Cellnex Telecom, S.A.

Financial Statements
for the year ended
31 December 2018 and
Directors' Report, together with
Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Cellnex Telecom, S.A. (the Company), which comprise the balance sheet as at 31 December 2018, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2018, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Other Information: Directors' Report

The other information comprises only the directors' report for 2018, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

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

a) A specific level that applies to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the directors' report and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the directors' report and that the other information in the directors' report is consistent with that contained in the financial statements for 2018 and its content and presentation are in conformity with the applicable regulations.

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

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

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in Appendix I to this auditor's report. This description in Appendix I to this document forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit and control committee dated 20 February 2019.

Engagement Period

The Annual General Meeting held on 27 April 2017 appointed us as auditors for a period of three years from the year ended 31 December 2016.

Previously, we were designated by the sole shareholder for the period of three years and have been auditing the financial statements uninterruptedly since the year ended 31 December 2013 and, therefore, since the year ended 31 December 2015, the year in which the Company became a Public Interest Entity.

DELOITTE, S.L.

21 February 2019

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with the entity's audit and control committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit and control committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's audit and control committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Cellnex Telecom, S.A.

Financial Statements
for the year ended
31 December 2018 and
Directors' Report

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

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

CELLNEX TELECOM , S.A.

BALANCE SHEET AT 31 DECEMBER 2018

(Thousands of Euros)

ASSETS	Notes	31 December 2018	31 December 2017	LIABILITIES	Notes	31 December 2018	31 December 2017
NON-CURRENT ASSETS:				**EQUITY:**			
Intangible assets-	Note 6	**10,196**	**7,508**	**NET EQUITY**	Note 11		
Computer software		10,196	7,508	**Capital**		**57,921**	**57,921**
Property, plant and equipment-	Note 7	**3,741**	**2,555**	**Share premium**		**314,522**	**338,733**
Land and buildings		548	306	**Reserves-**		**152,869**	**57,713**
Plant and other items of property, plant and equipment		2,730	2,170	Legal and bylaw reserves		11,584	11,584
Property, plant and equipment under construction		463	79	Other reserves		141,285	46,129
Investments in Group companies and associates-		**3,313,122**	**3,012,456**	**(Treasury shares)**		**(5,572)**	**(1,859)**
Equity instruments	Note 8.1	3,313,122	3,012,456	**Profit for the year**		**(26,146)**	**19,381**
Non-current investments-	Note 9	**723**	**837**	**(Interim dividend)**		**-**	**(10,194)**
Equity instruments		343	294	**Other equity instruments**		**64,081**	**-**
Derivatives	Note 9.1	-	164	**VALUATION ADJUSTMENTS-**			
Other financial assets		380	379	Hedging operations		**(941)**	**123**
Deferred tax assets	Note 13.6	**7,103**	**1,611**	**Total equity**		**556,734**	**461,818**
Total non-current assets		**3,334,885**	**3,024,967**	**NON-CURRENT LIABILITIES:**			
				Non-current provisions	Note 16.4	**2,246**	**1,451**
				Non-current borrowings-	Note 12	**2,855,487**	**2,369,424**
				Bond issues		2,410,286	1,869,145
				Bank borrowings		443,946	500,279
				Derivatives	Note 9.1	1,255	
CURRENT ASSETS:				**Deudas con empresas del grupo y asociadas no corrientes-**	Note 13.6	**17,050**	**-**
Trade and other receivables-		**17,315**	**10,365**	**Deferred tax liabilities**		**-**	**41**
Trade receivables		78	58	**Total non-current liabilities**		**2,874,783**	**2,370,916**
Receivables from Group companies and associates	Note 17.3	13,616	2,326				
Sundry receivables		842	237	**CURRENT LIABILITIES:**			
Staff		3	30	**Current borrowings-**	Note 12	**103,798**	**46,228**
Current tax assets		2,160	5,886	Bond issues		99,890	29,474
Other tax receivables from Public Authorities	Note 13.2	616	1,828	Bank borrowings		2,617	1,588
Current investments in Group companies and associates-		**12,338**	**25,731**	Other financial liabilities		1,291	15,166
Current loans to Group companies and associates	Note 17.3	12,338	25,731	**Payables to Group companies and associates-**	Note 17.3	**83,458**	**343,123**
Current investments		**28**	**-**	Current payables to Group companies and associates-		83,458	343,123
Other financial assets		28	**-**	**Trade and other payables-**		**36,952**	**13,578**
Current acrruals		**899**	**1,010**	Payables from Group companies and associates	Note 17.3	16,056	**-**
Cash and cash equivalents-	Note 10	**290,260**	**173,590**	Other payables		10,691	7,021
Cash		240,260	118,574	Staff	Note 16.4	3,751	5,063
Cash equivalents		50,000	55,016	Other payables to Public Authorities	Note 13.2	6,454	1,494
Total current assets		**320,840**	**210,696**	**Total current liabilities**		**224,208**	**402,929**
TOTAL ASSETS		**3,655,725**	**3,235,663**	**TOTAL EQUITY AND LIABILITIES**		**3,655,725**	**3,235,663**

The accompanying Notes 1 to 20 and Appendix I are an integral part of the balance sheet at 31 December 2018.

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

CELLNEX TELECOM, S.A.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

(Thousands of Euros)

	Notes	2018	2017
ONGOING OPERATIONS:			
Revenue-	Note 15.1	**64,611**	**84,256**
Dividends		63,278	83,088
Interest income		1,333	1,168
Other operating income-	Note 15.2	**17,485**	**6,642**
Non-core and other current operating income		17,485	6,642
Staff costs-	Note 15.3	**(13,246)**	**(9,368)**
Wages, salaries and similar expenses		(11,998)	(8,743)
Employee benefit costs		(1,248)	(625)
Other operating expenses-		**(37,877)**	**(19,589)**
Outside services	Note 15.4	(37,800)	(19,496)
Taxes other than income tax		(77)	(93)
Depreciation and amortisation	Notes 6 and 7	**(3,476)**	**(2,116)**
Profit from operations		**27,497**	**59,825**
Finance income-		**88**	**13**
Borrowings from third parties		88	13
Finance costs-		**(84,063)**	**(62,606)**
Borrowings from Group companies and associates	Note 17.3	(170)	(94)
Borrowings from third parties		(83,893)	(62,512)
Change in fair value of financial instruments		**(1,825)**	**637**
Exchange differences		**2,352**	**299**
Net financial profit/loss	Note 15.5	**(83,448)**	**(61,657)**
Profit before tax		**(55,951)**	**(1,832)**
Income tax	Note 13.5	29,805	21,213
Profit for the year		**(26,146)**	**19,381**

The accompanying Notes 1 to 20 and Appendix I are an integral part of the income statement for 2018.

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CELLNEX TELECOM, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018
A) STATEMENT OF RECOGNISED INCOME AND EXPENSE

(Thousands of Euros)

	Notas de la Memoria	2018	2017
PROFIT FOR THE YEAR PER INCOME STATEMENT		**(26,146)**	**19,381**
Income and expense recognised directly in equity		(1,064)	123
Transfers to the income statement		-	-
Total recognised income and expense		**(27,210)**	**19,504**

The accompanying Notes 1 to 20 and Appendix I are an integral part of the statement of recognised income and expense for 2018.

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

CELLNEX TELECOM, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018
B) STATEMENT OF TOTAL CHANGES IN EQUITY

(Thousands of Euros)

	Capital	Share premium	Reserves	(Treasury shares)	Profit for the year	(Interim dividend)	Valuation adjustments	Other Equity Instruments	Total
Total balance 2016	**57,921**	**338,733**	**47,728**	**(2,694)**	**29,234**	**(10,194)**	**-**	**-**	**460,728**
Total recognised income and expense	-	-	-	-	19,381	-	123	-	19,504
Transactions with shareholders or owners									
Distribution of dividends	-	-	(9,806)	-	-	(10,194)	-	-	(20,000)
Transactions with treasury shares (net)	-	-	751	835	-	-	-	-	1,586
Distribution of the result for the year 2016	-	-	19,040	-	(29,234)	10,194	-	-	-
Total balance 2017	**57,921**	**338,733**	**57,713**	**(1,859)**	**19,381**	**(10,194)**	**123**	**-**	**461,818**
Total recognised income and expense	-	-	-	-	(26,146)	-	(1,064)	-	(27,210)
Transactions with shareholders or owners									
Distribution of dividends	-	(24,211)	-	-	-	-	-	-	(24,211)
Other variations	-	-	85,727	-	-	-	-	-	85,727
Transactions with treasury shares (net)	-	-	242	(3,713)	-	-	-	64,081	60,610
Distribution of the result for the year 2017	-	-	9,187	-	(19,381)	10,194	-	-	-
Total balance 2018	**57,921**	**314,522**	**152,869**	**(5,572)**	**(26,146)**	**-**	**(941)**	**64,081**	**556,734**

The accompanying Notes 1 to 20 and Appendix I are an integral part of the statement of total changes in equity for 2018.

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

CELLNEX TELECOM, S.A.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

(Thousands of Euros)

	Notes	2018	2017
CASH FLOWS - OPERATING ACTIVITIES (I)		**(3,182)**	**20,532**
Profit for the year before tax		**(55,951)**	**(1,832)**
Adjustments to profit-		**86,924**	**63,773**
Depreciation and amortisation charge	Notes 6 and 7	3,476	2,116
Gains/(losses) on derecognition and disposal of financial instruments		1,825	(637)
Finance income		(88)	(13)
Finance costs	Note 15.5	84,063	62,606
Exchange differences		(2,352)	(299)
Changes in working capital-		**22,848**	**423**
Trade and other receivables		8,605	171
Other current assets and liabilities		111	(192)
Trade and other payables		14,132	444
Other cash flows from operating activities-		**(57,003)**	**(41,832)**
Interest paid		(62,080)	(39,750)
Interest received		88	64
Income tax recovered (paid)		362	(3,588)
Other receivables and payables		4,627	1,442
CASH FLOWS - INVESTING ACTIVITIES (II)		**(218,317)**	**(690,371)**
Payments due to investments-		**(454,248)**	**(690,371)**
Group companies and associates	Note 17.3	(445,949)	(683,119)
Property, plant and equipment and intangible assets		(8,221)	(7,122)
Other financial assets		(78)	(130)
Proceeds from sale of investments-		**235,931**	**-**
Group companies and associates		235,931	-
CASH FLOWS - FINANCING ACTIVITIES (III)		**338,169**	**686,676**
Proceeds and payments relating to equity instruments		**57,445**	**1,586**
Acquisition of own equity instruments (net)		(5,035)	1,586
Issue of equity instruments		62,480	-
Proceeds and payments relating to financial liabilities		**304,935**	**705,090**
Proceeds from issue of bank borrowings	Note 12.2	405,144	427,777
Bond issues	Note 12.1	591,615	467,159
Debt issues with Group companies and associates	Note 17.3	94,952	(6,569)
Repayment and redemption of bank borrowings		(478,072)	-
Repayment and redemption of Group companies and associates	Note 12.2	(308,704)	(183,277)
Dividends paid and returns on other equity instruments-		**(24,211)**	**(20,000)**
Dividends	Note 11.4	(24,211)	(20,000)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III)		**116,670**	**16,837**
Cash and cash equivalents at beginning of period		173,590	156,753
Cash and cash equivalents at end of period		290,260	173,590

The accompanying Notes 1 to 20 and Appendix I are an integral part of the statement of cash flows for 2018.

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

Cellnex Telecom, S.A.

Notes to financial statements for the year ended 31 December 2018

1. General information

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

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

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

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

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

The Company is the Parent of a group of subsidiaries, and under current legislation it is required to draw up separate consolidated financial statements. The consolidated financial statements of the Cellnex Group for 2017 were drawn up by the Directors at a Board meeting on 15 February 2018.

The main figures of the consolidated financial statements for 2018, which were drawn up in accordance with Final Provision Eleven of Law 62/2003 of 30 December, under International Financial Reporting Standards adopted by the European Union, are as follows:

	Thousands of Euros
	2018
Total assets	5,133,193
Equity (of the Parent)	477,890
Equity (of non-controlling interests)	137,476
Income from consolidated operations	897,871
Loss for the year attributable to the parent	(14,983)
Profit for the year attributable to non-controlling interests	2,759

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

2. Basis of presentation

2.1. Regulatory financial reporting framework applicable to the Company

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

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

- Spain's General Accounting Plan approved by Royal Decree 1514/2007, which has been modified by Royal Decree 602/2016, and its sector adaptations.

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

- Any other applicable Spanish accounting regulations.

2.2. True and fair image

These financial statements were drawn up on the basis of the Company's accounting records and are presented in accordance with the applicable regulatory financial reporting framework, especially the accounting principles and criteria laid down therein. They were drawn up by the Directors of the Company in order to express a true and fair image of its assets, financial position, results from its operations, changes in equity and changes in cash flows, in accordance with the aforementioned current legislation in force. They will be submitted for approval by the General Meeting of Shareholders, and it is expected that they will be approved without any changes. The 2017 financial statements were approved by the General Shareholders' Meeting of Cellnex Telecom, S.A. on 31 May 2018.

In the present annual accounts, that information or breakdowns have been omitted that, not requiring any detail due to their qualitative importance, have been considered non-material or have no relative importance according to the concept of materiality or relative importance defined in the conceptual framework of the Spanish General Accounting Plan 2007.

2.3. Non-mandatory accounting principles applied

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

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

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

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

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

- Recoverable amount of investments in Group companies and associates and loans to Group companies (see Notes 4.3 and 8).

- The criterion of recognition of deferred taxes (see Notes 4.4 and 13).

- Assessment of litigations, commitments and contingent assets and liabilities at year-end (see Notes 4.6 and 16).

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

2.5. Comparative information

The application of the accounting criteria in 2018 and 2017 has been uniform, therefore there are no transactions or operations that have been recorded following different accounting principles that could lead to discrepancies in the interpretation of the comparative figures for both periods.

The information in the accompanying notes to the 2018 financial statements is presented for the purposes of comparison with information relating to 2017.

2.6. Correction of errors

No significant errors in the preparation of the accompanying financial statements were detected that required the figures disclosed in the 2017 financial statements to be restated.

2.7. Grouping of items

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

2.8 Changes in accounting criteria

During fiscal year 2018, there were no changes in significant accounting criteria with respect to the criteria applied in the year 2017.

3. Proposed distribution of profit

The distribution of 2018 profit proposed by the Company's Directors for approval by the General Shareholders' Meeting is as follows:

	Thousands of Euros
Basis of distribution:	
Loss for the year	(26,146)
	(26,146)
Distribution:	
Voluntary reserves	(26,146)
	(26,146)

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

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

In accordance with the requirements of Article 277 of the Spanish Limited Liability Companies Law, a provisional accounting statement prepared by the Company showing sufficient profit for the period to permit distribution of the interim dividend and a liquidity statement establishing that there was sufficient cash to make the interim dividend payment in 2017:

2017

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

4. Accounting policies and measurement bases

The main accounting policies and measurement bases used by the Company in drawing up its financial statements for 2018 and 2017, in accordance with Spain's General Accounting Plan, were as follows:

4.1. Intangible assets

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

The carrying amount of intangible assets is reviewed for possible impairment when certain events or changes indicate that their carrying amount may not be recoverable.

Computer software

The Company records in this account the costs incurred in the acquisition and development of computer programs, including the costs of developing the web pages. The maintenance costs of computer applications are recorded in the profit and loss account for the year in which they are incurred. The amortization of computer applications is done by applying the straight-line method over a useful life of 4 years.

Impairment of intangible assets and materials

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

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

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

Impairment losses (excess of an asset's carrying amount over the recoverable amount) are recognised in the income statement for the year.

With the exception of goodwill, where impairment losses are irreversible, the Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

An impairment loss recognised in prior periods is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In such a case, the carrying amount of the asset is increased to its recoverable amount. The increased carrying amount shall not exceed the carrying amount that would have been determined, net of amortisation or depreciation, had no impairment loss been recognised for the asset in prior years. This reversal would be recognised in the income statement for the year.

4.2. *Property, plant and equipment*

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

Staff costs and other costs directly related to property, plant and equipment are capitalised as part of the investment until brought into use.

Costs incurred to renovate, enlarge or improve items of property, plant and equipment which increase the capacity or productivity or extend the useful life of the asset are capitalised as part of the cost of the asset, provided that the carrying amount of the assets replaced and derecognised from inventories is known or can be estimated.

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

The depreciation of property, plant and equipment, except for land, which is not depreciated, is calculated systematically on a straight-line basis, using the estimated useful life of the assets, based on the actual decline in value caused by their use and by wear and tear.

The depreciation rates used to calculate the depreciation of the various items of property, plant and equipment are as follows:

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

When an asset's carrying amount exceeds its estimated recoverable amount, the carrying amount is immediately reduced to its recoverable amount, and the effect is taken to the income statement for the year (see Note 4.1).

4.3. *Financial instruments*

4.3.1 Financial assets

Allocation

The Company's financial assets are classified as:

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

b) Equity investments in Group companies and associates: group companies are deemed to be those related to the Company as a result of control relationship and associates are companies over which the Company exercises significant influence.

Initial recognition

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

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

Subsequent valuation

Loans, receivables and investments held until maturity are valued at their amortized cost.

At least at year-end, the Company performs an impairment test for financial assets that are not recorded at fair value. It is considered that there is objective evidence of impairment if the recoverable value of the financial asset is lower than its book value. When it occurs, the recording of this impairment is recorded in the profit and loss account.

In particular, and with respect to the valuation adjustments relating to commercial debtors and other accounts receivable, the criteria used by the Company to calculate the corresponding value adjustments, if any, is to estimate the fair value of said balances based on the collections estimated futures.

The Company derecognizes financial assets when the rights on the cash flows of the corresponding financial asset expire or have been transferred and the risks and benefits inherent to its property have been substantially transferred, such as in firm sales of assets, assignments of commercial loans in "factoring" operations in which the company does not retain any credit or interest risk, sales of financial assets with a repurchase agreement at their fair value or securitizations of financial assets in which the assignor does not retain subordinated financing neither grants any type of guarantee or assumes any other type of risk.

On the contrary, the Company does not derecognize financial assets, and recognizes a financial liability for an amount equal to the consideration received, in assignments of financial assets in which the risks and benefits inherent to its property are substantially retained, such as the discount of effects, the "factoring with recourse", the sales of financial assets with repurchase agreements at a fixed price or the sale price plus an interest and the securitizations of financial assets in which the transferor retains subordinated financing or other types of guarantees that absorb substantially all the expected losses.

4.3.2 Financial liabilities

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

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

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

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

4.3.3 Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments to manage its financial risk, arising mainly from changes in interest rates and exchange rates (see Note 5). These derivative financial instruments were classified as cash flow hedges and recognised at fair value (both initially and subsequently), using valuations based on the analysis of discounted cash flows using assumptions that are mainly based on the market conditions at the reporting date and adjusting for the bilateral credit risk in order to reflect both the Company's risk and the counterparty's risk.

