, since the recovery of this amount is considered to be virtually certain.

d) Contingent assets

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

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

19. Revenue and expenses

a) Operating income

The breakdown of operating income by item for the 2018 and 2017 financial years is as follows:

	Thousands of Euros	
	2018	**2017**
Services	870,832	760,376
Other operating income	30,422	31,738
Advances to customers	(3,383)	(2,771)
Operating income	**897,871**	**789,343**

"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 2018 and 2017 are as follows:

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

(*) At 31 December 2018, the amount of contracted revenue does not include the impact of the infrastructures committed that have not yet been transferred to Cellnex at that date (see Note 7). If this effect were to be considered the contracted revenue of the Group as of 31 December, 2018 would increase to EUR 18 billion approximately, on a run rate basis.

	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 7). 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.

b) Staff costs

The detail of staff costs is as follows:

	Thousands of Euros	
	2018	2017
Wages and salaries	(90,407)	(80,557)
Social Security contributions	(19,529)	(18,336)
Retirement fund and other contingencies and commitments	(56,837)	(3,201)
Other employee benefit costs	(5,877)	(5,260)
Staff costs	**(172,650)**	**(107,354)**

The main impact in this caption, in 2018, corresponds to the Reorganisation Plan (2018 – 2019), which consist of the agreement reached with the workers' representatives of Retevisión-I, S.A.U. and Tradia Telecom, S.A.U. regarding a collective redundancy procedure to conclude up to 180 employment contracts in 2018 and 2019, as detailed in Note 18.b of the accompanying consolidated financial statements.

At 31 December 2018, a provision was recognised for the procedure described above, with an estimated cost of EUR 55 million.

The average number of employees at the Cellnex Group, its subsidiaries and associates in 2018 and 2017, broken down by job category and gender, is as follows:

	2018			2017		
	Male	Female	Total	Male	Female	Total
Chief Executive Officer	1	-	**1**	1	-	**1**
Senior Management	6	1	**7**	8	1	**9**
Middle management	108	28	**135**	96	25	**121**
Other employees	998	298	**1,296**	992	264	**1,256**
Average number of employees	**1,113**	**327**	**1,439**	**1,097**	**290**	**1,387**

The number of employees at the Cellnex Group at the end of the 2018 and 2017 financial years, broken down by job category and gender, was as follows:

	2018			2017		
	Male	Female	Total	Male	Female	Total
Chief Executive Officer	1	-	1	1	-	1
Senior Management	7	-	7	7	1	8
Middle management	112	30	142	96	25	150
Other employees	976	311	1,287	1,002	271	1,273
Number of employees at year-end	**1,096**	**341**	**1,437**	**1,106**	**297**	**1,403**

At 31 December 2018, the Board of Directors of the Parent Company is formed of 12 members, 8 of which are male, and 4 are female. At 31 December 2017, the Board of Directors of the Parent Company was formed of 10 members, 9 of which were male, and 1 were female.

c) Other operating expenses

The detail of other operating expenses by item during 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017 restated
Repairs and maintenance	(32,223)	(28,307)
Leases	(11,537)	(11,878)
Utilities	(72,312)	(74,073)
Other operating costs	(93,735)	(88,789)
Other operating expenses	**(209,807)**	**(203,047)**

i) Leases

The detail of lease expense by class during the year ended on 31 December is as follows:

	Thousands of Euros	
	2018	2017 restated
Leases of low-value assets	(4,287)	(3,295)
Variable lease payments	(7,250)	(8,583)
Lease expense	**(11,537)**	**(11,878)**

At 31 December 2018 and 2017, the Group did not recognize gains or losses arising from sale and leaseback transactions by a significant amount.

d) Non-recurring and non-cash expenses

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

	Thousands of Euros	
	2018	2017 restated
Costs related to acquisitions(1)	(13,607)	(10,877)
Contract renegotiation(2)	-	(3,825)
Prepaid expenses (3)	-	(2,312)
Advances to customers (4)	(3,383)	(2,771)
Redundancy provision (5)	(56,160)	-
LTIP remuneration payable in shares (6)	(2,300)	-
Total	**(75,450)**	**(19,785)**

