# Abertis Telecom Terrestre, S.A.U. (formerly Abertis Telecom Terrestre, S.L.U.) and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2014 and Consolidated Directors' Report, together with Independent Auditor's Report

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 23). In the event of a discrepancy, the Spanish-language version prevails.*

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 23). In the event of a discrepancy, the Spanish-language version prevails.*

# INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Sole Shareholder of
Abertis Telecom Terrestre, S.A. (Sole-Shareholder Company)
formerly Abertis Telecom Terrestre, S.L.U.,

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Abertis Telecom Terrestre, S.A.U. ("the Parent") and Subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

### *Directors' Responsibility for the Consolidated Financial Statements*

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Abertis Telecom Terrestre, S.A.U. and Subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

*Opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Abertis Telecom Terrestre, S.A.U. and Subsidiaries as at 31 December 2014, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

**Report on Other Legal and Regulatory Requirements**

The accompanying consolidated directors' report for 2014 contains the explanations which the Parent's directors consider appropriate about the situation of Abertis Telecom Terrestre, S.A.U. and Subsidiaries, the evolution of their business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2014. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Abertis Telecom Terrestre, S.A.U. and Subsidiaries.

# Abertis Telecom Terrestre, S.A.U. (formerly Abertis Telecom Terrestre, S.L.U.) and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2014 and Consolidated Directors' Report

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 23). In the event of a discrepancy, the Spanish-language version prevails.*

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*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 23).*
*In the event of a discrepancy, the Spanish-language version prevails.*

# ABERTIS TELECOM TERRESTRE, S.A.U. (formerly ABERTIS TELECOM TERRESTRE, S.L.U.) AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014

(Thousands of Euros)

| ASSETS | Notes | 31/12/2014 | 31/12/2013 (*) | EQUITY AND LIABILITIES | Notes | 31/12/2014 | 31/12/2013 (*) |
|---|---|---|---|---|---|---|---|
| **NON-CURRENT ASSETS:** | | | | **EQUITY:** | | | |
| Goodwill | Note 7 | 45,372 | 42,014 | **Share capital and attributable reserves** | | | |
| Other intangible assets | Note 7 | 103,793 | 8,092 | Share capital | Note 12.a | 57,921 | 57,921 |
| Property, plant and equipment | Note 6 | 740,464 | 544,244 | Share premium | Note 12.b | 338,733 | 338,733 |
| Investments in associates | Note 8 | 3,480 | 9,311 | Reserves | Note 12.c | 42,601 | 12,333 |
| Non-current investments | Note 9 | 13,451 | 13,907 | Profit for the year | Note 12.g | 57,471 | 78,490 |
| Non-current trade and other receivables | Note 10 | 5,644 | 6,489 | Translation differences | Note 12.d | - | 6 |
| Deferred tax assets | Note 15.d | 37,837 | 42,086 | | | **496,726** | **487,483** |
| **Total non-current assets** | | **950,041** | **666,143** | | | | |
| | | | | **Non-controlling interests** | **Note 12.f** | **4,666** | **-** |
| | | | | **Total equity** | | **501,392** | **487,483** |
| | | | | **NON-CURRENT LIABILITIES:** | | | |
| | | | | Bank borrowings | Note 13 | 419,698 | - |
| | | | | Other borrowings | Note 13 | 9,809 | 11,327 |
| | | | | Non-current provisions | Note 16 | 17,816 | 1,814 |
| | | | | Employee benefit obligations | Note 16 | 2,350 | 2,290 |
| | | | | Borrowings from Group undertakings | Note 20.c | - | 146,938 |
| | | | | Deferred tax liabilities | Note 15.d | 55,997 | 43,829 |
| | | | | Non-current accruals | Note 3.o | 559 | 661 |
| | | | | **Total non-current liabilities** | | **506,229** | **206,859** |
| **CURRENT ASSETS:** | | | | **CURRENT LIABILITIES:** | | | |
| Inventories | Note 3.f | 669 | 306 | Bank borrowings | Note 13 | 1,738 | - |
| Trade and other receivables | Note 10 | 166,851 | 159,866 | Other borrowings | Note 13 | 1,907 | 1,930 |
| Receivables from Group undertakings and associates | Note 20.c | 669 | 1,524 | Employee benefit obligations | Note 16 | 11,010 | 28,982 |
| Loans to Group undertakings and associates | Note 20.c | 19,644 | 2,199 | Current payables to Group undertakings | Note 20.c | 6,017 | 8,957 |
| Current investments | Note 9 | 921 | 869 | Trade and other payables | Note 14 | 193,388 | 94,658 |
| Prepayments | Note 3.p | 2,235 | 988 | Payables to Group undertakings and associates | Note 20.c | 8,101 | 1,896 |
| Cash and cash equivalents | Note 11 | 90,891 | 73 | Current accruals | Note 3.o | 2,139 | 1,203 |
| **Total current assets** | | **281,880** | **165,825** | **Total current liabilities** | | **224,300** | **137,626** |
| **TOTAL ASSETS** | | **1,231,921** | **831,968** | **TOTAL EQUITY AND LIABILITIES** | | **1,231,921** | **831,968** |

The accompanying Notes 1 to 23 and Appendixes I and II are an integral part of the consolidated balance sheet at 31 December 2014.

(*) Restated balances. Certain amounts included in the consolidated balance sheet at 31 December 2013 do not relate to those included in the consolidated financial statements for the year ended 31 December 2013, and reflect the adjustments described in Note 2.b.

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 23). In the event of a discrepancy, the Spanish-language version prevails.*

# ABERTIS TELECOM TERRESTRE, S.A.U. (formerly ABERTIS TELECOM TERRESTRE, S.L.U.) AND SUBSIDIARIES

## CONSOLIDATED INCOME STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2014

(Thousands of Euros)

| | Notes | 2014 | 2013 (*) |
|---|---|---|---|
| Revenue - services | | 412,132 | 379,227 |
| Other operating income | | 23,913 | 5,362 |
| **Operating income** | **Note 17.a** | **436,045** | **384,589** |
| Staff costs | Note 17.b | (83,886) | (86,337) |
| Other operating expenses | Note 17.c | (172,302) | (129,108) |
| Changes in provisions | Note 17.d | (2,780) | (2,607) |
| Losses on non-current assets | Note 17.e | (250) | (128) |
| **Profit from operations before depreciation and amortisation charge** | | **176,827** | **166,409** |
| Depreciation and amortisation charge | Note 17.f | (91,032) | (70,626) |
| **Profit from operations** | | **85,795** | **95,783** |
| Finance income | Note 17.g | 880 | 320 |
| Finance costs | Note 17.g | (10,219) | (2,572) |
| **Finance costs - net** | | **(9,339)** | **(2,252)** |
| Profit of companies accounted for using the equity method | Note 8 | 590 | 745 |
| **Profit before tax** | | **77,046** | **94,276** |
| Income tax | Note 15 | (19,315) | (15,786) |
| **Consolidated net profit** | | **57,731** | **78,490** |
| Attributable to non-controlling interests | Note 12.f | 260 | - |
| **Net profit attributable to the Parent** | | **57,471** | **78,490** |
| **Earnings per share (in euros per share):** | | | |
| Basic | Note 12.e | 1.88 | 13.55 |
| Diluted | Note 12.e | 1.88 | 13.55 |

The accompanying Notes 1 to 23 and Appendixes I and II are an integral part of the consolidated income statement for the year ended 31 December 2014.

(*) Restated balances. Certain amounts included in this consolidated income statement for 2013 do not relate to those included in the consolidated financial statements for the year ended 31 December 2013, and reflect the adjustments described in Note 2.b.

# ABERTIS TELECOM TERRESTRE, S.A.U. (formerly ABERTIS TELECOM TERRESTRE, S.L.U.) AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

(Thousands of Euros)

| | 2014 | 2013 (*) |
|---|---|---|
| **PROFIT FOR THE YEAR** | **57,731** | **78,490** |
| **Income and expenses recognised directly in equity, transferable to the consolidated income statement:** | | |
| Translation differences | - | 6 |
| Other | - | 580 |
| | | 586 |
| **Total consolidated comprehensive income** | **57,731** | **79,076** |

The accompanying Notes 1 to 23 and Appendixes I and II are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2014.

(*) Restated balances. Certain amounts included in this consolidated statement of comprehensive income for 2013 do not relate to those included in the consolidated financial statements for the year ended 31 December 2013, and reflect the adjustments described in Note 2.b.

# ABERTIS TELECOM TERRESTRE, S.A.U. (formerly ABERTIS TELECOM TERRESTRE, S.L.U.) AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2014
(Thousands of Euros)

| | Share capital | Share premium | Legal reserve | Profit and loss reserves of the Company | Reserves of consolidated companies | Translation differences | Profit for the year | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2013** (*) | **3** | **-** | **-** | **(1)** | **-** | **-** | **-** | **-** | **2** |
| Comprehensive income for the year | **-** | **-** | **-** | **-** | **580** | **6** | **78,490** | **-** | **79,076** |
| Transactions with venturers (Note 1) | **57,918** | **338,733** | **11,584** | **170** | **-** | **-** | **-** | **-** | **408,405** |
| **At 31 December 2013** (*) | **57,921** | **338,733** | **11,584** | **169** | **580** | **6** | **78,490** | **-** | **487,483** |
| **At 1 January 2014** (*) | **57,921** | **338,733** | **11,584** | **169** | **580** | **6** | **78,490** | **-** | **487,483** |
| Comprehensive income for the year | - | - | - | - | - | - | 57,471 | 260 | 57,731 |
| Final dividend for 2013 | - | - | - | (169) | (48,082) | - | - | - | (48,251) |
| Distribution of 2013 profit | - | - | - | - | 78,490 | - | (78,490) | - | - |
| Changes in scope of consolidation (Note 12.f) | - | - | - | - | - | - | - | 5,188 | 5,188 |
| Other | - | - | - | - | 29 | (6) | - | 16 | 39 |
| Interim dividend for 2014 | - | - | - | - | - | - | - | (798) | (798) |
| **At 31 December 2014** | **57,921** | **338,733** | **11,584** | **-** | **31,017** | **-** | **57,471** | **4,666** | **501,392** |

The accompanying Notes 1 to 23 and Appendixes I and II are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2014.

(*) Restated balances. Certain amounts included in this consolidated statement of changes in equity for 2013 do not relate to those included in the consolidated financial statements for the year ended 31 December 2013, and reflect the adjustments described in Note 2.b.

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 23). In the event of a discrepancy, the Spanish-language version prevails.*

# ABERTIS TELECOM TERRESTRE, S.A.U. (formerly ABERTIS TELECOM TERRESTRE, S.L.U.) AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

(Thousands of Euros)

| | Notes | 2014 | 2013 (*) |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| **Profit for the year before tax** | | **77,046** | **94,276** |
| **Adjustments to profit-** | | **102,811** | **74,868** |
| Depreciation and amortisation charge | Notes 6 and 7 | 91,032 | 70,626 |
| Gains/(losses) on derecognition and disposals of non-current assets | Note 17.e | 250 | 128 |
| Changes in provisions | Note 17.d | 2,780 | 2,607 |
| Interest and other income | Note 17.g | (880) | (320) |
| Interest and other expenses | Note 17.g | 10,219 | 2,572 |
| Share of results of companies accounted for using the equity method | Note 8 | (590) | (745) |
| **Changes in current assets/current liabilities-** | | **31,013** | **(134)** |
| Inventories | | (363) | (55) |
| Trade and other receivables | | 2,031 | (6,363) |
| Other current assets and liabilities | | 29,345 | 6,284 |
| **Cash flows generated by operations** | | **210,870** | **169,010** |
| Interest paid | | (7,661) | (2,090) |
| Interest received | | 880 | 320 |
| Income tax paid | | (37,493) | (32,077) |
| Employee benefit obligations and current provisions | | (18,110) | (22,318) |
| Other liabilities | | (16,343) | (2,734) |
| **Total net cash flows from operating activities (I)** | | **132,143** | **110,111** |
| **Net cash flows from investing activities-** | | **(257,846)** | **(165,382)** |
| Business combinations and changes in scope of consolidation | | (79,590) | 580 |
| Purchases of property, plant and equipment and intangible assets | | (177,739) | (151,244) |
| Non-current investments | | (517) | (14,776) |
| Proceeds from disposal of non-current assets | Note 17.e | - | 58 |
| **Total net cash flows from investing activities (II)** | | **(257,846)** | **(165,382)** |
| **Net cash flows from financing activities-** | | **216,521** | **55,247** |
| **Proceeds and payments relating to financial liabilities** | | **265,171** | **55,247** |
| Proceeds from issue of bank borrowings | Note 13 | 413,650 | - |
| Proceeds from issue of borrowings from Group companies | | - | 55,247 |
| Repayment of borrowings from Group companies | Note 20.c | (146,938) | - |
| Repayment of other borrowings | | (1,541) | - |
| **Dividends paid and returns on other equity instruments-** | | **(48,650)** | - |
| Dividends to shareholders of the parent company | | (48,251) | - |
| Dividends to non-controlling interests | | (399) | - |
| **Total net cash flows from financing activities (III)** | | **216,521** | **55,247** |
| **NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS (I)+(II)+(III)** | | **90,818** | **(24)** |
| Cash and cash equivalents at beginning of year | | 73 | 97 |
| Cash and cash equivalents at end of year | | 90,891 | 73 |

The accompanying Notes 1 to 23 and Appendixes I and II are an integral part of the consolidated statement of cash flows for the year ended 31 December 2014.

(*) Restated balances. Certain amounts included in this consolidated statement of cash flows for 2013 do not relate to those included in the consolidated financial statements for the year ended 31 December 2013, and reflect the adjustments described in Note 2.b.

**Abertis Telecom Terrestre, S.A.U. (formerly Abertis Telecom Terrestre, S.L.U.) and Subsidiaries**

Notes to the consolidated financial statements
for the year ended
31 December 2014

## 1. General information

Abertis Telecom Terrestre, S.A.U. ("the Company") was incorporated in Barcelona on 25 June 2008. Its registered office is at Avenida del Parc Logístic No. 12-20, Barcelona. On 17 October 2013, it changed its name from Abertis Americana, S.L.U. to Abertis Telecom Terrestre, S.L.U.

On 17 November 2014, the sole shareholder (Abertis Infraestructuras, S.A.) approved the change of corporate form from a 'sociedad limitada' to a 'sociedad anómina', and it was registered in the Companies Register on 15 December 2014.

The Company's principal activities, as set out in its bylaws, includes:

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

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

The 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.

Abertis Telecom Terrestre, S.A.U. is the parent of a group of companies engaged in the management of terrestrial telecommunications infrastructures. The detail of the Company's subsidiaries and associates, which together with the Company make up the consolidated group ("the Group") at 31 December 2014, is set out in Appendix I and II, respectively.

The ultimate parent of the Abertis Telecom Terrestre Group is Abertis Infraestructuras, S.A. (and, together with its subsidiaries, it is part of the Abertis Group) with registered office in Barcelona. Abertis Telecom Terrestre, S.A.U. is wholly owned by Abertis Infraestructuras, S.A. The consolidated financial statements of the Abertis Group for 2013 were signed by the Directors of Abertis Infraestructuras, S.A. at a meeting of the Board of Directors held on 25 February 2014 and filed with the Barcelona Companies Register.

**Spin-off of the terrestrial telecommunications business effective 1 January 2013 for accounting purposes**

For the purpose of restructuring the telecommunications business and differentiating the terrestrial telecommunications business from the satellite telecommunications business, on 18 October 2013, the Directors of Abertis Telecom Satélites, S.A.U. (formerly Abertis Telecom, S.A.U.) and Abertis Telecom Terrestre, S.A.U. drew up a partial spin-off plan, whereby the first company would spin off all assets and liabilities on its balance sheet relating to the terrestrial telecommunications business unit to the second company.

The deed for the partial spin-off of Abertis Telecom Satélites, S.A.U. (formerly Abertis Telecom, S.A.U.), as the spun-off company, in favour of Abertis Telecom Terrestre, S.A.U. (the Company), as the receiving company, entailing the spin-off of the economic unit comprising investments in terrestrial telecommunications companies from the assets of Abertis Telecom Satélites, S.A.U., was executed on 16 December 2013. The date of the spin-off was the date the plan was filed with the Companies Register; i.e., 17 December 2013, at which time all the related assets and liabilities of the spun-off company were effectively transferred. The effective date on which all the operations of Abertis Telecom Satélites, S.A.U. are considered to be carried out by Abertis Telecom Terrestre, S.A.U. for accounting purposes was 1 January 2013.

The special regime provided for in Chapter VIII of Title VII of the Consolidated Corporate Income Tax Act approved by Legislative Royal Decree 4/2004, of 5 March was applied to the partial spin-off.

## 2. Basis of presentation

### *a) Basis of presentation*

The consolidated financial statements of Abertis Telecom Terrestre, S.A.U. and subsidiaries for the year ended at 31 December 2014 were signed by the Directors of the Company at a meeting of the Board of Directors held on 3 March 2015 based on the accounting records kept by the Company and the other companies that make up the Group.

These consolidated financial statements were prepared in accordance with the regulatory financial reporting framework applicable to the Group set forth in the International Financial Reporting Standards ("IFRSs") as adopted by the European Union (EU-IFRSs), taking into account all of the obligatory accounting principles and rules and measurement bases, the Spanish Code of Commerce, the Spanish Limited Liability Companies Act and other applicable company law. Accordingly, they present fairly the equity and financial position of the Abertis Telecom Terrestre Group at 31 December 2014, as well as the results of its operations and the changes in consolidated equity and consolidated cash flows in the year then ended.

Since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements at 31 December 2014 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with EU-IFRSs.

In order to present the various items that make up the consolidated financial statements on a consistent basis, the accounting policies and measurement bases used by the Company were applied to all the companies included in the scope of consolidation. This did not have a significant impact on these consolidated financial statements.

The consolidated and separate financial statements of Abertis Telecom Terrestre, S.A.U., as well as the financial statements of the companies forming part of the Group, will be submitted to their respective General Shareholders' Meetings or sole shareholder within the legally stipulated periods. The Directors of the Company expect these financial statements to be approved without significant changes.

The Group's consolidated financial statements for the year ended 31 December 2013 were approved by the Company's sole shareholder on 13 June 2014.

## b) Adoption of IFRSs

The Abertis Telecom Terrestre Group's consolidated financial statements were presented in accordance with EU-IFRSs, in conformity with the terms set forth by Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002. In Spain, the obligation to present consolidated financial statements under EU-IFRSs is also regulated by Eleventh Final Provision of Act 62/2003, of 30 December, on tax, administrative, labour and social security measures.

The main accounting policies and measurement bases applied by the Group are presented in Note 3.

The Company is not required to present consolidated financial statements as it belongs to the Abertis Infraestructuras Group, of which Abertis Infraestructuras, S.A. is the head and prepares consolidated financial statements, as described in Note 1, even though the consolidated financial statements were prepared under EU-IFRSs for the first time in 2013.

*(i) Standards and interpretations effective in 2014*

The new accounting standards detailed below entered into force in 2014:

| New standards, amendments and interpretations | | Mandatory application for annual periods beginning on or after: |
|---|---|---|
| IFRS 10 Consolidated Financial Statements (issued in May 2011) | Replaces the consolidation guidance in IAS 27. | 1 January 2014 (1) |
| IFRS 11 Joint Arrangements (issued in May 2011) | Replaces IAS 31 on joint ventures. | 1 January 2014 (1) |
| IFRS 12 Disclosure of Interests in Other Entities (issued in May 2011) | Single standard that sets out disclosures related to interests in subsidiaries, associates, joint ventures and unconsolidated entities. | 1 January 2014 (1) |
| IAS 27 (Revised) Separate Financial Statements (issued in May 2011) | The standard was revised because, following the issuance of IFRS 10, it will now include only the separate financial statements of an entity. | 1 January 2014 (1) |
| IAS 28 (Revised) - Investments in Associates and Joint Ventures (issued in May 2011) | Simultaneous revision related to the issuance of IFRS 11 Joint Arrangements | 1 January 2014 (1) |
| Transition rules: Amendments to IFRS 10, 11 and 12 (issued in June 2012) | Clarification on the transition rules applying to these standards. | 1 January 2014 (1) |
| Investment entities: amendments to IFRS 10, IFRS 12 and IAS 27 (issued in October 2012) | Exception in the consolidation for parent companies whose businesses qualify as investment entities | 1 January 2014 |
| Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities (issued in December 2011) | Further clarifications of rules for offsetting financial assets and liabilities of IAS 32 and introduction of new associated disclosures in IFRS 7 | 1 January 2014 |
| Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (issued in May 2013) | Clarifies certain disclosure requirements and requires additional information when recoverable amount is based on fair value less costs of disposal. | 1 January 2014 (2) |
| Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (issued in June 2013) | The amendments determine in what cases and according to what criteria the novation of a derivative does not make it necessary to discontinue hedge accounting | 1 January 2014 |

(1) The European Union delayed the mandatory effective date by one year. The original effective date of the IASB was 1 January 2013.

(2) These amendments to IAS 36 were applied early by the Group, effective as of 1 January 2013.

The Group has been applying the aforementioned standards and interpretations since their entry into force on 1 January 2014, without any significant impact on the preparation of the consolidated financial statements, except for the following: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (Revised) Separate Financial Statements, and IAS 28 (Revised) Investments in Associates and Joint Ventures.

In this regard, IFRS 10 modified the previous definition of control. The new definition of control sets out the following three elements of control: power over the investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect the amount of the investor's returns (concept of control required to fully consolidate entities – see Note 2.h).

Based on the new premises for considering the definition of control, the Group performed a review to reassess the situations of control existing with regard to Group companies. The most noteworthy of these premises are as follows:

- Only substantive rights are considered in the control analysis, including certain new differences in potential voting rights, which will be taken into consideration provided that they are substantive, but still not exercised. This standard was broadened in relation to the difference between substantive and protective rights.

- It is not enough to have power over the investee, since the entity that has power must also have the capability to influence its returns on the investment. This standard was broadened in this regard to analyse the situations of the principal and the agent in relation to the exercise of control over other entities and over structures operating on "autopilot".

IFRS 10 also covers the situation commonly known as "de facto control", in which the entity may have control even without having the majority of the voting rights. This situation is explicitly addressed in current legislation.

The fundamental change introduced by IFRS 11 with respect to the current standard is the elimination of the option of proportionate consolidation for jointly controlled entities, which are now to be accounted for using the equity method. This made it necessary to reclassify, from 1 January 2014, all assets and liabilities of Adesal Telecom, S.L., which was previously proportionately consolidated to an investment recognised under "Investments in associates" in the consolidated balance sheet. Therefore, the effect on equity is neutral. In accordance with IAS 8, and pursuant to the foregoing, the balances were required to be restated at 31 December 2013 for comparison purposes (see Note 2.f).

With regard to IFRS 12, this new standard, which relates only to disclosures, groups together in a single standard all disclosure requirements relating to investments in other companies (subsidiaries, associates, joint ventures or other unconsolidated entities). Moreover, in addition to significantly expanding the information to be disclosed compared with the previous standard, it emphasises the introduction of the disclosure obligation regarding investments in unconsolidated vehicles.

Accordingly, IAS 27 was revised given that from now on its content will only refer to separate financial statements. IAS 28 will also now contain the method for handling jointly controlled investees, since they will be accounted for, without any other possible option, using the equity method, as is the case with associates.

The transition rules and the amendments to IFRS 10, 11 and 12 clarify that the date of initial application is the beginning of the period in which IFRS 10 is applied for the first time, i.e., 1 January 2014.

*(ii) Standards and interpretations issued but not yet effective*

At the date of signing of these consolidated financial statements, the following standards, amendments and interpretations had been issued by the International Accounting Standards Board (IASB) but had not yet become effective, either because their effective date is after the date of the consolidated financial statements or because they had yet to be adopted by the European Union:

| New standards, amendments and interpretations | | Mandatory application for annual periods beginning on or after: |
|---|---|---|
| Approved for use in the European Union | | |
| IFRIC 21 Levies (issued in May 2013) | Guidance on when to recognise a liability for levies charged for participation by the entity in an activity on a specified date | 17 June 2014 (1) |
| Not approved for use in the European Union | | |
| IFRS 9 Financial Instruments (last phase issued in July 2014) | Replaces the requirements for classifying and measuring financial assets and liabilities and for derecognition of IAS 39. | 1 January 2018 |
| IFRS 14 Regulatory Deferral Accounts | Financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate subject to rate regulation. | 1 January 2016 |
| IFRS 15 Revenue from Contracts with Customers (issued in May 2014) | New standard for recognising revenue (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31) | 1 January 2017 |
| Amendments to IAS 19, Defined Benefit Plans: Employee Contributions (issued in November 2013) | The amendments allow employee contributions to be deducted from service costs in the same period in which they are paid, providing certain requirements are met | 1 July 2014 (1 January 2015 for Abertis Telecom Terrestre) |
| Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle (issued in December 2013) | Minor amendments to certain standards | 1 July 2014 (1 January 2015 for Abertis Telecom Terrestre) |
| Amendments to IAS 16 and IAS 38 Acceptable Methods of Depreciation and Amortisation (issued in May 2014) | Clarifies acceptable methods of depreciation of property, plant and equipment and amortisation of intangible assets | 1 January 2016 |
| Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014) | Specifies the accounting treatment for the acquisition of an interest in a joint operation that constitutes a business. | 1 January 2016 |
| Improvements to IFRSs 2012-2014 Cycle (issued in May 2014) | Minor amendments to certain standards | 1 January 2016 |
| Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014) | Clarification regarding the results of these transactions if they are businesses or assets. | 1 January 2016 |
| Amendments to IAS 27 Equity Method in Separate Financial Statements (issued in August 2014) | An investor may now be accounted for using the equity method in separate financial statements. | 1 January 2016 |
| Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (issued in June 2014) | Bearer plants will now be recognised at cost, instead of at fair value. | 1 January 2016 |

(1) The European Union endorsed IFRIC 21 (EU Journal 14 June 2014), changing the original date of entry into force established by the IASB from 1 January 2014 to 17 June 2014.