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

The fair value of the derivative financial instruments used for hedging purposes is set out in Notes 9.1 and 12.

Hedge accounting, when considered to be such, is discontinued when the hedging instrument expires or is sold, terminated or exercised or when it no longer qualifies for hedge accounting. Any accumulated gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net accumulated gain or loss recognised in equity is transferred to net profit or loss for the year.

Classification on the balance sheet as current or non-current will depend on whether the maturity of the hedge at year-end is less or more than one year.

The criteria used to account for these instruments are as follows:

a) Cash flow hedge

   The positive or negative variations in the valuation of the derivatives qualifying as cash flow hedges are charged, in their effective portion, net of the tax effect, to equity under "Reserves – Hedging reserves", until the hedged item affects the income (or when the underlying part is sold or if it is no longer probable that the transaction will take place), which is when the accumulated gains or losses in net equity are released to the income statement for the year.

   Any positive or negative differences in the valuation of the derivatives corresponding to the ineffective portion are recognised directly in profit or loss for the year under "Change in fair value of financial instruments".

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

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

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

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

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

c) Derivatives not recognised as hedges

In the case of derivatives that do not qualify as hedging instruments, the positive or negative difference resulting from the fair value adjustments are taken directly to the income statement for the year.

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

d) Fair value and valuation techniques

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

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

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

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

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

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

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

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

4.4. Income tax

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

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

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

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

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

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

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

4.5. Employee benefits

Under the respective collective bargaining agreements, the Company has the following obligations with its employees:

(i) Post-employment obligations:

Defined-contribution obligations

In relation to defined-contribution employee welfare instruments (which basically include employee pension plans and group insurance policies), the Company makes fixed contributions to a separate entity and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. Consequently, the obligations under this type of plan are limited to the payment of contributions, the annual expense of which is recognised on the income statement for the year as the obligations arise.

Defined-benefit obligations

Defined-benefit obligations relate mainly to bonuses or payments for retirement from the company and temporary and/or life-time annuities.

With regard to these obligations, where the company undertakes certain actuarial and investment risks, the liability recognised on the balance sheet is the present value of the obligations at the balance sheet date less the fair value of any plan assets at that date not arranged with related parties.

The actuarial valuation of the defined benefits is made annually by independent actuaries using the projected credit unit method to determine both the present value of the obligations and the related current and past service costs. The actuarial gains and losses arising from changes in the actuarial assumptions are recognised in the year in which they occur. They are not included on the income statement, but are presented on the statement of recognised income and expense.

(ii) Termination benefits

Termination benefits are paid to employees as a result of the decision to terminate their employment contract before the normal retirement date, or when the employee voluntarily accepts to resign in exchange for such compensation. The Company recognises these benefits when it is demonstrably committed to terminate the employment of the employees in accordance with a formal detailed plan without the possibility of withdrawal or to provide termination benefits. If a mutual agreement is required, a provision is only recorded in situations in which the Company has decided that it will consent to termination of the employees when this has been requested by them.

(iii) Obligations arising from plans for termination of employment

Provisions for obligations relating to plans for termination of employment of certain employees (such as early retirement or other forms of employment termination) are calculated individually based on the terms agreed with the employees. In some cases, this may require actuarial valuations based on both demographic and financial assumptions.

(iv) Long-term Incentive Plan

The amounts considered by the Group in relation to the Long Term Incentive Plans which were formalised in 2015, 2017 and 2018 with the objective to retain key personnel and incentivise the sustainable creation of value for the shareholders, is based on the variables described below:

LTIP (2015-2017)

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

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

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

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

The cost of the LTIP (2015-2017) for Cellnex was EUR 4.4 million.

LTIP (2017-2019)

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

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

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

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

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

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

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

In accordance with the attainment above, the cost of Phase I (2017-2018) of the LTIP (2017-2019) for Cellnex is EUR 2.5 million, which will be paid once the Group's annual accounts corresponding to the 2018 financial year have been approved.

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

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

- 50%; the attainment of a certain RLFCF per share figure according to the market consensus and a constant scope of consolidation. The scale of attainment is: 50% if the figure is 5% below the target, 100% if figure matches the target, and 125% if the target is beaten by 5% or more; and
- 50%; the share price appreciation calculated between the initial starting price of the period and the average price in the last quarter of 2019, weighted by the volume ("vwap"). The scale of attainment is from 75% to 125% depending on the share price performance compared to IBEX 35 and certain European and American peers.

As at 31 December 2018, the estimated cost of the Phase II (2018-2019) is approximately EUR 3.9 million. If the maximum level of achievement of the objectives were to be attained, the estimated cost would be approximately EUR 4.9 million.

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

LTIP (2018-2020)

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

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

- 50%; the attainment of a certain RLFCF per share figure according to the market consensus and a constant scope of consolidation. The scale of attainment is: 50% if the figure is 5% below the target, 100% if figure matches the target, and 125% if the target is beaten by 5% or more; and
- 50%; the share price increase calculated using the initial starting price of the period and the average price in the last quarter of 2020, weighted by the volume ("vwap"). The scale of attainment is from 75% to 125% depending on the share price performance compared to IBEX 35 and certain European and American peers.

As at 31 December 2018, the estimated cost of the ILP (2018-2020) is approximately EUR 5 million, if it were to achieve the maximum level of achievement of the objectives, the estimated cost would be approximately EUR 6.3 million.

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

4.6. Provisions and contingent liabilities

The Directors of the Company in the formulation of the annual accounts differentiate between:

a) Provisions: credit balances that cover current obligations derived from past events, whose cancellation is likely to result in an outflow of resources, but which are indeterminate in terms of their amount and / or time of cancellation.

b) Contingent liabilities: possible obligations arising as a result of past events, whose future materialization is conditioned on the occurrence, or not, of one or more future events independent of the Company's will.

The annual accounts include all provisions with respect to which it is estimated that the probability of having to meet the obligation is greater than otherwise. Unless they are considered remote, contingent liabilities are not recognized in the annual accounts, but they are reported in the notes to the report.

Provisions are valued at the present value of the best possible estimate of the amount necessary to cancel or transfer the obligation, taking into account the information available on the event and its consequences, and recording the adjustments arising from the updating of such provisions as a financial expense as it accrues.

The compensation to be received from a third party at the time of settlement of the obligation, provided that there is no doubt that said reimbursement will be received, is recorded as assets, except in the case that there is a legal link through which part of the risk, and by virtue of which the Company is not obliged to respond; in this situation, the compensation will be taken into account to estimate the amount for which, in its case, the corresponding provision will appear.

4.7. Current and non-current items

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

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

4.8. Recognition of revenue and expenses

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

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

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

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

4.9. Leases

Leases are classified as finance leases, provided that the conditions of the leases show that the risks and benefits inherent to the ownership of the asset that is the object of the contract are substantially transferred to the lessee. The other leases are classified as operating leases.

Operating lease

i. The Company acts as a lessee

Expenses derived from operating lease agreements are charged to the profit and loss account in the year in which they are accrued.

Any collection or payment that may be made when contracting an operating lease, will be treated as a prepayment or payment that will be charged to income over the period of the lease, as the benefits of the leased asset are ceded or received.

4.10. Cash and cash equivalents

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

4.11. Treasury shares

If the Company acquires treasury shares, these are recognised in the balance sheet under “Treasury shares” and deducted from equity and measured at their acquisition cost without recognising any valuation adjustment.

When these shares are sold, any amount received, net of any additional directly attributable transaction costs and the corresponding effect of the tax on the gain generated, is included in equity of the Company.

4.12. Payments based on shares

The Company recognizes, on the one hand, the goods and services received as an asset or as an expense, according to its nature, at the time of its acquisition and, on the other hand, the corresponding increase in net assets, if the transaction is settled with equity instruments, or the corresponding liability if the transaction is settled with an amount that is based on the value of the equity instruments.

In the case of transactions that are settled with equity instruments, both the services rendered and the increase in net equity are valued at the fair value of the equity instruments transferred, referring to the date of the concession agreement. If, on the contrary, they are settled in cash, the goods and services received and the corresponding liability are recognized at the fair value of the latter, referring to the date on which the requirements for recognition are met.

4.13. Related party transactions

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

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

4.14. Transactions in currencies other than the euro

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

4.15. Activities affecting the environment

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

5. Financial risk management

5.1. Factors of financial risk

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

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

a) Foreign-exchange risk

The Company presents its accounts in euros, therefore, fluctuations in the exchange rate of the currencies in which loans are implemented and transactions are carried out, can have an impact on: future commercial transactions, the recognition of assets and liabilities, as well as in investments in currency other than the euro.

In addition, since 2016 the Company operates outside the Euro zone and has assets mainly in the United Kingdom and Switzerland, which entails exposure to foreign currency risk and in particular to the risk of fluctuations in the exchange rates of the euro, the pound sterling and the Swiss franc. The strategy for hedging the exchange rate risk for investments in currencies other than the euro should aim at full risk coverage, and should be implemented within a reasonable period of time, depending on market conditions and the previous impact analysis. of said coverage.

Despite the fact that most of the Company's transactions are carried out in euros, the volatility in the conversion into euros of the agreements entered into in pounds sterling and Swiss francs may have negative consequences for the Company, affecting its business prospects, projections, financial statements and results of operations, as well as the generation of cash flows.

b) Interest rate risk

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

Foreign resources issued at variable rates expose the Company to interest rate risks of cash flows, while non-fixed interest rate exposures expose the Company to interest rate risks on fair value. In addition, any increase in interest rates may increase the financial expense of the Company associated with variable rate loans, as well as the costs of refinancing existing debt and issuing new debt.

The objective of interest rate risk management is to achieve a balance in the debt structure that minimizes volatility in the income statement over a multi-year horizon.

The Company could use derivative financial instruments to manage its financial risk derived mainly from interest rate variations. These derivative financial instruments have been classified as cash flow hedges and have been recognized at fair value (both initial and subsequent valuations). These valuations have been calculated by analyzing the discounted cash flows using assumptions based mainly on the market conditions existing at the balance sheet date, in the case of unlisted derivative instruments (see Notes 4.3.3, 9.1 and 12).

On December 31, 2018 there is financing contracted to third parties that presents interest rate hedging mechanisms (see Notes 9.1 and 12).

c) Credit risk

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

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

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

d) Liquidity risk

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

e) Inflation risk

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

5.2. Fair value measurements

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

6. Intangible assets

The changes in this heading on the balance sheets in 2018 and 2017 are as follows:

2018

	Thousands of Euros
	Computer software
At 31 December 2017	
Cost	10,093
Accumulated amortisation	(2,585)
Carrying amount	**7,508**
Carrying amount at beginning of period	7,508
Additions	5,651
Transfers	42
Amortisation charge	(3,005)
Carrying amount at end of period	**10,196**
At 31 December 2017	
Cost	15,786
Accumulated amortisation	(5,590)
Carrying amount	**10,196**

2017

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

The additions of the 2018 and 2017 exercises correspond to the improvement and adaptation of software developments.

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

As of December 31, 2018, there are intangible assets in operation that are fully amortized for an amount of EUR 26 thousand (EUR 0 thousand as of December 31, 2017).

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

7. Property, plant and equipment

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

2018

	Thousands of Euros			
	Land and buildings	Plant and other items of property, plant and equipment	Property, plant and equipment under construction	Total
At 31 December 2017				
Cost	314	2,646	79	3,039
Accumulated amortisation	(8)	(476)	-	(484)
Carrying amount	**306**	**2,170**	**79**	**2,555**
Carrying amount at beginning of period	306	2,170	79	2,555
Additions	256	980	463	1,700
Amortisation charge	(14)	(458)	-	(472)
Transfers	-	37	(79)	(42)
Carrying amount at end of period	**548**	**2,730**	**463**	**3,741**
At 31 December 2018				
Cost	570	3,664	463	4,697
Accumulated amortisation	(22)	(934)	-	(956)
Carrying amount	**548**	**2,730**	**463**	**3,741**

2017

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

The additions of the 2018 and 2017 periods correspond mainly to the adaptation and improvement of the offices where the Company carries out its activity.

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

At 31 December 2018 and 2017, no totally depreciated property, plant and equipment were in operation.

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

8. Investments in Group companies and associates

8.1. Equity instruments

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

At 31 December 2018 and 2017 there were no investees which, with a stake of less than 20%, it may be concluded there was significant influence or, in the case of investees with a stake of more than 20%, it may be concluded there was no significant influence.

The breakdown of the direct shareholdings in Group companies as well as the movement of the years 2018 and 2017 is as follows:

2018

Shareholding in Group companies	Thousands of Euros
At 31 December 2017	**3,012,456**
Additions-	
Cellnex Italia, S.r.L.	55,700
Cellnex France, S.A.S.	390,249
Cellnex Telecom España, S.L.	977,497
Cellnex Switzerland AG	5,993
Disposals-	
Retevisión-I, S.A.U.	(368,938)
Tradia Telecom, S.A.U.	(127,121)
On Tower Telecom Infraestructuras, S.A.U.	(395,711)
Cellnex Switzerland AG	(5,932)
Cellnex Telecom España, S.L.	(230,000)
Cellnex UK Ltd. (formerly Shere Group Ltd.)	(1,071)
	300,666
At 31 December 2018	**3,313,122**

Shareholding in Group companies	Thousands of Euros		
	Cost	Impairment	Net Value
Cellnex Italia, S.r.L.	845,310	-	845,310
Cellnex Netherlands, B.V.	515,151	-	515,151
Cellnex France, S.A.S.	908,341	-	908,341
Cellnex UK Ltd. (antes Shere Group Limited)	130,226	-	130,226
Cellnex France Group	1,050	-	1,050
Cellnex Switzerland AG	165,544	-	165,544
Cellnex Telecom España, S.L.U.	747,500	-	747,500
Total 31.12.2018	**3,313,122**	**-**	**3,313,122**

2017

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

Shareholding in Group companies	Thousands of Euros		
	Cost	Impairment	Net Value
Retevisión-I, S.A.U.	368,938	-	368,938
Tradia Telecom, S.A.U.	127,121	-	127,121
On Tower Telecom Infraestructuras, S.A.U.	395,711	-	395,711
Cellnex Italia, S.r.L.	789,610	-	789,610
Cellnex Netherlands, B.V.	515,151	-	515,151
Cellnex France, S.A.S.	518,091	-	518,091
Cellnex UK Ltd. (antes Shere Group Limited)	131,299	-	131,299
Cellnex France Group	1,050	-	1,050
Cellnex Switzerland AG	165,482	-	165,482
Cellnex Telecom España, S.L.U.	3	-	3
Total 31.12.2017	**3.012.456**	-	**3.012.456**

The main additions in 2018 relate to the following transactions:

i) Cellnex Telecom España, S.L.U.

On February 14, 2018, the non-monetary contribution of Retevisión-I, S.A.U., Tradia Telecom, S.A.U. and On Tower Telecom Infraestructuras, S.A.U. (Spanish companies) within the consolidation perimeter in which Cellnex Telecom, S.A. had a 100% stake, for a value of 977 million euros, generating a contribution of share capital and share premium in the Company for the same amount (see Note 8.1).

The cost of the portfolio of the companies contributed to Cellnex Telecom España, S.L.U. amounted to EUR 892 million, an amount that Cellnex Telecom, S.A. has written off in its share portfolio.

From this operation, a capital gain has been generated that has been recorded against reserves in the statement of changes in equity, for an amount of EUR 85.7 million.

The transaction has been defined as the contribution of a business between Group companies. As defined in section 2.1 of the NRV 21st of the General Accounting Plan, in the wording introduced by Royal Decree 1159/2010, of September 17, when regulating non-monetary contributions, it establishes that in non-monetary contributions to a company of the group, the contributor and the receiver, will value their investment for the book value of the assets delivered in the consolidated annual accounts on the date on which the operation is carried out, according to the Rules for the Formulation of the Consolidated Annual Accounts, which they develop the Commercial Code.

Additionally, on July 20, 2018, the company Cellnex Telecom España, S.L.U. has distributed an issue premium of 230 million euros.

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

On December 18, 2018, the company Cellnex France, S.A.S. (Sole proprietorship 100% owned by Cellnex Telecom, S.A.), formalized an increase in share capital in the amount of EUR 9,255 thousand with an issue premium of EUR 380,994 thousand.

iii) *Cellnex Switzerland AG*

On May 7, 2018, the distribution of a dividend amounting to CHF 15 million was approved, which resulted in the reduction of the participation of Cellnex Switzerland AG in the amount of EUR 5.9 million.

iv) *Cellnex Italia, S.r.L.*

On November 29, 2018, the company Cellnex Italia (a sole proprietorship owned 100% by Cellnex Telecom, S.A.), formalized an increase in share capital in the amount of 55,700 thousand euros.

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

During the current financial year 2018, the net investment coverage in foreign businesses of certain companies as Cellnex UK Ltd (formerly Shere Group Ltd) and Cellnex Switzerland resulted in a decrease in the cost of the investment in these investees amounting to a decrease of EUR 1,071 thousand and an increase of EUR 5,993 thousands, respectively (increase of EUR 5,157 thousand and EUR 5,000 thousand respectively in 2017). This variation was made with a balancing entry in the income statement for the year (under the heading "Variation in the fair value of financial instruments") due to the effect of the exchange rate on the part of the coverage considered as effective coverage, said impact being offset due to the effect of the contracted coverage (see Note 12), also recorded in the same section of the income statement (see Note 15.5).

The main additions in 2017 relate to the following transactions:

vi) *On Tower Telecom Infraestructuras, S.A.*

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

vii) *Cellnex France, S.A.S..*

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

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

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

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

ix) Cellnex Switzerland AG

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

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

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

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

x) Cellnex Netherlands BV

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

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

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

xi) Cellnex Telecom España, S.L.U.

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

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

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

8.2. Impairment

As indicated in Note 4.1, at the end of the year, the Company evaluates whether any of the investments recorded in books show signs of impairment and, if applicable, their recoverable value.

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

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

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

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

- The projections of income and expenses of the impairment tests of the previous year have been reviewed to evaluate possible deviations. In this sense, no significant deviations have been observed in the review of the impairment tests for 2017 with respect to the results for the year 2018.

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

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

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

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

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

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

As a result of the foregoing, during the 2018 and 2017 periods the need to record impairment losses in any of the investments recorded under this heading has not been revealed.

As of December 31, 2018 and 2017, there is no provision for impairment of the value of the shares held in Group companies and associates.

The most significant assumptions used in determining the fair value of the investments in Group companies were as follows:

2018

The discount rate before tax considered for Tradia Telecom, On Tower Telecom Infraestructuras, CGU Italy (Towerco, Galata, Commscon), CGU Netherlands (Towerlink NL, Shere Masten, Alticom BV), CGU France (Cellnex France, S.A.S), CGU UK (Cellnex UK Ltd. (formerly Shere Group Ltd.)) and CGU Switzerland (Cellnex Switzerland)) is 7.1%, 7.1%, 8.4%, 5.4%, 6.4%, 5.6% y 5.7% respectively.