(1) Mainly includes expenses incurred during acquisition processes (non-recurring item).
(2) This relates to the cancellation expenses concerning the renegotiation of certain contracts with services providers. This renegotiations took place in order to achieve significant savings in costs over the coming years (non-recurring item).
(3) Prior to the adoption of IFRS 16 this item mainly included prepaid ground rental costs, prepaid energy and agency fees incurred to renegotiate rental contracts and which were taken to the consolidated income statement over the life of the corresponding ground lease contract (non-cash item).
(4) Includes the amortization of amounts paid for sites to be dismantled and their corresponding dismantling costs. These costs are treated as advances to customers in relation to the subsequent services agreement entered into with the customer (mobile telecommunications operators). These amounts are deferred over the life of the service contract with the operator as they are expected to generate future economic benefits in existing infrastructures (non-cash item).
(5) Mainly includes the amount recorded as at 31 December 2018 in accordance with the reorganisation plan detailed in Note 17.b of the accompanying consolidated financial statements.
(6) Corresponds to the LTIP remuneration accrued as of 31 December 2018, which is payable in Cellnex shares (See Note 18.b of the accompanying consolidated financial statements).

e) Change in provisions

The detail of "Changes in provisions" in the consolidated income statement is as follows:

	Thousands of Euros	
	2018	2017
Allowance for doubtful debts (Note 11)	644	(1,254)
Other non-current provisions (Note 16)	339	2,771
Ending balance	**983**	**1,517**

f) Depreciation and amortisation charge

The detail of "Depreciation and amortisation" in the consolidated income statement is as follows:

	Thousands of Euros	
	2018	2017 restated
Property, plant and equipment (Note 7)	(185,677)	(157,351)
Right-of-use assets (Note 15)	(135,929)	(126,300)
Intangible assets (Note 8)	(81,240)	(68,031)
Ending balance	**(402,846)**	**(351,682)**

g) Net interest expense

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

	Thousands of Euros	
	2018	2017
Finance income and interest from third parties	878	676
Exchange gains/(losses)	2,583	773
Derivative financial instruments	-	(52)
Total Interest income	**3,461**	**1,397**

	Thousands of Euros	
	2018	2017 restated
Interest expense on lease liabilities (Note 15)	(54,454)	(40,917)
Finance costs and interest arising from third parties	(9,081)	(6,545)
Bond interest expense	(60,301)	(49,935)
Bond issue costs	-	-
Exchange gains/(losses)	-	-
Interest cost relating to provisions	(2,482)	807
Derivative financial instruments	(767)	(129)
Other finance costs	(25,200)	(13,755)
Total interest expense	**(152,285)**	**(110,474)**

20. Environmental information

It is Group policy to pay maximum attention to environmental protection and conservation, and each investee adopts the necessary measures to minimise the environmental impact of the infrastructure and the telecommunications networks that it manages and ensure the maximum degree of integration into the surrounding area.

The Group has an environmental policy applicable to all its companies and a comprehensive environmental management system that ensures compliance with local environmental legislation and continuously improves the environmental management processes for its activities and facilities.

At year-end 2018 and 2017, 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 2018 amounted to EUR 5,780 thousand (EUR 5,237 thousand in 2017), with accumulated depreciation and amortisation of EUR 2,724 thousand (EUR 2,244 thousand in 2017).

Expenses incurred to protect and improve the environment recognised directly in the income statement amounted to EUR 403 thousand (EUR 719 thousand in 2017) and related mainly to expenses arising from consultancy services and external waste management.

Potential contingencies, indemnities and other environmental risks which the Group could incur are sufficiently covered by its third-party liability insurance policies.

21. Segment reporting

The Group's business segment information included in this note is presented in accordance with the disclosure requirements set forth in IFRS 8, Operating Segments. This information is structured, firstly following a geographic distribution and secondly, by business segment.