The Group has not considered the early application of the standards and interpretations referred to above, and in any event, would consider applying them only once they are approved by the European Union.

The Company's Directors have nevertheless evaluated the potential impact of a future application of these standards, and consider that their entry into force will not have a material impact on the Group's consolidated financial statements.

### c) Accounting policy relating to the acquisition of tower infrastructures for site rental when considered an asset purchase

In 2014, the Company's Directors reassessed the accounting treatment for acquisitions of tower infrastructures for site rental acquired through asset purchase transactions from mobile operators in order to bring it into line with the internal management model and other companies in the sector.

The Company's Directors consider the accounting policy will affect the interpretation of the Group's financial information and, consequently, the subsequent decisions made, the comparative information presented in these consolidated financial statements for the year ended 31 December 2014 was restated. Therefore, the initial asset and liability balances at 1 January 2013 were restated in accordance with the requirements of IAS 8.42.

In relation to the tower infrastructures acquired by the Group, the price agreed upon in the purchase and sale agreement relates to the acquisition of an asset with two components: the physical asset (tower and other fixtures and fittings) and the "network coverage area" to provide the service to mobile operators. In turn, this is related to the subsequent lease agreement with the mobile operator and the subrogation of all lease agreements with third parties that the mobile operator previously had, which includes the related permits or licences necessary to carry out operations. However, despite the existence of two types of asset, the requirements set out in IAS 38 to separate out the 'network coverage area' as an intangible asset are not met in their entirety, therefore the accounting treatment applied contemplates registering under PPE the total acquisition cost, which is depreciated according to the useful life of the asset, based on technical studies. This treatment coincides with that used by the Group in prior years.

Some of the acquired tower infrastructures are not needed in order to provide the operator with the corresponding service, due to the duplication of sites in the same network coverage area. These infrastructures are acquired under a commercial agreement with the mobile operator with the express purposes of being dismantled and the equipment housed in the dismantled infrastructure is transferred to another infrastructure site owned by the Group. Accordingly, service to customers of the dismantled infrastructure is provided by compatible infrastructure owned by the Group through the existing network coverage area. The amount paid for the sites and the estimated future dismantling costs incurred by third parties therefore relate, as indicated in SIC 15, to deferred commercial costs incurred by the Group for the purpose of entering into an agreement with the mobile operator that will generate future economic benefit in the Group's pre-existing infrastructure at this same location. The dismantling costs are registered as they are incurred. The amounts paid are recognised as an advance for the subsequent lease agreement under "Current investments" and "Non-current investments" in the consolidated balance sheet (see Note 3.d). This amount is taken to the consolidated income statement based on the initial compulsory period of the subsequent lease agreement entered into with the operator. Up until 2013 the Group had been registering these costs as PPE.

Amounts restated relate to the recognition of a financial asset, which represents mainly a reclassification from "Property, plant and equipment" to "Current investments" and "Non-current investments" in the consolidated balance sheet at 31 December 2013 (see Note 2.f) in accordance with IAS 8.

Consequently, the Group restated the 2013 financial statements but did not include the consolidated balance sheet at the beginning of the comparative period since this balance sheet had no impact, given that the Group's activities, as indicated in Note 1, began on 1 January 2013, since at year-end 2012 the Group did not have any business activity.

### d) 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.

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

The preparation of the consolidated financial statements under IFRSs requires Management to make certain accounting estimates and judgements. These are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events, that are considered reasonable under the circumstances. Although the estimates used were based on the best information available at the date of signing of these consolidated financial statements, in accordance with IAS 8, any change to estimates in the future would be applied prospectively from that time, and the effect of the change in the estimates would be recognised in the consolidated income statement for the period 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 useful lives of intangible assets associated with the tower infrastructures for site rental are amortised over the years in which the Group is able to obtain income from the network coverage area in conjunction with the assets recognised as a result of business combinations.

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

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

d) Derivatives or other financial instruments (see Notes 3.d, 3.e, 10 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 a variety of 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 regard, the Group determines the classification of its financial assets at initial recognition.

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

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

f) Provisions for obligations to employees (see Notes 3.l and 16)

Determining pension benefit costs, other benefit costs subsequent to retirement or other liabilities subsequent to retirement requires applying various assumptions. At the end of each year, the Group estimates the provision necessary to meet its pension and similar obligations, in accordance with the advice received from independent actuaries. The changes that affect these assumptions may cause different amounts of expenses and liabilities to be recognised. The most significant assumptions for measuring pension liability or other benefits subsequent to retirement are retirement age, inflation and the discount rate used. In addition, assumptions for covering social security are essential for determining other benefits subsequent to retirement. Future changes in these assumptions will have an impact on future pension expenses and liabilities.

g) Deferred tax assets and income tax (see Notes 3.k and 15)

Income tax expense calculations require interpreting the tax legislation in the jurisdictions where the Group operates. The determination of expected outcomes of unresolved controversies and litigation requires the use of significant estimates and judgements. The Group assesses the recoverability of deferred tax assets based on the estimates of future tax results and the capacity to generate sufficient profit during the periods in which these deferred tax assets are deductible.

h) Provisions: the probability of the occurrence and amount of the undetermined contingent liabilities (see Notes 3.l and 16).

The Group estimates the amounts to be settled in the future, including those relating to contractual obligations and unresolved litigation. These estimates are subject to interpretations of current events and circumstances, projections of future events and estimates of the financial effects of these events.

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

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

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

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

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

Lastly, the figures contained in all financial statements that form part of the consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows) and the notes to the consolidated financial statements are expressed in thousands of euros.

### *f) Comparative information*

Pursuant to IFRSs, the information relating to the year ended 31 December 2013 contained in these consolidated financial statements for 2014 is presented solely for comparison purposes.

The consolidated balance sheet (and its respective disclosures), the consolidated income statement (and its respective disclosures), the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2013 (included in these consolidated financial statements) were restated (with regard to the information contained in the Group's consolidated financial statements at 31 December 2013) as a result of the adoption of IFRS 10 and IFRS 11 (Note 2.b), with retroactive effect from 1 January 2013, and as a result of changes to the accounting policies regarding the acquisition of tower infrastructures for site rental (see Note 2.c).

The main impacts of the aforementioned restatement are detailed as follows:

Given that the Group's activity began on 1 January 2013, as indicated in Note 1, it did not have any activity at year-end 2012 and, therefore, the beginning balances had no impact. The amounts indicated as changes to the scope of consolidation at 1 January 2013, as a result of the accounting treatment, with regard to the amounts included in the Group's consolidated financial statements for 2013, are nil since the first acquisition of tower infrastructures for telecommunications operators which were dismantled occurred in 2013.

*Impact on the consolidated balance sheet at 31 December 2013*

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 31/12/2013 | Impact of adopting IFRS 10 and IFRS 11 | Impact of changes in accounting policies (Note 2.c) | 31/12/2013 Restated |
| Property, plant and equipment | 564,858 | (4,402) | (16,212) | 544,244 |
| Other non-current assets | 102,228 | 5,765 | 13,906 | 121,899 |
| Non-current assets | 667,086 | 1,363 | (2,306) | 666,143 |
| Current assets | 171,520 | (6,565) | 870 | 165,825 |
| **Total assets** | **838,606** | **(5,202)** | **(1,436)** | **831,968** |
| Equity | 487,483 | - | - | 487,483 |
| Non-current liabilities | 210,189 | (3,330) | - | 206,859 |
| Current liabilities | 140,934 | (1,872) | (1,436) | 137,626 |
| **Total equity and liabilities** | **838,606** | **(5,202)** | **(1,436)** | **831,968** |

*Impact on the consolidated income statement for 2013*

| | Thousands of euros | | |
|---|---|---|---|
| | 2013 | Impact of adopting IFRS 10 and IFRS 11 (note 2.b) | 2013 Restated |
| Operating income | 387,144 | (2,555) | 384,589 |
| Operating expenses | (290,172) | 1,366 | (288,806) |
| **Operating profit** | **96,972** | **(1,189)** | **95,783** |
| Finance income | 332 | (12) | 320 |
| Finance costs | (2,788) | 216 | (2,572) |
| **Net financial loss** | **(2,456)** | **204** | **(2,252)** |
| Profit of companies accounted for using the equity method | 56 | 689 | 745 |
| **Profit before tax** | **94,572** | **(296)** | **94,276** |
| Income tax | (16,082) | 296 | (15,786) |
| **Profit for the year** | **78,490** | **-** | **78,490** |

The accounting policies for acquisitions of tower infrastructures for site rental described in Note 2.c had no effect on the consolidated income statement for 2013.

## g) *Materiality*

In deciding what information to disclose in the Notes on the various items of the consolidated financial statements or other matters, the Group assessed materiality in relation to the consolidated financial statements for 2014.

## h) *Consolidation principles*

*(i) Methods of consolidation*

### *Subsidiaries*

Subsidiaries are all entities in which the Group directly or indirectly controls the financial and operating policies, such that power is exercised over the investee, while maintaining 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. This is generally accompanied by an ownership interest of more than half of an entity's voting rights. In addition, to evaluate whether the Group controls another entity, it considers 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. Subsidiaries are consolidated as from the date on which control passes to Abertis Telecom Terrestre, and they are excluded from consolidation on the date on which control ceases to exist.

Subsidiaries are fully consolidated by the Group.

Appendix I to these Notes provides details on all the subsidiaries included in the consolidation scope at 31 December 2014.

### *Jointly controlled entities (joint ventures)*

These companies have a contractual arrangement with a third party to share control of their activity, and the strategic financial and operating decisions related to that activity require the unanimous consent of the parties that share control.

The Group's interests in jointly controlled entities are accounted for in accordance with IFRS 11 using the equity method and as indicated below under "Associates" (until the adoption of the aforementioned standard in 2014, the Group chose to proportionately consolidate these entities).

In relation to Adesal Telecom, S.L., the Group obtained effective control over this company in 2014, in accordance with the addendum to the shareholders agreement entered into with the other venturers on 21 October 2014. In addition, the Group increased its ownership interest to 60.08% after the date of the takeover.

The Group accounted for its investment in Adesal Telecom, S.L., prior to the date of the takeover (and from 1 January 2014), using the equity method (in accordance with IFRS 11), and after such date, the company was fully consolidated.

### *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.

Investments in associates are accounted for using the equity method and are initially recognised at cost. The Company's investments 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 (“step acquisitions”), 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 as the sum of the amounts paid at each acquisition plus the share of the profits and other changes in 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, debiting or crediting the carrying value of the investment in both cases. Dividends received and/or accrued after acquisitions are adjusted against the carrying value 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 accounted for using the equity method at 31 December 2014.

### *(ii) Standardisation of timing and valuation*

The reporting periods for all companies included in the consolidation scope 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 separate financial statements 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 IFRS 3 (revised). Acquisition cost is the fair value of the assets transferred to the acquiree 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 respective cash-generating units (CGUs).

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

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

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

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

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

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

As indicated in Note 2.h.i, goodwill relating to acquisitions of associates and jointly controlled entities 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-à-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 jointly controlled entities are recognised in the Group's financial statements only to the extent that they arise from the interests of other investors in associates and jointly controlled entities not related to the investor.

### *(v) Transactions with non-controlling interests*

Transactions with non-controlling interests are recognised as transactions with the Group's equity holders. Accordingly, in purchases of non-controlling interests, the difference between the consideration paid and the proportionate share of the carrying amount of the net assets of the subsidiary is taken to equity. Gains or losses on the disposal of non-controlling interests are also recognised in the Group's equity.

If the Group ceases to exercise significant influence or control, the investment retained is remeasured at its fair value and any gain or loss relative to the previously recognised investment is taken to the consolidated income statement for the year. In addition, any amount previously recognised under other comprehensive income in relation to this entity is accounted for 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 income statement.

## *i) Changes in the scope of consolidation*

The most significant changes in the scope of consolidation and in the companies included in it in 2014 were as follows:

| Name of the company | Company with direct shareholding and % acquired/maintained/sold | | Consolidation method | Date |
|---|---|---|---|---|
| **Acquisitions:** | | | | |
| TowerCo, S.p.A. | Abertis Telecom Terrestre, S.A.U. | 100% | Full | 27/05/2014 |
| Adesal Telecom, S.L. | Tradia Telecom, S.A.U. | 51.1% [1] | Full | 21/10/2014 |
| Adesal Telecom, S.L. | Tradia Telecom, S.A.U. and Abertis Tower S.A.U. | 8.98% | Full | 27/11/2014 |
| **Sales:** | | | | |
| Abertis Telecom Brasil Ltda. | Abertis Telecom Terrestre, S.A.U. and Abertis Tower, S.A.U. | 100% | Full | 19/05/2014 |

[1] There is no change in the shareholding, but effective control is acquired

- On 27 May 2014, Abertis Telecom Terrestre, S.A.U. reached an agreement with the infrastructure manager Atlantia, S.p.A. to acquire 100% of the share capital of the Italian company TowerCo, S.p.A., ("TowerCo") for EUR 94.6 million (see note 5).

- The shareholders agreement entered into between Tradia Telecom, S.A.U. and the other shareholders investing in the share capital of Adesal Telecom, S.L. was amended on 21 October 2014. This allowed the Group to take effective control over the company's strategic decisions and over its Board of Directors with a direct ownership interest of 51.10% (% already held as of that moment), thereby fully consolidating the company on 1 November 2014.

  On 27 November 2014, Tradia Telecom, S.A.U. acquired 8.98% of the share capital of Adesal Telecom, S.L. for EUR 1.2 million, which entailed no change to the amount of net assets recognised or to the goodwill, since the Group already had control over Adesal Telecom, S.L. (see Note 5).

- In 2014, Abertis Telecom Brasil, Ltda. was excluded from the scope of consolidation as a result of its sale to Abertis Infraestructuras, S.A. on 19 May 2014, giving rise to a loss in the accompanying consolidated income statement of EUR 63 thousand.

The changes to the scope of consolidation that took place in 2013 and significantly affected the 2013 consolidated financial statements was the inclusion in the scope of consolidation, as a result of the spin-off described in Note 1, of the following companies:

| Name of the company | Company with direct shareholding and % acquired | | Consolidation method | Date |
|---|---|---|---|---|
| Retevisión-I, S.A.U. | Abertis Telecom Terrestre, S.A.U. | 100% | Full | 01/01/2013 |
| Tradia Telecom, S.A.U. | Abertis Telecom Terrestre, S.A.U. | 100% | Full | 01/01/2013 |
| Abertis Tower, S.A.U. | Abertis Telecom Terrestre, S.A.U. | 100% | Full | 01/01/2013 |
| Abertis Telecom Brasil Ltda. | Abertis Telecom Terrestre, S.A.U. and Abertis Tower, S.A.U. | 100% | Full | 01/01/2013 |
| Gestora del Espectro, S.L. | Retevisión-I, S.A.U. | 100% | Full | 01/01/2013 |
| Adesal Telecom, S.L. | Tradia Telecom, S.A.U. | 51.1% | Proportionate | 01/01/2013 |
| Consorcio de Telecomunicaciones Avanzadas, S.A. (COTA) | Tradia Telecom, S.A.U. | 29.50% | Equity | 01/01/2013 |
| Torre de Collserola, S.A. | Retevisión-I, S.A.U. | 41.75% | Equity | 01/01/2013 |

# 3. Accounting policies and measurement bases

The main accounting policies and measurement bases used to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the interpretations in force at the time of preparing these consolidated financial statements were as follows:

## *a) Property, plant and equipment*

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

In relation to the tower infrastructures acquired by the Group, the price agreed upon in the purchase and sale agreement relates to the acquisition of an asset with two components: the physical asset (tower and other fixtures and fittings) and the “network coverage area” to provide the service to mobile operators. In turn, this is related to the subsequent lease agreement with the mobile operator and the subrogation of all lease agreements with third parties that the mobile operator previously had, which includes the related permits or licences necessary to carry out operations. However, despite the existence of two types of asset, the requirements set out in IAS 38 to separate out the ‘network coverage area’ as an intangible asset are not met in their entirety, therefore the accounting treatment applied contemplates registering under PPE the total acquisition cost, which is depreciated according to the useful life of the asset, based on technical studies.

Grants related to assets received reduce the acquisition cost of property, plant and equipment, and are recognised when the entity complies with certain conditions, which allow the funds to be received. 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 |
| Tools | 3-14 years |
| Other fixtures | 3-14 years |
| Furniture | 5-10 years |
| Computer equipment | 3-5 years |
| Other items of 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, 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 recognised on the sale or disposal of an asset in this item are stated at the difference between carrying amount and sale price, and are recognised in the accompanying consolidated income statement under "Losses on non-current assets".

### 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 received 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, by means of 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*

This heading refers principally to the amounts paid for ownership or for rights to use computer programmes, only when they are expected to be used over 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 tower infrastructure for site rental*

This heading includes the amounts paid under business combinations and relates to the fair value of the net assets acquired. These net assets relate mainly to the contracts signed with mobile telephone operators and the network coverage area of the tower infrastructures used by the operators.

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. At present, the only intangible asset registered by the Group relates to the business combination of the company TowerCo S.p.A. (see note 5) and is amortized on a straight-line basis until 2038.

*(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 (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 company's identifiable net assets acquired at the acquisition date.

Goodwill is considered an asset of the acquired company with the exception of goodwill generated before 1 January 2004, which, pursuant to IFRS 1, was considered an asset of the acquirer.

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

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

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

### *c) Impairment losses on non-financial assets*

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

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

Impairment losses (excess of an asset’s carrying amount over the recoverable amount) are recognised in the 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 2014, financial assets were classified into the following categories:

#### *(i) Current and non-current investments*

This heading of the consolidated balance sheet includes, in relation to the tower infrastructures for site rental acquired by the Group, commercial costs over several years assumed by the Group for the purpose of entering into lease agreements for the provision of services to mobile telephone operators that will generate future economic benefits. This is carried out through the purchase, from these operators, of tower infrastructures for site rental, the dismantling of which has been agreed to along with the related cost. It should be noted that dismantling costs do not represent a legal obligation to dismantle the tower infrastructure for site rental, but rather a commercial decision made by the Group and these costs will be capitalised as they are incurred.

These amounts are recognised as a prepayment for the subsequent lease agreement with the mobile telephone operator, which is recognised in the accompanying consolidated income statement as a reduction to “revenue from services rendered” according to the term of the lease agreement entered into with the operator.

#### *(ii) Trade and other receivables*

This account mainly relates to:

- Loans granted to associates, jointly controlled entities 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 amortised cost.

- 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 a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset have been transferred, such as in the case of firm asset sales, non-recourse factoring of trade receivables in which the Group does not retain any credit or interest rate risk, sales of financial assets under an agreement to repurchase them at fair value and the securitisation of financial assets in which the transferor does not retain any subordinated debt, provide any kind of guarantee or assume any other kind of risk.

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

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

### *e) Derivative financial instruments*

The Group uses derivative financial instruments to manage its financial risk, arising mainly from changes in interest rates. These derivative financial instruments were 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.

In accordance with 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 profit or loss for the year. However, with hedge accounting, the effective portion of the hedge is recognised in equity.

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

The fair value of the derivative financial instruments used for hedging purposes is set out in Note 13.

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 cumulative 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 cumulative 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 hedges*

The effective portion of the gain or loss on derivatives classified as cash flow hedges, net of the related tax effect, is recognised directly in equity under "Reserves – Hedging reserves" until the hedged item affects profit or loss (or when the underlying instrument matures or is sold or it is no longer probable that the transaction will take place), at which point the cumulative gains or losses in equity are transferred 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 profit or loss for the year under "Change in fair value of financial instruments".

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

### *(ii) Derivatives not qualifying for hedge accounting*

If any derivatives do not meet the criteria to qualify for hedge accounting, any gains or losses arising from changes in the fair value of the derivative are taken directly to the consolidated income statement for the year.

The Group does not have any derivatives not qualifying for hedge accounting.

### *(iii) 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.

At 31 December 2014, the Group held only one IRS (cash flow hedge) with a nominal amount hedged of EUR 5,263 thousand.

### *f) Inventories*

Inventories comprise mainly technical equipment which, after installation, will be sold. Inventories are measured at cost, less any necessary valuation adjustments and the corresponding write-down, as applicable.

### *g) Share capital*

The share capital is represented by ordinary shares.

The costs of issuing new shares or options, net of taxes, 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 on 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 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 on hand, demand deposits in banks and highly liquid and short-term investments with a maturity of three months or less.

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

### *j) 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 fixed 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 fixed 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.

### *k) Income tax*

The income tax expense (income) 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 (income) 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.

### *l) Employee benefits*

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

*(i) Post-employment benefits:*

#### *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 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 present value of the obligations at the reporting date and the related current and past service costs. The actuarial gains and losses arising from changes in the actuarial assumptions—unlike post-employment obligations—are recognised in the consolidated income statement for the year in which they occur.

In addition, the Company has a one-time obligation to certain employees with regard to a medium-term bonus (2012-2014 Incentive Plan) tied to the achievement of certain business goals.

*(iii) Termination benefits*

Termination benefits are paid to employees as a result of the decision to terminate their employment contract before the normal retirement date, or when the employee voluntarily accepts to resign in exchange for such compensation. The 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 termination benefits. 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 termination of the employees when this has been requested by them.

*(iv) Share-based payments*

As indicated in Note 16, the Group has a management compensation plan consisting of the distribution of options on shares of Abertis Infraestructuras, S.A., the sole shareholder of the Company. These options can be settled only in equity.

This plan is measured at its fair value at the grant date using a generally accepted financial calculation method, which, *inter alia*, takes into account the option exercise price, volatility, exercise term, expected dividends and the risk-free interest rate.

The cost of the plan is charged to the consolidated income statement as a staff cost as it accrues during the period of time specified for the employee to remain in the company's employ to exercise the option, without any remeasurement, as set forth in IFRS 2. Nevertheless, at the end of the reporting period, the Group reviews its original estimates of the number of options expected to be exercisable (which relates, *inter alia*, to the impact of any bonus share issue), and recognises, if applicable, the impact of this review on the consolidated income statement by making the corresponding adjustment to consolidated equity, as accrued during the period of time specified for the employee to remain in the company's employee in order to exercise the option.

*(v) 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.

### *m) 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 grants, donations or gifts and legacies related to assets: 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) Grants related to income: grants related to income are credited to income when granted, unless their purpose is to finance losses from operations in future years, in which case they are allocated to income in those years. If grants are received to finance specific expenses, they are allocated to income as the related expenses are incurred.

### *n) Provisions and contingencies*

At the date of signing of these consolidated financial statements, the Group distinguishes 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 and it is probable (i.e., more likely than not) that an outflow of resources 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.

### *o) 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. Revenue must be recognised based on the actual flow of goods and services, regardless of when the related 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 “Current deferred income” and “Non-current deferred income”, and will be taken to the consolidated income statement when the benefits of the service are received.

The various services are provided through lease agreements for the infrastructure, in order to distribute the broadcasting or mobile signals, for a certain amount and for a certain length of time. The Group recognises revenue on a straight-line basis over the period in which the services are provided as established in the respective contracts.

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

- Broadcasting infrastructure activity: broadcasting activities consist of the distribution and transmission of television and FM radio signals, as well as the operation and maintenance of radio broadcasting networks, the provision of connectivity for media content, OTT radio broadcasting services (over-the-top multi-screen services) and other services.

  The provision of these services requires unique, large mast infrastructure that only the Group has in Spain; knowledge of how to manage the radio spectrum; and the capacity to comply with very demanding levels of service.

- Telecom Site Rental: the activity of renting tower infrastructures for site rental consists of providing passive access to its wireless infrastructure to mobile network operators and other wireless and broadband telecommunications network operators through infrastructure hosting and telecommunications equipment co-location. The Group mainly provides wireless operators with access to its communications and broadcasting infrastructure through medium- and long-term contracts for its antennas, which transmit various signals related to wireless data and voice transmission, while the telecommunications operators maintain and operate the necessary equipment.

  The services that the Group provides to its customers through the activity of renting tower infrastructures include infrastructure support services, which in turn include the lease of space in tower infrastructures to telecommunications operators that use wireless technologies in order to install telecommunications equipment. The Group acts as a neutral carrier for mobile network operators and other telecommunications operators that normally require complete access to network infrastructure in order to provide services to end customers.

- Network services and other: the network services and other activity includes connectivity services for telecommunications operators (other than broadcasting operators), radio communication, operation and maintenance services, commercial services, Smart Cities, IoT (“Internet of Things”) and other services.

  The Group provides integral solutions for essential services and government bodies as a multi-service and neutral service supplier. The Group's services include public protection and disaster relief (PPDR) services (including TETRA and digital mobile radio technologies), public safety and emergency networks such as maritime networks, Smart Cities, IoT, small cells and commercial activities.

  The Group classifies the network services and other into five groups: (i) connectivity services; (ii) public protection and disaster relief (PPDR) services; (iii) operation and maintenance; (iv) Smart Cities/IoT; and (v) other services.

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

Dividend 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.

### *p) Expense recognition*

An expense is recognised in the consolidated income statement when there is a decrease in the future economic benefits related to a reduction of an asset, or an increase in a liability, which can be measured reliably. This means that an expense is recognised simultaneously to the recording of the increase in a liability or the reduction of an asset. Expenses must be recognised based on the actual flow of goods and services, regardless of when the related 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 “Current prepayments” and will be taken to the consolidated income statement when the service is received by the Group.

An expense is recognised immediately when a disbursement does not give rise to future economic benefits or when the requirements for recognition as an asset are not met.

In addition, an expense is recognised when a liability is incurred and no asset is recognised, as in the case of a liability relating to a guarantee.

### *q) Leases*

Leases are classified as operating leases when they meet the conditions set forth in IAS 17, that is, when the ownership of the leased asset and substantially all of the risks and rewards incidental to ownership are attributable to the lessor, and the related expenses, including any incentives granted by the lessor, are stated on the basis of their accrual in the consolidated income statement.

The Group's lease agreements are all operating leases, as it does not have any finance leases.

### r) *Activities affecting the environment*

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

It was not considered necessary to make any provision for environmental risks and expenses, given that there are no contingencies in relation to environmental protection (see Note 18).

### s) *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.

### t) *Consolidated statements 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 result in changes in the size and composition of the Group's equity and liabilities that are not 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.