The activity growth rate considered for Tradia Telecom was 1.2% per annum, and for On Tower Telecom Infraestructuras, CGU Italy (Towerco, Galata), CGU Netherlands (Towerlink NL, Shere Masten, Alticom BV), CGU UK (Cellnex UK Ltd. (antes Shere Group Ltd.)) is 2.5% per annum. The activity growth rate considered in CGU Switzerland is 2.0%, in CGU France is 5% and the Commscon's growth rate was determined at 11.5% per annum due to the highly dynamic market and growth opportunities.

The 'terminal g', considered for all CGUs was 1,5% apart from Tradia Telecom, which represented 1.0% due to the broadcasting component, which was in line with a general inflation rate.

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

2017

The discount rate before tax considered for Tradia Telecom, On Tower Telecom Infraestructuras, CGU Italy (Towerco, Galata, Commscon), CGU Netherlands (Towerlink NL, Shere Masten, Alticom BV), CGU France (Cellnex France, S.A.S) and CGU UK (Cellnex UK Ltd. (formerly Shere Group Ltd.)) was 7.1%, 7.5%, 8.2%, 6.1%, 7.4% and 6.3% respectively.

The activity growth rate considered for Tradia Telecom, On Tower Telecom Infraestructuras, Towerco, Galata, Commscon (CGU Italy), Towerlink NL, Shere Masten (CGU Netherlands), CGU France (Cellnex France, S.A.S) and CGU UK (Cellnex UK Ltd. (formerly Shere Group Ltd.)) was 1.3%, 1.9%, 1.5%, 1.9%, 10.2%, 1,9%, 1,8%, 2.9% and 2.4% respectively.

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

All CGUs apart from TowerCo and Commscon were projected until 2040 in line with the duration of the service contracts in the Telecom Infrastructure Services business segment. As the TowerCo business is based on a concession agreement with Atlantia, this CGU was projected until the end of the concession in 2038. Commscon's business has different market dynamics and the average contract duration is nine years.

Sensitivity to changes in the key assumptions

With regards to the impairment tests performed on the investments in Group companies, the recoverable amount obtained (determined based on the fair value as indicated previously) exceeds the carrying value of the shareholdings to such an extent that even if the hypothesis used were changed significantly there would be no significant risk of impairment.

In accordance with the sensitivity analysis performed, any changes in the discount rates of +50 basis points; in terminal growth rate "g" of -50 basis points; and in activity of -500 basis points could be made without recognising any impairment to investments in Group companies recognised by the company at 31 December 2018.

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

8.3. Other information

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

9. Current and non-current financial investments

The breakdown of financial investments by categories is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
	Non-current	Non-current
Investment fund	343	294
Derivatives	-	164
Deposits and guarantees	380	379
Total	**723**	**837**

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

As of December 31, 2018, additional contributions and partial reimbursements have been made for 66 and 17 thousand euros, respectively (84 and 0 thousand euros, respectively, as of December 31, 2017).

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

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

9.1. *Derivative financial instruments*

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

a) Cash flow hedge

2018

	Classification	Type	Thousands of Euros				
			Contracted amount	Expiration	Inefficacy Registered in P&L	Fair Value	
						Asset	Liabilitie
Interest rate swap	Interest rate coverage	Variable to fixed	60,000	07/04/2026	-	-	(938)
Interest rate swap	Interest rate coverage	Variable to fixed	20,000	07/04/2026	-	-	(317)
						-	**(1,255)**

2017

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

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

2018

	Classification	Thousands of Euros				
		Contracted amount	Expiration(*)	Inefficacy Registered in P&L	Fair Value	
					Asset	Liabilitie
Loan in sterling	Exchange rate coverage	130,226	22/05/2022	-	-	118,387
Loan in Swiss francs	Exchange rate coverage	165,544	22/05/2023	-	-	150,495

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

2017

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

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

10. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

	Thousands of Euros	
	31/12/8201	31/12/2017
Cash	240,260	118,574
Cash equivalents	50,000	55,016
Total	**290,260**	**173,590**

As of December 31, 2018, the Company has contracted fixed-term deposits with credit institutions, for a total amount of EUR 50,000 thousand (EUR 55,016 thousand as of December 31, 2017). It was created on November 27, 2018 with a 93 days maturity (October 19, 2017 and expiration to 92 days as of December 31, 2017).

11. Net equity

11.1. Capital and treasury shares

Share capital

At 31 December 2018 and 2017, Company share capital was composed of 231,683,240 ordinary registered shares, cumulative and indivisible, each with a nominal value of EUR 0.25, fully subscribed and paid up.

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

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

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

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

(2) Threadneedle Asset Management Ltd controls 5.00% (4.90% in 2017) of the rights to vote across several investment funds and other accounts. None of the above mentioned funds and/or accounts have a shareholding higher than 3%.

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

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

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

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

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

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

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

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

Agreement entered into between Sintonia, ConnecT, Infinity and Raffles

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

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

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

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

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

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

ii) purchase treasury shares up to a limit of 10% of the share capital of the Company.

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

Treasury shares

Pursuant to the authorisation granted by the Board of Directors in its meeting of 26 May 2016, Cellnex has made various purchases and sales of treasury shares.

The acquisition of treasury shares has been carried out by means of a liquidity contract [1] signed by Cellnex on 31 May 2016 with Santander Investment Bolsa, Sociedad de Valores, S.A.U. in order to manage its portfolio of treasury shares. The aforementioned contract was cancelled on May 9, 2018.

The number of shares initially subject to the agreement amount to 139,000 shares and the amount transferred to the cash account amounts to EUR 2,000 thousand. During 2018, the Company has registered a profit of EUR 215 thousand (a profit of EUR 743 thousand in 2017), net of fees and commissions, as a result of these operations and this has been taken as a reserve movement in the balance sheet.

At 31 December 2017, the number of shares subject to the liquidity contract was 86,758 shares. During 2018, Cellnex carried out discretional purchases of 250,604 treasury shares mainly regarding the Long Term Incentive Plan "2015-2017" (See Note 17), representing 0.11% of the total shares outstanding, of which 54,330 have been transferred to beneficiaries.

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

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

The movement in the portfolio of treasury shares during 2018 and 2017 has been as follows:

2018

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

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

2017

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

11.2. Share premium

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

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

11.3. Reserves

The breakdown of this account is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Legal reserve	11,584	11,584
Voluntary reserves	140,595	45,653
Other reserves	690	476
	152,869	**57,713**

Legal reserve

In accordance with the Revised Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve may not be distributed to shareholders unless the Company is liquidated.

The legal reserve may be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased capital amount.

Apart from the purpose mentioned above, the legal reserve may be used to offset losses unless it exceeds 20% of the capital and no other sufficient reserves are available for such purpose.

At 31 December 2018 and 2017, the legal reserve had reached the legally established minimum.

Voluntary reserves

On February 14, 2018, Cellnex Telecom España, S.L. acquired 100% of the shares of Retevisión-I, S.A.U., Tradia Telecom, S.A.U. and On Tower Telecom Infraestructuras, S.A.U. owned by Cellnex Telecom, S.A., for a book value of 977 million euros. The goodwill generated by this operation amounted to 86 million euros, and was recorded with a credit to reserves.

Voluntary reserves are freely available.

Other equity instruments

The main impact on this line during 2018 corresponded to the issue of a Convertible Bond in January 2018 (see Note 12). The underlying number of shares of the Convertible Bond is equivalent to 6.8% of the Company's share capital, based on the initial conversion price of EUR 38.0829 which represented a premium of 70% over the volume weighted average price per share on the Spanish Stock Exchange between market opening at the date of issue (January 16th, 2018) and pricing of such offering.

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

Hedge Reserve

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

11.4. Dividends

The dividends to distribute to the shareholders are recorded as liabilities in the financial statements as soon as the dividends are approved by the Annual General Meeting (or by the Board of Directors in the case of interim dividends) and until their payment.

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

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

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

12. Current and non-current debt

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

	Thousands of Euros					
	Debits and payables					
	31/12/2018			31/12/2017		
	Current	Non current	Total	Current	Non current	Total
Bond Issues	99,890	2,410,286	2,510,176	29,474	1,869,145	1,898,619
Loans and credit facilities	2,797	443,946	446,743	1,588	500,279	501,867
Derivatives	-	1,255	1,255	181	-	181
Other financial liabilities	1,111	-	1,111	14,985	-	14,985
Total	**103,798**	**2,855,487**	**2,959,285**	**46,228**	**2,369,424**	**2,415,652**

During the period ended at 31 December 2018, Cellnex has increased its gross financial debt (which does not include "Derivative financial instruments" or "Other financial liabilities") by EUR 556,432 thousand, up to EUR 2,956,918 thousand.

The increase in the Company's borrowings from bond issues and loans and credit facilities position as of 31 December 2018 is mainly due to the issuance of the Convertible Bonds (as defined herein) with a carrying amount of EUR 543,631 thousand as of 31 December 2018 and the establishment of a EUR 500 million Euro-Commercial Paper ("ECP") Programme.

In addition, Cellnex refinanced certain bilateral credit facilities with lower margins and longer maturities and amended the CHF 190,000 thousand syndicated loan (notional) into a CHF 150,000 thousand loan and a CHF 40,000 thousand revolving facility (after a temporary limit of CHF 40,449 thousand).

As at 31 December 2018, Cellnex weighted average cost of debt (considering both the drawn and undrawn borrowings) would be 1.9% (2.0% as at 31 December 2017) and the weighted average cost of debt (considering only the drawn down borrowings) was 2.2% (2.5% as at 31 December 2017).

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

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

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

(i) Borrowings by maturity

2018

	Thousands of Euros							
	Limit	Current	Non-current					Total
			2020	2021	2022	2023	2024 and subsequent years	
Bond issues	2,552,835	104,445	-	-	600,000	-	1,833,631	2,538,076
Accrual of bond arrangement expenses		(4,555)	(4,746)	(4,949)	(4.568)	(3,942)	(5,140)	(27,900)
Loans and credit facilities	1,446,668	3,429	90,057	30.625	78,498	169,213	77,750	449,572
Accrual of loans and credit facilities arrangement expenses		(812)	(676)	(629)	(431)	(147)	(315)	(3,009)
Derivatives		180	-	-	-	-	1,255	1,435
Other financial liabilities		1,111	-	-	-	-	-	1,111
Total	**3,999,503**	**103,798**	**84,635**	**25,047**	**673,499**	**165,125**	**1,907,181**	**2,959,285**

2017

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

(ii) Borrowings by type of debt

	Thousand of Euros					
	Notional as of 31/12/2018 (*)			Notional as of 31/12/2017 (*)		
	Limit	Drawn	Undrawn	Limit	Drawn	Undrawn
Bond issues	2,552,835	2,552,835	-	1,890,000	1,890,000	-
Loans and credit facilities	1,446,668	447,150	999,518	1,538,398	502,980	1,035,418
Total	**3,999,503**	**2,999,985**	**999,518**	**3,428,398**	**2,392,980**	**1,035,418**

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

As at 31 December 2018, the total limit of loans and credit facilities available was EUR 1,446,668 thousands (EUR 1,538,398 thousands as at 31 December 2017), of which EUR 318,984 thousands in credit facilities and EUR 1,127,684 thousands in loans (EUR 1,139,533 thousands in credit facilities and EUR 398,865 thousands in loans as at 31 December 2017).

Furthermore, of the EUR 1,446,668 thousand of loans and credit facilities available (EUR 1,538,398 thousand as at 31 December 2017), EUR 480,793 thousand (EUR 456,898 thousand as at 31 December 2017) can be drawn down either in Euros (EUR) or in other currencies, such as Pound Sterling (GBP), Swiss franc (CHF) and US dollar (USD).

As at 31 December 2018 the amount drawn down of the loans and credit facilities was EUR 447,150 thousand (EUR 502,980 thousand drawn down as at 31 December 2017).

(iii) Borrowings by currency

	Thousand of Euros	
	31/12/2018(*)	31/12/2017(*)
Euro	2,634,128	2,100,165
GBP	167,909	175,316
CHF	188,157	167,136
Total	**2,990,194**	**2,442,617**

(*) The amounts shown in the preceding table relate to the cash flows set forth in the contracts, which differ from the carrying amount of the borrowings due to the effect of avoiding the incorporation of accrual expenses

As described in Note 4.3 of these annual accounts, the foreign exchange risk on the net investment of operations of Company denominated in non-Euro currencies is managed by means of borrowings denominated in the corresponding foreign currency.

In this regard, as at 31 December 2018 and 2017, the Company maintains borrowings in GBP, which act as a natural hedge of the net investment of the Cellnex UK Group (formerly Shere UK Group). These borrowings amount to GBP 150,200 thousand with a Euro value of EUR 167,909 thousand (GBP 155,546 thousand with a Euro value of EUR 175,316 thousand as at 31 December 2017) and are held by means of various credit facilities denominated in GBP. These non-derivate financial instruments are assigned as net investment hedges against the net assets of the Cellnex UK Group (formerly Shere Group). The maturities of these borrowings are between 2022 and 2023.

In addition, as at 31 December 2018, the Company maintains borrowings in CHF, which act as a natural hedge of the net investment in Cellnex Switzerland. Such borrowings amount to CHF 212,035 thousand with a Euro value of EUR 188,157 thousand (CHF 195,583 thousand with a Euro value of EUR 167,136 thousand at 31 December 2017) and are held by means of various facilities denominated in CHF. These non-derivate financial instruments are assigned as net investment hedges against the net assets of Cellnex Switzerland. The maturity of these borrowings is in 2023.

12.1. Bond issues

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

	Miles de Euros	
	31/12/2018	31/12/2017
Bond issues	2,447,318	1,898,619
Promissory notes and commercial paper	62,858	-
Bond issues and other loans	**2,510,176**	**1,898,619**

i) <u>Euro Medium Term Note Programme – (EMTN) Programme</u>

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

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

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

2018

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

2017

Issue date	Duration	Maturity date	Fitch / S&P rating	ISIN	Fixed coupon payable per annum	Thousands of Euros	
						Amount of issue	**Amount of issue at 31 December 2017**
27/07/2015	7 years	27/07/2022	BBB-/BB+	XS1265778933	3.125%	600,000	600,000
10/08/2016	8 years	16/01/2024	BBB-/BB+	XS1468525057	2.375%	750,000	750,000
16/12/2016	16 years	20/12/2032	BBB-/NA	XS1538787497	3.875%	65,000	65,000
18/01/2017	8 years	18/04/2025	BBB-/BB+	XS1551726810	2.875%	335,000	335,000
07/04/2017	9 years	07/04/2026	BBB-/NA	XS1592492125	Eur 6M+2.27%(1)	80,000	80,000
03/08/2017	10 years	03/08/2027	BBB-/NA	XS1657934714	Eur 6M+2.20%	60,000	60,000
						1,890,000	**1,890,000**

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

The bond issues have certain associated costs, customary in this type of transactions, such as arrangement expenses and advisers' fees. These amount to EUR 7,896 thousand in relation to the bonds issued in 2017 (EUR 7,841 thousand in 2017), which the Company defers over the life of the bonds and are taken to the income statement following a financial criteria. In this regard, an amount of EUR 27,900 thousand and EUR 24,343 thousand was deducted from bond issues in the Balance Sheet as at 31 December 2018 and 31 December 2017 respectively.

The arrangement expenses and adviser's fees accrued in the Income Statement for the period ended 31 December 2018 in relation to the bond issues amounted to EUR 4,339 thousand (EUR 3,286 thousand in 2017).

ii) Covertible bonds issue

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

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

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

Issue	Initial duration	Maturity	Fitch / S&P rating	ISIN	Coupon	**Balance as at 31 December 2018 (Thousands of Euros)**
16/01/2018	8 años	16/01/2026	BBB-/NA	XS1750026186	1,5%	543,631
Total						**543,631**

Clauses regarding changes of control

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

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

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

Bonds obligations and restrictions

As at 31 December 2018 and 2017, the Company has no restrictions regarding the use of capital resources nor has guarantees and the bonds rank pari passu with the rest of the unsecured and unsubordinated borrowings.

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

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

Bonds obligations and restrictions

As at 31 December 2018 and 2017, the Company has no restrictions regarding the use of capital resources nor has guarantees and the bonds rank pari passu with the rest of the unsecured and unsubordinated borrowings.

12.2. Loans and credit facilities

As at 31 December 2018, the total limit of loans and credit facilities available was EUR 1,446,668 thousands (EUR 1,538,398 thousands as at 31 December 2017), of which EUR 318,984 thousands in credit facilities and EUR 1,127,684 thousands in loans (EUR 1,139,533 thousands in credit facilities and EUR 398,865 thousands in loans as at 31 December 2017).

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

During the previous year, Cellnex signed a loan agreement with the European Investment Bank ("EIB") for an amount of EUR 100,000 thousands with an estimated maturity of 12 years (2029). This loan includes an obligation of Parent Company to maintain at least a corporate rating of BB by Standard & Poor's and Fitch Ratings Ltd, and Ba2 by Moody's. As of the date hereof, Cellnex has drawn an amount of EUR 24,375 thousands (EUR 25,000 thousand as of 31 December 2017) of this loan and is in compliance with all its obligations under the EIB loan agreement.

Clauses regarding changes of control

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

Loans and credit facilities obligations and restrictions

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

Submitted guarantees and financial ratios

As at 31 December 2018 and 2017, all the loans and credit facilities entered into by the Company are unsecured and unsubordinated, have no guarantees or shares pledged, rank pari passu with the rest of the unsecured and unsubordinated borrowings, and do not require the Company's to comply with any financial ratio.

12.3 Derivative financial instruments

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

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

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

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

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

12.4 Other financial liabilities

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

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

12.5 Corporate rating

As at 31 December 2018 Cellnex holds a long term "BBB-" (Investment Grade) with negative outlook according to the international credit rating agency Fitch Ratings Ltd. and a long-term "BB+" with stable outlook according to the international credit rating agency Standard & Poor's Financial Services LLC.

13. Income tax and tax situation

13.1. Tax-related disclosures

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

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

Status of inspections and litigation

The Company has pending verification of all taxes not legally prescribed. In relation to Corporate Tax, the years that are pending verification are from the year 2014 onwards. Due to interpretative differences of the current fiscal regulations applicable to some operations, fiscal liabilities of a contingent nature of difficult objective quantification could be revealed in the future. In any case, the consequences that could arise should not significantly affect the annual accounts of the Company.

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

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

13.2. Current balances with public authorities

Details of current balances with public authorities are as follows:

Receivables

	Thousands of Euros	
	31/12/2018	31/12/2017
VAT refundable	616	1,828
Total	**616**	**1,828**

Payables

	Thousands of Euros	
	31/12/2018	31/12/2017
VAT payable	6,161	-
Personal Income tax withholdings	228	309
Social security taxes payable	65	22
Other taxes payable	-	1,163
Total	**6,454**	**1,494**

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

At the close of fiscal year 2017, a total of EUR 8,590 thousand were allocated under factoring with recourse contracts. In this sense, the Company maintained the debit balance of VAT on factored companies and presents a financial account to be paid as it considers that the risks and benefits inherent to its ownership have not been substantially transferred to financial entities.