Cellnex has recently expanded its business in Europe and its strategic objectives include the continuation of this growth initiative through the acquisition of assets and businesses, along with other growth opportunities both in the countries in which it is currently present and others. In this regard, as the Group continues to acquire sites in existing markets and is continuing to expand into new ones, the Group Management manages the results obtained by geographical location.

In addition, the business segments described below were established based on the organisational structure of the Cellnex Group prevailing as of 31 December 2018 and have been used by Group management to analyse the financial performance of the different operating segments.

The Group has organised its business into three different customer focused units, supported by an operations division and central corporate functions. Income from the provision of services relates mainly to:

- Telecom Infrastructure Services: is the Group's main segment by turnover. It provides a wide range of integrated network infrastructure services to enable access to the Group's wireless infrastructure by MNOs and other wireless telecommunications and broadband network operators, allowing such operators to offer their own telecommunications services to their customers.

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

- Broadcasting infrastructure: is the Group's second main segment by turnover. The Group currently provides broadcasting services only in Spain, where it is the only operator offering nationwide coverage of the DTT service. Its services consist of the distribution and transmission of television and radio signals, the operation and maintenance of broadcasting networks and the provision of connectivity for media content, OTT broadcasting and other services. Through the provision of broadcasting services, Cellnex has developed unique know-how that has helped to develop other services within its portfolio.

- Other Network Services: the Group provides the infrastructure required to develop a connected society by providing the following network services: data transport, security and control, Smart communication networks including IoT, Smart Services and managed services and consulting. As a telecom infrastructure operator, Cellnex can facilitate, streamline and accelerate the deployment of these services through the efficient connectivity of objects and people, in both rural and urban environments, helping to build genuine Smart territories. This constitutes a specialized business that generates relatively stable cash flows with potential for growth.

The Group classifies Other Network Services into five groups: (i) connectivity services; (ii) PPDR services; (iii) operation and maintenance; (iv) Smart Cities/IoT ("Internet of Things"); and (v) other services.

In relation to this business segment, during 2018, Cellnex incorporated the XOC, a concessionary company dedicated to the management, maintenance and construction of the fiber optic network of the Generalitat de Catalunya (see Note 2.h).

Methodology and bases for Segment Reporting

The segmental reporting below is based on monthly reports drawn up by Group management and is generated by the same information system used to obtain all the accounting data at Group level.

Operating income of the corresponding segment corresponds to the ordinary revenues directly attributable to each segment and do not include interest income or dividends.

The majority of assets employed and underlying costs are derived from a shared network common to all operating business units. An allocation of such assets and costs to the business areas is not performed as part of the normal financial information reporting process used by the Group's Management for decision-making, and Management is of the opinion that additional segmental reporting would not provide meaningful information for decision making.

The Management Committees are the maximum decision making authority. These committees evaluate the Group's performance based on the operating profit of each company, which are not the same as the above business areas.

The assets and liabilities of each segment at 31 December 2018 and 2017 are as follows:

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

							Thousands of Euros
							31 December 2017 restated
	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**
Right-of-use assets	184,612	131,386	9,957	66,535	59,733	2,512	**454,735**
Tangible fixed assets	631,651	200,215	84,143	491,175	90,372	9,703	**1,507,259**
Other non-current assets	59,257	12,456	1,885	(343)	(296)	33	**72,992**
Total non-current assets	**930,781**	**1,064,545**	**658,396**	**557,367**	**591,536**	**152,877**	**3,955,502**
Total current assets	**293,789**	**50,578**	**24,909**	**60,848**	**54,324**	**5,453**	**489,901**
TOTAL ASSETS	**1,224,570**	**1,115,123**	**683,305**	**618,215**	**645,860**	**158,330**	**4,445,403**
Borrowings and bond issues	2,374,722	-	-	-	130,579	-	**2,505,301**
Lease liabilities	165,627	69,448	7,432	57,421	47,390	2,162	**349,480**
Other non-current liabilities	91,832	189,885	145,783	(1,046)	118,734	28,371	**573,559**
Total non-current liabilities	**2,632,181**	**259,333**	**153,215**	**56,375**	**296,703**	**30,533**	**3,428,340**
Borrowings and bond issues	47,550	-	-	21,735	331	(1)	**69,615**
Lease liabilities	34,163	17,975	1,906	9,518	12,531	409	**76,502**
Other current liabilities	149,645	51,602	6,533	22,374	34,910	(3,725)	**261,339**
Total current liabilities	**231,358**	**69,577**	**8,439**	**53,627**	**47,772**	**(3,317)**	**407,456**
TOTAL LIABILITIES	**2,863,539**	**328,910**	**161,654**	**110,002**	**344,475**	**27,216**	**3,835,796**