## 4. Financial risk and capital management

### a) *Factors of financial risk*

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 and inflation risk. The Group uses derivatives to hedge certain interest rate risks.

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

#### *(i) Foreign currency risk*

Virtually all the Group's transactions are denominated in euros and, therefore, it is not exposed to foreign currency risk.

#### *(ii) Interest rate risk*

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

Borrowings issued at floating rates expose the Group to cash flow interest rate risk, while fixed-rate borrowings expose the Group to fair value interest rate risk.

The purpose of managing interest rate risk is to achieve a balance in the debt structure so as to enable volatility in the consolidated income statement to be minimised over several years. Accordingly, the Group enters into interest rate derivatives (see Note 13).

The Group uses derivative financial instruments to manage its financial risk, arising mainly from changes in interest rates. These derivative financial instruments were classified as cash flow hedges and recognised at fair value (both initially and subsequently). 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 Notes 3.e and 13).

The Group hedged 1.2% of its bank borrowings at 31 December 2014 through hedging mechanisms. The main financing granted from third parties by the Group in 2014 (see Note 3.e and 13) is not covered by interest rate hedging mechanisms. The analysis of sensitivity to interest rates is detailed in Note 13.

#### *(iii) Credit risk*

Each of the Group's main business activities (telecom site rental, broadcasting infrastructure and network services and other) obtain a significant portion of income from a limited number of customers, many of which are long-term customers and have high-value contracts with the Group.

Telecommunications operators are the Group's main customers in its activities relating to the telecom site rental; television and radio broadcasting operators (television channels and radio stations) are the main clients in its activities relating to 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 network services and other.

Given the nature of the Group's businesses, it has significant concentrations of credit risk, since there are significant accounts receivable as a result of having a limited number of customers.

Credit risk therefore 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 only with financial institutions with high credit ratings as qualified by international rating agencies. The solvency of these institutions, as indicated in each institution's credit ratings, is reviewed periodically in order to perform active counterparty risk management.

During the years for which information is reported, no credit limits were exceeded and management does not expect to incur losses as a result of default by any of the counterparties indicated above. The provision recognised for doubtful debts is not significant compared with the balance of accounts receivable at year-end.

*(iv) Liquidity risk*

The Group carries out prudent management of liquidity risk, which involves maintaining cash and having access to a sufficient amount of finance through established credit facilities as well as the ability to liquidate market positions. Given the dynamic nature of the Group’s businesses, the objective of the Finance Department is to maintain flexibility in funding sources through the availability of committed credit facilities.

The maturities of the Group's financial obligations are detailed in Note 13.

*(v) Inflation risk*

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

The Group has not arranged any hedging instruments since the majority of its flow of income and expense is tied to the consumer price index (CPI).

***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 sole shareholder and to maintain an optimal capital structure and lower costs.

The Group monitors capital using a leverage ratio along with other financial ratios (e.g. net debt as a multiple of EBITDA) , in keeping 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.

In 2014 the Group's capital management strategy changed significantly. The increase in borrowings in 2014 was caused by the asset purchases and business combinations carried out (see Notes 5, 6 and 7), and had a significant impact on the leverage ratio at 31 December 2014 compared with 2013. In addition, the Group was financed with corporate debt from the sole shareholder up until June 2014.

The leverage ratios with banks at 31 December were as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2014 | 31/12/2013 Restated |
| Bank borrowings (Note 13) | 421,436 | - |
| Other financial liabilities (Note 13) | 11,716 | 13,257 |
| Payable to Group companies and associates (Note 20.c) | - | 146,938 |
| Cash and cash equivalents (Note 11) | (90,891) | (73) |
| **Net borrowings (1)** | **342,261** | **160,122** |
| Equity (Note 12) | 501,392 | 487,483 |
| **Total capital (2)** | **843,653** | **647,605** |
| | | |
| **Leverage ratio (1)/(2)** | **41%** | **25%** |

## 5. Business combinations

### 2014 Business combinations

***Acquisition of TowerCo, S.p.A.***

As indicated in Note 2.i, on 27 May 2014 100% of the share capital of TowerCo, S.p.A. was acquired for EUR 94.6 million, after the related purchase agreement was entered into with Atlantia, S.p.A.

After the aforementioned acquisition, TowerCo, S.p.A. was fully consolidated in the Abertis Telecom Terrestre Group on 27 May 2014, such that at 31 December 2014 the value of all its assets and liabilities was included in the consolidated balance sheet and the impact of all its operations over the seven months since the aforementioned date of acquisition was included in the consolidated income statement for the period.

TowerCo, S.p.A.'s customers include the main mobile telephone operators in Italy. The company engages mainly in providing co-location services on Italian motorways, and currently manages 321 tower infrastructures for site rental (217 towers and 104 tunnels) located over approximately 3,000 kilometres of the motorway network under the concession of Atlantia, S.p.A. The assets of TowerCo, S.p.A. are located in the motorways under the concession of Atlantia, S.p.A., which must revert back to the corresponding government authority in 2038.

The detail of the net assets acquired and the goodwill generated through the purchase of all ownership interest in TowerCo, S.p.A. at the acquisition date is as follows:

| | Thousands of euros |
|---|---|
| Total acquisition price | 94,600 |
| Fair value of the net assets acquired | 91,605 |
| Resulting goodwill | 2,995 |

The fair value at the date of acquisition of the assets and liabilities of the acquired business was determined, for the most part, using valuation techniques. The main valuation method used was the analysis of the discounted cash flows generated by the identified assets, based on criteria similar to those referred to in Note 3.c.

Regarding the acquisition of TowerCo, S.p.A.'s assets, the purchase price allocation (PPA) process was conducted, as was the case with other business combinations carried out by the Group in previous years, internally 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 and the location of the tower infrastructures used throughout the motorway network of Atlantia, S.p.A.

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 3 million), derives from the synergies and other additional future cash flows expected to arise following acquisition by the Group. Among other effects, this will allow the Group to strengthen and supplement its "telecom site rental" business in the terrestrial telecommunications field by beginning its geographical diversification, in this case, towards the Italian market

The assets and liabilities of TowerCo, S.p.A. arising from the acquisition of all interest in the company are as follows:

| | Thousands of euros | | |
|---|---|---|---|
| | Value acquired (effective 01/06/2014) | | |
| Debit/(Credit) | Fair value | Carrying amount | Revaluation |
| Cash and cash equivalents | 8,870 | 8,870 | - |
| Property, plant and equipment | 19,834 | 19,834 | - |
| Other intangible assets | 98,593 | 29 | 98,564 |
| Financial assets | 56 | 56 | - |
| Receivables and other current assets | 17,562 | 17,562 | - |
| Accounts payable | (21,150) | (21,150) | - |
| Provisions | (366) | (366) | - |
| Deferred tax assets / (liabilities), net | (31,794) | 62 | (31,856) |
| **Net assets** | **91,605** | **24,897** | **66,708** |
| Total acquisition price | 94,600 | 94,600 | |
| Cash and cash equivalents | (8,870) | (8,870) | |
| **Cash outflow on acquisition** | **85,730** | **85,730** | |

The impact of the business acquired in TowerCo, S.p.A. on the Abertis Telecom Terrestre Group's consolidated income statement is detailed as follows:

| | Thousands of euros | |
|---|---|---|
| | Contribution since acquisition on 27/05/2014 (2) | Proforma December 2014 (3) |
| Operating income | 13,261 | 22,397 |
| Operating expenses | (5,447) | (8,952) |
| EBITDA(4) | 7,814 | 13,445 |
| Operating profit | 3,231 | 5,561 |
| **Net profit (1)** | **2,204** | **3,789** |

(1) Net profit including the additional depreciation of the revalued assets, but excluding the financial burden on Abertis Telecom Terrestre associated with the acquisition of the aforementioned company.

(2) Impact on the consolidated income statement of seven months of full consolidation.

(3) Estimating that TowerCo, S.p.A. had been acquired effective 1 January 2014, and consequently that this company had been fully consolidated for the entire year ended 31 December 2014.

(4) EBITDA = Profit from operations before depreciation and amortisation charge

In light of the date on which the acquisition of TowerCo was completed (end of May 2014), at the date of signing of these consolidated financial statements for 2014, this PPA was provisional, i.e., Abertis Telecom Terrestre is in the process of concluding the allocation of the fair value of the assets and liabilities acquired at the date of acquisition, by measuring them through an analysis of the discounted cash flows generated by the identified assets. In accordance with IFRS 3, the Company has one year from the date of the respective transaction to complete the measurement.

***Takeover of Adesal Telecom, S.L.***

On 21 October 2014, the shareholders agreement entered into between Tradia Telecom, S.A.U. and the other shareholders investing in the share capital of Adesal Telecom, S.L. was amended.

This company engages mainly in exercising the rights and complying with the obligations contained in the supply, installation and maintenance agreement for the Corporate Digital Mobile Emergency and Safety Communication Network of the Valencian Autonomous Community, which terminates in 2017. In this regard, in 2014 and in previous years Adesal Telecom, S.L. supplied TETRA terminals to the various fleets belonging to the Valencian Autonomous Community Government (Conselleries de Governació, Medi Ambient i Sanitat), Provincial Firefighter Consortia of Valencia, Castellon and Alicante, and various municipalities of the three provinces.

As indicated in Note 2.i, the amendment to the shareholders agreement enabled the Group to take effective control of Adesal Telecom, S.L. through a 51.10% direct ownership interest, and the company became fully consolidated as of 1 November 2014 (until this date it had been accounted for using the equity method). Accordingly, at 31 December 2014 the value of all its assets and liabilities was included in the consolidated balance sheet and the impact of all its operations over the two months since the date of the takeover was included in the consolidated income statement.

On acquiring effective control over Adesal Telecom, S.L., the Group remeasured its previously held interest interest in the equity of Adesal Telecom, S.L. The previous 51.10% interest was recognised at fair value at the date of the takeover, with a EUR 363 thousand net revaluation of the assets and liabilities already held recognised under “Goodwill” in the consolidated balance sheet.

On 27 November 2014, following the takeover, the Group also acquired an additional 8.98% ownership interest in the share capital of CaixaBank, S.A. for EUR 1.2 million (see Note 2.i). Consequently, given that this is a “step acquisition”, in which the Group already had control, and pursuant to IFRS 3, the additional ownership interest acquired did not entail a change to the net assets recognised or a change to goodwill.

The detail of the net assets acquired and the goodwill generated in the takeover of Adesal Telecom, S.L. at the acquisition date is as follows:

| | Effect for accounting purposes | % acquired | Thousands of euros<br>Amount |
|---|---|---|---|
| Initial collaboration agreement (joint control) | 17/04/2007 | 51.10% | 3,297 |
| Amendment to the shareholders agreement (takeover) | 21/10/2014 | - | - |
| Fair value of Adesal Telecom, S.L. | | | 12,996 |
| Fair value of the net assets acquired | | | 12,633 |
| Resulting goodwill (1) | | | 363 |

(1) The previously held 51.10% interest was measured taking as a reference the fair value of the interest using discounted cash flows. Consequently, goodwill was recognised at the date of the takeover in accordance with IFRS 3 (Revised) relating to 51.10% of the acquired net assets held by the Group, with a value of EUR 363 thousand.

The fair value at the date of acquisition of the assets and liabilities of the acquired business was determined, for the most part, using valuation techniques. The main valuation method used was the analysis of the discounted cash flows generated by the identified assets, based on criteria similar to those referred to in Note 3.c.

Regarding the acquisition of Adesal Telecom, S.L.’s assets, the purchase price allocation (PPA) process was conducted, as was the case with other business combinations carried out by the Group in previous years, internally 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 Abertis Telecom Terrestre Group has extensive knowledge of the acquired business as it previously held a 51.10% ownership interest in the net assets acquired.

The fair value of the net assets acquired includes the measurement of the tangible assets identified, consisting mainly of terminal installations of the Corporate Digital Mobile Emergency and Safety Communication Network, as well as terminals to fulfil the contract entered into with the Valencia Autonomous Community until 2017, the installation of which began in 2008.

The goodwill, which includes the net recognition of the deferred taxes resulting from the higher fair value attributed to the net assets acquired in comparison with the tax bases (EUR 363 million), derives from the synergies and other additional future cash flows expected to arise following the takeover by the Group.

The assets and liabilities of Adesal Telecom, S.L. that arose from the takeover are as follows:

| Debit/(Credit) | Thousands of euros<br>Value acquired<br>(effective 01/11/2014)<br>Fair value | Carrying amount | Revaluation |
|---|---|---|---|
| Cash and cash equivalents | 7,307 | 7,307 | - |
| Property, plant and equipment | 6,683 | 6,683 | - |
| Inventories | 44 | 44 | - |
| Trade and other receivables | 6,827 | 6,827 | - |
| Accounts payable | (1,876) | (1,876) | - |
| Gross borrowings | (5,749) | (5,749) | - |
| Deferred tax assets / (liabilities), net | (603) | (603) | - |
| **Net assets** | **12,633** | **12,633** | - |

Regarding the measurement of the non-controlling interests associated with the takeover of this company, based on the option set forth in IFRS 3 (Revised), the Group's policy has been to recognise the non-controlling interests associated with the acquisition of Adesal Telecom, S.L. assets at fair value, which has been calculated using the discounted cash flow analysis as the main valuation method.

The impact of the business acquired in Adesal Telecom, S.L. on the Abertis Telecom Terrestre Group's consolidated income statement is detailed as follows:

| | Thousands of euros<br>January – October contribution (Equity method) (2)<br>(a) | November – December contribution (Full) (2)<br>(b) | 2014 Contribution (2)<br>(a+b) | Proforma December 2014 (3 &4) |
|---|---|---|---|---|
| Operating income | - | 1,506 | 1,506 | 7,393 |
| Operating expenses | - | (726) | (726) | (2,933) |
| EBITDA | - | 780 | 780 | 4,460 |
| Operating profit | - | 402 | 402 | 2,133 |
| Profit of companies accounted for using the equity method | 546 | - | 546 | - |
| **Net profit (1)** | **546** | **358** | **904** | **1,014** |

(1) Net profit including the profit from the effect of changes to the scope of consolidation and the acquisition of an additional 8.98% from CaixaBank, S.A., but not taking into account the financial burden on Abertis Telecom Terrestre associated with the acquisition of this company.

(2) Impact of the ten months of being accounted for using the equity method and of the two months of full consolidation (in November and December with 51.10% and 60.08% interest, respectively).

(3) Estimating that the amendment to the shareholders agreement and the acquisition of the additional 8.98% interest had been carried out effective 1 January 2014, and consequently that this company had been fully consolidated for the entire year ended 31 December 2014, generating non-controlling interests for the difference between the 100% and 60.08% interest.

(4) These figures include certain intercompany transactions, which should be eliminated (but have not been) relating to the period January to October 2014 when Adesal was consolidated by equity accounting. Not eliminating these transactions increases the Operating income, EBITDA and Operating profit by 1,758 thousand euros and the Net profit by 1,230 thousand euros.

As the takeover of Adesal Telecom, S.L. was completed at the end of October 2014, at the date of signing of these consolidated financial statements for 2014, this PPA was provisional, i.e., Abertis Telecom Terrestre is in the process of concluding the allocation of the fair value of the assets and liabilities acquired at the date of acquisition, through an analysis of the discounted cash flows generated by the identified assets. In accordance with IFRS 3, the Company has one year from the date of the respective transaction to complete the measurement.

**2013 Business combinations**

In relation to the business combinations carried out in 2013, the Directors of Abertis Telecom Satélites, S.A.U. (formerly Abertis Telecom, S.A.U.) and of Abertis Telecom Terrestre, S.A.U. (the Company) drew up a partial spin-off plan for the purpose of restructuring the Abertis Telecom Group and differentiating between the terrestrial telecommunications business and the satellite telecommunications business.

The value of the consideration given in the business combination related to the own equity instruments delivered (see Note 12). As a result, the Company became owner of the following investments:

| Name of the company | Company with direct shareholding and % ownership | |
|---|---|---|
| Retevisión-I, S.A.U. | Abertis Telecom Terrestre, S.A.U. | 100% |
| Tradia Telecom, S.A.U. | Abertis Telecom Terrestre, S.A.U. | 100% |
| Abertis Tower, S.A.U. | Abertis Telecom Terrestre, S.A.U. | 100% |
| Abertis Telecom Brasil Ltda. | Abertis Telecom Terrestre, S.A.U. | 100% |
| Gestora del Espectro, S.L. | Retevisión-I, S.A.U. | 100% |
| Adesal Telecom, S.L. | Tradia Telecom, S.A.U. | 51.10% |
| Consorcio de Telecomunicaciones Avanzadas, S.A. (COTA) | Tradia Telecom, S.A.U. | 29.50% |
| Torre de Collserola, S.A. | Retevisión-I, S.A.U. | 41.75% |

The value assigned to the assets and liabilities, considering that the transaction entailed a restructuring between Group companies without commercial substance, was determined based on the amounts in the Abertis Infraestructuras, S.A. Group's consolidated financial statements. Accordingly, there was no revaluation of the assets received and liabilities assumed in the contribution.

The transactions were carried out for accounting purposes at 1 January 2013. Accordingly, the full year of operations in 2013 was included.

## 6. Property, plant and equipment

The changes in this heading in the consolidated balance sheets in 2014 and 2013 were as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | **Land and buildings** | **Plant and machinery and other fixed assets** | **Property, plant and equipment under construction and advances** | **Total** |
| **1 January 2014 (restated)** | | | | |
| Cost | 141,657 | 357,330 | 108,890 | 607,877 |
| Accumulated depreciation | (12,868) | (50,765) | - | (63,633) |
| **Carrying amount** | **128,789** | **306,565** | **108,890** | **544,244** |
| **2014** | | | | |
| Carrying amount at beginning of year | 128,789 | 306,565 | 108,890 | 544,244 |
| Changes in the scope of consolidation (Note 5) | 10 | 23,839 | 2,668 | 26,517 |
| Additions | 204,839 | 46,003 | 4,584 | 255,426 |
| Disposals | (274) | (5,717) | - | (5,991) |
| Transfers | 79,399 | 29,358 | (108,757) | - |
| Other | - | (297) | - | (297) |
| Depreciation charge | (24,921) | (60,255) | - | (85,176) |
| Retirements | 182 | 5,559 | - | 5,741 |
| **Carrying amount at end of year** | 388,024 | **345,055** | 7,385 | 740,464 |
| **At 31 December 2014** | | | | |
| Cost | 425,631 | 450,516 | 7,385 | 883,532 |
| Accumulated depreciation | (37,607) | (105,461) | - | (143,068) |
| **Carrying amount** | **388,024** | **345,055** | **7,385** | **740,464** |

| | Thousands of euros | | | |
|---|---|---|---|---|
| | **Land and buildings** | **Plant and machinery and other fixed assets** | **Property, plant and equipment under construction and advances** | **Total** |
| **1 January 2013 (restated)** | | | | |
| Cost | - | | - | - |
| Accumulated depreciation | - | | - | - |
| **Carrying amount** | **-** | **-** | **-** | **-** |
| **2013 (restated)** | | | | |
| Carrying amount at beginning of year | - | - | - | - |
| Changes in the scope of consolidation (Note 5) | 139,901 | 322,253 | 1,985 | 464,139 |
| Additions | 1,739 | 36,951 | 108,779 | 147,469 |
| Disposals | (18) | (3,539) | - | (3,557) |
| Transfers | 35 | 1,665 | (1,874) | (174) |
| Depreciation charge | (12,879) | (54,125) | - | (67,004) |
| Retirements | 11 | 3,360 | - | 3,371 |
| **Carrying amount at end of year** | **128,789** | **306,565** | **108,890** | **544,244** |
| **31 December 2013 (restated)** | | | | |
| Cost | 141,657 | 357,330 | 108,890 | 607,877 |
| Accumulated depreciation | (12,868) | (50,765) | - | (63,633) |
| **Carrying amount** | **128,789** | **306,565** | **108,890** | **544,244** |

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 other network services. It also includes all equipment necessary to ensure the operation of the technical equipment installed in any infrastructure. (electrical and climatization.)

"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.

**Changes in 2014**

***Changes in scope of consolidation and business combinations***

Additions in 2014 due to changes in the scope of consolidation and business combinations relate to:

- Infrastructure for mobile telecommunications operators located in Italy (EUR 19,834 thousand) following the acquisition of TowerCo, S.p.A (see Notes 2.i and 5).

- The impact of takeover of Adesal Telecom, S.L. effective as of 1 November 2014 (EUR 6,683 thousand) (see Notes 2.i and 5).

***Acquisitions and commitments undertaken***

In the telecom site rental business, the Group entered into framework agreements with mobile operators for the purchase of a certain amount of tower infrastructure for site rental, which were subsequently executed through asset sale and purchase agreements.

- Additions in 2014 include the acquisition of 643 tower infrastructures for site rental, six of which were purchased in order to be dismantled, for EUR 70 million. The infrastructures were acquired by virtue of the framework agreement entered into by the Group on 31 July 2013, as described in the 2013 changes. This acquisition was recognised under the following headings: "Property, plant and equipment", "Non-current investments" and "Current investments" in the accompanying consolidated balance sheet for approximately, EUR 69,257 thousand, EUR 465 thousand and EUR 52 thousand, respectively. Pursuant to this sale and purchase agreement, a lease agreement was subsequently entered into with the same mobile telephone operators.

  On 1 September 2014, an addendum to the framework agreement, initially entered into by the Group with Telefónica Móviles España, S.A.U. (TME) and Xfera Móviles, S.A. (Xfera or Yoigo) on 31 July 2013, completed the Volta project with the acquisition of a total of 1,854 tower infrastructures for site rental over both years for a total of EUR 183 million.

- On 31 July 2014, the Group company Abertis Tower, S.A.U. entered into an agreement with Telefónica Móviles España, S.A.U. to restructure and rationalise its tower infrastructures through the Volta Extended project, through which the Group undertook to acquire up to a total of approximately 2,120 tower infrastructures during the year worth approximately EUR 300 million. By means of this sale and purchase agreement, a lease agreement was subsequently entered into with the same mobile telephone operators.

  In relation to this agreement, the first phase of the project had been carried out at year-end 2014 with the acquisition of 1,090 tower infrastructures for site rental for EUR 154 million. The agreement for this acquisition was executed on 12 November 2014. Of the total amount, EUR 77 million has yet to be paid and is recognised under "Trade and other payables" in the accompanying consolidated balance sheet.

At year-end 2014, the Group had not entered into any additional framework agreements with any other customer except for the framework agreement of 31 July 2014 with Telefónica Móviles España, S.A.U.

Transfers from property, plant and equipment in the course of construction in 2014 relate mainly to the purchase of 1,211 tower infrastructures for site rental at 30 December 2013 that were under construction at year-end 2013.

The investments in acquisitions of tower infrastructures for site rentals described above gave rise to the following impact on the consolidated income statement since the date on which they were included in the consolidated balance sheet:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Volta project | | | Volta Extended project |
| | Purchase on 30 December 2013 from TME and Xfera (Phase I) | Purchase on 10 January 2014 from TME (Phase II) | Purchase on 30 June 2014 from TME and Xfera (Phase III) | Purchase on 12 November 2014 from TME |
| Rental income | 31,014 | 14,201 | 1,083 | 3,276 |
| Direct costs (1) | (17,745) | (7,096) | (664) | (1,335) |
| **Gross profit margin** | **13,269** | **7,105** | **419** | **1,941** |
| **Number of infrastructures acquired** | **1,211** | **530** | **113** | **1,090** |
| **Number of infrastructures to be dismantled** | **215** | **6** | **-** | **-** |

(1) Direct costs include operating expenses for supplies and leases directly attributable to each of the tower infrastructures for site rental acquired.

There were also additions in 2014 related to the expansion of the Group's business and the maintenance of its operations, mainly relating to digital terrestrial television equipment and signal transmission.

**Changes in 2013**

***Changes in scope of consolidation and business combinations***

Additions in 2013 due to changes in the scope of consolidation and business combinations related to the partial spin-off of Abertis Telecom Satélites, S.A.U. (formerly Abertis Telecom, S.A.U.) as the spun-off company in favour of Abertis Telecom Terrestre, S.A.U. (the Company) as the receiving company with effect from 1 January 2013. As a result of the transaction, the economic unit comprising investments in terrestrial telecommunications companies was spun off from Abertis Telecom Satélites, S.A.U.'s assets and liabilities (see Note 5).

***Acquisitions and commitments***

- On 31 July 2013, the Group entered into various agreements with Telefónica Móviles España, S.A.U. and Xfera Móviles, S.A to restructure and rationalise its mobile infrastructure, under which the Group would acquire a total of approximately 3,437 tower infrastructures for site rental in various stages from both operators for approximately EUR 305 million. Through this sale and purchase agreement, a lease agreement was subsequently entered into with the same mobile telephone operators.

  Pursuant to this agreement, 1,211 tower infrastructures for site rental were acquired at 31 December 2013 for EUR 113 million. Under the agreement, which was signed on 30 December 2013, 215 infrastructures were purchased to be dismantled. This acquisition was recognised under the following headings: “Property, plant and equipment in the course of construction”, “Non-current investments” and “Current investments” in the accompanying consolidated balance sheet, for approximately EUR 101,873 thousand, EUR 10,330 thousand and EUR 646 thousand, respectively.

There were also additions in 2013 related to the expansion of the Group's business and the maintenance of its operations, mainly relating to the deployment of analogue radio and the upgrade of DTT equipment.

***Additions by type of investment***

At 31 December 2014 and 2013, the detail of additions of property, plant and equipment, by type of investment, is as follows:

| Type of investment | Thousands of euros | |
|---|---|---|
| | 31/12/2014 | 31/12/2013 (Restated) |
| Inorganic growth [1] | 223,632 | 101,873 |
| Organic growth [2] | 20,921 | 35,231 |
| Maintenance investment [3] | 10,873 | 10,365 |
| **Total** | **255,426** | **147,469** |

(1) Inorganic growth: acquisitions mainly of infrastructures for site rentals in projects that generate new income.
(2) Organic growth: expansions to the network of tower infrastructure for site rental, equipment for radio broadcasting, the broadcasting of network services and other, and the radio communications network in pre-existing projects that generate additional income.
(3) Maintenance investment: investments in existing assets.