13.3. Reconciliation between net accounting income and taxable income

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

2018

	Thousands of Euros		
	Increases	Decreases	Total
Net accounting income for the period			(26,146)
Income tax for the period			(29,805)
Permanent differences:			
Donations	1	-	1
Dividends (Note 15.1)	-	(63,278)	(63,278)
Temporary differences:			
Arising in the year	5,466	(4,078)	1,388
Taxable income	**5,467**	**(67,356)**	**(117,840)**

2017

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

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

13.4. Reconciliation between net accounting income and income tax expense

The standard income tax rate for 2018 and 2017 is 25%.

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

	Thousands of Euros	
	2018	2017
Profit (Loss) before tax	(55,951)	(1,832)
Theoretical tax	13,988	458
Impact on tax expense from (permanent differences):		
Donations	-	(17)
Dividends (Note 15.1)	15,819	20,772
Income tax expense for the year	**29,807**	**21,213**
Other tax effects	(2)	-
Income tax expense	**29,805**	**21,213**

In 2018 and 2017, dividends from companies in the consolidated tax group that were eliminated for the purposes of determining taxable income were considered permanent differences.

13.5. Breakdown of income tax expense

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

	Thousands of Euros	
	2018	2017
Current tax	29,460	20,027
Deferred tax	347	1,186
Previous years tax/others	(2)	-
Income tax expense	**29,805**	**21,213**

Tax withholdings and prepayments totalled EUR 9 thousand (EUR 14 thousand in 2017).

13.6. Deferred taxes

The balance of the recognised deferred assets and liabilities, as well as their movement during the financial year, was as follows:

	Thousands of Euros			
	31/12/2018		31/12/2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
At 1 January	**1,611**	**41**	**425**	-
Debits/(credits) in income statement	4,946		1,186	-
Changes in tax rates	546	(41)	-	41
Other tax effects			-	-
At 31 December	**7,103**	**-**	**1,611**	**41**

	Thousands of Euros	
	31/12/2018	31/12/2017
(Debits)/credits in income statement		
Deferred tax assets	4,946	1,186
(Debits)/credits in equity		
Deferred tax assets	546	-
Deferred tax liabilities	(41)	41
Total debit to deferred tax expense	**5,451**	**1,227**

The breakdown of the deferred taxes is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Deferred tax assets:		
Employee benefit obligations	1,769	1,611
Derivative hedge	314	
Swiss Management fee	189	
Convertible Bond	232	
Tax credits for negative tax bases	4,599	
Total deferred tax assets	**7,103**	**1,611**
Deferred tax liabilities:		
Derivative hedge	-	41
Total deferred tax liabilities	**-**	**41**

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

Deferred tax assets include the temporary differences recognised at year-end. At 31 December 2018 and 2017, the Company did not have any unused tax credits or deductions unrecognised.

During fiscal year 2018, the Company has recognized credits for negative tax bases amounting to EUR 4,599 thousand, as parent of the fiscal consolidation group.

Expected schedule for reversal the deferred tax assets and liabilities

In most cases, the use of the Company's deferred tax assets and liabilities is conditional upon the future performance of the business activities, the tax regulations of the country in which it operates, and the strategic decisions to which it may be subject. Under the assumption used, it is estimated that the deferred tax assets and liabilities recognised in the balance sheet at 31 December 2018 and 2017 will be used as follows:

	Thousands of Euros			
	2018		2017	
	Temporal differences		Temporal differences	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Less than one year	945	-	1,020	-
More than one year	6,158	-	591	41
At 31 December	**7,103**	**-**	**1,611**	**41**

14. Foreign currency balances and transactions

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

	Thousands of Euros	
	2018	2017
Other assets	322,104	301,796
Accounts receivable	124	308
Loans received	364,426	346,877
Accounts payable	489	284
Services rendered	862	29
Services received	6,442	6,100

The breakdown of the exchange differences recognised in 2018 and 2017, by type of financial instrument, is as follows:

	Thousands of Euros	
	Transactions settled during the year	
	2018	2017
Cash equivalents	45	(136)
Other payables	2,307	435
Total	**2,352**	**299**

15. Revenue and expenses

15.1. Revenue

Revenue in 2018 and 2017 was as follows:

	Thousands of Euros	
	2018	2017
Dividends (Note 17.3)	63,278	83,088
Interest income (Note 17.3)	1,333	1,168
Total	**64,611**	**84,256**

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

15.2. Other operating income

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

15.3. Staff costs

The detail of staff costs is as follows:

	Thousands of Euros	
	2018	2017
Wages and salaries	11,998	8,728
Compensation	-	15
Social Security contributions	477	169
Other employee benefit costs	771	456
Staff costs	**13,246**	**9,368**

The average number of employees at the Company at the end of the 2018 and 2017, broken down by job category and gender, is as follows:

	2018			2017		
	Male	Female	Total	Male	Female	Total
Chief Executive Officer	1	-	1	1	-	1
Senior management	5	-	5	4	-	4
Other executives, senior and middle management	11	3	14	4	4	8
Other employees	12	5	17	1	-	1
Total	**29**	**8**	**37**	**10**	**4**	**14**

The number of employees at the Company in 2018 and 2017, broken down by job category and gender, was as follows:

	2018			2017		
	Male	Female	Total	Male	Female	Total
Chief Executive Officer	1	-	1	1	-	1
Senior management	6	-	6	4	-	4
Other executives, senior and middle management	12	3	15	6	3	9
Other employees	19	12	31	3	1	4
Total	**38**	**15**	**53**	**14**	**4**	**18**

The average number of employees at the Group with a level of disability of 33% or above in 2018 and 2017 was zero.

At the end of 2018, the Board of Directors is composed of eight male Directors and four female Directors (nine male Directors and one female Director at the end of 2017).

15.4. Other operating expenses

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

	Thousands of Euros	
	2018	2017
Leases and royalties	3,310	2,509
Independent professional services	14,446	11,904
Advertising, publicity and public relations	2,471	1,971
Other external services	17,573	3,112
Total external services	**37,800**	**19,496**

15.5. Net financial profit/loss

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

	Thousands of Euros			
	2018		2017	
	Income	Expense	Income	Expense
Finance income and interest from third parties	88		13	-
Finance expenses and interest from third parties	-	83,893	-	62,512
Finance expenses and interest from Group and Associates (Note 17.3)	-	170	-	94
Change in fair value of financial instruments	106,713	108,537	80,779	80,142
Exchange differences	3,296	945	493	194
	110.097	**193,545**	**81,285**	**142,942**
Financial Profit/loss		**(83,448)**		**(61,657)**

The change in fair value of financial instruments for 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Gain/(Loss) on hedges	(1,825)	637
	(1,825)	**637**

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

16. Commitments and obligations

16.1. Contingent liabilities

At 31 December 2018 the Company had guarantees with third parties amounting to EUR 33.0 million (EUR 33 million in 2017) (see Note 16.5).

16.2. Purchase commitments

At 31 December 2018 the Company had signed contracts for the purchase of property, plant and equipment and intangible assets in the respective amounts of EUR 187 thousand and EUR 0 thousand (EUR 670 thousand and EUR 400 thousand in 2017, respectively).

16.3. Operating lease commitments

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

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

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

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

Minimum operating lease payments	Thousands of Euros	
	2018	2017
Within one year	2,113	2,041
1 to 5 years	5,434	6,729
More than 5 years	1,814	2,418
Total	**9,361**	**11,188**

The Company's main operating lease is as follows:

On 20 July 2015 a contract was signed between Parc Logístic de la Zona Franca, S.A. and the Company for the provision of corporate building management services, which included the lease of the company offices at Parc Logístic de la Zona Franca, Barcelona, for a period of 6 years. The rent paid in 2017 was EUR 1.723 thousand (EUR 1.660 thousand in 2017).

16.4. Employee benefit obligations

ILP (2015-2017)

As described in note 4.5, as of December 31, 2017, the Company recognized a provision of EUR 4.4 million in the short-term of the balance sheet.

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

ILP (2017-2019)

As described in note 4.5, based on the best possible estimation of the related liability and taking into consideration all the available information, the Company has recorded a provision of EUR 1,959 thousand and EUR 2,457 thousand in the long-term and short-term respectively of the accompanying balance sheet (1,451 thousand euros in the long-term at the end of 2017). Therefore, the impact on the income statement attached to the closing of the 2018 financial year amounted to 2,965 thousand euros (1,451 thousand euros at the end of 2017).

ILP (2018-2020)

As described in note 4.5, based on the best possible estimation of the related liability and taking into consideration all the available information, the Company has recognised a provision of EUR 1,688 thousand for this item in the long-term of the accompanying balance sheet as at 31 December 2018.

16.5. Other Contingencies

Because of the spin-off of Abertis Telecom S.A.U. (now Abertis Telecom Satélites, S.A.U.) on 17 December 2013, Cellnex Telecom, S.A. assumed all rights and obligations that may arise from the before mentioned legal proceedings, as they relate to the spin-off business (terrestrial telecommunications). An agreement has therefore been entered into between Cellnex Telecom, S.A. and Abertis Telecom Satélites, S.A.U. stipulating that if the before mentioned amounts have to be paid, Retevisión-I, S.A.U. will be responsible for paying these fines. At 31 December 2017, Cellnex Telecom, S.A. has provided three guarantees amounting to EUR 32.5 million (EUR 36.4 million at the close of 2017) to cover the disputed rulings with the National Competition Commission explained above.

On 19 May 2009, the Board of the National Competition Commission (CNC) imposed a fine of EUR 22.7 million on Abertis Telecom, S.A.U. (now Cellnex Telecom, S.A.) for abusing its dominant position in the Spanish market for transmitting and broadcasting TV signals, pursuant to article 2 of the Competition Act and article 102 of the Treaty on the Functioning of the European Union. The Company filed an appeal for judicial review with the National Appellate Court against the CNC fine, which was dismissed in the judgement passed on 16 February 2012. This judgement was appealed to the Supreme Court on 12 June 2012. On 23 April 2015 the appeal was resolved, upholding the appeal and annulling the decision of the CNC with regard to the amount of the fine, ordering the current CNC to recalculate that amount in accordance with the provisions of law 16/89. The CNMC has issued its decision recalculating the aforementioned amount, reducing it to EUR 18.7 million and this decision was appealed against in the National High Court on 29 September 2016. Based on the opinion of its legal advisers, at 31 December 2018 Retevisión-I, SAU has recorded a provision for a total of EUR 16 million (EUR 16 million at the close of 2017).

On 8 February 2012, the Board of the National Competition Commission (CNC) imposed a fine of EUR 13.7 million on Abertis Telecom, S.A.U. (now Cellnex Telecom, S.A.) for having abused its dominant position, pursuant to article 2 of the Competition Act and article 102 of the Treaty on the Functioning of the European Union. The company allegedly abused its dominant position in wholesale service markets with access to infrastructure and broadcast centres of Cellnex for broadcasting DTT signals in Spain, and retail service markets for transmitting and distributing DTT signals in Spain by narrowing margins. On 21 March 2012, the Company filed an appeal for judicial review against the decision of the CNC with the National Appellate Court, also requesting a delay of payments with regard to the fine until the court passes a ruling on this matter. This delay was granted on 18 June 2012. On 20 February 2015 the National Appellate Court partially upheld the appeal, ordering the CNC to recalculate the fine as it considered that the criteria used at the time by the CNC were not appropriate. Notwithstanding the foregoing, on 26 May 2015, an appeal was filed with the Supreme Court against the judgement of the National Appellate Court on the grounds that it is not only about the recalculation of the amount but also that the Company did not break any competition rules.

On 23 March 2018, the Supreme Court issued a judgment dismissing the appeal, and is awaiting the return of the file to the CNMC for the recalculation of the sanction. Cellnex Telecom, S.A. filed a nullity incident, which was dismissed on 19 July 2018. On 10 October 2018, Cellnex Telecom, S.A. filed an appeal with the Constitutional Court against the ruling. With regard to these proceedings, at 31 December 2018, the Company's Directors, based on the opinion of their legal advisers, has recognized an amount of EUR 7 million under “change in provisions” of the income statement for the period (EUR 0 million at 31 December 2017).

17. Related party transactions

17.1. Directors and senior management

Remuneration received by the Company's directors in 2018 and 2017 was as follows:

i. Members of the Board of Directors accrued EUR 1,373 thousand for exercising the functions as directors of Cellnex Telecom, S.A. (EUR 1,108 thousand in 2017).

ii. For performing senior management duties, the CEO accrued EUR 1,225 thousand, corresponding to fixed and variable remuneration (EUR 1,120 thousand in 2017) and EUR 1,282 thousand for the achievement of the multi-annual objectives established in all the “Long Term Incentive Plans” (1,273 thousand euros in 2017 related to all the “Long Term Incentive Plans”).

iii. In addition, the CEO of Cellnex Telecom, S.A. accrued by way of other benefits contributions to cover pensions and other remuneration in kind in the respective amounts of EUR 175 thousand and EUR 7 thousand (EUR 175 thousand and EUR 14 thousand in 2017, respectively).

Cellnex Telecom, S.A. defines Senior Management as directors that perform management duties and report directly to the CEO. Fixed and variable remuneration for 2018 for members of senior management amounted to EUR 2,247 thousand (EUR 1,148 thousand in 2017).

In addition, members of Senior Management accrued by way of other benefits contributions to cover pensions and other remuneration in kind in the respective amounts of EUR 134 thousand and EUR 118 thousand (EUR 83 thousand and EUR 89 thousand in 2017).

Additionally, in accordance with the Group's Remuneration Policy for the 2017, 2018 and 2019 fiscal years, a multi-year incentive plan was approved linked to the achievement of the Group's three-year plan objectives for the same period (see Note 16.4).

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

17.2. Other disclosures concerning Directors

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

17.3. Group companies and associates

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

2018

	Miles de Euros				
	Assets		Liabilities		
	Current loans	Receivables	Payables	Curent loans	Non Curent loans
Adesal Telecom, S.L.	8	-	-	-	-
Alticom, BV	-	7	-	-	-
Cellnex France, S.A.S.	106	2,379	-	-	-
Cellnex France Groupe, S.A.S.	100	1	-	-	-
Cellnex Italia, S.r.L.	-	3,455	2	-	-
Cellnex Netherlands, BV	-	1,088	-	7,301	-
Cellnex Telecom España, S.L.	12	5,518	47	65,755	17,050
SGL Reserve, Ltd. (formerly Cellnex UK, Ltd)	-	892	-	-	-
Cellnex Switzerland, AG	-	63	-	-	-
Commscon Italia S.R.L.	-	-	501	-	-
On Tower Telecom Infraestructuras, S.A.U.	2,034	2	-	-	-
Retevisión-I, S.A.U.	7,828	116	11,445	-	-
Cellnex UK, Ltd (formerly Shere Group, Ltd)	-	4	149	10,402	-
Tradia Telecom, S.A.U.	2,250	91	3,912	-	-
Total	**12,338**	**13,616**	**16,056**	**83,458**	**17,050**

2017

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

Under the caption "Loans to companies of the non-current group and associates" includes a credit facility secured by the Company with On Tower Telecom Infraestructuras, S.A.U. which was renegotiated in 2015, increasing the limit to EUR 60 million and extending the repayment date to 31 December 2017, and tacitly renewable on a yearly basis. During fiscal year 2018, that credit facility has been cancelled. The balance drawn down on the facility at the 2017 year-end was EUR 16,014 thousand, and interest accrued and not collected totalled EUR 9 thousand.

The caption "Current Investments in group companies and associates" includes the account receivable from the amount drawn from the credit policy that the Company subscribed on June 1, 2017 with Cellnex France Groupe, SAS, with a limit of 5 million of euros and maturity December 31, 2018, tacitly renewable for semi-annual periods, at a market interest rate. At the closing date of these annual accounts, the amount drawn down on this policy is 100 thousand euros (100 thousand euros at the end of 2017).

On September 29, 2016, the Company subscribed a credit policy with the company of the Cellnex France Group, S.A.S., with a limit of 30 million euros and half-yearly maturity from the disposition date, tacitly renewable for periods of the same duration. On 1 November 2017, the limit of was extended to 400 million. The balance drawn at the close of the 2018 financial year was EUR 0 thousand (EUR 0 thousand euros in 2017) and interest accrued and not collected totalled EUR 106 thousand (EUR 0 thousand at the end of 2017).

Finally, at the 2018 year-end, this caption includes a current balance receivable with the Group companies related to the consolidated tax payments that amount to EUR 3,768 thousand (EUR 1,499 thousand in 2017).

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

a) Amount drawn from the credit policy that the Company subscribed on December 17, 2013 with Retevisión-I, SAU, with a limit of EUR 300 million and expiration December 31, 2017, tacitly renewable for annual periods, at a rate of market interest. During 2018, that credit policy has been cancelled. As of December 31, 2017, the amount drawn down on this policy is EUR 258,842 and interest accrued and not collected totalled EUR 2 thousand.

b) Amount drawn from the credit policy that the Company subscribed on December 17, 2013 and modified on August 1, 2017 with Tradia Telecom, SAU, with a limit of EUR 100 million and maturity December 31, 2017, tacitly renewable annual periods, at a market interest rate. During 2018, that credit policy has been cancelled. As of December 31, 2017, the amount drawn down on this policy is EUR 61,544 and interest accrued and not collected totalled EUR 1 thousand.

c) Amount drawn from the credit policy that the Company subscribed on June 23, 2015 with Cellnex Italia, SrL, with a limit of EUR 30 million and an annual maturity from the disposition date, tacitly renewable for annual periods, at a certain rate of market interest. During the 2016 financial year, said credit policy was renegotiated, which entailed the extension of the limit to EUR 150 million. As of December 31, 2018 the amount drawn down on this policy is EUR 0 thousand (EUR 4,300 thousand at the end of 2017), and accrued and unpaid interest amount to EUR 0 thousand (EUR 0 thousand at closing of the year 2017).

d) Amount drawn from the credit policy that the Company subscribed on January 15, 2017 with Cellnex UK Ltd. (formerly Shere Group Limited), with a limit of GBP 20 million and a maturity of January 15, 2018, tacitly renewable for half-yearly periods, at an interest rate of market. As of December 31, 2018 the amount drawn down on this policy is EUR 10,396 thousand (GBP 9,300 thousand) (EUR 5,552 thousand at the end of 2017), and accrued and unpaid interest amount to EUR 6 thousand (EUR 4 thousand at closing of the year 2017). In addition, on January 15, 2017 a credit policy was signed with Cellnex UK Ltd. (formerly Shere Group Limited), with a limit of EUR 25 million and a maturity of January 15, 2017, tacitly renewable for half-yearly periods, at an interest rate of market. As of December 31, 2018 and 2017 the policy was not drawn down.

e) Credit balances with the Group companies that are part of the fiscal consolidation group, by consolidated tax regime amounting to EUR 369 thousand (EUR 4,103 thousand at the end of 2017).

f) On January 15, 2017, the Company subscribed a credit policy with the company of the group, Cellnex Netherlands, BV, with a limit of 20 million euros and half-yearly maturity from the disposition date, tacitly renewable for periods of the same duration. As of December 31, 2018 the amount drawn down on this policy is EUR 7,300 thousand (EUR 0 at the end of 2017) and interest accrued and not collected totalled EUR 1 thousand (EUR 0 at the end of 2017)

On July 24, 2018, a centralized treasury management contract was signed between Cellnex Telecom, S.A. and Cellnex Telecom España, S.L.U., with a limit of 200 million euros, which includes disposals both in the short and long term, and with a duration of one year, tacitly renewable for annual periods. In relation to this contract, on December 31, 2018, Cellnex Telecom, S.A. maintains a long-term debt amounting to 17,050 thousand euros.