Segmental reporting is set out below:

	Thousands of Euros						
	2018						
	Spain	Italy	Netherlands	France	Switzerland	Other countries	Total
Operating income	467,787	254,393	44,796	65,686	56,041	9,168	**897,871**
Operating expenses	(263,620)	(82,495)	(10,513)	(14,272)	(8,133)	(3,462)	**(382,495)**
Depreciation and amortization	(135,021)	(126,397)	(32,996)	(56,073)	(45,588)	(6,771)	**(402,846)**
Net Interest	(105,421)	(22,566)	(484)	(11,086)	(9,315)	48	**(148,824)**
Profit of companies accounted for using the equity method	113	-	-	-	-	-	**113**
Income tax	15,053	(2,741)	3,097	2,160	823	47	**18,439**
Attributable non-controlling interest	94	-	-	-	(2,853)	-	**(2,759)**
Net profit attributable to the Parent Company	**(21,203)**	**20,194**	**3,900**	**(13,585)**	**(3,319)**	**(970)**	**(14,983)**

	Thousands of Euros						
	2017 restated						
	Spain	Italy	Netherlands	France	Switzerland	Other countries	Total
Operating income	455,777	243,844	34,868	22,812	22,651	9,391	**789,343**
Operating expenses	(210,472)	(81,009)	(3,792)	(5,732)	(5,923)	(2,171)	**(309,099)**
Depreciation and amortization	(132,799)	(141,678)	(29,369)	(21,764)	(19,526)	(6,546)	**(351,682)**
Net Interest	(81,788)	(16,901)	(957)	(5,787)	(3,448)	(197)	**(109,077)**
Profit of companies accounted for using the equity method	96	-	-	-	-	-	**96**
Income tax	(635)	900	1,322	97	(84)	2,618	**4,218**
Attributable non-controlling interest	471				(2,942)		**(2,471)**
Net profit attributable to the Parent Company	**29,708**	**5,156**	**2,072**	**(10,374)**	**(3,388)**	**3,095**	**26,270**

There have been no significant transactions between segments during 2018 or 2017.

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 2018 amounted to EUR 205,992 thousand. During the same period in the 2017 financial year, the Group had one customer that exceeded 10% of its revenue and the amount ascended to EUR 207,131 thousand.

The information by business segment is set out below:

				Thousands of Euros
				2018
	Broadcasting infrastructure	Telecom Infrastructure Services	Other Network Services	Total
Services (Gross)	232,773	555,719	82,340	870,832
Other income	-	30,422	-	30,422
Advances to customers	-	(3,383)	-	(3,383)
Operating income	**232,773**	**582,758**	**82,340**	**897,871**

				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**

22. Related parties

a) Directors and Senior Management

The remuneration earned by the Parent Company's directors in 2018 and 2017 was as follows:

i. The members of the Board of Directors received EUR 1,373 thousand for exercising the duties in their capacity as directors of Cellnex Telecom, S.A. (EUR 1,108 thousand in 2017).

ii. For performing senior management duties, the Chief Executive Officer received EUR 1,225 thousand, corresponding to fixed and variable remuneration (EUR 1,120 thousand in 2017) and EUR 1,282 thousand for the achievement of the multi-annual objectives established in all the "Long Term Incentive Plan" (EUR 1,273 thousand in 2017 corresponding to all "Long Term Incentive Plan"). In 2018 he has received EUR 2,331 thousand corresponding to the "Long Incentive Plan" (2015-2017). See Note 17.b.

iii. In addition, the Chief Executive Officer of Cellnex Telecom, S.A. received, as other benefits, contributions made to cover pensions and other remuneration in kind in the amount of EUR 175 thousand and EUR 7 thousand, respectively (EUR 175 thousand and EUR 14 thousand in 2017).