**Property, plant and equipment abroad**

At 31 December 2014, the Group had the following investments in property, plant and equipment in Italy:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Carrying amount (Gross) | Accumulated depreciation | Accumulated valuation adjustments | Total |
| Land and buildings | 10 | - | - | 10 |
| Plant and machinery | 46,421 | (29,473) | - | 16,948 |
| Property, plant and equipment under construction and advances | 2,455 | - | - | 2,455 |
| **Total** | **48,886** | **(29,473)** | **-** | **19,413** |

At year-end 2013, the Group did not have any investments in property, plant and equipment abroad.

**Fully depreciated assets**

At 31 December 2014, fully depreciated property, plant and equipment amounted to EUR 58,331 thousand (EUR 28,152 thousand in 2013).

**Purchase commitments at year-end**

At year-end 2014, the Group had commitments to purchase tangible assets in the amount of EUR 54,554 thousand (EUR 59,944 thousand in 2013).

**Impairment**

At 31 December 2014 the Directors of the Company have identified no 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 tower infrastructures for site rental, 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 a ‘network coverage area’ to offer a service to mobile operators, This evaluation is based on the calculation of the value in use of the corresponding cash generating unit, which, in the case of the acquisitions mentioned above, relates to the company Abertis Tower, S.A.U..

The value in use was calculated as follows:

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

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

  - For revenue, trends were forecast assuming an increase in the consumers' price index (CPI) in Spain, being the country in which the business operates.

  - For expenses, trends were considered in light of expected changes in the CPI for Spain and the projected activity of the business.

  - In addition, the Group considered the impact of infrastructure maintenance to be carried out, using the best estimates available based on the Group's experience and taking into account the projected performance of the activity.

- The cash inflow projections based on the revenue and expense projection made as set out 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 five years are generally based on the budget and on the most recent medium-term projection approved by the Board of Directors and, after the sixth year, on the residual value of the business.

The most significant assumptions used in determining the value in use of the tangible fixed assets of Abertis Tower S.A.U. were as follows:

**2014**

| | Discount rate BEFORE TAX | Activity growth rate | Growth rate terminal value"g" | Years of cashflow projection |
|---|---|---|---|---|
| Company Abertis Tower, S.A.U. | 8,52% | 1,00% | 1,00% | 5 |

The growth rate of 1% used for the first 5 years of the projection cashflows, which is used exclusively for the purposes of the impairment test above, represents a deeply conservative scenario.

With respect to the impairment tests performed both on the business of the company Abertis Tower S.A.U., the recoverable amount obtained (determined based on the value in use 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 carrying value of the aforementioned assets amounts to approximately 385 million euros as at 31 December 2014.

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 2014. 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 CPI of -50 basis points; in activity of -50 basis points, and in Opex +50 basis points could be made without recognising any impairment in the assets recognised by the Group at 31 December 2014.

**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. This amount is not included in the cost of the assets for IFRS purposes. The tax effect of this revaluation was recognised as a deferred tax asset in the consolidated financial statements (see Note 15).

**Insurance**

The Group takes out all insurance policies considered necessary to cover possible risks which might affect its property, plant and equipment. At 31 December 2014, the Group's Directors considered that the insurance coverage was sufficient to cover the risks relating to its activities.

**Other disclosures**

At 31 December 2014 and 2013, the Group did not have significant property, plant and equipment subject to restrictions or pledged as collateral on liabilities.

## 7. Goodwill and other intangible assets

The changes in this heading in the consolidated balance sheets in 2014 and 2013 were as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Goodwill | Intangible assets in tower infrastructure for site rental | Computer software and other intangible assets | Total |
| **1 January 2014 (restated)** | | | | |
| Cost | 42,014 | - | 11,714 | 53,728 |
| Accumulated amortisation | - | - | (3,622) | (3,622) |
| **Carrying amount** | **42,014** | - | **8,092** | **50,106** |
| **2014** | | | | |
| Carrying amount at beginning of year | 42,014 | - | 8,092 | 50,106 |
| Changes in the scope of consolidation (Note 5) | 3,358 | 98,564 | 30 | 101,952 |
| Additions | - | - | 2,963 | 2,963 |
| Amortisation charge | - | (2,396) | (3,460) | (5,856) |
| **Carrying amount** | **45,372** | **96,168** | **7,625** | **149,165** |
| **At 31 December 2014** | | | | |
| Cost | 45,372 | 98,564 | 14,707 | 158,643 |
| Accumulated amortisation | - | (2,396) | (7,082) | (9,478) |
| **Carrying amount** | **45,372** | **96,168** | **7,625** | **149,165** |

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Goodwill | Intangible assets in tower infrastructure for site rental | Computer software and other intangible assets | Total |
| **1 January 2013 (restated)** | | | | |
| Cost | - | - | - | - |
| Accumulated amortisation | - | - | - | - |
| **Carrying amount** | **-** | **-** | **-** | **-** |
| **2013 (restated)** | | | | |
| Carrying amount at beginning of year | - | - | - | - |
| Changes in the scope of consolidation (Note 5) | 42,014 | - | 7,068 | 49,082 |
| Additions | - | - | 4,472 | 4,472 |
| Transfers | - | - | 174 | 174 |
| Amortisation charge | - | - | (3,622) | (3,622) |
| **Carrying amount** | **42,014** | - | **8,092** | **50,106** |
| **At 31 December 2013 (restated)** | | | | |
| Cost | 42,014 | - | 11,714 | 53,728 |
| Accumulated amortisation | - | - | (3,622) | (3,622) |
| **Carrying amount** | **42,014** | - | **8,092** | **50,106** |

**Goodwill**

Gross goodwill and the accumulated losses in value recognised at 31 December 2014 and 2013, respectively, are detailed as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2014 | 31/12/2013 (Restated) |
| Gross goodwill | 45,372 | 42,014 |
| Accumulated valuation adjustments | - | - |
| **Goodwill, net** | **45,372** | **42,014** |

The detail of goodwill, classified by cash-generating unit, at 31 December 2014 and 2013 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2014 | 31/12/2013 (Restated) |
| Tradia Telecom, S.A.U. business | 42,014 | 42,014 |
| Towering Italy business | 2,995 | - |
| Red COMDES business | 363 | - |
| **Goodwill** | **45,372** | **42,014** |

The goodwill amounting to EUR 42,014 thousand 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 entire business relating to the activity of Tradia Telecom, S.A.U.

Variations in 2014 due to changes in the scope of consolidation and business combinations relate to the impact of the takeover of TowerCo, S.p.A. and Adesal Telecom, S.L. amounting to EUR 2,995 thousand and EUR 363 thousand, respectively, at the date of acquisition (see Note 5).

Towering Italia's business is carried out through TowerCo, S.p.A., while Red COMDES' business is carried out through Adesal Telecom, S.L.

**Intangible assets in tower infrastructure for site rental**

Additions in 2014 due to changes in the scope of consolidation and business combinations relate to the allocation resulting from the takeover of TowerCo, S.p.A. to intangible assets in tower infrastructures for site rentals amounting to EUR 98,563 thousand (see Note 2.i and 5).

***Changes in 2013***

Additions in 2013 due to changes in the scope of consolidation and business combinations related to the partial spin-off of Abertis Telecom Satélites, S.A.U. (formerly Abertis Telecom, S.A.U.), as the spun-off company, in favour of Abertis Telecom Terrestre, S.A.U. (the Company), as the receiving company, with effect from 1 January 2013. As a result of the transaction, the economic unit comprising investments in terrestrial telecommunications companies was spun off from Abertis Telecom Satélites, S.A.U.'s assets and liabilities (see Note 2.i).

**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 value in use 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 2013 impairment tests with regard to the 2014 results, no significant variances were detected.

The value in use 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 consumers price index (CPI) in each country in which the assets are used or the business operates.

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

  - In addition, the Group considered the impact of infrastructure maintenance to be carried out, using the best estimates available based on the Group's experience and taking into account the projected performance of the activity.

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

Projections for the first five years are generally based on the budget and on the most recent medium-term projection approved by the Board of Directors and, after the sixth year, on the residual value of the business.

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

***2014***

| | Discount rate BEFORE TAX | Growth rate | Terminal growth rate "g" | Years of projected cash flows |
|---|---|---|---|---|
| Tradia Telecom, S.A.U. business<br>Towering Italy business [(1)] | 8.11%<br>8.01% | 2.00/1.10%<br>4.20%/2.60% | 1.40%<br>- | 5<br>Until 2038 |

(1) The TowerCo business relates to the rental of tower infrastructures for site rentals located in tunnels of the Atlantia concession ending in 2038 and, as a result, the cash flows were projected until 2038. During the first five years of the projections, a growth rate of 4.2% was used and a constant growth rate of 2.6% was set as of the fifth year until 2038.

***2013***

| | Discount rate BEFORE TAX | Growth rate | Terminal growth rate "g" | Years of projected cash flows |
|---|---|---|---|---|
| Tradia Telecom, S.A.U. business | 8.55% | 2.50% | 1% | 5 |

With respect to the impairment tests performed both on the goodwill of the Tradia Telecom business and the Towering Italy business, the recoverable amount obtained (determined based on the value in use 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 tower infrastructures for site rentals are allocated is deemed capable of recovering the net value recognised at 31 December 2014 and 2013. 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 CPI of -50 basis points; in activity of -50 basis points, and in Opex +50 basis points could be made without recognising any impairment to goodwill recognised by the Group at 31 December 2014.

***Intangible assets abroad***

At 31 December 2014, the Group had the following intangible assets located in Italy:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Carrying amount (Gross) | Accumulated depreciation | Accumulated valuation adjustments | Total |
| Goodwill | 2,995 | - | - | 2,995 |
| Intangible assets in tower infrastructure for site rental | 98,563 | (2,396) | - | 96,167 |
| Computer software and other intangible assets | 365 | (343) | - | 22 |
| **Total** | **101,923** | **(2,739)** | **-** | **99,184** |

At year-end 2013, the Group did not have any investments in intangible assets abroad.

***Fully amortised assets***

At 31 December 2014, fully amortised intangible assets amounted to EUR 9,372 thousand (EUR 5,698 thousand in 2013).

***Purchase commitments at year-end***

Commitments to acquire intangible assets at 31 December 2014 amounted to EUR 229 thousand (EUR 501 thousand in 2013).

**Other disclosures**

At 31 December 2014 and 2013, the Group did not have significant intangible assets subject to restrictions or pledged as collateral on liabilities.

At 31 December 2014 and 2013, the detail of additions of intangible assets, by type of investment, is as follows:

| | Thousands of euros | |
|---|---|---|
| Type of investment | 31/12/2014 | 31/12/2013 (Restated) |
| Inorganic growth (1) | - | - |
| Organic growth (2) | 625 | 1.294 |
| Maintenance investment (3) | 2.338 | 3.178 |
| **Total** | **2.963** | **4.472** |

(1) Inorganic growth: acquisitions mainly of tower infrastructures for site rentals in projects that generate new income.
(2) Organic growth: expansions to the network of tower infrastructure for site rental, equipment for radio broadcasting, the broadcasting of network services and other, and the radio communications network in pre-existing projects that generate additional income.
(3) Maintenance investment: investments in existing assets.

## 8. Investments in associates and jointly controlled entities

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

| | Thousands of euros | |
|---|---|---|
| | 2014 | 2013 (restated see Note 5) |
| **At 1 January** | **9,311** | **-** |
| Changes in scope of consolidation and business combinations | (6,402) | 8,510 |
| Profit for the year | 590 | 745 |
| Other | (19) | 56 |
| **At 31 December** | **3,480** | **9,311** |

Variations in 2014 due to changes in the scope of consolidation and business combinations relate to the impact of fully consolidating Adesal Telecom, S.L. as described in Notes 2.i and 5 to the accompanying consolidated financial statements.

The shareholdings in associates and in companies under joint control accounted for using the equity method are detailed as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2014 Value of the shareholding | 31/12/2013 (restated) Value of the shareholding |
| Adesal Telecom, S.L. | - | 5,855 |
| Torre Collserola, S.A. | 2,675 | 2,661 |
| Consorcio de Telecomunicaciones Avanzadas, S.A. (COTA) | 805 | 795 |
| **Investments in associates and jointly controlled entities** | **3,480** | **9,311** |

Additions in 2013 due to changes in the scope of consolidation related mainly to the impact of the transaction described in Note 1.

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 this end, the Group considered future cash flow projections in a manner similar to that indicated in Note 7. No indication was found of a need to recognise any provision for impairment in the consolidated income statement for 2014.

## 9. Current and non-current investments

The changes in this heading in 2014 and 2013 were as follows:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | | 2013 (restated) | | |
| | Non-current | Current | Total | Non-current | Current | Total |
| **At 1 January (restated)** | **13,907** | **869** | **14,776** | **-** | **-** | **-** |
| Additions | 465 | 52 | 517 | 13,907 | 869 | 14,776 |
| Charge to the consolidated income statement | - | (921) | (921) | - | - | - |
| Transfers | (921) | 921 | - | - | - | - |
| **At 31 December** | **13,451** | **921** | **14,372** | **13,907** | **869** | **14,776** |

Current and non-current investments relate to the effect of the accounting treatment adopted by the Group in reference to the tower infrastructures for site rentals acquired, which are to be subsequently dismantled. These purchases are considered customer advances and are recognised under these headings (see Note 3.d).

**Additions in 2014**

As indicated in Note 6, in 2014 the Group acquired 643 tower infrastructures for site rental by virtue of the agreement entered into by the Group on 31 July 2013 with Telefónica Móviles España, S.A.U. and Xfera Móviles, S.A. However, of the total purchased, 6 were not considered necessary and they were acquired to be dismantled and the equipment was to be transferred to other tower infrastructures for site rentals owned by the Group. Accordingly, service for customers of the dismantled infrastructure is provided by compatible infrastructure owned by the Group through the existing network in the coverage area. The amount paid to the mobile operator for these six tower infrastructures for site rental and the dismantling costs incurred relate to deferred commercial costs assumed by the Group for the purpose of entering into a lease agreement for the provision of services to this mobile operator that will generate future economic benefit.

At 31 December 2014, the above-mentioned costs were recognised as an advance to customers for the subsequent lease agreement under “Current investments” and “Non-current investments” in the consolidated balance sheet for EUR 517 thousand.

**Additions in 2013**

As indicated in Note 6, at 31 July 2013 the Group entered into an agreement to restructure and streamline the mobile infrastructure owned by Telefónica Móviles España, S.A.U. and Xfera Móviles, S.A. Pursuant to this agreement, 1,211 tower infrastructures for site rentals had been acquired as of 30 December 2013. However, 215 tower infrastructures were deemed redundant, and they were acquired with the purpose of being decommissioned with the equipment being transferred to other tower infrastructures owned by the Group.

At 31 December 2013, the above-mentioned were recognised as a prepayment for the subsequent lease agreement under “Current investments” and “Non-current investments” in the consolidated balance sheet for EUR 14,776 thousand.

**Charge to the consolidated income statement**

In 2014 the amount paid for the tower infrastructures for site rentals purchased by the Group, as a prepayment for the subsequent lease agreement and in accordance with the term of the lease agreement entered into with the operator, was taken to the accompanying consolidated income statement. This payment was recognised as a reduction to revenue in the amount of EUR 921 thousand in the income statement (see Note 17).

**Transfers**

Transfers in 2014 arose as a result of classifying under “Current investments” the portion expected to be charged in 2015 to the consolidated income statement.

## 10. Trade and other receivables

The breakdown of "Trade and other receivables" under current assets in the accompanying consolidated balance sheet at 31 December 2014 and 2013 is as follows:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | 31/12/2014 | | | 31/12/2013 (restated) | | |
| | Non-Current | Current | **Total** | Non-Current | Current | **Total** |
| Trade receivables | - | 174,046 | **174,046** | - | 178,316 | **178,316** |
| Allowances for doubtful debts (write-downs) | - | (12,403) | **(12,403)** | - | (21,545) | **(21,545)** |
| **Trade receivables** | **-** | **161,643** | **161,643** | **-** | **156,771** | **156,771** |
| Loans to third parties | 2,381 | 672 | **3,053** | 2,951 | 838 | **3,789** |
| Other financial assets | 1,157 | 15 | **1,172** | 1,056 | 16 | **1,072** |
| PROFIT grants (coordination) | 2,106 | 524 | **2,630** | 2,482 | 374 | **2,856** |
| Current tax assets (see Note 15.b) | - | 2,065 | **2,065** | - | 1,252 | **1,252** |
| Other receivables | - | 1,932 | **1,932** | - | 615 | **615** |
| **Other receivables** | **5,644** | **5,208** | **10,852** | **6,489** | **3,095** | **9,584** |
| **Trade and other receivables** | **5,644** | **166,851** | **172,495** | **6,489** | **159,866** | **166,355** |

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 2014 and 2013, the account had no significant past-due balances that were not provided for.

The net balance of public-sector customers at 31 December 2014 and 2013 amounted to EUR 29,159 thousand and EUR 21,662 thousand, respectively.

On 22 December 2014, the Group entered into an agreement with a third party for the transfer of collection rights, whereby the Group sold and transferred collection rights amounting to EUR 9.9 million. This was recognised as a reduction to "Trade receivables" since substantially all the risks and rewards of ownership had been transferred.

In addition, on 22 December 2014 the Group entered into a non-recourse factoring agreement to transfer the outstanding balances with two customers up to a maximum of EUR 45 million, accruing interest at market rates, which had yet to be used at year-end 2014.

**Allowances for doubtful debts (write-downs)**

The changes in the allowance for doubtful debts in the years ended 31 December 2014 and 2013 were as follows:

| | Thousands of euros | |
|---|---|---|
| | 2014 | 2013 (restated) |
| Beginning balance at 1 January | 21,545 | 19,525 |
| Disposals | (981) | (514) |
| Net changes | (8,161) | 2,534 |
| **Ending balance at 31 December** | **12,403** | **21,545** |

Disposals in 2013 and 2014 relate to previous balances that were fully provisioned 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 consolidated income statement with regard to the previous year.

**Loans to third parties**

Current and non-current loans to third parties relate mainly to a receivable from the former investment in Teledifusión de Madrid, S.A., which does not bear interest and will be collected as set out in the payment agreement up to the year 2020. The Group did not recognise the receivable at amortised cost since the impact of discounting to present value is not considered to be significant.

**Other financial assets**

The Group includes guarantees given mainly as a result of the leases that Group companies have undertaken with third parties. No unmatured guarantee was renegotiated during the year.

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

**PROFIT grants (coordination)**

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 accounts receivable amounts that were previously assigned to third parties, received by the Group under the guise of PROFIT grants and refundable loans. The full amount of PROFIT grants received by the Group (including part of the amount assigned to third parties) is recognised under “Other non-current borrowings” and “Other current borrowings (see Note 13).

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

**Other receivables**

“Other receivables” is made up of 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.

## 11. Cash and cash equivalents

The breakdown of “Cash and cash equivalents” at 31 December 2014 and 2013 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2014 | 31/12/2013 (restated) |
| Cash on hand and at banks | 20,891 | 72 |
| Term deposits at credit institutions maturing in less than 3 months | 70,000 | 1 |
| **Cash and cash equivalents** | **90,891** | **73** |

## 12. Share capital and reserves

### *a) Share capital*

At 31 December 2012, the Company's share capital amounted to EUR 3,100, consisting of 310 fully subscribed and paid cumulative and indivisible shares numbered consecutively from 1 to 310, inclusive, with a par value of EUR 10 each.

In 2013, share capital was increased by EUR 57,917,710 and the share premium by EUR 338,732,977 as a result of the spin-off described in Note 1.

At 31 December 2013, the Company's share capital consisted of 5,792,081 fully subscribed and paid cumulative and indivisible shares with a par value of EUR 10 each.

On 21 November 2014, the Company approved the split of the par value and the number of its shares, through a reduction to the par value of the shares and the simultaneous issue of 40 new shares for each previous share without changing the amount of share capital and by awarding new shares to the sole shareholder. Therefore, the 5,792,081 shares of EUR 10 par value each into which the Company's share capital was split at a ratio of 40 shares of EUR 0.25 each for every share worth EUR 10.
For such purposes, the Company decided to simultaneously:

- Reduce the par value of each of the 5,792,081 outstanding shares by EUR 9.75, and

- Issue 225,891,159 shares of EUR 0.25 par value each, of the same class and series, and with the same rights as the outstanding shares.

At 31 December 2014, as a result of the aforementioned resolution, the share capital was then represented by 231,683,240 cumulative and indivisible ordinary registered shares of EUR 0.25 par value each, fully subscribed and paid by the sole shareholder.

Abertis Infraestructuras, S.A. owned 100% of the shares of the Company at 31 December 2014. Therefore, the Company is a sole-shareholder company.

The agreements entered into between the Company and its sole shareholder are detailed in Note 20.c.

On 30 June 2014, the Company approved the distribution of an extraordinary dividend to its sole shareholder with a charge to unrestricted reserves amounting to EUR 48,251 thousand, which was fully paid in 2014.

### *b) Share premium*

As a result of the corporate restructuring described in Note 1 due to the contribution of the terrestrial telecommunications business to the Company, its share premium was increased in 2013 by EUR 338,733 thousand.

At 31 December 2014, there were no changes in this heading.

### c) Reserves

The breakdown of this account is as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2014 | 31/12/2013 (restated) |
| Legal reserve | 11,584 | 11,584 |
| Reserves from retained earnings | - | 169 |
| Reserves of consolidated companies | 31,017 | 580 |
| **Reserves** | **42,601** | **12,333** |

*(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 2014, the legal reserve had reached the legally established minimum.

*(ii) Reserves at consolidated companies*

The breakdown of the companies included in the Group's scope of consolidation is as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2014 | 31/12/2013 (restated) |
| Abertis Tower, S.A.U. | (3,319) | - |
| Adesal Telecom, S.L. | 2,191 | - |
| Consorcio de Telecomunicaciones Avanzadas, S.A. | 472 | - |
| Retevisión, S.A.U. | 20,840 | 412 |
| Torre de Collserola, S.A. | 222 | - |
| Tradia Telecom, S.A.U. | 10,611 | 168 |
| **Total** | **31,017** | **580** |

### d) Translation differences

At 31 December 2013, translation differences related entirely to the integration of Abertis Telecom Brasil Ltda. There were no translation differences at 31 December 2014.

## e) Earnings per share

The table below shows the basic earnings per share calculated by dividing the net profit for the year attributable to the sole shareholder of Abertis Telecom Terrestre, S.A.U. by the weighted average number of shares outstanding during the year.

| | Thousands of euros | |
|---|---|---|
| | 2014 | 2013 (restated) |
| Profit attributable to the Company | 57,471 | 78,490 |
| Weighted average number of shares outstanding | 30,547,277 | 5,792,081 |
| Basic EPS attributable to the Company (euros per share) | 1.88 | 13.55 |
| Diluted EPS attributable to the Company (euros per share) | 1.88 | 13.55 |

## f) Non-controlling interests

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

The changes in this heading were as follows:

| | Thousands of euros |
|---|---|
| | Adesal Telecom, S.L. |
| **Balance at 31 December 2013** | **-** |
| Profit for the year | 260 |
| Dividends | (798) |
| Other | 16 |
| Change in scope of consolidation (Note 5) | 5,188 |
| **Balance at 31 December 2014** | **4,666** |

## g) Profit for the year

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

| | Thousands of euros | |
|---|---|---|
| | 2014 | 2013 (restated) |
| Abertis Telecom Terrestre, S.A.U. | (2,574) | 280 |
| Retevisión-I, S.A.U. | 48,336 | 68,500 |
| Tradia Telecom, S.A.U. | 12,022 | 13,088 |
| Abertis Tower, S.A.U. | (3,421) | (3,319) |
| Adesal Telecom, S.L. | 904 | - |
| TowerCo, S.p.A. | 2,204 | - |
| Abertis Telecom Brasil, Ltda. | - | (59) |
| **Profit for the Group** | **57,471** | **78,490** |

## 13. Borrowings

The breakdown of borrowings is as follows:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | 31/12/2014 | | | 31/12/2013 (restated) | | |
| | Non-current | Current | Total | Non-current | Current | Total |
| Syndicated financing | 416,021 | 115 | 416,136 | - | - | - |
| Loans and credit facilities | 3,677 | 1,587 | 5,264 | - | - | - |
| Derivative financial instruments | - | 36 | 36 | - | - | - |
| Other financial liabilities | 9,809 | 1,907 | 11,716 | 11,327 | 1,930 | 13,257 |
| **Borrowings** | **429,507** | **3,645** | **433,152** | **11,327** | **1,930** | **13,257** |

In 2014 the Group entered into a syndicated financing agreement for EUR 800 million, as detailed below, of which EUR 420 million was drawn down at 31 December 2014. Accordingly, the full consolidation at year-end 2014 of Adesal Telecom, S.L. (following the takeover and subsequent acquisition of an additional 8.98% of its share capital, see Note 5) represented an increase in the Group's borrowings compared to the EUR 5 million recognised at year-end 2013.

On 22 December 2014, the Group entered into a non-recourse factoring agreement to transfer the outstanding balances with two customers up to a maximum of EUR 45 million, accruing interest at market rates, which had yet to be used at year-end 2014.