The debts with Group companies and associates, previously described, have a short-term maturity, except for the debt with the company Cellnex Telecom España, S.L.U. mentioned above.

The Company's transactions with Cellnex Group companies and associates in 2018 and 2017 are as follows:

2018

	Thousands of Euros				
	Income			Expenses	
	Dividends	Services rendered	Accrued interest	Services received	Accrued interest
Cellnex France, S.A.S.	-	2,485	1,249	-	-
Cellnex France Groupe, S.A.S.	-	-	1	-	-
Cellnex Italia, S.r.L.	30,798	3,455	-	-	-
Cellnex Netherlands, BV	3,976	1,087	-	-	1
Cellnex Telecom España, S.L.	20,000	4,565	1	-	87
SGL Reserve Ltd. (formerly Cellnex UK, Ltd.)	-	892	-	230	-
Cellnex Switzerland, AG	810	-	-	-	-
Commscon Italia S.R.L.	-	-	-	501	-
On Tower Telecom Infraestructuras, S.A.U.	-	33	82	-	-
Retevisión-I, S.A.U.	-	2,250	-	9,459	15
Cellnex UK Ltd. (formerly Shere Group, Ltd.)	7,694	-	-	301	63
Swiss Towers, AG	-	1,550	-	-	-
Tradia Telecom, S.A.U.	-	992	-	3,233	4
Total	**63,278**	**17,309**	**1,333**	**13,724**	**170**

2017

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

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

During the financial year 2018, the Cellnex Telecom Group Management has proceeded to centralize transactions between group companies in corporate services.

17.4. Other related parties

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

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

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

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

Services rendered and received

The transactions carried out with Abertis Group companies and associates during the 2018 and 2017 financial years are as follows:

2018

	Thousands of Euros	
	Income	Expenses
	Services rendered	Services received
Abertis Autopistas España, S.A.	47	-
Abertis Infraestructuras, S.A.	-	-
Autopistas, concesionaria española, S.A.	-	-
Autopistes de Catalunya, S.A.	-	-
Infraestructures Viàries de Catalunya, S.A.	-	-
Total	**47**	**-**

2017

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

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

Other

The other assets and liabilities held by the Company with companies of the Abertis group and associates are the following:

2018

	Thousands of Euros	
	Assets	Liabilities
	Receivables	Payables
Abertis Autopistas España, S.A.	50	-
Total	**50**	**-**

2017

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

18. Other information

18.1. Audit fees

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

	Thousands of Euros	
	2018	2017
Audit of financial statements	816	562
Verification services	496	282
Total audit services and other related services	**1,312**	**844**
Tax advisory services	105	21
Other services	-	19
Total professional services	**1,417**	**884**

18.2 Information on deferral of payment to suppliers.

The information required by the additional third decree of Law 15/2010 of 5 July (modified by the second final decree of Law 31/2014) prepared in accordance with the resolution issued by the Spanish Accounting and Auditing Institute (AAI) of 29 January 2016 in relation to the information to be disclosed in the annual report with regard to the average supplier payment period for commercial transactions, is set up below:

	Thousands of Euros	
	2018	2017
Total payments in the year	22,190	18,009
Total payments outstanding	1,309	2,085
Average payment period to suppliers (days)	42 days	45 days
Ratio of transactions paid (days)	43 days	46 days
Ratio of transactions outstanding (days)	29 days	36 days

In accordance with the AAI resolution, only the delivery of goods and services from the date Law 31/2014 of 3 December came into force have been taken into account.

For the sole purpose of the disclosure of information required by this resolution, the term ‘suppliers’ relates to the trade payables for debts with suppliers of goods or services included in the heading ‘Trade and other payables’ in the short term liabilities of the balance sheet.

Average payment period to suppliers is understood to mean the period lapsed from the delivery of goods or services by the supplier to the actual payment of the transaction.

18.3 Modification or termination of contracts

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

19. Events after the reporting period

2019 convertible bond

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

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

As the Original Bonds, the New Bonds will be convertible at the option of the bondholders into ordinary shares of Cellnex. Cellnex may opt to redeem all (but not some) of the Bonds on or after 18 July 2022 if the market value of the underlying shares per EUR 100,000 principal amount of the Bonds exceeds EUR 130,000 during a specified period of time, or, at any time, if more than 85% of the aggregate principal amount of the Bonds issued have been converted and/or redeemed and/or purchased and cancelled.

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

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

20. Explanation added for translation to English

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

Cellnex Telecom, S.A.
Appendix I to the Notes to the 2018 financial statements
(Thousands of Euros)

Direct Ownership Interests

Company	Registered Office	Activity	% Direct ownership	Ownership net value	Auditor	Net Equity: Share Capital	Net Equity: Share premium and reserves (interim dividend deducted)	Operating profit/loss	Profit for the year	Dividends received
2018:										
Cellnex Italia, S.r.L.(*)	Via Carlo Veneziani 58, 00148 Roma (Italia)	Holding	100%	845,310	Deloitte	845.310	(305)	(3,084)	31,544	30,798
Cellnex Netherlands, BV (*)	Dr. Lelykade 22, Unit 9, 2583CM's - Gravenhage	Holding	100%	515,151	Deloitte	-	330,778	(719)	4,727	3,976
Cellnex France, S.A.S. (*)	1, Avenue de la Cristallerie, 92310 Sèvres	Holding	100%	908,341	Deloitte	21.543	875,887	(4,788)	(13,575)	-

(*) Audited financial statements at 31 December 2018.

(**) Unaudited financial statements at 31 December 2018.

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Company	Registered Office	Activity	% Direct ownership	Ownership net value	Auditor	Net Equity: Share Capital	Net Equity: Share premium and reserves (interim dividend deducted)	Operating profit/loss	Profit for the year	Dividends received
2018:										
Cellnex UK Ltd. (antes Shere Group Ltd.) (*)	River Court, Albert Dr, Woking GU21 5RP, Reino Unido	Holding	100%	130,226	Deloitte	-	59,471	(1,122)	6,612	7,694
Cellnex France Groupe, S.A.S. (**)	1, Avenue de la Cristallerie, 92310 Sèvres	Holding	100%	1,050	-	1,050	(906)	(2)	(140)	-
Cellnex Telecom España, S.L.U. (*)	Juan Esplandiú, 11 28007 Madrid	Holding	100%	747,500	Deloitte	97,753	669,719	(1,843)	23,732	20,000
Cellnex Switzerland AG(*)	Postastrasse 12 CH-6301, Zug, Switzerland	Holding	54%	165,544	Deloitte	88	299,573	(591)	3,129	810
Total share				**3,313,122**						**63,278**

(*) Audited financial statements at 31 December 2018.

(**) Unaudited financial statements at 31 December 2018.

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Cellnex Telecom, S.A.
Appendix I to the Notes to the 2018 financial statements

(Thousands of Euros)

Indirect Ownership Interests

Company	Registered office	Activity	% ownership interest	Company holding the interest ownership	Auditor	Net Equity		Operating profit/loss	Profit for the year
						Share Capital	Share premium and reserves (interim dividend deducted)		
2018:									
Indirect ownership									
Retevisión I, S.A.U.(*)	Juan Esplandiú, 11 28007 Madrid	Terrestrial telecommunications infrastructure operator	100%	Cellnex Telecom España, S.L.	Deloitte	81,270	85,912	44,778	32,668
Tradia Telecom, S.A.U. (*)	Avenida del Parc Logístic 12-20 08040 Barcelona	Terrestrial telecommunications infrastructure operator	100%	Cellnex Telecom España, S.L.	Deloitte	131,488	26,098	14,614	12,028
On Tower Telecom Infraestructuras, S.A.U.(*)	Juan Esplandiú, 11 28007 Madrid	Terrestrial telecommunications infrastructure operator	100%	Cellnex Telecom España, S.L.	Deloitte	72,725	385,664	15,297	11,186
TowerCo, S.p.A. (*)	Via Alberto Bergammini 50, Rome Italy	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S.r.L.	Deloitte	20,100	6,253	10,180	6,263
Galata, S.p.A(*)	Via Carlo Veneziani 56L, 00148 Rome, Italy	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S.r.L.	Deloitte	1,000	249,947	64,896	32,029
Adesal Telecom, S.L.(*)	Ausias March 20, Valencia	Provision of related services for terrestrial telecommunications concessions and operators.	60,08%	Tradia Telecom, S.A.U.	Deloitte	3,228	1,493	332	221

(*) Audited financial statements at 31 December 2018.

(**) Unaudited financial statements at 31 December 2018.

This appendix forms an integral part of Note 8 to the 2018 financial statements, with which it should be read.

Company	Registered office	Activity	% ownership interest	Company holding the interest ownership	Auditor	Net Equity		Operating profit/loss	Profit for the year
						Share Capital	Share premium and reserves (interim dividend deducted)		
2018:									
Gestora del Espectro, S.L. (**)	Juan Esplandiú, 11 28007 Madrid	Development, implementation, management and marketing of terrestrial telecommunications services.	100%	Cellnex Telecom España, S.L.	-	3	-	-	-
TowerLink Italia, S.r.L (**)	Via Carlo Veneziani 58, 00148 Rome, Italy	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S.r.L.	-	-	-	-	-
Commscon Italia, S.r.L. (*)	Via Carducci 32, 20123 Milano	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S.r.L.	Deloitte	100	1,650	775	534
Towerlink Netherlands, B.V. (*)	Dr. Lelykade 22, Unit 9, 2583CM's - Gravenhage	Terrestrial telecommunications infrastructure operator	100%	Cellnex Netherlands, BV	Deloitte	-	67,507	4,312	3,886
Shere Midco Limited(*)	River court, Albert Dr, Woking GU21 5RP, United Kingdom	Holding	100%	Cellnex UK Limited (antes Shere Group Limited)	Deloitte	-	67,016	(15)	54

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Company	Registered office	Activity	% ownership interest	Company holding the interest ownership	Auditor	Net Equity		Operating profit/loss	Profit for the year
						Share Capital	Share premium and reserves (interim dividend deducted)		
2018:									
Shere Masten B.V. (*)	Leeghwaterstraat 21, 2811 DT Reeuwiik, Netherlands	Terrestrial telecommunications infrastructure operator	100%	Cellnex Netherlands BV	Deloitte	18	199,873	15,815	12,871
Watersite Holding Limited (*)	River court, Albert Dr, Woking GU21 5RP, United Kingdom	Terrestrial telecommunications infrastructure operator	100%	Shere Midco Ltd	Deloitte	2,.703	(13,595)	1,949	1,671
Radiosite Limited (*)	River court, Albert Dr, Woking GU21 5RP, United Kingdom	Terrestrial telecommunications infrastructure operator	100%	Shere Midco Ltd	Deloitte	31,878	(8,999)	3,279	2,394
QS4 Limited (*)	River court, Albert Dr, Woking GU21 5RP, United Kingdom	Terrestrial telecommunications infrastructure operator	100%	Shere Midco Ltd	Deloitte	1,977	1,441	422	359
Shere Consulting Limited (*)	River court, Albert Dr, Woking GU21 5RP, United Kingdom	Terrestrial telecommunications infrastructure operator	100%	Shere Midco Ltd	Deloitte	2,598	(2,418)	433	441

(*) Audited financial statements at 31 December 2018.

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Company	Registered office	Activity	% ownership interest	Company holding the interest ownership	Auditor	Net Equity		Operating profit/loss	Profit for the year
						Share Capital	Share premium and reserves (interim dividend deducted)		
2018:									
Alticom BV(*)	Branderweg 7, 8042 PD, Zwolle	Terrestrial telecommunications infrastructure operator	100%	Cellnex Netherlands BV	Deloitte	18	188,495	5,198	3,939
Breedlink BV(*)	Branderweg 7, 8042 PD, Zwolle	Terrestrial telecommunications infrastructure operator	100%	Cellnex Netherlands BV	Deloitte	-	304	(332)	(333)
Swiss Towers AG(*)	Binzmühlestrasse 130, 8050 Zúrich, Switzerland	Terrestrial telecommunications infrastructure operator	54%	Cellnex Switzerland AG	Deloitte	880	49,294	18,086	10,807
Zenon Digital Radio, S.L.(**)	C/Doctor Casas 20, Zaragoza	Marketing, development, installation and maintenance of TETRA systems	100%	Tradia Telecom, S.A.U.	-	32	1.398	480	354
Xarxa Oberta de Comunicació i Tecnologia de Catalunya, S.A.(*)	Av. Parc Logístic 12-20, Barcelona	Management, maintenance and construction of the fiber optic network of the Generalitat de Catalunya	100%	Tradia Telecom, S.A.U.	Deloitte	6,825	5,534	5,347	3,717
Sintel S.r.L(**)	Via Carlo Veneziani 58, 00148 Rome, Italy	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S.r.L	-	90	41	149	100

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Company	Registered office	Activity	% ownership interest	Company holding the interest ownership	Auditor	Net Equity		Operating profit/loss	Profit for the year
						Share Capital	Share premium and reserves (interim dividend deducted)		
2018:									
BRT Tower S.r.L(**)	Via Carlo Veneziani 58, 00148 Rome, Italy	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S.r.L	-	20	70	12	9
DFA Telecomunicazioni S.r.L(**)	Via Carlo Veneziani 58, 00148 Rome, Italy	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S.r.L	-	100	12	14	10
Towerlink France, SAS (**)	1, avenue de la Cristallerie (9th floor), Sèvres (92310).	Acquisition and deployment of strategic telecommunications centers with capacity to house data processing capabilities.	100%	Cellnex france, S.A.S	-	20	-	(5)	(5)

(*) Audited financial statements at 31 December 2018.

(**) Unaudited financial statements at 31 December 2018.

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Cellnex Telecom, S.A.
Appendix I to the Notes to the 2018 financial statements
(Thousands of Euros)

Direct Ownership Interests

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

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

(*) Audited financial statements at 31 December 2018.

(**) Unaudited financial statements at 31 December 2018.

This appendix forms an integral part of Note 8 to the 2018 financial statements, with which it should be read

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(Thousands of Euros)

Indirect Ownership Interests

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

(*) Audited financial statements at 31 December 2018.

(**) Unaudited financial statements at 31 December 2018.

This appendix forms an integral part of Note 8 to the 2018 financial statements, with which it should be read

Company	Registered office	Activity	% ownership interest	Company holding the interest ownership	Auditor	Net equity		Operating profit/loss	Profit for the year
						Share Capital	Share premium and reserves (interim dividend deducted)		
2017:									
Gestora del Espectro, S.L. (**)	Juan Esplandiú, 11 28007 Madrid	Development, implementation, management and marketing of terrestrial telecommunications services.	100%	Retevisión-I, S.A.U.	-	3	(1)	-	-
TowerLink Italia, S.r.L (**)	Via Carlo Veneziani 58, 00148 Rome, Italy	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S.r.L.	-	10	-	-	-
Commscon Italia, S.r.L. (*)	Via Carducci 32, 20123 Milano	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S.r.L.	Deloitte	100	1,795	1,061	739
Towerlink Netherlands, B.V. (*)	Dr. Lelykade 22, Unit 9, 2583CM's - Gravenhage	Terrestrial telecommunications infrastructure operator	100%	Cellnex Netherlands, BV	Deloitte	-	71,259	3,766	3,886
On Tower Italia, S.r.L. (**)	Via Carlo Veneziani 56L, 00148 Rome, Italy	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S.r.L.	-	40	103	198	142
Shere Midco Limited (*)	River court, Albert Dr, Woking GU21 5RP, United Kingdom	Holding	100%	Shere Group Limited	Deloitte	-	(92,561)	(112,561)	165,577

(*) Audited financial statements at 31 December 2018.

(**) Unaudited financial statements at 31 December 2018.

This appendix forms an integral part of Note 8 to the 2018 financial statements, with which it should be read

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

(*) Audited financial statements at 31 December 2018.

(**) Unaudited financial statements at 31 December 2018.

This appendix forms an integral part of Note 8 to the 2018 financial statements, with which it should be read

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

(*) Audited financial statements at 31 December 2018.

(**) Unaudited financial statements at 31 December 2018.

This appendix forms an integral part of Note 8 to the 2018 financial statements, with which it should be read

Cellnex Telecom, S.A.

Directors' Report
for the year ended
31 December 2018

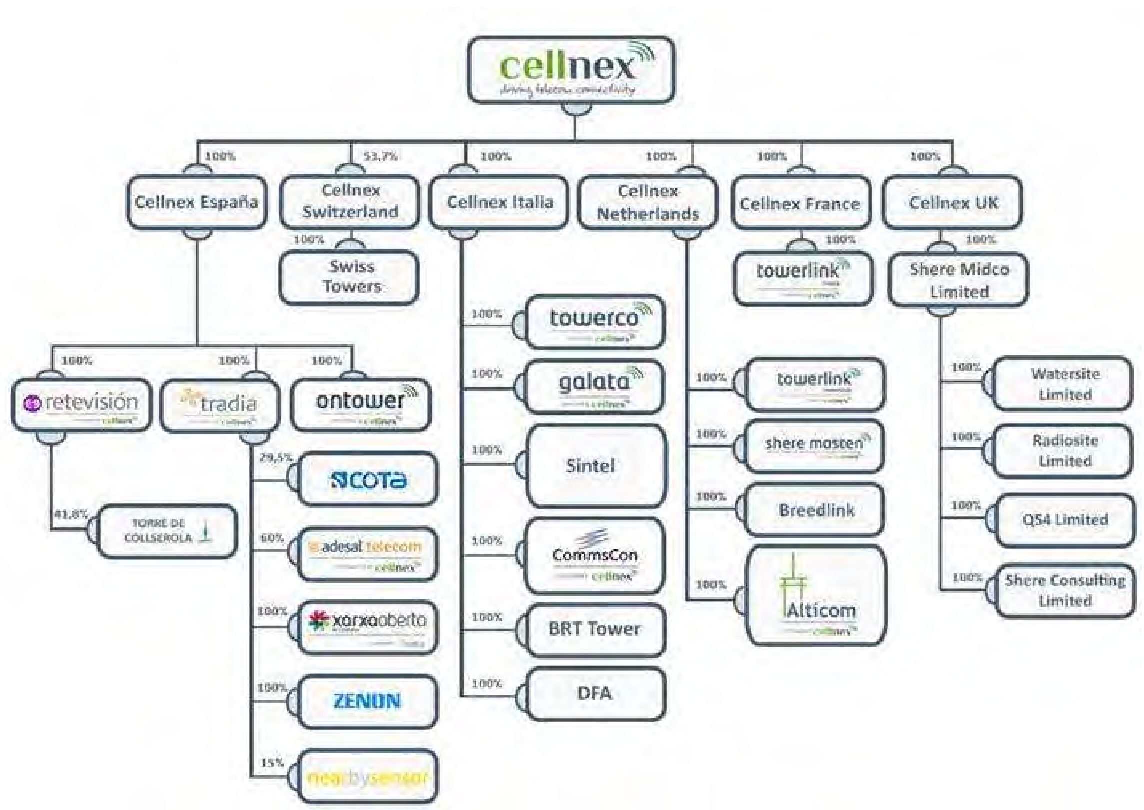
1. Information required under Article 262 of the Spanish Limited Liability Companies Law

1.1 Situation of the Company

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

- Telecom Infrastructure Services
- Broadcasting infrastructure
- Other Network Services

The organisational structure of the Cellnex Group, hereinafter Cellnex or the Group, at 31 December 2018 is summarised as follows:



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

1.2 Significant events in 2018

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

As of 31 December 2018, Cellnex has successfully become the leading European telecommunications infrastructure operator with more than 25,032 infrastructures located in Italy, Spain, France, the Netherlands, the UK and Switzerland, including sites and nodes. Cellnex thus provides services, through its customers, to more than 200 million people throughout Europe.