Cellnex Telecom defines Senior Management as executives that perform management duties and report directly to the Chief Executive Officer. Fixed and variable remuneration for the year ended on 31 December 2018 for members of Senior Management amounted to EUR 2,813 thousand (EUR 2,369 thousand in 2017) and EUR 2,550 thousand for the achievement of the multi-annual objectives established in all the "Long Term Incentive Plan" (EUR 1,791 thousand in 2017 corresponding to all the "Long Term Incentive Plan"). In 2018 they have received EUR 3,107 thousand corresponding to the "Long Incentive Plan" (2015-2017). See Note 17.b.

In addition, members of Senior Management received, as other benefits, contributions made to cover pensions and other remuneration in kind to the amount of EUR 172 thousand and EUR 157 thousand, respectively. In 2017 they received EUR 142 thousand and EUR 194 thousand, respectively.

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

The Parent Company has taken out executives and directors civil liability policy for the members of the Board of Directors, the Chief Executive Officer and all the directors of the Cellnex Telecom group at a cost amounting to EUR 114.5 thousand at 31 December 2018 (EUR 98.7 thousand in 2017).

b) Other disclosures on Directors

IIn accordance with the article 229 of the Spanish Limited Liability Companies Law, the directors have reported that neither they nor any persons related to them are involved in any situations that may lead to a direct or indirect conflict with the Company's interests.

c) Associates companies

As of 31 December 2018 and 2017 the Group does not hold balances for significant amounts with associates companies.

For its part, during 2018 and 2017, no significant transactions have been undertaken with associates companies.

d) Other related parties

Other related parties, include shareholders (and their subsidiaries) of Cellnex Telecom, S.A. that exercise significant influence over it, those with a right to appoint a director and those with a stake above 3% (see Note 13.a).

On 12 July 2018, ConnecT acquired 29.9% of the Company's share capital. ConnecT is controlled by Sintonia, a subholding company wholly-owned by Edizione and, in turn, Sintonia is the largest shareholder of Atlantia. As a result, as of 31 December 2018, Edizione, together with its group of companies, is considered a related party to the Group.

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 9-month period ended on 30 September 2017 are detailed below.

In addition to the dividends paid to shareholders, the breakdown of the balances held and transactions performed with significant shareholders is as follows:

i) Financing and retirement obligations

The main transactions carried out by the Group with related parties at 30 September 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.

ii) Services rendered and received

The Group has an agreement with Hispasat, S.A., whereby the latter provides shared capacity services for certain satellite transponders over the entire life of the transponders, which is expected to last until 31 December 2022. During 2018 and 2017, the services received by Cellnex in relation to this contract, amounted to EUR 5 million and EUR 1 million, respectively.

Moreover, the Group, through its wholly-owned subsidiary TowerCo, entered into an agreement with Atlantia by virtue of which the Group can locate certain assets to provide Telecom Infrastructure Services in Italian motorways that are under the concession of Atlantia until 2038. Pursuant to the terms of this agreement, the consideration for such location amounts to an annual fee of EUR 3,699 thousand. The consideration paid by TowerCo as of 31 December 2018 amounted to EUR 1,847 thousand (although Atlantia is considered a related party since 12 July 2018).

In addition to the aforementioned, during the year ended 31 December 2018 and 2017 no significant transactions with related parties have been undertaken.

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

iii) Other

As of 31 December 2018, the Group does not hold balances for significant amounts with related parties.