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

At 31 December 2014 and 2013, the breakdown, by type of debt and maturity, of the Group's borrowings (not including debt with companies accounted for using the equity method) is as follows:

**2014**

| | Thousands of euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Non-current | | | | | |
| | Limit | Current | 2016 | 2017 | 2018 | 2019 | 2020 and subsequent years | Total |
| Syndicated financing | 800,000 | 1,721 | - | - | - | 420,000 | - | 421,721 |
| Accrual of syndicated debt arrangement expenses | - | (1,606) | (1,608) | (1,225) | (738) | (408) | - | (5,585) |
| Loans and credit facilities | 12,750 | 1,587 | 1,616 | 1,645 | 416 | - | - | 5,264 |
| Derivative financial instruments | - | 36 | - | - | - | - | - | 36 |
| Other financial liabilities | - | 1,907 | 1,427 | 1,679 | 1,698 | 1,188 | 3,817 | 11,716 |
| **Total** | **812,750** | **3,645** | **1,435** | **2,099** | **1,376** | **420,780** | **3,817** | **433,152** |

**2013**

| | Thousands of euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Non-current | | | | | |
| | Limit | Current | 2015 | 2016 | 2017 | 2018 | 2020 and subsequent years | Total |
| Other financial liabilities | - | 1,930 | 1,435 | 1,479 | 1,732 | 1,663 | 5,018 | 13,257 |
| **Total** | **-** | **1,930** | **1,435** | **1,479** | **1,732** | **1,663** | **5,018** | **13,257** |

***Syndicated financing***

The Group's syndicated financing at 31 December 2014 (there was no syndicated financing in 2013) is detailed in the table below:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 31/12/2014 | | | |
| | Maturity | Limit | Nominal amount drawn down | Available amount |
| **Syndicated financing:** | | | | |
| Facility A – Tranche 1 | Jun-17 | 350,000 | - | 350,000 |
| Facility B – Tranche 2 | Jun-19 | 375,000 | 375,000 | - |
| Revolving Credit Facility | Jun-19 | 75,000 | 45,000 | 30,000 |
| **Total syndicated financing** | | **800,000** | **420,000** | **380,000** |

On 26 June 2014, the Company arranged a syndicated loan for a maximum of EUR 800 million, accruing interest at market rates, in accordance with the following clauses:

- Loan amounting to EUR 350,000 thousand, accruing interest at market rates, repayable in a single instalment in June 2017, and which had yet to be drawn down at year-end 2014.

- Loan amounting to EUR 375,000 thousand, accruing interest at market rates, repayable in a single instalment in June 2019, and with EUR 375,000 thousand drawn down at year-end 2014. Accrued interest payable on the bank loan year-end 2014 amounted to EUR 1,038 thousand.

- Credit facility with a limit of EUR 75,000 thousand, accruing interest at market rates, repayable in a single instalment in June 2019, and with EUR 45,000 thousand drawn down at year-end 2014. Accrued interest payable on this credit facility at the end of 2014 amounted to EUR 39 thousand.

*Syndicated financing obligations and restrictions*

At 31 December 2014, the Group has certain limits on the use of capital resources arising from the syndicated financing arranged in 2014, the main clauses of which are as follows:

- Limits on the distribution of the Company's dividends in 2014, subject to compliance of the obligations arising from the loan, unless payment of all obligations arising from this loan and compliance with certain agreements is evidenced upon distribution of the dividends;

- Limits on the use of strategic assets, except for those expressly allowed in the loan agreement or that are exchanged for assets of the same or greater value and quality; and

- Limits on the arranging and granting of debt by the Company

At the date of signing of these consolidated financial statements, none of the grounds for early termination stipulated in this agreement applied to the Company.

On 4 November 2014, the Group extended its deadline to draw down the remaining loan on Facility A to 22 April 2015, originally set for 23 December 2014.

*Guarantees provided*

In accordance with that stipulated in the syndicated financing agreement entered into on 26 June 2014, the Group companies Retevisión-I, S.A.U., Tradia Telecom, S.A.U., Abertis Tower, S.A.U. and TowerCo, S.p.A. acted as the guarantors vis-à-vis the banks and have delivered a first call personal guarantee

Investment projects are generally financed with non-current borrowings, secured mainly by the cash flows generated by the concession operator companies and their assets. Since cash flows constitute the main security for the repayment of the borrowings, there are restrictions on the use of the funds by the shareholder until certain conditions have been met, which is assessed every six months.

In addition, for the term of the syndicated financing agreement, the Company must ensure compliance with the guarantee, such that the aggregate of gross income, EBITDA or total assets of the guarantors is not less than 80% of the gross income, EBITDA or total assets of the Group.

*Financial ratios*

The syndicated financing agreement described above is linked to the compliance of certain financial ratios by the Group based on the following:

| | Financial covenants |
|---|---|
| Syndicated financing | Adjusted Consolidated Total Net Debt/adjusted EBITDA <= 5.00:1.<br>Adjusted ICR (adjusted EBITDA/adjusted interest expenses) >= 2.00x |

The accompanying financial ratios must be met every six months. At 31 December 2014, the Group met the financial ratios guarantees stipulated in the financing agreement and, therefore, there was no breach of covenant.

*Interest rate and fees of the syndicated financing*

The interest rate applicable in each of the tranches is obtained by calculating the difference between the margin established in the syndicated financing agreement and the EURIBOR applicable in each interest period. The Group may select the EURIBOR period to be settled.

Facility A will accrue interest at a rate tied to EURIBOR plus a margin of 100, 125 and 150 basis points in the first, second and third year, respectively. Facility B will accrue interest at a rate tied to EURIBOR plus a margin of 100, 125, 150, 175 and 200 basis points in the first to fifth year, respectively. Lastly, the revolving credit facility will accrue interest at a rate tied to EURIBOR plus a margin of 150 basis points for the entire drawdown period.

***Loans and credit facilities***

The borrowings recognised under “Loans and credit facilities” amounting to EUR 5,264 thousand relate to the Group company Adesal Telecom, S.L.

In this regard, at 31 December 2014 the Group had the following loans and credit facilities as detailed below:

- Loan arranged in 2008 amounting to EUR 12,250 thousand, maturing in June 2018, and with a balance of EUR 5,263 at 31 December 2014. Accrued interest payable on the bank loan at year-end 2014 amounted to EUR 1 thousand.

- Credit facility arranged on 30 December 2013, with a limit of EUR 500 thousand, and maturing on 31 December 2014 (no amount was drawn down at year-end 2013). For the purpose of meeting the Group's cash needs, a new credit facility was arranged on 24 December 2014, with a limit of EUR 500 thousand,

and maturing on 31 December 2015. At 31 December 2014, there was no accrued interest payable as a result of credit facilities held at this date.

*Loan and credit facility obligations and restrictions*

The Group's loan and credit facility agreements with certain credit institutions include clauses regarding maturity and the obligation of early repayment if certain conditions, which are standard practice in the market, are not met by the borrower.

At the date of preparation of these consolidated financial statements, none of the grounds for early termination stipulated in these agreements applied to the Group.

***Derivative financial instruments***

The Group hedges the interest rate risk on a portion of the financing in euros bearing floating interest rates through IRSs. In an IRS, interest rates are swapped so that the Company receives a floating interest rate (EURIBOR) from the bank in exchange for a fixed interest rate payment for the same nominal amount. The floating interest rate received for the derivative offsets the interest payable on the borrowings. The end result is a fixed interest rate payment on the hedged borrowings.

The Group determines the fair value of interest rate derivatives (fixed-rate swaps or IRSs) by discounting cash flows on the basis of the implicit euro interest rate calculated on the basis of market conditions at the measurement date.

The detail of the fair value of the derivative financial instruments at 31 December 2014 is as follows:

| | Thousands of euros |
|---|---|
| | Liabilities |
| **Interest rate swaps:** | |
| Cash flow hedges | 36 |
| **Derivative financial instruments** | **36** |

***Interest rate swaps***

The Group only has one interest rate swap with a nominal amount of EUR 5,263 thousand, locking in a fixed rate of interest of 4.27%, and maturing in 2015. The fair value of derivative financial instruments (cash flow hedges) at year-end amounted to a liability of EUR 36 thousand.

The total fair value of a hedging derivative is classified as a non-current asset or liability if the remaining term to maturity of the hedged item is over 12 months, and as a current asset or liability if the remaining term to maturity of the hedged item is less than 12 months.

The Group has designated the relevant hedging relationships at 31 December 2014, which are fully effective. The risk hedged in these hedging relationships is the fluctuation in the EURIBOR floating rate applicable to the borrowings being hedged.

None of the outstanding derivative financial assets was renegotiated during the year. There was no ineffectiveness from hedges that should be recognised.

***Analysis of sensitivity to interest rates***

Changes in the fair value of the interest rate derivatives arranged by the Group depend on the changes in long-term euro interest rates. The detail of the sensitivity analysis (changes in fair value at 31 December 2014) of the fair value of the derivatives recognised is as follows.

The sensitivity analysis indicates that the positive value of interest rate derivatives increases when interest rates rise since we are dealing with IRSs in which the Company pays a fixed or capped interest rate and, therefore, the Group is protected against interest rate rises.

The sensitivity of the derivatives at 31 December 2014 will affect equity and the consolidated income statement to the extent of the changes in market conditions.

At 31 December 2014, 1.2% (0% in 2013) of borrowings bore a fixed interest rate or a rate fixed through hedges. Possible interest rate fluctuations are therefore not expected to have a significant impact on these consolidated financial statements.

The estimated sensitivity of the consolidated income statement to a 100bp change in the floating-rate debt is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2014 | 2013 (restated) |
| 100bp change: | | |
| Gross effect before tax | 4,200 | - |
| Net impact after tax (before non-controlling interests) | 2,940 | - |

***Other disclosures***

With regard to the derivative financial instruments arranged by the Group and in force at 31 December 2014 and 2013, the expected net settlements, excluding credit risk adjustments, over the coming years is detailed as follows:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | 31/12/2014 | | | 31/12/2013 (restated) | | |
| | 2015 | 2016-17 | Subsequent years | 2014 | 2015-16 | Subsequent years |
| Expected net settlements | 36 | - | - | - | - | - |

***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.

## 14. Trade and other payables

The detail of this heading at 31 December 2014 and 2013 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2014 | 31/12/2013 (restated) |
| Trade payables | 68,231 | 53,678 |
| Other payables to public authorities (Note 15.b) | 21,904 | 18,656 |
| Remuneration payable | 8,086 | 7,808 |
| Other payables | 95,167 | 14,516 |
| **Trade and other payables** | **193,388** | **94,658** |

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

At 31 December 2014 and 2013, “Trade payables” included mainly the amounts payable for trade purchases made by the Group and their related costs.

“Other payables to public authorities” includes all balances payable by the Group to the tax authorities as detailed in Note 15.b.

The most significant balance recognised under “Remuneration payable” relates to the bonus accrued by employees during the year, and which the Group will pay if the targets set are met.

Lastly, “Other payables” is formed mainly of payables to non-current asset suppliers. The most significant amount at year-end 2014 is the EUR 77 million relating to the acquisition described in Note 6.

**Information on deferral of payment to suppliers**

Group companies with tax residence in Spain have changed their terms of payment in line with Additional Provision Three of the "Disclosure Requirement" in Act 15/2010, of 5 July. In accordance with the provisions of the aforementioned Act, information concerning payments made and outstanding payments at the reporting date is given below:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2014 | | 2013 (restated) | |
| Within the statutory limit | 160,131 | 100% | 159,453 | 100% |
| Past the statutory limit | 408 | 0% | 801 | 0% |
| **Total payments in the year** | **160,539** | **100%** | **160,254** | **100%** |
| Average late payment days (*) | 141 | - | 211 | - |
| Weighted average late payment days | 81 | - | 151 | - |
| Deferrals at the reporting date exceeding the statutory limit | 186 | 2% | 348 | 5% |

(*) Average number of days for payments to suppliers made after the statutory limit.

The primary reason for the outstanding balance payable to suppliers beyond the legal payment period is certain one-off deviations caused largely by the fact that objections have been raised regarding certain amounts when the work has not been fully concluded. These tasks have been paid for once the objections have been cleared up by the supplier.

The figures in the preceding table on payments to suppliers refer to suppliers whose nature makes them trade creditors because they are suppliers of goods and services. Therefore, they include the figures relating to "Suppliers", "Payable to suppliers - Group companies and associates" and "Other payables" under current liabilities in the consolidated balance sheet.

The figure for weighted average late payment days was calculated by multiplying each supplier payment in the year over the statutory payment period by the number of days over the period and dividing the sum of these amounts by the total amount of payments made in the year past the statutory limit.

According to Act 3/2004, of 29 December, establishing measures on combating late payment in commercial transactions, the statutory payment period applicable to the Group in 2014 and 2013 was 60 days.

## 15. Income tax and tax situation

### a) *Tax-related disclosures*

All Spanish companies composing the Abertis Telecom Terrestre Group file consolidated income tax returns, and are at least 75% owned by the ultimate parent of the tax group, Abertis Infraestructuras, S.A.

In addition, some Group companies (Retevisión-I, S.A.U., Tradia Telecom, S.A.U., Adesal Telecom, S.L. and Abertis Tower, S.A.U.) file consolidated value added tax (VAT) returns. Abertis Infraestructuras, S.A. is also the ultimate parent of this tax group.

*Tax audits and litigation*

At 31 December 2014, Group companies had, for the most part, all the taxes applicable to them since 2010 open for review. No significant impact on equity is expected to arise from different interpretations that could be afforded to current tax legislation regarding the other financial years open for review.

*Tax effect of the business combinations*

On 12 November 2013, the sole shareholder of Abertis Telecom Satélites, S.A.U. and Abertis Telecom Terrestre, S.A.U. (the Company) unanimously agreed to carry out the partial spin-off of Abertis Telecom Satélites, S.A.U. through the spin-off of the assets and liabilities constituting a separate, autonomous and independent business unit comprising the investments held in terrestrial telecommunications companies (Retevisión-I, S.A.U., Tradia Telecom, S.A.U., Abertis Tower, S.A.U. and Abertis Telecom Brasil, Ltd.), conferring majority ownership of the companies' share capital, and the en bloc transfer (assets and liabilities) to the receiving company Abertis Telecom Terrestre, S.A.U., which acquired them through universal transfer, without the company being liquidated as a result of the spin-off. As a result of the transaction, deferred taxes on the assets, rights and obligations transferred were transferred in accordance with prevailing legislation. The spin-off adhered to the special tax regime provided for in Title VII, Chapter VIII of Legislative Royal Decree 4/2004, of 5 March, approving the Consolidated text of the Corporate Income Tax Act.

In accordance with prevailing legislation, the Group did not recognise the tax effect arising from differences between the carrying amount and the amount for tax purposes of assets received in non-cash contributions to capital increases (see Note 1) in the consolidated balance sheet at 31 December 2014. The estimated effect of this difference multiplied by the tax rate (25%) amounts to EUR 78 million at 31 December 2014.

### b) *Tax receivables and payables*

Tax receivables at 31 December 2014 and 2013 are as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2014 | 31/12/2013 (restated) |
| VAT refundable | 7 | 11 |
| Canary Island tax refundable | 716 | 28 |
| Other taxes | 1,342 | 1,213 |
| **Tax receivables** | **2,065** | **1,252** |

Tax payables at 31 December 2014 and 2013 are as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2014 | 31/12/2013 (restated) |
| VAT payable | 17,287 | 13,976 |
| Canary Island tax payable | 123 | 163 |
| Social security payable | 1,642 | 1,558 |
| Personal income tax withholdings | 2,105 | 1,805 |
| Other taxes | 747 | 1,154 |
| **Tax payables** | **21,904** | **18,656** |

## c) *Income tax expense*

The standard income tax rate in 2014 was 30% for Spanish Group companies, and was 32.32% in Italy, which is made up of the IRES (Imposta sul Reddito delle Societa) at a rate of 27.5% and the IRAP (regional business tax in Rome) at a rate of 4.82% (30% for Spanish Group companies in 2013).

Article 29 of Corporate Income Tax Act 27/2014, of 27 November, which enters into force on 1 January 2015, establishes a standard tax rate of 25% for taxpayers liable for this tax.

However, a standard tax rate of 25% will be applicable for tax periods beginning on or after 1 January 2016, due to the temporary measures applicable in the 2015 tax period set forth in Transitional Provision Thirty-One of Act 27/2014, which establishes a standard tax rate of 28% for the 2015 tax period.

The reconciliation of net income and expenses for 2014 and 2013 to taxable income for income tax purposes is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2014 | 2013 (restated) |
| Consolidated profit before tax | 77,046 | 94,276 |
| Theoretical tax | (23,176) | (28,372) |
| Impact on tax expense from (permanent differences): | | |
| Non-deductible expenses | (5,567) | (73) |
| Tax-exempt income | 127 | - |
| Effect of restatement | - | 296 |
| **Current income tax expense** | **(28,616)** | **(28,149)** |
| Change in tax rate | 1,836 | - |
| Other tax effects | 7,465 | 12,363 |
| **Other tax effects** | **9,301** | **12,363** |
| **Income tax expense** | **(19,315)** | **(15,786)** |

The adjustment to the 2014 income tax expense, as a result of the cancellation of the deferred tax liability arising on the acquisition of the equity interest in Retevisión-I, S.A.U. by Abertis Telecom Terrestre, S.A.U. in 2003 and subsequent years, gave rise to a reduction in the income tax expense of EUR 7,080 thousand recognised under "Other tax effects" in 2014, as the Directors consider that it is no longer required.

The adjustment to the calculation of income tax expense accrued in 2013, as a result of the prepaid tax arising from the asset revaluation carried out in 2013 pursuant to Act 16/2012 on the revaluation of assets, gave rise to a reduction in the income tax expense of EUR 12,228 thousand recognised under "Other tax effects".

The Group's most significant permanent differences are summarised below:

- "Non-deductible expenses" in 2014 includes certain expenses which are not deductible in accordance with current legislation, the most significant of which relates to the period provision made for non-current provisions in the Group company, Retevisión-I S.A.U. (see Note 16.b).

- "Changes in tax rate" in 2014 includes the adjustment to the new tax rates made to the deferred tax assets and liabilities in accordance with Corporate Income Tax Act 27/2014, of 27 November.

The main income tax items for the year are as follows:

| | Thousands of euros | |
|---|---|---|
| | 2014 | 2013 (restated) |
| Current tax | 35,364 | 36,233 |
| Deferred tax | (15,994) | (23,882) |
| Tax from prior years / other | (55) | 3,139 |
| Effect of restatement | - | 296 |
| **Income tax expense** | **19,315** | **15,786** |

Group companies did not take any tax credits for investments in 2014 or 2013.

Tax withholdings and payments on account totalled EUR 32,393 thousand (EUR 32,077 thousand in 2013).

## d) Deferred taxes

The breakdown of the deferred taxes is as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2014 | 31/12/2013 (restated) |
| **Deferred tax assets:** | | |
| Provision for third-party liabilities | 9,724 | 14,514 |
| Limit on depreciation and amortisation of assets | 14,484 | 8,167 |
| Employee benefit obligations | 1,662 | 1,987 |
| Other provisions | 2,646 | 4,428 |
| Timing differences in revenue and expense recognition | - | 762 |
| Asset revaluation | 5,797 | 12,228 |
| **Total deferred tax assets** | **34,313** | **42,086** |
| **Tax credits recognised:** | | |
| Limit on depreciation and amortisation of assets | 2,619 | - |
| Asset revaluation | 905 | - |
| **Total tax credits recognised** | **3,524** | **-** |
| **Deferred tax liabilities:** | | |
| Business combinations (Note 5) | (31,082) | - |
| Accelerated depreciation and amortisation | (24,915) | (33,471) |
| Other deferred tax liabilities | - | (10,358) |
| **Total deferred tax liabilities** | **(55,997)** | **(43,829)** |

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.

Deferred tax assets include unused tax credits and the temporary differences recognised at year-end. At 31 December 2014 and 2013, the Group did not have any unused tax credits or deductions unrecognised.

The main components of "Deferred tax assets" at 31 December 2014 and 2013 are as follows:

### *Provision for third-party liabilities / Employee benefit obligations*

The Group has yet to avail itself of the tax credit recognised in 2012 for the collective redundancy procedure, which at year-end 2014 and 2013 had yet to be paid in full.

### *Limit on depreciation and amortisation of assets*

Act 16/2012, limiting the deductibility of the depreciation and amortisation expenses, was approved on 28 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 is not tax deductible will be 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 will be amortised for tax purposes, from the first tax period beginning on or after 1 January 2015, over the tax periods in the remaining useful lives of the revalued asset, under the same terms and conditions related to renewals and extensions.

### *Asset revaluation*

On 27 December 2012, Act 16/2012 was approved, which allowed the carrying amount of the assets to be recalculated in order to adjust such values for the effect of inflation and bring them closer to their actual

value for Spanish companies. The Group adjusted the carrying amount of its assets in companies on an individual basis, initially assumed the tax cost of all assets and generated a future income tax savings which translated into deferred tax assets. This revaluation was not included in these consolidated financial statements and will only be reflected in future tax savings.

The main components of “Deferred tax liabilities” at 31 December 2014 and 2013 are as follows:

*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 an temporary difference between depreciation for accounting and for tax purposes.

*Business combinations*

These deferred tax liabilities relate to those included in the Group as a result of acquiring all share capital of TowerCo on 27 May 2014 (see Note 5).

***Projected schedule for reversal of 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 2014 will be used as follows:

| | Thousands of euros | | |
|---|---|---|---|
| | 31/12/2014 | | |
| | Within one year | More than one year | Total |
| Deferred tax assets | 6,352 | 31,485 | 37,837 |
| Deferred tax liabilities | (4,928) | (51,069) | (55,997) |

The factors taken into consideration for maintaining a deferred tax asset at 31 December 2014 active and supporting its future recoverability were as follows:

- The Group's 2015-2017 Strategic Plan, approved by the Board of Directors, establishes a growth in profit greater than that experienced until now, thereby increasing profit margins, which will allow tax assets to be offset over the coming years, as applicable.

- In 2014 and 2013, the Group generated taxable profit of EUR 64,383 thousand and EUR 52,620 thousand, respectively, in its Spanish companies which enabled the Group to use the deferred tax assets and maintain a taxable profit for both years.

A mandate was issued by the Board of Directors to Company Management to carry out all actions contained in this business plan and there is a high probability that it will be complied with.

## 16. Non-current provisions, current and non-current employee benefit obligations, and contingent assets and liabilities

The detail of “Non-current provisions” and “Current and non-current employee benefit obligations” at 31 December 2014 and 2013 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2014 | 31/12/2013 (restated) |
| Non-current provisions | 17,816 | 1,814 |
| **Total non-current provisions** | **17,816** | **1,814** |
| | | |
| Share options | 95 | 81 |
| Defined benefit obligations | 2,128 | 2,062 |
| Other employee benefits | 127 | 147 |
| **Total non-current benefit obligations** | **2,350** | **2,290** |
| | | |
| Defined benefit obligations | 98 | 297 |
| Employee benefit obligations | 10,912 | 28,685 |
| **Total current benefit obligations** | **11,010** | **28,982** |

### *a) Share options*

At 31 December 2014, the Abertis Telecom Terrestre Group, within the framework of the Group's remuneration policy, maintained the 2010 share option plan (Plan 2010) in force for options on Abertis Infraestructuras, S.A. shares. This plan was approved on 27 April 2010 at the Abertis General Shareholders' Meeting and aimed at management personnel and certain key employees of the company and its subsidiaries.

This plan has a three-year vesting period in order to exercise the options as from the grant date. At the end of this period, management personnel may exercise the options received over a period of two years. The options may be settled in shares only.

Each option coincides with one Abertis Infraestructuras, S.A. share. The number of options at year-end 2014 under Plan 2010 was 58,698 (140,807 options under Plan 2010 and 1,312 options under Plan 2009 at year-end 2013).

The changes for the year for Plan 2010 and Plan 2009, the latter of which concluded on 1 April 2014, were as follows:

| | Plan 2010 (maturing in 2015) | | Plan 2009 (maturing in 2014) | |
|---|---|---|---|---|
| | Number of options | Exercise price (2) (€/share) | Number of options | Exercise price (3) (€/share) |
| **At 1 January 2014** | **140,807** | **11.07** | **1,312** | **8.52** |
| Bonus issue (1) | 4,594 | (0.53) | - | - |
| Options exercised | - | - | - | - |
| Disposals | (86,703) | - | (1,312) | - |
| Disposals due to the end of the exercise period | - | - | - | - |
| **At 31 December 2014** | **58,698** | **10.54** | **-** | **-** |

(1) Effect in 2014 on the options granted from the bonus issue charged to voluntary reserves in the ratio of one new share for each 20 former shares approved at the General Shareholders' Meeting of 1 April 2014, according to Plan 2010.

(2) For Plan 2010, an exercise price for the options was established at the average market price of Abertis Infraestructuras, S.A. shares from 4 January 2010 until 26 April 2010, both inclusive (EUR 14.57/share), adjusted for the effect of possible bonus issues and other impacts.

(3) For Plan 2009, an exercise price for the options was established at the average market price of Abertis Infraestructuras, S.A. shares during the three months prior to the General Shareholders' Meeting of 31 March 2009 (EUR 12.06/share) adjusted for the effect of possible bonus issues and other impacts.

The changes in 2013 were as follows:

| | Plan 2010 (maturing in 2015) | | Plan 2009 (maturing in 2014) | | Plan 2008 (maturing in 2013) | |
|---|---|---|---|---|---|---|
| | Number of options | Exercise price 2 (€/share) | Number of options | Exercise price 3 (€/share) | Number of options | Exercise price 4 (€/share) |
| **At 1 January 2013** | **283,809** | **11.62** | **102,128** | **8.95** | **183,754** | **15.10** |
| Bonus issue 1 | 10,443 | (0.55) | 62 | (0.43) | - | - |
| Options exercised | (60,185) | - | (49,520) | - | - | - |
| Disposals | (93,260) | - | (51,358) | - | - | - |
| Disposals due to the end of the exercise period | - | - | - | - | (183,754) | - |
| **At 31 December 2013** | **140,807** | **11.07** | **1,312** | **8.52** | **-** | **-** |

(1) Effect in 2013 on the options granted from the bonus issue charged to voluntary reserves in the ratio of one new share for each 20 former shares approved at the General Shareholders' Meeting of 20 March 2013, according to Plan 2009 and Plan 2010.

(2) For Plan 2010, an exercise price for the options was established at the average market price of Abertis Infraestructuras, S.A. shares from 4 January 2010 until 26 April 2010, both inclusive (EUR 14.57/share), adjusted for the effect of possible bonus issues and other impacts.

(3) For Plan 2009, an exercise price for the options was established at the average market price of Abertis Infraestructuras, S.A. shares during the three months prior to the General Shareholders' Meeting of 31 March 2009 (EUR 12.06/share) adjusted for the effect of possible bonus issues and other impacts.