The most significant events during the 2018 financial year were as follows:

Telecom Infrastructure Services

Providing infrastructure services to mobile operators continues to be one of Cellnex's main activities. During 2018 we have been working on the various aspects to enable us to evolve infrastructure to meet the new challenges of the future, with special focus on understanding how 5G technology will change the role of an infrastructure provider.

5G will impact not only the access network but also the heart of the mobile operator's network and the links between its various components. In this connection, Cellnex is developing initiatives to adapt current towers and small cells, as well as the fibre connection of the entire infrastructure.

In addition, 5G technology provides a wide variety of capabilities that enable a wide variety of usage cases that can vary from autonomous vehicles to advanced emergency services.

Each new generation of mobile technology has fostered an increase in connection speeds and has enabled more reliable communications, but in the case of this fifth generation there are three main benefits:

- Improved mobile broadband: Not only thanks to increased capacity, but also because of improved connectivity (broadband access always available) and by allowing greater user mobility (enabling new services in cars, trains or aircraft)
- Increased connectivity: more devices can communicate at a time in a specific area (up to one million devices per square kilometre), providing the possibility to create new services related mainly to the Internet of Things (IoT)
- Decreased response time: the time that elapses from when data is sent until it is received is not always appreciable. This time lag, or latency, is reduced so much that it opens the way to a whole new range of services that was unthinkable in previous generations, such as remotely controlling machinery or autonomous vehicles.

One of the many pieces that will enable 5G is Multi-Access Edge Computing (MEC). This architectural model places the technological resources (computing, storage, etc.) closer to the end user to increase the performance of applications or services and expand technical capabilities, such as decreasing latency.

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

The MEC therefore opens the possibility to create new business opportunities for Cellnex not just as one more element to be considered in terms of space, power, etc., but also for the possible value creation by a partner like Cellnex in the new telecommunications infrastructures.

To this end, at the end of 2018 Cellnex entered the capital of Nearby Sensor, a technology start-up dedicated to rolling out the Internet of Things (IoT), distributed or Edge computing, and automation of hybrid IT-OT (Information Technology/Operational Technology) processes. Nearby Sensor is therefore a part of our open and collaborative innovation strategy, identifying entrepreneurial initiatives that start out from a close collaboration with universities and knowledge centres and end up translating into innovative value and service proposals within the scope of connectivity and telecommunications.

- **Milestones 2018**

Cellnex France

Agreements reached during 2016 and 2017

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

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

Extension of the partnership during 2018

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

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

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

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

Switzerland

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

- An additional acquisition of 133 sites in Switzerland for an amount of CHF 39 million (EUR 34 million), which are to be transferred to Swiss Towers on 1 January 2019.

- An extension to the build-to-suit project with Sunrise agreed in the following terms: i) up to 75 additional sites to be build (increasing the agreement to build sites from up to 400 to up to 475 sites).

Spain

Acquisition of Xarxa Oberta de Catalunya

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

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

Other new agreements

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

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

Other projects

The Vocel project: In 2017, Cellnex signed a framework contract with a major mobile telecommunications operator that regulates the provision of the Cellnex co-location service, with a distinction made between four types of infrastructure: optimisation infrastructures, acquisition infrastructures, growth infrastructures and PostBarter infrastructures. This framework contract has a validity of 10 to 25 years, depending on the type of infrastructure. So far, Cellnex has carried out 170 dismantling operations and purchased 70 sites.

Framework agreement for co-location in Cellnex sites with a major mobile telecommunications operator regulating service provision and distinguishing between three types of infrastructure: Legacy infrastructures, growth infrastructures and PostBarter infrastructures. This framework contract is valid for 5 years, extendable for a further 5 years.

Pokemon project: an infrastructure outsourcing contract by a major mobile telecommunications operator, valid for 21 years. Three lines of action are marked out in the perimeter of this project: the acquisition of the entire portfolio of operator sites by Cellnex, roll-out of 160 new connected infrastructure nodes and the renewal with Cellnex of all the contracts that the operator had with its previous mobile infrastructure provider.

Provision of the operation, maintenance, installation and engineering services associated with the corporate telecommunications network of a large Spanish corporation. This contract is valid for 3 years, extendable by up to 2 years.

During 2018, Cellnex organised workshops with mobile telecommunications operators to bring down Time-to-Market of operations. These workshops made it possible to reduce the number of inefficiencies of the various commercial phases, speeding up the process and improving the success rate of operations and coordination with operators.

In addition to this, throughout 2017 and 2018 the Group incorporated an innovative relationship practice called Land Aggregation with the site owners to provide efficiency in renting buildings and properties where the sites are located using a "cash advance" of the capitalisation of rents.

Specifically in DAS:

- Saba and Bamsa awarded Cellnex a contract through tender to provide mobile (voice and data) coverage to 43 car parks in Spain during 2018 using DAS technology. Cellnex will deploy more than 500 small antennas on the various storeys of these car parks, improving user experience and preventing the loss of coverage that usually occurs in underground areas.
- The advantages associated with this greater connectivity will allow the development and deployment of new "Smart Parking" applications, enabling the use of mobile devices and multi-purpose apps. These include carsharing and map apps for route planning or provide the possibility to exchange products and discounts using the Saba app, and others, as well as facilitating the collection of e-commerce operated by Pudo. It is also scalable and is therefore prepared to respond to future demand for increased data traffic with the future 5G.
- Cellnex has equipped the Liceu with a Smart Wi-Fi system, consisting of fifty Wi-Fi access antennas, located in the main spaces of the Theatre. The wireless signal coverage, which extends to all of the public spaces and facilities of the Liceu, improves the connectivity experience of the spectators, who can use the web portal to access value-added services such as exclusive offers and promotions.
- Among the actions for improving connectivity, Cellnex has also equipped the Liceu with DAS technology to boost mobile coverage and provide for the future roll-out of 5G. Users can therefore use the Wi-Fi network or mobile broadband to enjoy full connectivity through their mobile device while at the theatre.
- Cellnex Italy designed a specific DAS system and installed it in Centro di Arese in Milan, Europe's largest shopping centre. The system comprises many active devices (remote units) connected to antennas, constituting radiant equipment. To ensure maximum efficiency of the system, Cellnex Italy provided service and support in all phases of the project to ensure that no user at the centre should ever lose their connection.

Broadcasting Infrastructure

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

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

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

In addition, Cellnex has established the strategic objective of positioning itself as a leader in Ultra High-Definition Video (UHD) technology, technology providing images with significantly better quality for the user than other options.

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

On 29 June, 2018, the "Roadmap for the authorization process of the 700 MHz frequency band for the provision of wireless broadband electronic communications services" was published by the Spanish Administration. This was mainly possible as a result of the growing consensus in the sector, which was reflected in the results of the public consultation held a few months before. Regarding the 700MHz band (694 - 790MHz), the Roadmap foresees finalizing the 700 MHz release process before 30 June, 2020, in accordance with the schedule established in the EU regulations. For the bandwidth below 700 MHz (470-694 MHz), the Roadmap will include guarantee, at least until 2030, for terrestrial TV.

The Road Map also proposes the approval of a series of legal pieces in the next months that will drive the migration process of the current DTT emissions from the 700MHz bandwidth. These include the approval of a new National Technical Plan for Digital Terrestrial Television that will maintain the current supply of the service and the current number of national and regional multiples, as well as the compensation scheme compatible with the EU regime for the necessary adaptations both in buildings and broadcasters' transmission equipment.

In this sense, during 2018, the Group has continued with its work of collaboration with the Administration in relation to the Roadmap, as well as in the research and implementation of technical improvements, both in the provision of DTT, as in the on-line distribution of audiovisual content. Among such technological advances, the interactivity of the Hybrid DTT, or the quality improvement provided by the UHD.

In relation to the above, the Group is the technological provider of LOVEStv, the new audiovisual platform of DTT based on HbbTV jointly developed with the public radio broadcaster RTVE and the two large Spanish commercial radio broadcasting groups, Atresmedia and Mediaset Spain. This platform allows the viewer to access the contents of the last week from the television, as well as viewing programs from the beginning even if they have already started.

Cellnex, as an independent agent, has worked together with broadcasters and developers in the implementation of the necessary solutions for these new audiovisual services, since Cellnex meets the conditions that make it the right partner, given its technological capacity and extensive knowhow in OTT platform services and HbbTV.

Additionally, Cellnex continues its international work in the main forums developing the future of the audiovisual sector as HbbTV, DVB, EBU, ITU or BNE.

- **Milestones 2018**

LOVEStv

On the 28th November of 2018, one week after World Television Day,LOVEStv streaming platform was introduced, wich Cellnex, as the technology provider, has developed together with the public broadcaster RTVE and the two large Spanish private broadcasting groups, Atresmedia and Mediaset España. The project's test launch took place in June.

This new service is based on Hybrid DTT technology and allows viewers to enjoy the advantages of linear DTT while they can access content and new non-linear services. LOVEStv makes it possible to harness the internet's capacity in order to improve viewer experience, offering more features, such as:

- Viewing the contents of the previous week.
- Starting a programme from the beginning when it has already begun.
- An improved programming guide.

LOVEStv has been designed as an open platform that can easily integrate any broadcasters wishing to enrich its content offering. It is worth pointing out that the LOVEStv platform was awarded with the Grand Prix of the jury of the prestigious HbbTV Awards, which acknowledges innovation in content discovery applications.

Pilot test for Ultra High-Definition

Throughout 2018 numerous actions continued to be performed in the Ultra High-Definition area, through collaborative projects such as:

- Broadcast over the UHD TDT test channel from Torrespaña (Madrid), Valencia (Seville) and Collserola (Barcelona).
- Demos of TDT broadcast in UHD during the Mobile World Congress.
- Demos of TDT broadcast in UHD during the BIT Broadcast fair.
- First TDT broadcasts of a complete UHD signal with HFR, HDR and WCG in collaboration with RTVE.
- Demo at the 4K Summit in Malaga.

Other Network Services

At Cellnex, the "smart" concept means sharing, efficiency, security, resilience and ubiquitous connectivity. Cellnex provides the infrastructure required for the development of a connected society by providing the following network services: transport of data, security and control, Smart communication networks including IoT, Smart services and managed services and consulting.

As an infrastructure operator, Cellnex can facilitate, streamline and speed up the deployment of these services through efficient connectivity of objects and people, in rural and urban environments, helping to build genuinely *smart* territories.

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

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

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

- **Milestones 2018**

Security and control

- The Maritime Rescue Company (SASEMAR) under the Spanish Ministry of Public Works, signed the "Provision of services within the Global Maritime Distress and Safety System" in 2017, providing continuity to the service that Cellnex has been providing since 2009. The contract entered into force in August 2018 and has an initial term of four years, extendable for a further two years. Cellnex works through its network of Coastal Stations distributed along the Spanish coastline to guarantee a 24/7 "Permanent listening service" on the maritime frequency bands. The services provide include receiving automatic alerts and distress calls, to be sent immediately to Maritime Rescue coordinators, as well as transmitting information for maritime safety and meteorological information, according to the guidelines established by Maritime Rescue and the connection between the Spanish Medical Radio Centre and any ships requesting that service. Providing the service complies with the international conventions signed by Spain, in particular the Safety of Life at Sea (SOLAS) Convention and the International Search and Rescue Convention (SAR), which are the most important international treaties governing the safety of ships. In relation to the above, Cellnex has extensive experience in managing security and emergency communications networks and services.

- Extension of the contract with the Regional Government of Valencia (*Generalitat Valenciana*) to extend the services of the Digital Mobile Emergency and Security Communications network (COMDES), for a further four years (2018-2022). Extending the contract provides continuity to the service that Cellnex has been providing since 2007 and covers improving urban coverage, including coastal areas and underground spaces such as the Metro and tunnels, traffic capacity and access for user applications. In total, we estimate that more than 50 municipalities will benefit from an improvement in their current coverage.

Smart communications networks

- Agreement with Castellolí to equip the Parcmotor speed circuit with the necessary infrastructures and technology to allow the agents and companies working to develop the mobility of the future, advanced traffic solutions and vehicle manufacture to develop innovative products and services linked to smart mobility and the connected and autonomous vehicle. The objective is to make the Castellolí Parcmotor into a benchmark environment and an innovative testing space for the development of ITS (Intelligent Transport Systems) technological solutions, particularly in the field of vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communications, which can subsequently be implemented in vehicles (future mobility), in towns and cities (smart cities) and on roads and motorways (smart roads).
- Growth of 10.6%, with respect to 2017, of Corporate's commercialization activity, which consists in providing customers with the necessary infrastructure, in order to offer it, in turn, to the end customer.
- Growth of 61.6%, compared to 2017, of the Backhaul activity dedicated to connecting MNOs base stations.

Communications infrastructures - Smart

Agreement with Heliot, the Sigfox operator in Switzerland, to roll out the first global IoT (Internet of Things) network in the Alpine country. The roll-out of this IoT network will be performed via the more than 350 Cellnex sites in Switzerland, with an initial expected coverage of 50% of the population, aiming to reach 90% in 2019. This will be the second such network that Cellnex has rolled out in Europe in collaboration with Sigfox. The first Internet of Things network has been providing service throughout Spain since 2015, with national coverage of 93% of the population through more than 1,500 sites and over 1 million connected devices, providing water telemetry services, security, waste management or tracking, inter alia.

Acquisition of Xarxa Oberta de Catalunya (XOC), a concessionary company of Catalonia Government dedicated to the roll-out, operation and maintenance of fibre optic networks, which acts as a neutral operator, making surplus network capacity available to the operators' wholesale market. This acquisition allows Cellnex to reinforce and expand its capabilities and know-how to develop the connectivity of its sites through a high-bandwidth Fibre to the Antenna (FTTA) neutral telecommunications network). Likewise, with the integration of XOC, Cellnex continues to increase the acquisitions performed with a view to the future roll-out of 5G, two outstanding examples of which are Commscon in Italy (2016) and Alticom in the Netherlands (2017). This is a necessary process to prepare for the 5G network with its greater demand for transmission capabilities, also associated with the need to provide fibre optic connectivity to remote caching servers that bring data processing and storage capacity physically closer to the end users of 5G-based applications.

1.3 Activity and main risks and uncertainties

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

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

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

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

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

1.4 Information relating to the deferred of payments to suppliers

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

1.5 Use of financial instruments

In the year ended 31 December 2018, Cellnex Telecom, S.A. abided by the policy for use of financial instruments described in Note 5 to the accompanying financial statements.

1.6 Research and Development activities

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

1.7 Cellnex's Corporate Responsibility framework

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

Cellnex has a Corporate Responsibility (CR) policy that the Board of Directors approved in 2016 which sets out Cellnex's CR strategy and commitment to best practices in the countries in which it operates, on the basis of international reference standards. This commitment is set forth in the company's 2016-2020 CR Master Plan, which constitutes the reference framework and the tool for systematising the strategic objectives, monitoring indicators and the actions and programmes under way for each of the axes of the Plan. Specifically, the plan consists of six areas of action:

With this Master Plan, Cellnex aims to create an instrument bringing together all the company's ethical, environmental and social initiatives. Furthermore, it sets out a long-term vision, establishing commitments in accordance with internationally recognised standards that place it on the same level as the major infrastructure companies operating in Europe, specifically in the telecommunications sector. This plan also aims to improve two-way dialogue between Cellnex and all stakeholders, especially the company’s staff, customers, suppliers and contractors, administrations, shareholders, the community and partners in shared projects.

In 2017, Cellnex drafted a declaration on slavery and trafficking in human beings (currently available on its corporate website), in response to the United Kingdom Modern Slavery Law, which condemns any practice of labour exploitation and pledges to prevent it both in its activity and its supply chain. This commitment is developed through the Group's Corporate Responsibility Policy, which sets basic guidelines and lines of action in this area. Likewise, Cellnex's Code of Ethics expresses its commitment to complying with human rights and expresses its total rejection of child labour and forced or compulsory labour, and undertakes to respect freedom of association and collective bargaining.

During 2018, Cellnex has elaborated its Human Rights Policy of application to the entire organisation which establishes that Cellnex is committed to protecting and respecting the Human Rights.

In the supply chain, Cellnex evaluates its most critical suppliers in terms of human rights on an annual basis. Furthermore, in 2017, Cellnex drafted a Purchasing Policy under which its suppliers undertake to protect and respect human rights and to be familiar with the Code of Ethics and circulate it among their employees and subcontractors.

In 2018 Cellnex carried out a new materiality analysis to identify and update the most relevant matters for the group, as well as adapt them to the new size of the company. This analysis enables the company to define its priority topics according to internal perceptions, the expectations and concerns of Cellnex stakeholders, and relevant issues regarding Corporate Responsibility in the sector. By performing this materiality study Cellnex can detect any changes that have taken place, both internally and in stakeholder expectations, which allows the company to focus its efforts on programmes that generate greater shared value.

1.8 Other Information

Non-financial information

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

Shareholder remuneration

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

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

Thus, the total dividend distributed for share premium reserve was EUR 0.1045 gross per share, which represents EUR 24,211 thousand.

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

2017-2019 Dividend Policy

The following Dividend Policy shall be applicable:

- 2017: dividend, which will be distributed against 2017 Net Profit, will be equivalent to that of 2016 (€20Mn against 2016 Net Profit) increased by 10%.
- 2018: dividend, which will be distributed against 2018 Net Profit, will be equivalent to that of 2017, increased by 10%.
- 2019: dividend, which will be distributed against 2019 Net Profit, will be equivalent to that of 2018, increased by 10%.