23. Other disclosures

The remuneration of the auditors for 2018 and 2017 is as follows:

								Thousands of Euros
	2018				2017			
	Audit of financial statements	Verification services	Tax advisory services	Other services	Audit of financial statements	Verification services	Tax advisory services	Other services
Deloitte, S.L.	1,037	501	-	-	735	239	-	-
Rest of Deloitte	377	160	105	-	358	167	21	19
Total	**1,414**	**661**	**105**	**-**	**1,093**	**406**	**21**	**19**

24. Post balance sheet events

2019 convertible bond

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

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

As the Original Bonds, the New Bonds will be convertible at the option of the bondholders into ordinary shares of Cellnex. 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 €100,000 principal amount of the Bonds exceeds EUR 130,000 during a specified period of time, or, at any time, if more than 85% of the aggregate principal amount of the Bonds issued have been converted and/or redeemed and/or purchased and cancelled.

This issuance allows Cellnex to increase its weighted average debt maturity, to improve its weighted average cost of borrowing and to continue to maintain its liquidity position.

The issuance has a rating of BBB- by Fitch, which is the company's current rating.

25. Explanation added for translation to English

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group 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.

Barcelona, 21 February 2019

APPENDIX I Subsidiaries included in the scope of consolidation at 31.12.2018

Company	Registered office	Ownership interest: Cost (Thousands of Euros)	Ownership interest: %	Company holding the interest	Consolidation method	Activity	Auditor
Direct ownership:							
Cellnex Italia, S.r.L.	Via Carlo Veneziani 58, 00148 Rome, Italy	845,310	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex Netherlands, BV (formerly Protelindo Netherlands, BV)	Dr. Lelykade 22, Unit 9, 2583CM's - Gravenhage	515,151	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex France, S.A.S.	1 Avenue de la Cristallerie, 92310 Sèvres	908,341	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex UK Limited (formerly Shere Group Limited)	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	130,551	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex France Groupe, S.A.S.	1 Avenue de la Cristallerie, 92310 Sèvres	1,050	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	-
Cellnex Telecom España, S.L.U.	Juan Esplandiú, 11 28007 Madrid	747,500	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	-
Cellnex Switzerland AG	Postastrasse 12 CH-6301, Zug, Switzerland	164,551	54%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Indirect ownership interest:							
Retevision-I, S.A.U.	Juan Esplandiú, 11 28007 Madrid	182,504	100%	Cellnex Telecom España, S.L.U.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Tradia Telecom, S.A.U.	Av, Del Parc Logístic, 12-20 08040 Barcelona	165,983	100%	Cellnex Telecom España, S.L.U.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
On Tower Telecom Infraestructuras, S.A.U.	Juan Esplandiú, 11 28007 Madrid	459,010	100%	Cellnex Telecom España, S.L.U.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Gestora del Espectro, S.L. (1)	Juan Esplandiú, 11 28007 Madrid	3	100%	Cellnex Telecom España, S.L.U.	Full consolidation	Development, implementation, management and marketing of terrestrial telecommunications services	-
Adesal Telecom, S.L.	Ausias March 20, Valencia	2,959	60.08%	Tradia Telecom, S.A.U.	Full consolidation	Provision of related services for terrestrial telecommunications concessions and operators	Deloitte
Zenon Digital Radio, S.L.	C/ Lincoln, 11, 1º3º 08006 Barcelona	2,421	100%	Tradia Telecom, S.A.U.	Full consolidation	Development, implementation, management and marketing of terrestrial telecommunications services	-
Xarxa Oberta de Comunicació i Tecnologia de Catalunya, S.A.	Av, Del Parc Logístic, 12-20 08040 Barcelona	32,795	100%	Tradia Telecom, S.A.U.	Full consolidation	Construction, development and exploitation of the Generalitat de Cataluña's telecommunications network	Deloitte
Towerco, S.p.A.	Via Alberto Bergammini 50, Rome, Italy	94,600	100%	Cellnex Italia, S.r.L..	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Galata, S.p.A.	Via Carlo Veneziani 56L, 00148 Rome, Italy	783,931	100%	Cellnex Italia, S.r.L.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Sintel S.r.L	Via Carlo Veneziani 58, 00148 Rome, Italy	2,669	100%	Cellnex Italia, S.r.L.	Full consolidation	Terrestrial telecommunications infrastructure operator	-
TowerLink Italia, S.r.L (1)	Via Carlo Veneziani 58, 00148 Rome, Italy	20	100%	Cellnex Italia, S.r.L..	Full consolidation	Terrestrial telecommunications infrastructure operator	-
Commscon Italia, S.r.L.	Via Carducci 32, 20123 Milano	24,904	100%	Cellnex Italia, S.r.L	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
BRT Tower S.r.L	Via Carlo Veneziani 58, 00148 Rome, Italy	1,050	100%	Cellnex Italia, S.r.L	Full consolidation	Terrestrial telecommunications infrastructure operator	-
DFA Telecomunicazioni S.r.L	Via Carlo Veneziani 56L, 00148 Rome, Italy	2,400	100%	Cellnex Italia, S.r.L	Full consolidation	Terrestrial telecommunications infrastructure operator	-
Towerlink Netherlands, B.V. (formerly Protelindo Towers, B.V.)	Dr. Lelykade 22, Unit 9, 2583CM's - Gravenhage	63,634	100%	Cellnex Netherlands, BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Shere Masten B.V.	Leeghwaterstraat 21, 2811 DT Reeuwijk, Netherlands	278,085	100%	Cellnex Netherlands BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Breedlink BV	Branderweg 7, 8042 PD, Zwolle	599	100%	Cellnex Netherlands BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Alticom BV	Branderweg 7, 8042 PD, Zwolle	274,521	100%	Cellnex Netherlands BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Towerlink France, SAS	1, avenue de la Cristallerie (9th floor), Sèvres (92310).	20	99,99%	Cellnex france, S.A.S	Full consolidation	Acquisition and deployment of strategic telecommunications centers with capacity to house data processing capabilities	-
Shere Midco Ltd	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	179,320	100%	Cellnex UK Limited (formerly Shere Group Limited)	Full consolidation	Holding Company	Deloitte
Watersite Holding Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	28,310	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Radiosite Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	30,381	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
QS4 Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	1,884	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Shere Consulting Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	2,476	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Swiss Towers AG	Binzmühlestrasse 130, 8050 Zúrich, Switzerland	441,968	54%	Cellnex Switzerland AG	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte

(1) These companies have not submitted their financial statements for auditing as they are not required to do so.

This appendix forms an integral part of Note 2.h. to the 2018 consolidated financial statements with which it should be read.

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
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
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.

APPENDIX II. Associates included in the scope of consolidation at 31.12.2018

Company	Registered office	Ownership interest: Cost (Thousands of Euros)	Ownership interest: %	Assets	Liabilities	Income	Profit/(loss)	Company holding the interest	Consolidation method	Activity	Auditor
INDIRECT SHAREHOLDINGS											
Through Retevisión and Tradia Telecom											
Torre de Collserola, S.A.	Ctra. de Vallvidrera al Tibidabo, s/n. Barcelona	2,022	41.75%	15,812	11,118	4,306	5	Retevision-I, S.A.U.	Equity method	Construction and operation of terrestrial telecommunications infrastructure	Deloitte
Consorcio de Telecomunicaciones avanzadas, S.A. (COTA)	C/ Uruguay, parcela 13R, nave 6, Parque Empresarial Magalia, Polígono Industrial Oeste Alcantarilla (Murcia)	304	29.5%	2,785	207	1,773	374	Tradia Telecom, S.A.U.	Equity method	Provision of related services for terrestrial telecommunications concessions and operators	Other auditors
Nearby Sensors, S.L.	Calle Berruguete, 60-62 08035 Barcelona	500	15%	999	450	164	0	Tradia Telecom, S.A.U.	Equity method	IoT and smartcities services	-

This appendix forms an integral part of Note 2.h. to the consolidated financial statements for 2018 with which it should be read.

Associates included in the scope of consolidation at 31.12.2017

Company	Registered office	Ownership interest: Cost (Thousands of Euros)	Ownership interest: %	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.

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