(4) For Plan 2008, an exercise price for the options was established at the average market price of Abertis Infraestructuras, S.A. shares during the three months prior to the General Shareholders' Meeting of 1 April 2008 (EUR 20.51/share) adjusted for the effect of possible bonus issues and other impacts.

At 31 December 2014, under Plan 2010, the vesting period of which ended on 28 April 2013, in addition to the options exercised in 2013 (153,445 options at an average price of EUR 14.55 per share), a total of 86,703 options were exercised at an average price of EUR 15.94 per share.

At 31 December 2014, under Plan 2009, which ended on 1 April 2014 (its vesting period ended on 1 April 2012), in addition to the options exercised in 2013 (100,878 options at an average price of EUR 13.39 per share), a total of 1,312 options were exercised at an average price of EUR 16.50 per share.

In the case of Plan 2010, the impact of the bonus issue with a charge to reserves in the ratio of one new share for every 20 former shares, approved at the General Shareholders' Meeting of 1 April 2014, was considered.

The fair value of the options granted under the various plans is recognised in the consolidated income statement for the year as a staff cost in the period the right is generated, as indicated in Note 3.l.iv. The detail of the fair value of the various plans and their recognition in the consolidated income statement for the year is as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2014 | | 2013 (restated) | |
| | Plan 2010 | Plan 2009 | Plan 2010 | Plan 2009 |
| Fair value | 473 | 468 | 473 | 468 |
| Staff costs | 9 | - | 115 | - |

The main assumptions used in the valuation of these share option plans at the grant date are as follows:

| | Plan 2010 | Plan 2009 |
|---|---|---|
| Valuation model | Hull & White | Hull & White |
| Option exercise price (€/share) | 14.57 | 12.06 |
| Grant date | 28/04/2010 | 01/04/2009 |
| Maturity | 28/04/2015 | 1/04/2014 |
| Term of option to maturity | 5 years | 5 years |
| Term of option until first exercise date | 3 years | 3 years |
| Option type / style | “Call / Bermuda” | “Call / Bermuda” |
| Spot price (€/share) | 13.03 | 11.99 |
| Expected volatility (1) | 27.52% | 24.75% |
| Risk-free rate | 2.31% | 2.63% |
| Payout ratio (2) | 0.00% | 0.00% |

(1) Estimated implicit volatility based on the prices of shares traded in official markets and OTC markets for that maturity and exercise price.

(2) The early daily redemption dates were estimated as from the beginning of the exercise period until the end of the exercise period based strictly on market criteria.

Unlike other models, the Hull & White model enables all the terms and conditions of the incentive plan to be input. This includes the input of considerations such as the loss of the exercise right due to termination of employment before the first three years, early exercise far from the optimal moment and the periods in which the right cannot be exercised. The model also allows for the input of ratios of employees who leave the Group according to their position on the organisational chart.

Abertis Infraestructuras, S.A. has sufficient treasury shares to cover any potential delivery of shares.

### b) *Non-current provisions*

This item includes amounts claimed from Group companies, Retevisión-I, S.A.U. and Tradia Telecom, S.A.U., in ongoing litigation at 31 December 2014 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. Labour-related lawsuits, for which provisions are made, amount to EUR 327 thousand (EUR 702 thousand in 2013) and civil proceedings to EUR 17,489 thousand (EUR 1,112 thousand in 2013), the outcome of which has been estimated to cause an outflow of cash.

The main provision made relates to the fine imposed by the National Competition Commission on 19 May 2009 (see Note 16.f) for a total of EUR 16 million.

### c) *Current and non-current defined benefit obligations*

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

Together with the above obligations, the liability side of the accompanying balance sheet includes EUR 2,128 thousand (EUR 2,062 thousand in 2013) under “Non-current provisions” and EUR 98 thousand (EUR 297 thousand in 2013) under “Current provisions” relating to the measurement of employee commitments arising from certain non-current obligations related to employees' length of service with the Group. The amounts recognised in 2014 and 2013 for these obligations as a decrease in staff costs were EUR 82 thousand and EUR 911 thousand and as a finance cost were EUR 39 thousand and EUR 30 thousand, respectively.

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

| | Thousands of euros | |
|---|---|---|
| | 2014 | 2013 (restated) |
| **At 1 January** | **2,359** | **3,398** |
| Current service cost | 105 | (108) |
| Interest cost | 39 | 30 |
| Actuarial losses/(gains) | (187) | (803) |
| Benefits paid | (90) | (158) |
| **At 31 December** | **2,226** | **2,359** |

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

| | Thousands of euros | |
|---|---|---|
| | 2014 | 2013 (restated) |
| **At 1 January** | **-** | **-** |
| Sponsor contributions | 90 | 158 |
| Benefits paid | (90) | (158) |
| **At 31 December** | **-** | **-** |

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:

| | 2014 | 2013 (restated) |
|---|---|---|
| Annual discount rate | 0.75% | 1.75% |
| Salary increase rate | 2.00% | 2.75% |

### d) *Current benefit obligations*

In 2012 the Group reached an agreement with the worker representatives of Retevisión-I, S.A.U. and Tradia Telecom, S.A.U. regarding a collective redundancy procedure to terminate up to 220 employment contracts in 2013 and 2014.

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

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

A provision was recognised for this collective redundancy procedure at 31 December 2012, estimating a cost of EUR 50,779 thousand for 220 employees. In 2014, following execution of part of this agreement, 69 employees were made redundant for a cost of EUR 17,873 thousand (149 employees were made redundant for a cost of EUR 22,094 thousand in 2013).

The changes in this heading in 2014 and 2013 were as follows:

| | Thousands of euros | |
|---|---|---|
| | 2014 | 2013 (restated) |
| **Balance at 1 January** | **28,685** | **50,779** |
| Benefits paid | (17,873) | (22,094) |
| Changes in the scope of consolidation | 100 | - |
| **Balance at 31 December** | **10,912** | **28,685** |

In addition to the aforementioned provision, EUR 100 thousand was recognised in connection with TowerCo, S.p.A.

The balance payable at 31 December 2014 associated with the collective redundancy procedures carried out by the Group represent expected payments related to the process.

## e) *Contingent liabilities*

At 31 December 2014 and 2013, the Group held guarantees with third parties amounting to EUR 42,777 thousand and EUR 38,480 thousand, respectively. 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.

It should also be noted, that on 19 May 2009, the Board of the National Competition Commission (CNC) imposed a fine of EUR 22.7 million on Abertis Telecom, S.A.U. (now Abertis Telecom Satélites, 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 CNC fine, which was dismissed in the judgement passed on 16 February 2012. This judgement was appealed against at the Supreme Court on 12 June 2012. A ruling has yet to be passed on this appeal. The Group also filed for a delay in the payment of the fine to be pronounced in the final judgement. The delay was granted on 10 January 2010. In view of the recent judgements passed by the Supreme Court in 2014, the Group cannot rule out the possibility that the Supreme Court may not uphold the appeal for dismissal in full or in part, based on the opinion of its legal advisors. The Group therefore recorded a provision for a total of EUR 16 million at year-end 2014.

On 8 February 2012, the Board of the National Competition Commission (CNC) imposed a fine of EUR 13.7 million on Abertis Telecom, S.A.U. (now Abertis Telecom Satélites, 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 Abertis Telecom, S.A.U. (now Abertis Telecom Satélites, S.A.U.) for broadcasting DTT signals in Spain, and retail service markets for transmitting and distributing DT signals in Spain by narrowing margins. On 21 March 2012, the Group filed an appeal for judicial review against the decision of the CNC with the National Appellate Court, also requesting a delay of payments with regard to the fine until the court passes a ruling on this matter. This delay was granted on 18 June 2012. The National Appellate Court has not yet passed a ruling with regard to this matter; nevertheless, the result of the court's expert evidence has ruled that there are inconsistencies in the calculations made by the CNC. With regard to these proceedings, the Company's Directors, based on the opinion of their legal advisors, consider the risk of this fine to be possible and, therefore, have not recognised any provision.

Moreover, and as a result of the spin-off of Abertis Telecom, S.A.U. (now Abertis Telecom Satélites, S.A.U.) on 17 December 2013 (see Note 1), Abertis Telecom Terrestre, S.A.U. assumed any rights and obligations that may arise from the aforementioned legal proceedings, as they relate to the spun-off business (terrestrial telecommunications). An agreement has therefore been entered into between Abertis Telecom Terrestre, S.A.U. and Abertis Telecom Satélites, S.A.U. stipulating that if the aforementioned amounts have to be paid, Retevisión-I, S.A.U. will be responsible for paying these fines. At 31 December 2014, Abertis Telecom Satélites, S.A.U. has provided two guarantees amounting to EUR 36.4 million (EUR 36.4 million at 31 December 2013) to cover the disputed rulings with the National Competition Commission as explained above and which are being transferred from Abertis Telecom Satélites, S.A.U. to Abertis Telecom Terrestre, S.A.U.

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 government 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 return processes. The estimated calculations made by the Spanish government initially lowered this amount to some EUR 10 million; however, this is subject to final approval by the European Commission. Retevisión-I, S.A.U. filed an appeal with the General Court against this decision. The Group considers there are well-founded legal reasons to expect this appeal to be successful and to consider that the tenders called did not entail

government aid against the treaty of the European Union. However, it is difficult to predict the interpretation that the General Court will adopt when it passes its judgement.

The Spanish government, through the Secretary of State for Telecommunications and Information Society ("SETSI"), has ordered the various regional governments to issue recovery orders based on the calculations made. The proceedings for recovering the aid have begun in Castilla y León, La Rioja, Aragón, Extremadura, Andalusia, the Balearic Islands and Madrid. Only the proceedings in Madrid have reached the courts, which requested that the aid received in this region amounting to EUR 157 thousand be returned. The Group appealed this decision made by the regional Government of Madrid and obtained a delay of the return as injunctive relief until a ruling is passed on the appeal filed. A provision, however, has been made for this amount. The appeal filed against the decision of the European Commission did not hold in abeyance the obligations of returning the aid.

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 government 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. The aid received by Retevisión-I, S.A.U. amounted to 250 thousand, whereas that received by all operators in the region totalled approximately EUR 39.1 million, of which Retevisión-I, S.A.U. only received approximately 2%. An appeal was filed against this decision with the General Court. No provision was recognised for this amount as the Group expects this appeal to be successful. In addition, the process for returning the aid and determining the amount that must be returned to the Group, as applicable, has not yet begun.

### *f) 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 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. The damage caused was initially quantified at EUR 143 million, however the final calculation and estimate of such damage will depend on the length of time these channels are shut down and how the national DTT multiplexes are occupied in the end. At 31 December 2014, the Group had not recognised any amount in relation to this claim.

## 17. Revenue and expenses

### *a) Operating income*

The detail of operating income is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2014 | 2013 (restated) |
| Services | 413,053 | 379,227 |
| Other operating income | 23,913 | 5,362 |
| Advances to customers (Note 9) | (921) | - |
| **Operating income** | **436,045** | **384,589** |

"Other operating income" includes mainly income from re-charging costs related to activities for renting tower infrastructures for site rentals to third parties.

The total amount, by line of business, of the Group's revenue expected from the service agreements (broadcasting infrastructure and network services and other) and the operating leases (infrastructure rental for mobile telecommunications operators) entered into by the Group and that were in force at 31 December 2014 are as follows (the amounts included in infrastructure rental for mobile telecommunications operators include the renewals until the contract matures and the re-invoicing costs):

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2014 | | | |
| | Broadcasting infrastructure | Telecom site rental | Network services and other | Total |
| **Within one year** | **189,890** | **132,271** | **67,433** | **389,594** |
| Spain | 189,890 | 110,897 | 67,433 | 368,220 |
| Italy | - | 21,374 | - | 21,374 |
| **1 to 5 years** | **333,190** | **371,505** | **120,228** | **824,923** |
| Spain | 333,190 | 348,395 | 120,228 | 801,813 |
| Italy | - | 23,110 | - | 23,110 |
| **More than 5 years** | **25,097** | **1,546,720** | **41,139** | **1,612,956** |
| Spain | 25,097 | 1,546,720 | 41,139 | 1,612,956 |
| Italy | - | - | - | - |
| **Total** | **548,177** | **2,050,496** | **228,800** | **2,827,473** |
| **Spain** | **548,177** | **2,006,012** | **228,800** | **2,782,989** |
| **International** | **-** | **44,484** | **-** | **44,484** |

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2013 (restated) | | | |
| | Broadcasting infrastructure | Telecom site rental | Network services and other | Total |
| **Within one year** | **238,445** | **82,882** | **57,956** | **379,283** |
| Spain | 238,445 | 82,882 | 57,956 | 379,283 |
| Italy | - | - | - | - |
| **1 to 5 years** | **466,519** | **248,101** | **118,440** | **833,060** |
| Spain | 466,519 | 248,101 | 118,440 | 833,060 |
| Italy | - | - | - | - |
| **More than 5 years** | **17,467** | **933,356** | **52,873** | **1,003,696** |
| Spain | 17,467 | 933,356 | 52,873 | 1,003,696 |
| Italy | - | - | - | - |
| **Total** | **722,431** | **1,264,339** | **229,269** | **2,216,039** |
| **Spain** | **722,431** | **1,264,339** | **229,269** | **2,216,039** |
| **International** | **-** | **-** | **-** | **-** |

## b) *Staff costs*

The detail of staff costs is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2014 | 2013 (restated) |
| Wages and salaries | 63,267 | 67,665 |
| Social Security contributions | 15,289 | 14,548 |
| Retirement fund and other contingencies and commitments | 1,164 | 582 |
| Other employee benefit costs | 4,166 | 3,542 |
| **Staff costs** | **83,886** | **86,337** |

The average number of employees at the Group, its subsidiaries and associates in 2014, broken down by job category and gender, is as follows:

| | 2014 | | | 2013 (restated) | | |
|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total |
| Chief Executive Officer | 1 | - | 1 | - | - | - |
| Senior management | 4 | 1 | 5 | 7 | 1 | 8 |
| Middle management | 52 | 16 | 68 | 49 | 18 | 67 |
| Other employees | 882 | 197 | 1,079 | 938 | 206 | 1,144 |
| **Average number of employees** | **939** | **214** | **1,153** | **994** | **225** | **1,219** |

The number of employees at the Abertis Telecom Terrestre Group at the end of 2014 and 2013, broken down by job category and gender, was as follows:

| | 31/12/2014 | | | 31/12/2013 (restated) | | |
|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total |
| Chief Executive Officer | 1 | - | 1 | - | - | - |
| Senior management | 4 | 1 | 5 | 7 | 1 | 8 |
| Middle management | 55 | 16 | 71 | 48 | 14 | 62 |
| Other employees | 885 | 194 | 1,079 | 875 | 200 | 1,075 |
| **Number of employees at year-end** | **945** | **211** | **1,156** | **930** | **215** | **1,145** |

At 31 December 2014, the Board of Directors of the Company was composed of four men (three men at 31 December 2013).

### c) *Other operating expenses*

The detail of “Other operating expenses” in the consolidated income statement is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2014 | 2013 (restated) |
| Repairs and maintenance | 23,410 | 18,478 |
| Leases and fees | 62,527 | 39,244 |
| Utilities | 27,080 | 18,177 |
| Other operating costs | 52,651 | 47,047 |
| Taxes other than income tax | 6,634 | 6,162 |
| **Total** | **172,302** | **129,108** |

The increase in Other operating expenses is mainly due to the increase in rental services for tower infrastructures which have a high cost of leases and fees associated.

“Leases and royalties” includes EUR 14,913 thousand (EUR 14,321 thousand in 2013) for the lease of satellite transponders to Hispasat, S.A.

*Operating lease commitments*

The Group leases sites, spaces, equipment and vehicles under operating leases.

Total future minimum rentals payable under operating leases are recurring, as all the current leases are considered essential for the Group's operations.

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

| | Thousands of euros |
|---|---|
| | 2014 |
| Minimum operating lease payments | Total |
| **Within one year** | **71,635** |
| Spain | 66,575 |
| Italy | 5,060 |
| **1 to 5 years** | **208,557** |
| Spain | 188,317 |
| Italy | 20,240 |
| **More than 5 years** | **268,102** |
| Spain | 171,963 |
| Italy | 96,139 |
| **Total** | **548,294** |
| **Spain** | **426,855** |
| **International** | **121,439** |

| Minimum operating lease payments | Thousands of euros |
|---|---|
| | 2013 (restated) |
| | Total |
| **Within one year** | **55,128** |
| Spain | 55,128 |
| Italy | - |
| **1 to 5 years** | **151,693** |
| Spain | 151,693 |
| Italy | - |
| **More than 5 years** | **147,426** |
| Spain | 147,426 |
| Italy | - |
| **Total** | **354,247** |
| **Spain** | **354,247** |
| **International** | **-** |

## *d) Changes in provisions*

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

| | Thousands of euros | |
|---|---|---|
| | 2014 | 2013 (restated) |
| Allowance for doubtful debts (Note 10) | 8,161 | (2,534) |
| Provision for CNC fine (Note 16) | (10,800) | - |
| Other non-current provisions (Note 16) | (141) | (73) |
| **Ending balance** | **(2,780)** | **(2,607)** |

There was no provision related to the Group's non-current assets.

## *e) Gains and losses on disposal of assets*

The distribution of the Group's losses on the disposal or sale of assets (see Notes 6 and 7) is detailed as follows:

| | Thousands of euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | | | | 2013 (restated) | | | |
| | Cost | Accumulated depreciation | Selling price | Net loss | Cost | Accumulated depreciation | Selling price | Net loss |
| Spain | (5,991) | 5,741 | - | (250) | (3,557) | 3,371 | 58 | (128) |
| **Total** | **(5,991)** | **5,741** | **-** | **(250)** | **(3,557)** | **3,371** | **58** | **(128)** |

### f) Depreciation and amortisation

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

| | Thousands of euros | |
|---|---|---|
| | 2014 | 2013 (restated) |
| Intangible assets (Note 7) | 5,856 | 3,622 |
| Property, plant and equipment (Note 6) | 85,176 | 67,004 |
| **Ending balance** | **91,032** | **70,626** |

### g) Financial result

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

| | Thousands of euros | |
|---|---|---|
| | 2014 | 2013 (restated) |
| Finance income and interest from third parties | 632 | 300 |
| Finance income from the Group or associates (Note 20.c) | 6 | - |
| Exchange gains | 1 | - |
| Other finance income | 241 | 20 |
| **Finance income** | **880** | **320** |
| Finance costs and interest arising from third parties | 2,347 | 60 |
| Finance costs arising from the Group or associates (Note 20.c) | 4,076 | 1,216 |
| Exchange losses | 11 | 6 |
| Interest cost relating to provisions | 39 | 30 |
| Settlements of derivative financial instruments resulting in a loss | 22 | - |
| Other finance costs | 3,724 | 1,260 |
| **Finance costs** | **10,219** | **2,572** |

Interest on loans from credit and other institutions increased as a result of the syndicated loan arranged by the Company on 26 June 2014 for EUR 800 million (drawn down by EUR 420 million), accruing interest at an average rate of 1.155%.

In addition, the Group took out a long-term loan through its subsidiary, Adesal Telcom, S.L., in the amount of EUR 12,250 thousand (drawn down by EUR 5,263 thousand), accruing interest at market rates and maturing in 2018.

## 18. Environmental information

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

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

At year-end 2014 and 2013, 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 for the year ended 2014 amounted to EUR 4,493 thousand (EUR 4,168 thousand in 2013), with accumulated depreciation and amortisation of EUR 1,799 thousand (EUR 1,469 thousand in 2013.

Expenses incurred to protect and improve the environment recognised directly in the consolidated income statement amounted to EUR 646 thousand (EUR 645 thousand in 2013) and related mainly to expenses arising from consultancy services and external waste management.

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

## 19. Segment reporting

The Group's business segment information included in this note is presented in accordance with the disclosure requirements set forth in IFRS 8, Operating Segments.

The Group has organised its business into three different customer facing units, supported by an operations division and central corporate functions.

Income from the provision of services relates mainly to:

- Broadcasting Infrastructure activities, which consist of the distribution and transmission of television and FM radio signals, as well as the operation and maintenance of radio broadcasting networks, the provision of connectivity for media content, OTT radio broadcasting services (over-the-top multi-screen services) and other services. The radio broadcasting infrastructure activities were created in 2001 with the acquisition of Tradia Telecom, S.A.U. and the acquisition of Retevisión-I, S.A.U. in 2003. This business line generated the majority of the Group's consolidated income.

- Telecom Site Rental which consists of providing passive access to its wireless infrastructure for mobile network operators and other wireless and broadband telecommunications network operators through infrastructure hosting and telecommunications equipment co-location. The Group mainly provides wireless operators with access to its communications and broadcasting infrastructure through medium- and long-term contracts for its antennas, which transmit various signals related to wireless data and voice transmission, while the telecommunications operators maintain and operate the necessary equipment.

- Network Services and Other, including connectivity services for telecommunications operators (other than broadcasting operators), radio communication, operation and maintenance services, commercial services, Smart Cities/IoT (“Internet of Things”) and other services.

Accordingly, operating income for each of the various lines of service in 2014 and 2013 is as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2014 | | | |
| | Broadcasting infrastructure | Telecom site rental | Network services and other | Total |
| Revenue (services) | 250,354 | 85,393 | 77,306 | 413,053 |
| Other income | - | 22,059 | 1,854 | 23,913 |
| Customer advances (Note 9) | - | (921) | - | (921) |
| **Operating income** | **250,354** | **106,531** | **79,160** | **436,045** |

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2013 | | | |
| | Broadcasting infrastructure | Telecom site rental | Network services and other | Total |
| Revenue (services) | 266,828 | 37,265 | 75,134 | 379,227 |
| Other income | - | 3,067 | 2,295 | 5,362 |
| **Operating income** | **266,828** | **40,332** | **77,429** | **384,589** |

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

The Managing Director and management committees are the maximum decision making authority. These committees evaluate the Group's performance based on the operating profit of each company, which do are not the same as the above business lines.

The income generated by the only two countries in which the Group operates is as follows:

| | Thousands of euros | | |
|---|---|---|---|
| | 2014 | | |
| | Spain | Italy | Total |
| Services, net of advances | 398,871 | 13,261 | 412,132 |
| Other income | 23,913 | - | 23,913 |
| **Operating income** | **422,784** | **13,261** | **436,045** |

No business activities were carried out in Italy in 2013 and, therefore, all income disclosed above was generated in Spain.

Accordingly, the Group only has one customer that exceeds 10% of its revenue. Income from this customer in 2014 amounted to EUR 77,725 thousand (EUR 74,733 thousand in 2013).

## 20. Related parties

Remuneration earned by the Company's directors: the only director performing executive functions in 2014, unlike in 2013, when no director had executive functions, was the Chief Executive Officer, who was appointed in November 2014. Hence, because the Chairman had only non-executive functions, the remuneration earned by the Company's directors in 2014 was as follows (the figures for the remuneration earned in 2013 are included for comparison purposes):

i. The members of the Board of Directors, for exercising the duties in their capacity as directors of Abertis Telecom Terrestre, S.A., did not earn any remuneration in 2014 or 2013 in any connection.

ii. For performing senior management duties, the Chief Executive Officer received EUR 622 thousand (EUR 580 thousand in 2013), corresponding to fixed and variable remuneration.

iii. The Chief Executive Officer did not obtain any gains on share options in 2014 since they were exercised in full in 2013 (in 2013 he received EUR 111 thousand on exercising his options under Plan 2010 and EUR 66 thousand on exercising his options under Plan 2009).

iv. In addition, the Chief Executive Officer of Abertis Telecom Terrestre, S.A. received, as other benefits, contributions made to cover pensions and other remuneration in kind in the amount of EUR 75 thousand and EUR 30 thousand, respectively (EUR 83 thousand and EUR 25 thousand in 2013).

In 2014 Abertis Telecom Terrestre redefined its senior management, which is now defined as executives that perform management duties and report directly to the Chief Executive Officer. The restated figures for 2013 are therefore included, considering this change. Fixed and variable remuneration for 2014 for members of senior management amounted to EUR 1,484 thousand (EUR 1,379 thousand in 2013). In addition, as a result of exercising options under Plan 2009 and Plan 2010, senior management received EUR 104 thousand (EUR 143 thousand in 2013 for exercising options under Plan 2010 and EUR 106 thousand in 2013 for exercising options under Plan 2009).

In addition, members of senior management received, as other benefits, contributions made to cover pensions and other remuneration in kind in the amount of EUR 196 thousand and EUR 108 thousand, respectively (EUR 92 thousand and EUR 146 thousand in 2013). Moreover, the Group has a credit line available to senior management maturing in 2015, at a market interest rate, which at 31 December 2014 amounted to EUR 70 thousand (EUR 0 thousand at year-end 2013).

The Group has agreements with two members of senior management linked to those executives staying at the company until the second half of 2017.

At the date of signing of these consolidated financial statements, no type of incentive (bonus or share plans for the Senior Management) had been granted and no valid expectations had been created due to the Group's admission to listing (Note 2.e) and, therefore, no liability has been recognised in this connection.

### *b) Other disclosures on Directors*

Pursuant to article 229 and 230 of the Spanish Limited Liability Companies Act, and for the purpose of strengthening the companies' transparency and publishing information received by the Directors, the Directors and/or persons linked to the Directors have indicated that there are no other situations that may involve a direct or indirect conflict between their own interest and the Group's interests.