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

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

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

Business outlook

Following an intense period of expansion of Cellnex group in Europe, this year 2018, Cellnex has worked to consolidate its corporate structure and adapt to the experienced growth. In addition, the group has continued to analyze investment and growth opportunities and has maintained its goal of continued growth.

This 2018, the group's growth has been characterized above all by its organic growth path in the countries where the group is present, reaching new agreements with current customers, offering services that allow them to rationalise their network and optimize costs, through the dismantling of duplicate infrastructures and building new infrastructures in strategic sites that can offer service to one or more customers..

In view of the company's business prospects, Cellnex pursues a growth strategy that has as main objectives, the following: expand its customer base diversify geographically in countries with strong credit ratings, create a European platform to deliver organic growth, be ready for the implementation of 5G networks and, as a result, its improve business risk profile.

In terms of day-to-day operations, Cellnex will continue with the consolidation process of the group, permanent contact with all customers of the three business areas (Telecommunications Infrastructure Services, Diffusion Infrastructure and Other Network Services) with the aim to improve and expand the services currently offered, and ensure the renewal of all contracts.

Treasury shares

In accordance with the authorisation approved by the Board of Directors, at 31 December 2018 the Company held 264 thousand treasury shares (0.11% of its share capital). The use to which the treasury shares will be put has not been decided upon and will depend on such resolutions as might be adopted by the Group's governing bodies.

During 2018, Cellnex carried out discretional purchases of 250,604 treasury shares mainly regarding the Long Term Incentive Plan “2015-2017” (See Note 16.4 of the attached annual accounts), representing 0.11% of the total shares outstanding, of which 54,330 have been transferred to beneficiaries.

The treasury shares transactions carried out during 2018, are disclosed in Note 11.1.of the accompanying annual accounts.

Environment

Responsible environmental management

Cellnex bases its activity on the principles of sustainability and responsibility and has therefore defined Sustainable Business Development as one of the basic pillars of its CR Master Plan. This involves the company committing to sustainability, environmental preservation and efficiency by setting goals, and more specifically by implementing concrete actions and programmes for all the companies of the Group.

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

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

1. Putting environmental management of Cellnex in Spain at the same level as the rest of the companies in the Cellnex group;
2. Promoting energy efficiency, increasing the use of renewable energy as much as possible and fostering the implementation of efficiency measures at the company's premises;
3. Committing to sustainable mobility;
4. Developing a carbon management framework in Spain to include the strategic perspectives to be worked on and focused on a set of actions, framed in different lines of management, that must be approved, funded and implemented to achieve the carbon management objectives established;
5. Minimising the risks and fostering the business opportunities derived from climate change identified in relation to Cellnex's activity in Spain;
6. Progressively reducing the carbon footprint in Spain, Italy and France;
7. Protecting and respecting the ecosystems affected by Cellnex's activity;

8. Promoting a sustainable culture within the Cellnex organisation; measuring and communicating environmental performance and reporting this on an annual basis in international organisations (CDP, GRI, DJSI, UNGC, FTSE, etc.).

The organisation's environmental objectives defined in 2018 set out 31 goals for improving or mitigating environmental impacts. Twenty-four of these have been implemented, while the remainder are almost implemented or in the process of completion.

Management Systems

The Cellnex organisational model is underpinned by an Integrated Management System which provides the framework that enables a systematic approach to processes, ensuring they are effective. It also allows a procedure to be established to guarantee the quality of the services provided and to ensure that the activity is carried out in compliance with standards on the environment, health and safety at work and data security as well as current legislation.

To ensure that the companies recently incorporated can adapt to this Management System, common guidelines have been set out on quality, prevention and sustainability, in addition to a self-evaluation method that allows each company to easily and quickly assess the level of development of their Management System.

The Management System approach is based on the iterative Plan-Do-Check-Act (PDCA) method to achieve ongoing improvement.

As a driver of the Integrated Management System and in its commitment to quality and excellence, Cellnex Spain holds the following certifications, issued by TÜV Rheinland:

- ISO 9001 Standard for a Quality Management System
- ISO 14001 Standard for an Environmental Management System
- OHSAS 18001 Standard of the System Occupational Health and Safety Management
- ISO 27001 Standard for Information Security Management
- Standard ISO 14064-1 Greenhouse gases. Part 1: Specification with guidance, at organisation level, for quantifying and reporting emissions and removal of greenhouse gases.
- Accreditation from the Measurement and Instrumentation Laboratory of the ISO 17025 Standard (CGA-ENAC-LEC) for Tests on Receivers of terrestrial digital television

As part of its effort to continue improving, Cellnex Spain has set the objective of reinforcing its Management System with the ISO 50001 (Energy) and SA8000 Social Responsibility certifications.

Internal and external audits are an essential component of the Management System and are therefore performed annually to check compliance with the requirements of the reference standards and to take the measures required to correct any deviations found.

In 2018, Cellnex Italia further developed its Management Systems, obtaining the following certifications issued by DNV GL:

- ISO 9001 Standard for a Quality Management System
- SA8000 Standard for Social Responsibility
- ISO 45001 Standard for an Occupational Health and Safety Management System

As part of its effort to continue improving, Cellnex Italy has set the objective of reinforcing its Management System with the ISO 2019 (Energy) and SA14001 Social Responsibility certifications).

Post balance sheet events

2019 convertible bond

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

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

As the Original Bonds, the New Bonds will be convertible at the option of the bondholders into ordinary shares of Cellnex. Cellnex may opt to redeem all (but not some) of the Bonds on or after 18 July 2022 if the market value of the underlying shares per €100,000 principal amount of the Bonds exceeds EUR 130,000 during a specified period of time, or, at any time, if more than 85% of the aggregate principal amount of the Bonds issued have been converted and/or redeemed and/or purchased and cancelled.

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

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

2. Annual corporate governance report

The Annual Corporate Governance Report submitted by the Board of Directors of Cellnex Telecom, S.A. is included below, and consists of 96 pages numbered 1 to 96, both inclusive.

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Barcelona, 21 February 2019

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ANNEX I TEMPLATE

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

ISSUER IDENTIFICATION

YEAR- END DATE 2018

Tax Identification No.
[C.I.F.] A-64907306

Company Name:

CELLNEX TELECOM, S.A.

Registered Office:

JUAN ESPLANDIÚ STREET 11-13, 28007 MADRID

A CAPITAL STRUCTURE

A.1 Complete the table below with details of the share capital of the company:

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
21/11/2014	57,920,810.00	231,683,240	231,683,240

Remarks

Please state whether there are different classes of shares with different associated rights:
:

Yes ☐ No X☐

Class	Number of shares	Par value	Number of votes	Associated rights

Remarks

A.2 Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
40 NORTH LATITUDE MASTER FUND LTD	1.00	0.00	0.00	0.00	1.00
ATLANTIA S.P.A	0.00	0.00	0.00	5.98	5.98
BLACKROCK INC.	0.00	4.74	0.00	1.25	6.00
CANADA PENSION PLAN INVESTMENT BOARD	3.15	0.00	0.00	0.00	3.15
CRITERIA CAIXA, S.A.U.	5.00	0.00	0.00	0.00	5.00
EDIZIONE S.R.L.	0.00	29.90	0.00	0.00	29.90
FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA	0.00	5.00	0.00	0.00	5.00

PERMIAN INVESTMENT PARTNERS, LP	0.00	3.15	0.00	0.00	3.15
THREADNEEDLE ASSET MANAGEMENT LIMITED	0.00	5.00	0.00	0.00	5.00

Remarks

Breakdown of the indirect holding

Name of indirect shareholder	**Name of direct shareholder**	**% of shares carrying voting rights**	**% of voting rights through financial instruments**	**% of total voting rights**
BLACKROCK INC.	SEVERAL FUNDS NOT REQUIRED TO REPORT INDIVIDUALLY	4.74	1.25	6.00
EDIZIONE S.R.L.	CONNECT S.P.A.	29.90	0.00	29.90
FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA	CRITERIA CAIXA, S.A.U.	5.00	0.00	5.00

Remarks

State the most significant shareholder structure changes during the year:

CANTILLON CAPITAL MANAGEMENT LLC	11/01/2018	Fell below 3% of share capital
BLACKROCK INC.	17/01/2018	Exceeded 5% of share capital
BLACKROCK INC.	18/01/2018	Fell below 5% of share capital
BLACKROCK INC.	25/01/2018	Exceeded 5% of share capital
BLACKROCK INC.	26/01/2018	Fell below 5% of share capital
THREADNEEDLE INVESTMENT SERVICES LIMITED	02/02/2018	Exceeded 3% of share capital
BLACKROCK INC.	09/02/2018	Exceeded 5% of share capital
40 NORTH LATITUDE MASTER FUND LTD.	23/02/2018	Exceeded 1% of share capital (only tax havens)

MASSACHUSETTS FINANCIAL SERVICES COMPANY	08/03/2018	Fell below 5% of share capital
MASSACHUSETTS FINANCIAL SERVICES COMPANY	16/03/2018	Reached 5% of share capital
MASSACHUSETTS FINANCIAL SERVICES COMPANY	03/04/2018	Fell below 5% of share capital
THREADNEEDLE ASSET MANAGEMENT LIMITED	16/04/2018	Exceeded 5% of share capital
BLACKROCK INC.	17/04/2018	Fell below 5% of share capital
BLACKROCK INC.	18/04/2018	Exceeded 5% of share capital
BLACKROCK INC.	19/04/2018	Fell below 5% of share capital
ACS ACTIVIDADES DE CONSTRUCCION Y SERVICIOS S.A.	17/05/2018	Reached 34% of share capital
ABERTIS INFRAESTRUCTURAS, S.A.	07/06/2018	Fell to 29.9% of share capital
ACS ACTIVIDADES DE CONSTRUCCION Y SERVICIOS S.A.	07/06/2018	Fell to 29.9% of share capital
FIL LIMITED	10/07/2018	Fell to 1% of share capital (only tax havens)
CONNECT S.P.A.	12/07/2018	Reached 29.9% of share capital
ABERTIS INFRAESTRUCTURAS, S.A.	12/07/2018	Sold all the share capital
ACS ACTIVIDADES DE CONSTRUCCION Y SERVICIOS S.A.	12/07/2018	Fell below 3% of share capital
ATLANTIA, S.P.A.	24/07/2018	Exceeded 5% through financial instruments
CANADA PENSION PLAN INVESTMENT BOARD	03/08/2018	Exceeded 3% of share capital
THREADNEEDLE ASSET MANAGEMENT LIMITED	08/11/2018	Fell below 3% of share capital
MASSACHUSETTS FINANCIAL SERVICES COMPANY	09/08/2018	Fell below 3% of share capital
PERMIAN INVESTMENT PARTNERS, LP	20/11/2018	Exceeded 3% of share capital

Most significant movements

A.3 In the following tables, list the members of the Board of Directors (hereinafter "directors") with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MARTINEZ GIMENO, TOBÍAS	0.02	0.00	0.00	0.00	0.02	0.00	0.00
PIERRE BLAYAU	0.00	0.00	0.00	0.00	0.00	0.00	0.00
KAN, BERTRAND BOUDEWIJN	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Total percentage of voting rights held by the Board of Directors	0.02

Remarks

Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments
PIERRE BLAYAU	HARBOUR CONSEILS	0.00	0.00	0.00	0.00

Remarks

A.4 If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

Name of related Party	Nature of relationship	Brief description

A.5 If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name of related party	Nature of relationship	Brief description
ABERTIS INFRAESTRUCTURAS, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS
CONNECT S.P.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS

BLACKROCK INC.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS
THREADNEEDLE ASSET MANAGEMENT LIMITED	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS
CRITERIA CAIXA, S.A.U.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
MR. Marco Patuano	CONNECT S.p.A	EDIZIONE S.R.L.	Edizione S.r.l. CEO
MR. CARLO BERTAZZO	CONNECT S.p.A	EDIZIONE S.R.L.	Edizione S.r.l. General Manager
MS ELISABETTA DE BERNARDI DI VALSERRA	CONNECT S.p.A	EDIZIONE S.R.L.	Edizione S.r.l. Chief Investments Officer
MR. JOHN BENEDICT MCCARTHY	CONNECT S.p.A	N.A.	Director of Infinity Investments, S.A. (which in turn holds a c. 20% stake in ConnecT, S.p.A.)

Remarks

A.7 State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

Yes X☐ **No** ☐

Parties to the shareholders' agreement	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable
Edizione Srl ConnecT SpA Sintonia SpA Atlantia SpA	5.98%	Co-investment contract dated 24 July 2018 containing certain shareholder agreements comprising the right granted by Sintonia to Atlantia to co-invest up to 5.98% in Cellnex. Its specific terms are available on the CNMV's and Cellnex's websites.	2 Years
Infinity Investments, S.A Raffles Infra Holdings Limited ConnecT SpA Sintonia SpA	29.9%	Shareholder agreement dated 9 October 2018 whereby, once completed, Sintonia will own approximately 60% of the share capital of ConnecT and Infinity and Raffles will own approximately 20%, respectively (ConnecT owns 29.9% of Cellnex). The agreement contains certain shareholder covenants aimed at regulating the appointment of proprietary directors at Cellnex and establishing supermajority quorums to adopt certain agreements at ConnecT and/or Cellnex. Its specific terms are available on the CNMV's and Cellnex's websites.	4 Years

Remarks

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes ☐ **No** X☐

Parties to the concerted action	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable

Remarks

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

A.8 State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

Yes ☐ **No** X☐

Name of individual or company

Remarks

A.9 Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
263,855	-	0.11%

Remarks

(*) through:

Name of direct shareholder	Number of direct shares
Total:	

Remarks

Explain any significant changes during the year:

Explain significant changes

A.10 Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

On 31 May 2018, the General Shareholders' Meeting of Cellnex Telecom adopted the following ninth resolution:

Authorize the Board of Directors of the Company to proceed with the derivative acquisition of treasury stock, either directly by the Company itself or indirectly through its subsidiaries, in accordance with the provisions of Articles 146 and 509 of the Law on Corporations, and the terms set out below:

1. Modalities: Acquisition may be by way of sale, exchange, donation, allocation or dation in payment, and in general, any other form of acquisition for valuable consideration of outstanding and fully paid shares permitted by Law.

2. Maximum number of shares acquirable: Up to the legal limit of ten percent (10%) of the share capital or higher as permitted by Law.

3. Maximum and minimum prices: The price or consideration will range from a minimum equivalent to their nominal value and a maximum equivalent to the higher of (i) 110% of the share price of the shares of the Company in the Continuous Market at the time of acquisition or, if the acquisition is executed outside the working hours of the Continuous Market, the closing price of the last trading session before the acquisition; and (ii) the one that results from increasing by a 10% the maximum stock exchange price of the three months before the acquisition takes place.

4. Duration of authorization: The period of validity of the authorization shall be five years from the date of this agreement.

The shares acquired in this way will not enjoy any political rights, not even the right to vote, the corresponding economic rights being attributed proportionally to the other shares in accordance with the provisions of Article 148 of the Law on Corporations.

Also, and for the purposes set out in Paragraph two of number 1.a) of Article 146 of the Law on Corporations, it is proposed to grant express authorization for the acquisition of Company shares by any of the subsidiaries under the same terms herein.

It is expressly stated that the shares acquired pursuant to this authorization may be used both for transfer or redemption, and for their direct delivery to the employees or directors of the Company or as a result of the exercise of any option rights they may hold, as provided for in Paragraph three 1.a) of Article 146 of the Law on Corporations.

Finally, it is proposed to render ineffective by the amount not used Decision Five adopted by the then Sole Shareholder of the Company on 10 April 2015, whereby the Board of Directors of the Company was authorized to proceed with the derivative acquisition of treasury stock directly or through group companies for the disposal thereof

A.11 Estimated working capital:

	%
Estimated working capital	51.75

Remarks

A.12 State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes ☐ **No** X☐

Description of restrictions

A.13 State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.

Yes ☐ **No** X☐

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

Explain the measures approved and the terms under which such limitations would cease to apply

A.14 State if the company has issued shares that are not traded on a regulated EU market.

Yes ☐ **No** X☐

If so, please list each type of share and the rights and obligations conferred on each.

List each type of share

B GENERAL SHAREHOLDERS' MEETING

B.1 State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail:

Yes ☐ **No** X☐

	% quorum different from that contained in Article 193 LSC for general matters	**% quorum different from that contained in Article 194 LSC for special resolutions**

Quorum required at 1st call		
Quorum required at 2nd call		

Description of differences

B.2 State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes ☐ **No** X☐

Describe how it is different from that contained in the LSC.

	Qualified majority different from that established in Article 201.2 LSC for Article 194.1 LSC matters	**Other matters requiring a qualified majority**
% established by the company for adoption of resolutions		

Describe the differences

B.3 State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.

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

B.4 Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous year:

	Attendance data				
Date of General Meeting	**% physically present**	**% present by proxy**	**% distance voting**		**Total**
			Electronic voting	**Other**	
30/06/2016	46.52	31.18	0.00	0.00	77.70
Of which free float:	0.52	16.63	0.00	0.00	17.15
27/04/2017	40.63	36.69	0.00	0.00	77.32
Of which free float:	0.63	16.62	0.00	0.00	17.25
31/05/2018	34.15	49.39	0.00	0.00	83.54
Of which, free float:	0.16%	35.15%	0.00	0.0	35.31%

Remarks
The shareholders cannot be firmly identified based on the attendance list since there are institutional investors.

B.5 State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason.

Yes ☐ **No** X☐

Points on agenda not approved	% votes against (*)

(*) If the non-approval of the point is for a reason other than the votes against, this will be explained in the text part and "N/A" will be placed in the "% votes against" column.