### *c) Group companies and associates*

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

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 31/12/2014 | | | |
| | Assets | | Liabilities | |
| | Current loans | Other commercial assets | Current borrowings | Other payables |
| Abertis Infraestructuras, S.A. | 19,644 | - | 6,017 | 5,139 |
| Abertis Telecom Satélites, S.A. | - | - | - | (6) |
| Autopista Aumar, S.A.C.E. | - | 7 | - | - |
| Autopistas C.E.S.A. | - | 215 | - | - |
| Autopistas de Catalunya, S.A. | - | 5 | - | - |
| Autopistas de León, S.A.C.E. | - | 1 | - | - |
| Autopista Vasco Aragonesa, S.A. | - | 270 | - | - |
| Consorcio de Telecomunicaciones Avanzadas, S.A. | - | 117 | - | 12 |
| Hispasat, S.A. | - | 27 | - | 2,786 |
| Iberpistas, S.A.C.E. | - | 5 | - | - |
| Torre de Collserola, S.A. | - | - | - | 170 |
| Túnels de Barcelona i Cadí, S.A.C.G.C. | - | 22 | - | - |
| **Total** | **19,644** | **669** | **6,017** | **8,101** |

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | 31/12/2013 (restated) | | | | | |
| | Assets | | | Liabilities | | |
| | Current loans | Current investments | Other commercial assets | Non-current borrowings | Current borrowings | Other payables |
| Abertis Infraestructuras, S.A. | 2,199 | - | - | 146,938 | 8,957 | 702 |
| Abertis Telecom Satélites, S.A. | - | 631 | - | - | - | - |
| Adesal Telecom, S.L. | - | - | 583 | - | - | 8 |
| Autopista Aumar, S.A.C.E. | - | - | 6 | - | - | - |
| Autopistas C.E.S.A. | - | - | 101 | - | - | 1 |
| Autopistas de León, S.A.C.E. | - | - | 2 | - | - | - |
| Autopista Vasco Aragonesa, S.A. | - | - | 1 | - | - | - |
| Consorcio de Telecomunicaciones Avanzadas, S.A. | - | - | 179 | - | - | 6 |
| Hispasat, S.A. | - | - | 21 | - | - | 936 |
| Serviabertis, S.L. | - | - | - | - | - | 79 |
| Torre de Collserola, S.A. | - | - | - | - | - | 160 |
| Túnels de Barcelona i Cadí, S.A.C.G.C. | - | - | - | - | - | 4 |
| **Total** | **2,199** | **631** | **893** | **146,938** | **8,957** | **1,896** |

Current receivables relate to a receivable from Abertis Infraestructuras, S.A., ultimate parent of the tax group, of EUR 19,644 thousand (EUR 2,199 thousand in 2013) for the consolidated tax regime in relation to corporate income tax and for the group of entities in relation to VAT, under which amounts payable to and receivable from the tax authorities are replaced by receivables from and payables to the parent of the consolidated tax group.

The Group recognises, under “Non-current payables to Group companies”, the amount, at year-end 2013, drawn on the credit facilities entered into with Abertis Infraestructuras, S.A. on 17 December 2013. The limits of these credit facilities are EUR 400 million and EUR 50 million, respectively, maturing on 15 October 2015 and 31 December 2015. Both were tacitly renewable on an annual basis, but were cancelled in 2014. At 31 December 2013, EUR 146,938 thousand had been drawn down on both facilities. In this regard, after the second half of 2014 and for the purpose of establishing an independent financial structure for the Abertis Group to which it belongs, Abertis Telecom Terrestre, S.A.U. arranged a syndicated loan on 26 June 2014 amounting to EUR 800 million, accruing interest at market rates (see Note 13). The amount drawn down at 31 December 2014 on these credit facilities held at 31 December 2013 with Abertis Infraestructuras, S.A. is nul.

At 31 December 2014, “Current payables to Group companies”, included EUR 6,017 thousand (EUR 8,957 thousand in 2013) from Abertis Infraestructuras, S.A. for the consolidated tax regime in relation to corporate income tax and for the group of entities in relation to VAT, under which amounts payable to and receivable from the tax authorities are replaced by receivables from and payables to the parent of the consolidated tax group.

The remaining balances related to transactions carried out in the ordinary course of the Group's business.

The Company's transactions with Abertis Group companies and associates are as follows:

| | Thousands of euros | | |
|---|---|---|---|
| | 2014 | | |
| | Income | Expenses | |
| | Services rendered | Services received | Accrued interest |
| Abertis Infraestructuras, S.A. | 6 | 6,125 | 4,076 |
| Adesal Telecom, S.L. | 1,776 | 18 | - |
| Autopistas Aumar, S.A.C.E. | 85 | - | - |
| Autopistas C.E.S.A | 98 | 158 | - |
| Autopistas de Catalunya, S.A. | 18 | - | - |
| Autopistas de León, S.A.C.E. | 5 | - | - |
| Autopista Vasco Aragonesa, S.A. | 22 | - | - |
| Consorcio de Telecomunicaciones Avanzadas, S.A. | 584 | 63 | - |
| Hispasat, S.A. | 122 | 14,398 | - |
| Iberpistas, S.A. | - | - | - |
| Iberpistas, S.A.C.E. | 66 | 41 | - |
| Infraestructures Viàries de Catalunya, S.A. | - | 13 | - |
| Serviabertis, S.L. | 10 | 13,468 | - |
| Torre Collserola, S.A. | - | 2,677 | - |
| Túnels de Barcelona i Cadí, S.A.C.G.C. | 65 | 8 | - |
| **Total** | **2,857** | **36,969** | **4,076** |

| | Thousands of euros | | |
|---|---|---|---|
| | 2013 (restated) | | |
| | Income | Expenses | |
| | Services rendered | Services rendered | Services rendered |
| Abertis Infraestructuras, S.A. | - | 5,645 | 1,216 |
| Adesal Telecom, S.A. | 2,417 | - | - |
| Autopistas, concesionaria española, S.A. | - | 21 | - |
| Hispasat, S.A. | 18 | 14,508 | - |
| Infraestructures Viàries de Catalunya, S.A. | - | 13 | - |
| Serviabertis, S.L. | 14 | 13,842 | - |
| Torre Collserola, S.A. | - | 2,520 | - |
| Iberpistas, S.A. | 41 | 41 | - |
| Servicios Audiovisuales Overon, S.L. | 641 | 498 | - |
| Consorcio de Telecomunicaciones Avanzadas, S.A. | 605 | 70 | - |
| Autopistas Aumar, S.A.C.E. | 103 | - | - |
| Autopistas de Catalunya, S.A. | 27 | - | - |
| Autopista Vasco Aragonesa, S.A. | 35 | - | - |
| Iberpistas, S.A.C.E. | 10 | - | - |
| Autopistas C.E.S.A | 166 | 134 | - |
| Autopistas de León, S.A.C.E. | 2 | - | - |
| Túnels de Barcelona i Cadí, S.A.C.G.C. | 31 | 12 | - |
| **Total** | **4,110** | **37,304** | **1,216** |

The Group had a service level agreement with Serviabertis, S.L. whereby the latter provided general, purchasing and management services (personnel, corporate services and treasury), and systems and project development services. This agreement ended on 31 December 2014 and was not renewed for 2015.

With regard to the aforementioned agreement, it should be noted that on 28 October 2014 Serviabertis, S.L. notified the Group that effective as of 1 November 2014 Abertis Infraestructuras, S.A. would be subrogated to the position of Serviabertis, S.L. with regard to subleasing and supply services for the buildings located at Avenida del Parc Logístic, 12-20, Barcelona and at Paseo de la Castellana, 39, Madrid.

An agreement is currently being drawn up for 2015 between Abertis Infraestructuras, S.A. and the Group for the provision of corporate building management services, which are understood to include the lease of the company offices at Parc Logístic de la Zona Franca (Barcelona) and the lease of the company offices at Paseo de la Castellana (Madrid), as well as the supplies related thereto.

The Group also had a service agreement with Abertis Infraestructuras, S.A. whereby the latter provided services relative to legal-financial, tax and organisation matters and people, planning and the promotion of new activities as well as other support services. This agreement ended on 31 December 2014 and was not renewed for 2015.

In 2014 the Group also entered into an agreement with Abertis Infraestructuras, S.A. for the provision of IT services (corporate software and business systems).

The Group also has an agreement with Hispasat, S.A., whereby the latter provides capacity lease services for certain satellite transponders over the entire life of the transponders, which is expected to last until 31 December 2022. The Group allocates the leased capacity essentially to the distribution service via satellite for terrestrial television and radio broadcasting.

In 2014 items of property, plant and equipment and intangible assets were acquired from Serviabertis, S.A. amounting to EUR 1,427 thousand.

Financial interest with Abertis Infraestructuras, S.A. entails the interest accrued in the first half of 2014 on the Group's loans indicated above.

Other transactions with Group companies and associates relate to commercial 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.

### *d) Other related parties*

Other related parties, in addition to the Group companies and associates indicated in Note 20.c above, include shareholders (and their subsidiaries) of Abertis Infraestructuras, S.A. that exercise significant influence over it, those with a right to appoint a director or those with a stake above 5%.

At 31 December 2014, guarantees with the related party CaixaBank, S.A. were granted with a limit of EUR 17,801 thousand (EUR 14,974 thousand in 2013), which at year-end were drawn down in the amount of EUR 8,522 thousand (EUR 6,224 thousand in 2013).

At 31 December 2014, the main transactions with related party CaixaBank, S.A. were: (i) a loan for EUR 5,264 thousand (see Note 13), (ii) a fixed-term deposit of EUR 70,011 thousand, (iii) and a liability from the measurement of derivative financial instruments of EUR 36 thousand, (iv) a non-recourse factoring agreement for EUR 45 million (see Note 13). In addition, CaixaBank, S.A. participated in the syndicated loan granted to the Abertis Telecom Terrestre Group by arranging two loans of up to EUR 31,818 thousand and EUR 34,091 thousand, of which EUR 38,280 thousand has been drawn down as at 31 December 2014, and a revolving credit facility of up to EUR 6,818 thousand, which is undrawn at 31 December 2014, (v) a credit facility for EUR 500 thousand, undrawn and (vi) a venture capital fund for EUR 90 thouand (see Note 13).

The main transactions carried out by the Group with related parties in 2014 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 13,807 thousand and EUR 27 thousand, respectively (EUR 20,123 thousand and EUR 23 thousand in 2013) for termination benefits and contributions to pension plans and life insurance policies, as well as the acquisition of an 8.98% interest in Adesal Telecom, S.L. for EUR 1,167 thousand described in Note 5 and a commitment fee of EUR 58 thousand.

## 21. Other disclosures

The remuneration of the auditors in 2014 and 2013 was as follows:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | | 2013 | | |
| | Audit of financial statements | Tax advisory services | Other services | Audit of financial statements | Tax advisory services | Other services |
| Deloitte, S.L. | 248 | - | 370 | 156 | - | 107 |
| **Total** | **248** | **-** | **370** | **156** | **-** | **107** |

## 22. Post balance sheet events

On 22 December 2014, an agreement was entered into to purchase 300 tower infrastructures for site rental in accordance with the terms of the framework agreement signed with Telefónica Móviles España, S.A.U. on 31 July 2014, which was finalised on 26 January 2015 for a total of EUR 43.5 million.

In January 2015 the Group has signed several factoring contracts, increasing the amount available on these facilities from EUR 45 million as at 31 December 2014 to EUR 95.5 million at the date of signing of these financial statements.

The Directors have initiated the process for a potential listing of Company's shares in the primary Spanish stock market.

On 27 February 2015 the Group, through its recently created subsidiary SmartTowers Italy, S.R.L., signed an agreement with the Italian company Wind Telecomunicazioni, S.p.A. (Wind) to acquire 90% of the share capital of its wholly owned subsidiary Galata, S.p.A. (Galata). The latter owns 7,377 tower infrastructures for site rental along with related contracts.

The purchase price agreed for 90% of the share capital of Galata amounts to 693 million euros and the company will be acquired on a debt-free basis with the remaining 10% of the share capital being retained by WIND, with a put option, which can be exercised from June 2016 onwards and for 4 years after the closing date.

The agreement with Wind includes a tower services contract for a term of 15 years with prices linked in the long term to the evolution of Italian CPI and which can be extended for a further 15 years for all of the infrastructures.

At the date of signing the share purchase agreement, the average total annual gross income per infrastructure amounts to approximately 27 thousand euros – which converts to total annual gross income of approximately 200 million euros for the next full accounting year.

The annual costs directly associated with the acquired infrastructures and which, in turn, are evidenced in the following associated contracts amount to (i) approximately 93 million euros for ground rent (ii) approximately 36 million euros for energy.

The Group will finance the acquisition by means of (i) the drawdown of the available syndicated debt, as described in note 13 of the consolidated annual accounts (ii) together with new syndicated debt signed by the Group on 20 February 2015 for 300 million euros and (iii) factoring facilities and available cash. The estimated annual cost of the funds to finance this acquisition amounts to approximately 1.5%. The Group will not require finance from Abertis Infraestructuras, S.A.

It is foreseen that the closing of this transaction will duplicate the current portfolio of tower infrastructures for site rental owned by the Group and will convert it into the largest independent wireless tower operator, with a clear leadership in Spain and Italy. Moreover, this acquisition gives the Group access to a new source of organic growth and substantially increases its backlog from 2,827,473 thousand euros (see note 17) to 7,392,514 thousand euros (backlog is defined as future contractual income for infrastructure rental considering the extension of the contracts, but without considering the recharging of costs) and its visibility of cash flow generation.

The closing of this transaction is subject to several administrative approvals, which are planned to be secured by April 2015, and as such the Group has not yet commenced the initial accounting for the acquisition at the date of signing of these consolidated annual accounts.

Barcelona, 3 March 2015

## 23. Explanation added for translation to English

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2-a). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

**APPENDIX I Subsidiaries included in the scope of consolidation at 31 December 2014**

| Company | Registered office | Ownership interest | | Company holding the interest | Consolidation method | Activity | Auditor |
|---|---|---|---|---|---|---|---|
| | | Cost (Thousands of euros) | % | | | | |
| **Direct ownership:** | | | | | | | |
| Retevisión-I, S.A.U. | Av. Del Parc Logístic, 12-20 08040 Barcelona | 368,938 | 100% | Abertis Telecom Terrestre, S.A.U. | Full consolidation | Terrestrial telecommunications infrastructure operator | Deloitte |
| Tradia Telecom, S.A.U. | Av. Del Parc Logístic, 12-20 08040 Barcelona | 127,121 | 100% | Abertis Telecom Terrestre, S.A.U. | Full consolidation | Terrestrial telecommunications infrastructure operator | Deloitte |
| Abertis Tower, S.A.U. | Avda. Parc Logístic 12-20, 08040 Barcelona | 28,457 | 100% | Abertis Telecom Terrestre, S.A.U. | Full consolidation | Terrestrial telecommunications infrastructure operator | Deloitte |
| TowerCo, S.p.A | Via Alberto Bergammini 50, Rome, Italy | 94,600 | 100% | Abertis Telecom Terrestre, S.A.U. | Full consolidation | Terrestrial telecommunications infrastructure operator | Deloitte Italy S.p.A |
| **Indirect ownership interest:** | | | | | | | |
| Adesal Telecom, S.L. | Ausias March 20, Valencia | 4,464 | 60.08% | Tradia Telecom, S.A.U. | Full consolidation | Construction and operation of terrestrial telecommunications infrastructure | Deloitte |
| Gestora del Espectro, S.L. [1] | Av. Del Parc Logístic, 12-20 08040 Barcelona | 3 | 100% | Retevisión-I, S.A.U. | Full consolidation | Development, implementation, management and marketing of terrestrial telecommunications services | - |

(1) This company did not audit its financial statements as it was not required to do so.

This appendix forms an integral part of Note 2.h.i to the 2014 consolidated financial statements with which it should be read.

**Subsidiaries included in the scope of consolidation at 31 December 2013**

| Company | Registered office | Ownership interest: Cost (Thousands of euros) | Ownership interest: % | Company holding the interest | Consolidation method | Activity | Auditor |
|---|---|---|---|---|---|---|---|
| **Direct ownership:** | | | | | | | |
| Retevisión-I, S.A.U. | Av. Del Parc Logístic, 12-20 08040 Barcelona | 368,938 | 100% | Abertis Telecom Terrestre, S.L.U. | Full consolidation | Terrestrial telecommunications infrastructure operator | Deloitte |
| Tradia Telecom, S.A.U | Av. Del Parc Logístic, 12-20 08040 Barcelona | 127,121 | 100% | Abertis Telecom Terrestre, S.L.U. | Full consolidation | Terrestrial telecommunications infrastructure operator | Deloitte |
| Abertis Tower, S.A.U. | Avda. Parc Logístic 12-20, 08040 Barcelona | 28,457 | 100% | Abertis Telecom Terrestre, S.L.U. | Full consolidation | Terrestrial telecommunications infrastructure operator | Deloitte |
| Abertis Telecom Brasil, Ltda. | Rua Treze de Maio, 313. Galeria Montini Sala 7. Centro CEP 13900-005 Sao Paulo | 100 | 100% | Abertis Telecom Terrestre, S.L.U | Full consolidation | Terrestrial telecommunications infrastructure operator | - |
| **Indirect ownership interest:** | | | | | | | |
| Gestora del Espectro, S.L. [1] | Av. Del Parc Logístic, 12-20 08040 Barcelona | 3 | 100% | Retevisión-I, S.A.U. | Full consolidation | Development, implementation, management and marketing of terrestrial telecommunications services | - |

(1) This company did not audit its financial statements as it was not required to do so.

This appendix forms an integral part of Note 2.h.i to the 2014 consolidated financial statements with which it should be read.

**APPENDIX II Associates included in the scope of consolidation at 31 December 2014**

| Company | Registered office | Ownership interest | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost (Thousands of euros) | % | Assets | Liabilities | Income | Profit/(loss) | Company holding the interest | Consolidation method | Activity | Auditor |
| **INDIRECT SHAREHOLDINGS Through Retevisión and Tradia Telecom** | | | | | | | | | | | |
| Torre de Collserola, S.A. | Ctra. de Vallvidrera al Tibidabo, s/n. Barcelona | 2,439 | 41.75% | 18,630 | 12,224 | 4,562 | 32 | Retevisión-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% | 3,406 | 676 | 2,054 | 101 | 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.i to the 2014 consolidated financial statements with which it should be read.

**Associates included in the scope of consolidation at 31 December 2013**

| Company | Registered office | Ownership interest | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost (Thousands of euros) | % | Assets | Liabilities | Income | Profit/(loss) | Company holding the interest | Consolidation method | Activity | Auditor |
| **INDIRECT SHAREHOLDINGS Through Retevisión and Tradia Telecom** | | | | | | | | | | | |
| Torre de Collserola, S.A. | Ctra. de Vallvidrera al Tibidabo, s/n. Barcelona | 2,439 | 41,75% | 20,034 | 13,659 | 4,474 | 76 | Retevisión-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% | 3,940 | 1,246 | 1,989 | 84 | 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.i to the 2014 consolidated financial statements with which it should be read.

**Jointly controlled entities included in the scope of consolidation at 31 December 2013**

| Company | Registered office | Ownership interest | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cost (Thousands of euros) | % | Assets | Liabilities | Income | Profit/(loss) | Company holding the interest | Consolidation method | Activity | Auditor |
| **INDIRECT SHAREHOLDING Through Tradia Telecom** | | | | | | | | | | | |
| Adesal Telecom, S.L. | Ausias March 20, Valencia | 3,297 | 51% | 22,281 | 10,800 | 7,425 | 1,355 | Tradia Telecom, S.A | Equity | Construction and operation of terrestrial telecommunications infrastructure | Deloitte |

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

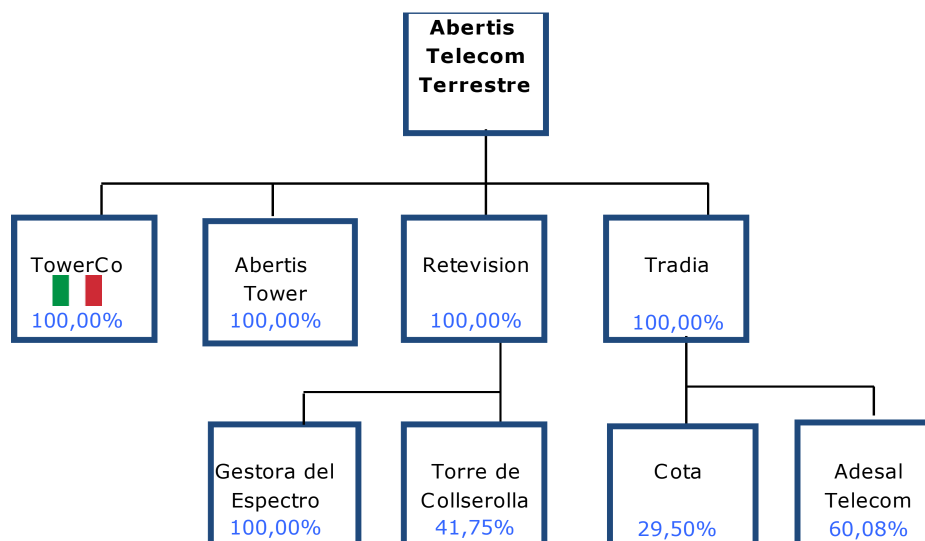
**Abertis Telecom Terrestre, S.A.U. and Subsidiaries**

Consolidated Directors' Report
for the year ended
31 December 2014

**Information required under article 262 of the Spanish Limited Liability Companies Act**

The Abertis Telecom Terrestre Group provides services related to infrastructure management for terrestrial telecommunications to the infrastructure rental markets for mobile telecommunications operators (Telecom Site Rental), Broadcasting Infrastructure and Network Services and Other, mainly through its subsidiaries Retevisión I, S.A.U., Tradia Telecom, S.A.U., Abertis Tower, S.A.U. and the Italian company TowerCo, S.p.A.

The organisational structure of the Abertis Telecom Terrestre Group at 31 December 2014 is presented below:




The Group has indirect ownership interests in other telecommunications companies: (i) through Retevisión I, S.A.U., it holds 41.75% of Torre de Collserola, S.A. and (ii) through Tradia Telecom, S.A.U., it holds 60.08% of Adesal Telecom, S.L. and 29.50% of Consorcio de Telecomunicaciones Avanzadas, S.A. (COTA).

## Significant events in 2014

The Abertis Telecom Terrestre Group was formed as a result of the partial spin-off carried out at the end of 2013, pursuant to which the economic unit comprising investments in terrestrial telecommunications companies was spun off from the assets and liabilities of Abertis Telecom Satélites, S.A.U. (formerly Abertis Telecom, S.A.U.), as described in Note 1 to the accompanying consolidated financial statements.

In 2014 the Abertis Telecom Terrestre Group consolidated its diversification process in terrestrial telecommunications and its internationalisation with the expansion of the infrastructure rental business for mobile telecommunications operators through Abertis Tower, S.A.U. and, with its entry into Italy, through TowerCo S.p.A. (TowerCo).

### *Telecom site rental business*

In 2014 the Site Rental business benefited from the purchase of 1,854 infrastructures as part of the framework agreement reached in 2013 with Telefónica and Yoigo (Xfera Móviles) for the acquisition of a maximum of 3,437 infrastructures. With this purchase, the aforementioned agreement was concluded. At the end of 2013, the first phase of the aforementioned agreement (Volta phase I) was completed and Volta phase II and phase II were completed in 2014. The infrastructure portfolio at 31 December 2014 is summarised below:

| Framework agreement | Project | No. of towers acquired | Cost in millions of euros | Purchase date |
|---|---|---|---|---|
| Shared with broadcasting business | | 1,768 | - | prior to 2012 |
| Telefónica | Babel | 1,000 | 90 | 2012 |
| Telefónica and Yoigo (Xfera) | Volta phase I | 1,211 | 113 [3] | 30 December 2013 |
| **At 31 December 2013** | | **3,979** | **203** | |
| | *Dismantled towers* | *(129)* [2] | | |
| Telefónica | Volta phase II | 530 | 58 [3] | 10 January 2014 |
| Telefónica and Yoigo ((Xfera) | Volta phase III | 113 | 12 [3] | 30 June 2014 |
| Telefónica | Volta Extended | 1,090 [1] | 154 | 12 November 2014 |
| Neosky | Neosky | 10 | - | 30 December 2014 |
| *Business acquisition* | *TowerCo purchase* | *321* | *95* | *27 May 2014* |
| **At 31 December 2014** | | **5,914** | **319** | |

1 Within the framework of the new agreement signed with Telefónica on 31 July 2014 for the acquisition of a maximum of 2,120 tower infrastructures for site rental.
2 129 dismantled up to 31 December 2014 with the commitment to dismantle up to 221 (215 + 6) – see note 6
3 See note 6 – Property, plant and equipment

As explained in Note 5 to the accompanying consolidated financial statements, 100% the shares of the Italian company TowerCo were acquired from Atlantia S.p.A on 27 May 2014 for EUR 94.6 million. This transaction represents a significant milestone for the Group because, not only does it reinforce the site rental business, it is also the first transaction carried out at an international level. TowerCo provides co-location services to the main mobile telephone operators in Italy and, at 31 December 2014, it managed 321 infrastructures along Italian motorways.

These acquisitions consolidate the Group's position as a key player in the process to streamline the use of tower infrastructures for site rental in Spain. The Group now has a unique portfolio of assets, which have enabled new business opportunities to be developed through the sharing of the infrastructure necessary in the roll out of fourth generation mobile telephones, involving the decommissioning of duplicate infrastructure. Likewise, the Group has intensified the process to diversify its activities away from terrestrial radio broadcasting in its telecommunications business.

***Broadcasting infrastructure business***

In 2014 the Royal Decree 805/2014, of 19 September was passed, approving the National Digital Terrestrial Television Technical Plan and regulating certain aspects of liberating the digital dividend with the expectation that the 800 MHz band would be freed up in March 2015, reducing to seven the national multiplexes for digital terrestrial television.

Due to certain irregularities in the public tender process aimed at assigning channels to private operators, nine channels were shutdown on 6 May 2015 (2.25 national multiplexes – MUX). In addition, due to the Audiovisual Act, Televisión Española (TVE) reduced the use of its second multiplex by 0.33 as part of the process of reassigning the spectrum to private radio broadcasters in 2015.

The Spanish government will have to call a public tender, which is expected to occur in March 2015, to assign new channels which would occupy 1.58 MUX, bringing the number of national multiplexes to 7. As a result of this measure, a portion of the income lost due to the shutdown is expected to be recovered.

In any case, the Group continues to research and implement better techniques, both in the provision of digital terrestrial television (DTT) services in Spain, and in the distribution of audiovisual content on the Internet and on mobile networks (television via mobile telephone).

***Network services and other business***

On 21 October 2014, the shareholders agreement between Tradia Telecom, S.A.U. and the other shareholders investing in the share capital of Adesal Telecom, S.L. was amended. Subsequently, on 27 November 2014, through Tradia Telecom, S.A.U. (a wholly-owned company), the Group acquired a further 8.98% of the shares of Adesal Telecom, S.L. for EUR 1.2 million, thereby bringing its ownership interest to 60.08%. As explained in Note 2.i. to the accompanying consolidated financial statements, Adesal Telecom, S.L. became a fully consolidated company on 1 November 2014 through the aforementioned amendment to the shareholders´ agreement.

In the network services market in 2014, the Group, together with Sigfox, launched the only network with coverage throughout all of Spain dedicated to device connectivity and efficient interaction between objects in order to exploit the potential of the Internet of things (IoT).

In 2014 the Group signed an agreement with the Barcelona City Council to provide Smart City solutions which include WI-FI coverage, a transport network, urban infrastructure management to aid in the roll-out of telecommunications services and traffic solutions.

With regard to quality control, the Group companies Retevisión-I, S.A.U., Tradia Telecom, S.A.U. and Abertis Tower, S.A.U. renewed their ISO 9001 Quality, ISO 14001 Environmental Management, OSHAS 18001 Occupational Health and Safety, UNE 166002 Research, Development and Innovation, ISO 17025 Competence

of Testing and Calibration Laboratories, and ISO 27001 Information Security certificates, underscoring their continued commitment to quality.

In 2014 the Company also renewed the European Seal of Excellence 500+ / Recognised for Excellence 5 Stars, awarded by the Excellence in Management Club, which represents Spain in the European Foundation for Quality Management (EFQM) for its subsidiaries, Retevisión-I, S.A.U., Tradia Telecom, S.A.U. and Abertis Tower, S.A.U.

## Activity and consolidated results

| | Thousands of euros | |
|---|---|---|
| | **2014** | **2013 (*)** |
| **Broadcasting infrastructure** | **250,354** | **266,828** |
| **Telecom site rental** | **106,531** | **40,332** |
| Income from site rentals | 107,452 | 40,332 |
| Customer advances | (921) | 0 |
| **Network and other services** | **79,160** | **77,429** |
| **Operating income** | **436,045** | **384,589** |
| Staff costs | (83,886) | (86,337) |
| Repair and upkeep | (23,410) | (18,478) |
| Leases | (62,527) | (39,244) |
| Utilities | (27,080) | (18,177) |
| General and other services | (62,315) | (55,944) |
| | (259,218) | (218,180) |
| **Profit from operations before depreciation and amortisation charge (EBITDA)** | **176,827** | **166,409** |

(*) Restated

| Indicators | Thousands of euros | | |
|---|---|---|---|
| | 2014 | 2013 | % Change |
| Total number of sites including broadcasting and other services | 7,493 | 5,440 | 38% |
| **Infrastructure rental to mobile telecommunications operators** | | | |
| Number of sites (end of period) | 5,914 | 3,979 | 49% |
| Tenancy ratio [(2)]: points of presence/sites | 1.81 | 1.71 | *6%* |
| Income per tower [(1)] | *23.0* | *14.0* | *64%* |
| **Broadcasting infrastructure** | | | |
| Number of National DTT MUX (average) | 6.50 | 8.00 | -19% |
| National DTT Coverage | > 99% | > 99% | |

(1) The Group calculates income per tower using the total annual Site Rental income divided by the average number of towers held during the year with the impact of the TowerCo acquisition in 2014 annualised. (5,029 in 2014 and 2,869 in 2013)

(2) The tenancy ratio relates to the average number of tenants in each site. It is obtained by dividing the number of tenants by the average number of sites in the year (5,029 in 2014 and 2,869 in 2013)

Operating income reached EUR 436 million, up 13% on 2013. This increase was clearly affected by the expansion of the above-mentioned Site Rental business. The number of infrastructures reached 5,914 at 31 December 2014, in comparison to the 3,979 reached in 2013.

With regard to the broadcasting infrastructure business–which continues to represent the main business line in terms of contribution to consolidated income–income amounted to EUR 250 million, a 6% decline due to fewer billings as a result of the shutdown of 9 national DTT channels, partially offset by the simulcasts carried out for the radio broadcasters linked to the freeing up of the digital dividend band.

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

In general, the Spanish market has performed positively with regard to radio and television consumption in recent years, while the radio and television advertising market showed signs of recovery after several years of decline.

The infrastructure rental business for mobile telecommunications operators (Site Rental) increased its income by 164% to EUR 107 million due to the aforementioned acquisitions. This is a business with solid growth driven by strong material demand for wireless data communication services, and the growing interest of mobile telephone network operators (MNO) as a result of developing top quality networks that fulfil consumers' needs in terms of uninterrupted coverage and availability of wireless bandwidth (based on new long term evolution technologies), with the most efficient management possible. In recent years, the Group consolidated its infrastructure network and long-term strategic relationship with its main customers, telecommunications operators among others, through the agreements entered into with Telefónica and Yoigo for the acquisition and management of a portion of their network of infrastructure for mobile telecommunications. In addition to its current portfolio, Group managers have identified a portfolio of possible acquisitions that it is currently analysing by applying demanding criteria of capital employment.

The Group owns a high-quality asset portfolio made up of selective assets in Spain and Italy and the subsequent streamlining and optimisation of tower infrastructure for site rental. Its main added value proposals in this line of business consist of adding additional tenants in its towers and streamlining the network. By increasing its tenants, the Group will generate additional income with very little additional cost. This network streamlining may generate significant efficiencies for the Group and for the mobile telephone network operators (MNO).

The network services business increased its income slightly to EUR 79 million, due largely to the IoT and Barcelona City Council Smart Cities projects.

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

All of this has helped boost operating income and profit from operations, also impacted by efficiency improvements and operating-cost optimisation measures.

In line with the increase in revenue, EBITDA was 6% higher than in 2013, also as a result of the assets acquired throughout 2014, which reflects the Group's capacity to generate cash flows on a continuous basis. The income statement for 2014 does not yet include the annual impact of all investments made in 2014.

Profit from operations was down 10% from 2013 due to the inclusion of the depreciation and amortization relating to TowerCo and the infrastructure acquired in 2014 and at the end of 2013.

The financial loss for the year included the effect of the financing for the purchase of the aforementioned infrastructure and for the purchase of TowerCo, with an adverse impact of EUR -7 million.

Taking into account these considerations, consolidated profit attributable to shareholders in 2014 stood at EUR 58 million.

## Consolidated balance sheet

Total assets at 31 December 2014 stood at EUR 1,232 million, a 48% year-on-year increase, as a result of the investments made in 2014.

Around 68.5% of total assets relates to property, plant and equipment and other intangible assets, in line with the nature of the Group's business related to the management of terrestrial telecommunications infrastructure. The increase in property, plant and equipment and other intangible assets is a result of the above-mentioned acquisitions.

Furthermore, as explained in Note 2.c to the accompanying consolidated financial statements, the Group has re-evaluated its business model with regard to tower infrastructures for site rental, and has concluded that the price paid for the infrastructures, which from their acquisition date were known to require dismantling in order to optimise the network, should be recognised as an advance to customers as theses costs are incurred as an incentive for the operator to relocate to a Group infrastructure whereby the Group earns the future income from the operator co-location contract.

Total capital expenditure for 2014, including property, plant and equipment, intangible assets and customer advances, but not including goodwill and taking into account the businesses acquired at the cost of the investment, are summarised as follows:

| | Millions of euros | Millions of euros | | | | |
|---|---|---|---|---|---|---|
| **Type of investment** | **Investment** | **Property, plant and equipment** | **Intangible assets** | **Customer advances** | **Total tangible and intangible assets and customer advances** | **Total capital expenditure** |
| Inorganic growth (a) | **96** [1] | 223 | | 1 | **224** [2] | **320** |
| Organic growth (b) | | 21 | 1 | | 22 | 22 |
| Maintenance investment (c) | | 11 | 2 | | 13 | 13 |
| | 96 | **255** | **3** | **1** | **259** | **355** |

1- Acquisition of TowerCo S.p.A. (94.6 million euros) and Adesal Telecom (1.2 million euros)
2- Site Rental Infrastructure acquisitions: Volta phase II & III and Volta Extended

(a) Inorganic growth: acquisitions mainly of tower infrastructures for site rentals in projects that generate new income.
(b) Organic growth: expansions to the network of tower infrastructure for site rental, equipment for radio broadcasting, the broadcasting of network services and other, and the radio communications network in pre-existing projects that generate additional income.
(c) Maintenance investment: investments in existing assets

Consolidated equity amounted to EUR 501 million, a 2.9% increase on year-end 2013. Apart from the profit generated in the year, consolidated equity was mainly affected by the change in the method of consolidation of Adesal Telecom, S.L. and the recognition of this company's non-controlling interests.

In addition, the final dividend of EUR 48 million for 2013 was slightly less than net profit for 2014 and therefore did not have a significant effect on consolidated equity.

## Main risks and uncertainties

The main risks to the fulfilment of the Group's objectives are as follows:

i) *Risk related to the environment in which the Group operates and risks stemming from the specific nature of its business*

The risks to which the Group is exposed as a result of its environment relate to declining demand as a result of the economic and political situation in the countries in which it operates, the creation of new, alternative technologies, or the entry of new competitors in its areas of activity. Likewise, a significant portion of the Group's income comes from a small number of customers and, therefore, if the customers share the infrastructure in a significant manner, merge or have solvency and financial capacity problems, the ability to generate positive cash flows could be adversely affected.

To reduce its exposure to risks as a result of the environment in which it operates, the Group pursues a selective international expansion plan, diversification and growth policy, fostering understanding with public authorities to develop infrastructure. In addition, it has continued to implement an efficiency plan that began in 2011 in order to streamline operating investments and expenditures.

ii) *Financial risks*

Because of the nature of its investment activity, the Group is exposed to certain financial risks, such as liquidity risk, cash flow interest rate risk, and risks related to customer accounts receivable (especially government agencies).

The Group tries to minimise these risks through a financial risk management policy, setting maximum limits on interest rate exposure, which are defined at the Group level; identifying authorised types of hedges and instruments for each of the identified needs; and monitoring and extending the maturity of borrowings.

iii) *Operational risks:*

Operational risks relate to the integration of acquisitions; safety of users and employees; adaptation and quick response to technology changes in operating systems and the emergence of new technologies; maintenance and quality of infrastructures; training and retention of talent; integrity and security of information; internal and external fraud; dependence on suppliers; and business disruptions.

To minimise these risks, the Group has specific control policies, procedures, plans and systems for each area which are periodically reviewed and updated by specific external auditors for each area (financial reporting, quality, occupational risks, etc.). The Group also continually monitors and analyses its insurable risks and has implemented an insurance programme to ensure a level of coverage and risk in keeping with the policies that have been introduced.

Lastly, the Group has implemented a code of ethics through specific regulations for each country as well as a whistleblowing channel.

iv) *Regulatory risks:*

Risks related to changes in tax and legal regulations and socio-political changes are also significant given that the Group carries out an activity subject to government regulations on the manner in which the Group carries out its business. The main rules applicable to the Group and its customers include the availability and granting of licences for use of the spectrum, the rates for its use, and the commercial framework for the sale of terrestrial radio broadcasting assets and the obligations imposed on the Group by the Spanish competition authorities in relation to its broadcasting infrastructure activities.

The Group mitigates the risks to which it is exposed from possible regulatory changes through coordination in the relevant areas to ensure that prevailing local legislation is adhered to and that it is able to anticipate regulatory changes.

## Liquidity and capital resources

Historically, the Group has not had significant capital requirements due to the significant cash flows generated by the business. However, over the last three years, its financing needs have increased considerably due to recent investments. Its main financial resources at present are its operating cash flows and bank financing.

Gross borrowings at 31 December 2014 amount to EUR 433 million, representing 86% of equity and 35% of liabilities and equity, percentages which have increased with regard to 2013 by 33% and 19%, respectively, due to the financing obtained for the above-mentioned acquisitions.

At 31 December 2013, the majority of the Group's financing consisted of borrowings from the Group. For comparison purposes, if the aforementioned financing from the Group were deemed bank borrowings, gross borrowings at 31 December 2014 would be 270% higher than at year-end 2013. This increase arose as a result of securing the financing required both for the acquisition of the tower infrastructures for site rental mentioned above and for the acquisition of TowerCo.

As indicated in Note 4.b to the consolidated financial statements, at 31 December 2014, net borrowings amounted to EUR 342 million and consolidated cash and cash equivalents totalled EUR 91 million.

At 31 December 2014, the Group had EUR 380 million in undrawn syndicated financing.

On 22 December 2014, the Group entered into a non-recourse factoring agreement to transfer the outstanding balances with two customers up to a maximum of EUR 45 million, accruing interest at market rates, which had yet to be used at year-end 2014.

The table below summarised the resources available to the Group for future investment.

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 31/12/2014 | | | |
| | **Maturity** | **Limit** | **Nominal amount drawn down** | **Available** |
| **Syndicated financing:** | | | | |
| Facility A – Tranche 1 | Jun-17 | 350,000 | - | 350,000 |
| Facility B – Tranche 2 | Jun-19 | 375,000 | 375,000 | |
| Revolving credit facility | Jun-19 | 75,000 | 45,000 | 30,000 |
| **Total syndicated financing** | | **800,000** | **420,000** | **380,000** |
| **Factoring facility** | | **45,000** | | **45,000** |
| **Cash and equivalents** | | | | **90,891** |
| **Total available for future investment** | | | | **515,891** |

The syndicated debt, amongst other requirements, obliges the Company to report a financial ratio on a half-yearly basis, with the following calculation and definition as at 31 December 2014. (This is exclusively for the purposes of the financial ratio of the syndicated debt detailed in note 13 of the notes to the consolidated accounts enclosed.)

| | Thousands of euros |
|---|---|
| EBITDA on a straight line bases for the purposes of the loan agreement (**) | 205,875 |
| Net borrow ings | 342,261 |
| Adjusted net debt (for the purposes of the loan agreement) (*** | 350,852 |
| **Debt covenant ratio (AND/EBITDA)** | **1.70** |
| Adjusted interest cost (****) | 7,727 |
| **Debt covenant ratio (EBITDA/Adjusted interest cost)** | **26.64** |

1) The aggregate outstanding principal or capital amount of all financial indebtedness of the Group (less the contribution of Excluded Companies) calculated on a consolidated basis (433,152 thousand euros, plus 5,585 thousand euros due to the accrual of interest less 1,721 thousand euros of short term interest payable, see note 13), less cash and cash equivalents (90,891 thousand euros – see note 11), but excluding: subordinated debt, shareholder debt, guarantees linked to intercompany borrowings already included in the calculation of net consolidated borrowings, non-crystalised 'mark to market' from cash transactions, subordinated equity instruments, and other guarantees (-1,390 thousand euros), except for those related to the issue of debt. For the purposes of this calculation Adesal Telecom is considered an excluded company, and as such the net debt of Adesal Telecom (6,117 thousand euros) is not included.

2) Consolidated operating profit before the deduction of interest, tax, depreciation, amortization and impairment charges. From this the following shall be eliminated: interest receivable (to the extent already included); the amount of profit or loss of any member of the Group (other than Excluded Companies) which is attributable to any third party, which is a shareholder in that member of the Group; any gain or loss due to the revaluation, sale, lease or other disposal of any asset by any member of the Group (except for the sale of current assets in the ordinary course of business); exchange gains or losses related to the investment or financing activities; any gain or loss from the restructuring of activities and reversal of restructuring provisions; the result of the sale, revaluation or impairment charges or reversals of noncurrent assets, along with any fair value adjustment to financial instruments, effects which do not relate to the ordinary course of business or the calculation period in question (176,827 thousands of euros.) (See the Consolidated Income Statement for the year ended 31 December 2014.)

   The calculation in the covenant permits the annualisation of the proforma EBITDA calculation for the acquisitions performed during the year. These are: TowerCo, inclusion of the EBITDA which would have been consolidated between the months of January and May 2014 (+5,631 thousand euros – see note 5); project Volta (phase II and III) is annualised including the EBITDA which these assets would have contributed if they had been acquired on 1 January 2014 (+521 thousand euros), and lastly the project Volta Extended is annualised including the EBITDA that this operation (performed in November 2014) would have contributed if the assets had been acquired on 1 January 2014 (+11,928 thousand euros). With respect to the adjustment for non-recurrent items, the EBITDA is increased by 10,800 thousand euros due to the effect of the provision for the CNC fine as explained in note 16.

   Finally, the calculation considers Adesal Telecom as an excluded company such that its EBTIDA contribution to the consolidated figures is not included (-433 thousand euros), but in turn the dividends received during the period are included (601 thousand euros).

| | |
|---|---|
| EBITDA according to consolidated financial statements | 176.827 |
| Impact of annualised EBITDA of | |
| TowerCo | 5.631 |
| Adesal Telecom | 168 |
| Volta | 521 |
| Volta Extended | 11.928 |
| **EBTIDA Cash on straight line basis** | **195.075** |
| Elimination of charge for non recurrent items | 10.800 |
| **EBITDA on a straight line basis** | **205.875** |

3) The aggregate amount of the interest, recurring fees or charges in respect of the financial indebtedness accrued or paid by any member of the Group, calculated on a consolidated basis and in respect of the calculation period. (2,347 thousand euros plus 4,076 thousand euros. See note 17). In the calculation of this amount, the following are excluded: upfront fees or costs, any interest or expected return on plan assets in relation to any post-employment benefit schemes, interest in respect of subordinated debt, any unrealised gains or losses on any derivative instruments. In addition, any interest income of the Group in respect of the calculation period is deducted.

   The covenant calculation permits the annualization of the calculation of the proforma interest in relation to the acquisitions performed during the year, which are the following: TowerCo is annualised adding in the interest that would have been registered during the months from January to May 2014 (-426 thousand euros); project Volta (phases I and II) are annualised adding in the interest that would have been registered relating to the operations performed in January and June 2014 as if they had both been performed on 1 January 2014 (-115 thousand euros), and lastly project Volta Extended is annualised adding in the interest that would have been registered if the operation performed in November 2014 had been performed in January 2014 (-763 thousand euros).

## Information on deferral of payment to suppliers

See note 14.

## Use of financial instruments

In 2014 and 2013 the Group followed the financial instrument use policy described in Note 4 to the accompanying consolidated financial statements.

## R&D activities

In 2014, the Group continued to invest in research and development, carrying out various R&D projects both in Spain and abroad. Internationally, within the Smart City industry, the iCity project (with the participation of Barcelona, London, Bologna and Genoa), COMPOSE (regarding the IoT) and GROW SMARTER (recently approved, with a budget or EUR 33 million and in which Stockholm, Cologne and Barcelona will participate as part of a consortium of 39 partners) are all particularly noteworthy.

In the audiovisual industry, of particular note are: TVRING, within the field of broadcasting and related to hybrid television through broadcasting and the Internet; Globalitv, which has European and Brazilian partners and intends to boost the European standard for Hybrid TV in Brazil; and ACORN (research and development in the field of Software Defined Radio, or SDR).

Nationally, the following projects stand out: EBM4G, regarding technical, regulatory and market matters related to the design of a 4G multi-standard SDR radio station; MIIAS in the context of Smart Cities, regarding the mobility of people and vehicles; SERES, regarding security solutions for Smart Cities; REINVEL, which is developing a comprehensive solution for charging electric cars at parking meters; A2VISES (processing smart video for Smart City applications); ONDADA (expanding coverage at sea for the marine safety platform and marine positioning of boats, AIS); and PLEASE, rearding 4k broadcasting and encoding solutions.

## Shareholder remuneration

On 30 June 2014, the Company's sole shareholder agreed to the payment of a final dividend of EUR 48,251 thousand out of 2013 profit, which was paid on 9 July 2014.

The Board of Directors of **Abertis Telecom Terrestre** does not expect to submit a proposal for a final dividend corresponding to 2014 profit for approval by the sole shareholder.

## Business outlook

Having promoted the internationalisation and diversification of the Group's activity in 2014 with the purchase of TowerCo, in 2015 the Group will continue to analyse investment and growth opportunities that comply with the strict security and profitability requirements that the Group applies to its investment portfolio, with a particular focus on opportunities to acquire tower infrastructures for site rentals as well as Spanish and international companies that operate in this sector.

In this regard, the Group is actively seeking new acquisitions in Italy and Portugal with important mobile telephone operators in these countries. The main milestones in the activity of business development are summarised below:

| | Milliones of euros | |
|---|---|---|
| | 2014<br>Offer value [(1)] | 2015<br>Offer value [(1)] |
| Binding and non-binding offers | 1,000 | |
| Executed tower purchases | 224 | 44 |
| Acquisition of Towerco | 95 | |
| Acquisition of 8,98% of Adesal | 1 | |

(1) Value expressed as 'Enterprise value' offered, defined as the value of the equity plus net debt in the case of acquisitions of companies.

***Infrastructure rental business for mobile telecommunications operators – Site Rental***

The Group intends to consolidate the acquisitions made in 2014:

- TowerCo: Income and EBITDA from the acquisition of TowerCo in 2014 amounted to EUR 13 million and EUR 8 million, respectively, which, on an annual basis, represents EUR 22 million in income and EUR 13 million in estimated EBITDA. (See note 5)

- Acquisitions of tower infrastructure for site rental: The agreements entered into with Telefónica and Yoigo (Xfera Móviles) in 2013 and with Telefónica in 2014 represented income and EBITDA of approximately EUR 19 million and EUR 8 million, respectively, which, on an annual basis, represents EUR 41 million in income and EUR 20 million in estimated EBITDA.

- In December 2014, the Group also entered into an agreement with Telefónica for the purchase of 300 tower infrastructures for site rental (towers), pursuant to the framework agreement entered into with Telefónica, for a total of EUR 43.5 million.Broadcasting infrastructure business

***Broadcasting Infrastructure***

Following the above-mentioned shutdown of nine digital terrestrial television (DTT) channels during 2014 and the reduction in the use of 0.33 of the second MUX used by TelevisiónEspañola (TVE) as part of the reassignment of the spectrum to private broadcasters, in 2015, the Group anticipates that the channels which occupy 1.58 MUX will be secured and launched at some point in 2015 arriving at seven national multiplexes as set forth in Royal Decree 805/2014.

***Network services and other***

The change in the method of consolidation in 2014 and the acquisition of 8.98% of Adesal Telecom, S.L. led to income and EBITDA of approximately EUR 2 million and EUR 1 million, respectively, in 2014. This represents EUR 5 million and EUR 2 million on a full annual basis, respectively.

In general, the balance among the overall investments in terms of maturity and profitability, as well as in terms of geographic diversification, should ensure that business areas make a sustained positive contribution. In addition, the Group expects to continue identifying new investment opportunities and operating efficiencies, thereby strengthening its balance sheet and financial position.

This outlook for the Group, along with the ongoing efforts to improve efficiency, allows us to expect higher EBITDA.

In 2015 the Company's sole shareholder intends to sell a portion of its shares in Abertis Telecom Terrestre, S.A.U. on the stock market, as it reported to the Spanish National Securities Market Commission by means of the significant event dated 12 December 2014.

No new risks or uncertainties are expected other than those noted above that are inherent to the business or those indicated in the accompanying consolidated financial statements for 2014. Nonetheless, the Group has strived and will continue to strive to optimise its management so as to have greater control over operating costs and investments, bearing in mind the new scenario and economic outlook for 2015.

## Treasury shares

In 2014 no transactions were performed with treasury shares.

## Other matters

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

## Post balance sheet events

On 22 December 2014, an agreement was entered into to purchase 300 tower infrastructures for site rental in accordance with the terms of the framework agreement signed with Telefónica Móviles España, S.A.U. on 31 July 2014, which was completed on 26 January 2015 for a total of EUR 43.5 million.

In January 2015 the Group has signed several factoring contracts, increasing the amount available on these facilities from EUR 45 million as at 31 December 2014 to EUR 95.5 million at the date of signing of these financial statements.

On 27 February 2015 the Group, through its recently created subsidiary SmartTowers Italy, S.R.L., signed an agreement with the Italian company Wind Telecomunicazioni, S.p.A. (Wind) to acquire 90% of the share capital of its wholly owned subsidiary Galata, S.p.A. (Galata). The latter owns 7,377 tower infrastructures for site rental along with related contracts.

The purchase price agreed for 90% of the share capital of Galata amounts to 693 million euros and the company will be acquired on a debt-free basis with the remaining 10% of the share capital being retained by WIND, with a put option, which can be exercised from June 2016 onwards and for 4 years after the closing date.

The agreement with Wind includes a tower services contract for a term of 15 years with prices linked in the long term to the evolution of Italian CPI and which can be extended for a further 15 years for all of the infrastructures.

At the date of signing the share purchase agreement, the average total annual gross income per infrastructure amounts to approximately 27 thousand euros – which converts to total annual gross income of approximately 200 million euros for the next full accounting year.

The annual costs directly associated with the acquired infrastructures and which, in turn, are evidenced in the following associated contracts amount to (i) approximately 93 million euros for ground rent (ii) approximately 36 million euros for energy.

The Group will finance the acquisition by means of (i) the drawdown of the available syndicated debt, as described in note 13 of the consolidated annual accounts (ii) together with new syndicated debt signed by the Group on 20 February 2015 for 300 million euros and (iii) factoring facilities and available cash. The estimated annual cost of the funds to finance this acquisition amounts to approximately 1.5%. The Group will not require finance from Abertis Infraestructuras, S.A.

It is foreseen that the closing of this transaction will duplicate the current portfolio of tower infrastructures for site rental owned by the Group and will convert it into the largest independent wireless tower operator, with a clear leadership in Spain and Italy. Moreover, this acquisition gives the Group access to a new source of organic growth and substantially increases its backlog from 2,827,473 thousand euros (see note 17) to 7,392,514

thousand euros (backlog is defined as future contractual income for infrastructure rental considering the extension of the contracts, but without considering the recharging of costs) and its visibility of cash flow generation.

The closing of this transaction is subject to several administrative approvals, which are planned to be secured by April 2015, and as such the Group has not yet commenced the initial accounting for the acquisition at the date of signing of these consolidated annual accounts.

Barcelona, 3 March 2015