B.6 State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

Yes X☐ **No** ☐

Number of shares required to attend General Meetings	100
Number of shares required for distance voting	100

Remarks

B.7 State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

Yes ☐ **No** X☐

Explain the decisions that must be subject to the General Shareholders' Meeting, other than those established by law

B.8 State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

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

C COMPANY ADMINISTRATIVE STRUCTURE

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of directors	13
Minimum number of directors	4
Number of directors set by the general meeting	12

Remarks

C.1.2 Please complete the following table on directors:

Name of director	Natural person representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
Mr MARCO PATUANO		Proprietary	CHAIRMAN	13/07/2018	13/07/2018	CO-OPTION
Mr TOBÍAS MARTÍNEZ GIMENO		Executive	CEO	17/11/2014	30/06/2016	GENERAL SHAREHOLDER'S MEETING RESOLUTION
Mr BERTRAND BOUDEWIJN KAN		Independent	DEPUTY CHAIRPERSON	16/04/2015	31/05/2018	GENERAL SHAREHOLDER'S MEETING RESOLUTION
Mr GIAMPAOLO ZAMBELETTI		Independent	COORDINATING DIRECTOR	16/04/2015	31/05/2018	GENERAL SHAREHOLDER'S MEETING RESOLUTION
Mr CARLO BERTAZZO		Proprietary	DIRECTOR	13/07/2018	13/07/2018	CO-OPTION
Mr PIERRE BLAYAU		Independent	DIRECTOR	16/04/2015	31/05/2018	GENERAL SHAREHOLDER'S MEETING RESOLUTION
Ms ANNE BOUVEROT		Independent	DIRECTOR	31/05/2018	31/05/2018	GENERAL SHAREHOLDER'S MEETING RESOLUTION
Ms ELISABETTA DE BERNARDI DI VALSERRA		Proprietary	DIRECTOR	13/07/2018	13/07/2018	CO-OPTION

Ms MARIETA DEL RIVERO BERMEJO		Independent	DIRECTOR	27/04/2017	27/04/2017	GENERAL SHAREHOLDER'S MEETING RESOLUTION
Ms MARÍA LUISA GUIJARRO PIÑAL		Independent	DIRECTOR	31/05/2018	31/05/2018	GENERAL SHAREHOLDER'S MEETING RESOLUTION
Mr JOHN BENEDICT MCCARTHY		Proprietary	DIRECTOR	16/10/2018	16/10/2018	CO-OPTION
Mr LEONARD PETER SHORE		Independent	DIRECTOR	16/04/2015	31/05/2018	GENERAL SHAREHOLDER'S MEETING RESOLUTION

Total number of directors	12

State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of director	**Director type at time of leaving**	**Date of last appointment**	**Date director left**	**Specialised committees of which he/she was a member**	**Indicate whether the director left before the end of the term**
Mr LUIS DEULOFEU FUGUET	Proprietary	16/04/2015	15/02/2018		YES
Mr FRANCISCO REYNÉS MASSANET	Proprietary	30/06/2016	15/02/2018		YES
Mr FRANCISCO JOSÉ ALJARO NAVARRO	Proprietary	30/06/2016	12/07/2018	Audit and Control Committee	YES
Mr JOSEP MARIA CORONAS GUINART	Proprietary	30/06/2016	12/07/2018	Nominations and Remuneration Committee	YES
Mr ANTONIO DAVID DIAZ ALMAZÁN	Proprietary	15/02/2018	12/07/2018		YES
Mr CARLOS DEL RIO CARCAÑO CAÑO	Proprietary	15/02/2018	12/07/2018		YES
Mr ANDREA PEZZANGORA	Proprietary	13/07/2018	12/10/2018	Nominations and	YES

				Remuneration Committee	

Reason for leaving and other remarks
Messrs Francisco Reynés Massanet and Luis Deulofeu Fuguet resigned as proprietary directors of Abertis Infraestructuras, S.A. for personal reasons and they were replaced by Messrs David Díaz Almazán and Carlos del Río Carcaño, proprietary directors of the same shareholder. When Abertis Infraestructuras, S.A. transferred its shares on 12/07/2018, Messrs Francisco José Aljaro Navarro, Josep Maria Coronas Guinart, David Díaz Almazán and Carlos del Río Carcaño, proprietary directors at Cellnex, resigned, in accordance with Recommendation 20 of the Code of Good Governance for Listed Companies, and they were replaced by the directors of the acquirer, Connect S.p.A.. Mr Andrea Pezzangora, proprietary director of Connect S.p.A. (Edizione Group), tendered his resignation on 12/10/2018 and was replaced by proprietary director Mr John B. McCarthy as a result of the shareholder agreements notified to the CNMV on the same date by Edizione S.r.l. between Sintonia S.p.A., ConnecT S.p.A., Infinity Investments, S.A. and Raffles Infra Holdings Limited in relation to Cellnex Telecom S.A.

C.1.3 Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE DIRECTORS

Name or company name of director	Post in organisational chart of the company	Profile
MR TOBÍAS MARTINEZ GIMENO	CEO	Tobias Martinez is the company's top-ranking executive (CEO). He is also Director of other companies forming part of the Cellnex Group: Retevisión I, Tradia Telecom, OnTower, Cellnex España. He joined Acesa Telecom (Abertis Group) in the year 2000, first as Board Member and Director General of Tradia, and subsequently of Retevisión. Before joining the Abertis Group, he headed his own business project in Information and Telecommunication Systems for more than 10 years. He studied Telecommunications Engineering and holds a Diploma in Top Management from the IESE Business School (PADE) and a Diploma in Marketing Management from the Instituto Superior de Marketing de Barcelona (Higher Institute of Marketing of Barcelona).

Total number of executive directors	1
Percentage of Board	8.33%

Remarks

PROPRIETARY DIRECTORS

Name of director	**Name or company name of the significant shareholder represented or that has proposed their appointment**	**Profile**
MR MARCO PATUANO	CONNECT S.p,A.	He has developed most of his professional career at Gruppo Telecom Italia (1990-2016), where he became CEO in 2011. Whilst at Telecom Italia, he participated at the startup of TIM (1995-2001) and he spent six years abroad (2002-2008) as CFO of TIM Brazil, General Manager for Latin America and CEO Telecom Argentina. In this period he sat and chaired several boards of various listed companies both in local markets and in the USA. From 2013 to 2016 he has been Board Member of the GSMA. As a director of

		GSMA he chaired the Regulatory Group and he was member of the Strategy Group and the Finance Group. Till 2016 he was also a director of Fondazione Telecom Italia, Fondazione Bocconi and the European Institute of Oncology and has worked with various universities in Italy and the USA. In January 2017 he became CEO of Edizione S.r.l., the Benetton family holding company. Is director of Atlantia S.p.A., Autogrill S.p.A., AC Milan S.p.A., Benetton Group Srl and the other companies forming part of the Edizione Group: Sintonia, ConnecT, Schema 33, Edizione Property. He graduated in business economics at Università Bocconi, Milan, and did post-graduate studies in Europe and the United States.

MR CARLO BERTAZZO	CONNECT S.p.A.	Is the General Manager of Edizione Srl, the Benetton family holding company. He is also Director of other companies forming part of the Edizione Group: Sintonia (CEO), ConnecT, Schema 33. In addition he is board member of Abertis Infraestructuras, Atlantia and Aeroporti di Roma. He has been in Edizione since 1994 and has played a key role in the diversification process of the Group over the years, managing the acquisitions of Autogrill and Generali Supermercati (1995), Atlantia (2000), a stake in Telecom Italia (2001) and Gemina (2005), now called Aeroporti di Roma, merged into Atlantia. He also contributed in the development of the partnerships that Edizione over time built with Italian and

		international investors. He has had an active role in the management of the investments of Edizione, covering also an operating position as the CEO of the listed company Gemina (2011-2013), and being a board member of several companies including TIM and Telecom Italia Media. He also ran the key disposals of the Group, such as the sale of Generale Supermercati to Carrefour (2000) and of World Duty Free to Dufry (2015). Previously to joining Edizione, he had worked in the financial sector (Banca Commerciale Italiana, now Banca Intesa) and in the investment department of the Agnelli family holding company. He holds a degree in Business and Administration *Magna cum Laude* from Ca' Foscari

		University in Venice.
MS ELISABETTA DE BERNARDI DI VALSERRA	CONNECT S.p.A.	Is the Investment Director in Edizione Srl since 2015. She is also Director of other companies forming part of the Edizione Group: ConnecT (CEO), Sintonia. In addition she is Board Member of Atlantia and Getlink. She started her career in Morgan Stanley (2000) in the investment banking team, where she worked in the *Communications & Media* team in London and then in the corporate finance team in Milan, where she remained until 2013 as Executive Director. In Morgan Stanley, she advised on several transactions, including M&A, equity and debt transactions. Between 2013 and 2015, she has been a partner of Space Holding, launching and placing on the

		Italian Stock Exchange the Special Purpose Acquisition Vehicles Space SpA and Space 2 SpA, who have completed their business combinations merging with Fila, Avio and Aquafil. She graduated in Electronic Engineering *Magna cum Laude* at Università degli Studi di Pavia.
MR JOHN BENEDICT MCCARTHY	CONNECT S.p.A.	John Benedict McCarthy has been the Global Head of Infrastructure, Real Estate and Infrastructure Department at Abu Dhabi Investment Authority since May 2013. Mr. McCarthy is responsible, in collaboration with senior management, for developing and implementing investment strategy for the infrastructure division and overseeing all day-to-day activities of the Infrastructure team at Abu Dhabi Investment Authority which includes

		managing its existing portfolio of infrastructure investments, as well as working with team members to originate and execute on new transactions. He is also Director of other companies forming part of the ADIA Group: Gatwick Airport, Open Grid Europe, Global Infrastructure Investors Association. In addition he is Director of Abu Dhabi Power Company, Ploytech Pty and Emirates Water and Electricity Company. Previously, he served as a Managing Director and Global Head of RREEF Infrastructure at Deutsche Bank since 2005. Prior to that, he was Global Head of Infrastructure Capital and Structured Capital Markets at ABN Amro Bank. Mr. McCarthy began his career in the infrastructure sector in 1990

		at BZW in Australia, where he rose to Head of Infrastructure. He holds a Post Graduate degree in Finance and a Bachelor of Economics, both from Monash University in Melbourne, Australia.

Total number of proprietary directors	4
Percentage of the Board	33.33

Remarks

INDEPENDENT DIRECTORS

Name of director	Profile
MR BERTRAND BOUDEWIJN KAN	He has extensive professional experience in investment banking and focused on the telecoms, media and technology sector in particular. He spent most of his career at Morgan Stanley where he became a Managing Director and Head of the European Telecoms Group. Subsequently he moved to Lehman Brothers where he was Co-Head of the Global Telecoms Team and was a member of the European Operating Committee. In 2008 he became Head of the Global Telecoms, Media and Technology Group at Nomura and served on the Investment Banking Global Executive Committee. Among other responsibilities, he is currently a chairman of the Board of Síminn hf., the telecoms operator in Iceland, of the Advisory Board of Wadhwani Asset

	Management and of the Supervisory Board of UWC Netherlands. Bertrand Kan graduated with B.Sc. and an M.Sc. degrees in Economics from the London School of Economics.
MR GIAMPAOLO ZAMBELETTI	He has spent much of his professional career in the chemicals/pharmaceuticals and telecoms sectors. Currently holds the position Vice-President of Unidad Editorial, S.A. He was previously Founder and Managing Director of Zambeletti España, President and CEO of Zambeletti Group, President of Italgas SpA, President and Managing Director of Ellem Industria Farmaceutica SpA . He served as Vice President of the pharma labs association, Farmindustria. In 2001 he has been appointed Group Senior Vice President International Affairs of Telecom Italia. He has furthermore been a member of the Board of Directors of Telecom Italia International (Netherlands), Auna, S.A. (Spain), Avea (Turkey), Oger Telecom (Dubai), Ojer Telekomunikasyon (Turkey) and Telekom Austria. Giampaolo Zambeletti holds a degree in Chemistry from the Università degli Studi di Pavia, is an international trustee of the Friends of the Prado Museum Foundation in Madrid, and received the Isabel la Católica Award from King Felipe VI in 2015.
MR PIERRE BLAYAU	He is currently holding the position of president of CCR (Caisse Centrale de Reassurance) and member of the SECP (Canal+ Group), Newrest and fonds PME Emplois durables, Censor of FIMALAC and Senior Advisor of TPG, Llamasoft, Bain and Jouve and Chairman of Harbour Conseils. He was previously Chief Executive Officer of Pont à Mousson, PPR, Moulinex, Geodis, and Executive Director of SNCF. He has also served as Executive Director of La Redoute, as a member of the Board of Directors of FNAC, and Independent Director of Crédit Lyonnais and President of the Board of Directors of Areva.

	Pierre Blayau is a Public Finance Inspector of the French Ministry of Finance, and graduated from the École Nationale d'Administration de Paris and the École Normale Supérieure de Saint-Cloud.
MS ANNE BOUVEROT	Anne Bouverot is currently Senior Advisor of TowerBrook Capital Partners. Previously she was CEO of Morpho, a biometrics and cybersecurity company (between 2015 and 2017) and general director of the GSMA (between 2011 and 2015). She also held several international management positions in companies in the telecommunications sector such as France Telecom / Orange (Executive Vice President of Mobile Services from 2009 to 2011), Global One Communications and Equant. She is currently an Independent Board member of Capgemini and Edenred in France. Anne Bouverot has a degree in Mathematics and a PhD in Artificial Intelligence from the École Normale Supérieure in Paris, and a degree in Telecommunications Engineering from Mines Paris Tech.
MS MARIETA DEL RIVERO BERMEJO	Marieta del Rivero has 25 years of experience in leadership roles in the world of information and communications technology, mobility and the digital services industry and is one of the most prominent profiles in the sector in Spain. She has extensive experience and a proven track record ranging from key consumers to manufacturers and suppliers of hardware, to telecom operators and software industry. Her career and executive responsibilities have included working at Telefónica, Nokia (Iberia and Corporation), Xfera Móviles, Amena and Nefitel. She is currently Partner at Seeliger & Conde, member of the advisory boards of the "Made in Mobile" technology incubator and the Mutualidad Abogacía. She is President of the *International Women's Forum Spain* and member the *Women Corporate Directors Foundation* in Spain.

	Marieta del Rivero is a graduate of Economics and Business Sciences from the Autonomous University of Madrid (UAM), AMP awarded by the IESE, and EP awarded by the Singularity University California.
MS MARÍA LUISA GUIJARRO PIÑAL	María Luisa Guijarro has worked most of her career in the Telefónica group, from 1996 until 2016, where she held positions including Global Marketing and Sponsorship Manager, CEO of Terra España, Director of Marketing and Business Development in Spain and, in her later years at the company, member of the Executive Committee in Spain as head of Strategy and Quality. She has a degree in Economics from the Universidad Autónoma de Madrid.
MR PETER SHORE	Has extensive experience in the telecommunications and tech sector. Held the position of Chairman of Arqiva in the UK for eight years from 2007-2014. He has also been Chairman of Uecomm, Lonely Planet Publications, the Hostworks Group and Airwave. He was Group Managing Director at Telstra in Australia, CEO of Priceline (Aust/NZ) and Managing Director of Media/Communications/Partners. He has served as a Director of Objectif Telecomunications Limited, Foxtel, SMS Management and Technology and OnAustralia. He was furthermore a member of the Advisory Board of Siemens Australia. Leonard Peter Shore holds a degree in Applied Mathematics and Computing Science from the University of Adelaide.

Number of independent directors	7
Percentage of the Board	58.33

Remarks

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name of the director	Description of the relationship	Statement of the Board

OTHER EXTERNAL DIRECTORS

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Name of director	Reason	Company, director or shareholder to whom the director is related	Profile

Total number of other external directors	
Percentage of the Board	

Remarks

State any changes in status that has occurred during the period for each director:

Name of director	Date of change	Previous Status	Current status

Remarks

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive					0.00	0.00	0.00	0.00
Proprietary	1				8.33	0.00	0.00	0.00
Independent	3	1			25.00	20.00	0.00	0.00
Other external								
Total	4	1			33.33	10.00	0.00	0.00

Remarks

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

Yes X☐ **No** ☐ **Partial policies** ☐

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved
On 18 February 2016, the Board of Directors of Cellnex Telecom approved the Director Selection and Appointment Policy which, among other purposes, aims to have an appropriate Board composition. When selecting the Board members, the following must be considered: the Company's shareholder structure, the diversity of knowledge, professional experience, origin, nationality and gender among the members, their ability to devote the necessary time to the position, their specialisation in specific major fields (financial, legal, telecoms, etc.), the absence of conflicts of interest (actual or potential), and their personal commitment to defending the corporate interests. 1. **Scope of application.** This policy applies to the selection of board members that are natural persons. In the case of board members that are legal persons, the provisions of this Policy shall apply to the natural persons that represent them. 2. **Selection process.** Pursuant to the provisions of the Law on Capital Companies, as regards proposing the appointment or reappointment of members of the Board of Directors, the Appointments and Remuneration Committee shall be responsible in the case of independent board members, while the Board of Directors itself shall be responsible in all other cases. Said proposals for appointment or reappointment must be presented together with a report from the Board justifying the choice by means of an assessment of the proposed candidate's competence, experience and merits. Furthermore, proposals for the appointment or reappointment of non-independent board members should be preceded by a report from the Appointments and Remuneration Committee. The selection of board member candidates shall be based on a prior analysis of the needs of the company, performed by the Board of Directors with advice and a report from the Appointments and Remuneration Committee. The aim is to integrate different professional and management

experiences and skills and to promote the diversity of knowledge, experience and gender, while bearing in mind the weight of the different activities undertaken by Cellnex and considering those specific areas or sectors that need to be strengthened.

Any Board Member may ask the Appointments and Remuneration Committee to consider the merits of potential candidates to cover vacant positions on the Board.

3. **Conditions to be met by candidates.**

Candidates for the position of Board Member of the Company must be honourable and ideal persons of recognised solvency, with the competence, experience, qualifications, training, availability and commitment required for the position.

They must be trustworthy professionals whose conduct and professional career are aligned with the principles set down in the Cellnex Code of Ethics and with the mission, vision and values of the Cellnex Group.

When considering candidates, the Appointments and Remuneration Committee shall assess the following aspects, bearing in mind the needs of the Board of Directors:

1. The candidate's technical and professional competencies.
2. The candidate's management experience, bearing in mind the context in which Cellnex operates.
3. The commitment needed to hold the position, evaluating the positions already held by the candidate at other companies.
4. The potential existence of conflicts of interest.
5. The significance of any direct or indirect commercial, financial or professional relationships that exist or have recently existed between the candidate and the Company or other Group companies.
6. Any future proceedings that may have a detrimental affect on the candidate's responsibility or reputation.

4. **Disqualifications for being a candidate for the position of Board Member.**

Persons affected by any of the causes of incompatibility, incapacity or prohibition to holding the position of Board Member set down by law or contained in the Company's internal regulations may not be considered as candidates for the position of Board Member.

5. **Help from External advisors.**

When selecting candidates for the Board of Directors, the Appointments and Remuneration Committee may hire the services of external advisors specialising in searching for and selecting candidates in order to make the process more efficient and effective.

When analysing the candidacies, the advisor must assess the requirements set out in section 3 of this Policy.

6. **Special reference to gender diversity.**

In all cases, any type of implicit bias in the candidate selection process that may imply any kind of discrimination shall be avoided.

This Policy for the Selection of board member candidates shall promote a balanced presence of men and women on the Board of Directors.

Said Policy must ensure that, as soon as possible and at the latest by the end of 2020, the least-represented gender shall make up at least thirty percent of the total number of members of the Board of Directors.

7. **Verification of compliance with this Policy.**

On an annual basis, the Appointments and Remuneration Committee shall check compliance with this board member Selection Policy and report its conclusions to the Board of Directors.

Specific measures adopted by the board of directors and the nominations and remuneration committee to achieve a balanced and diverse presence of directors.

C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:

Explanation of means
The measures involved hiring a prestigious headhunter to select the candidates, preferably women, with the aim of achieving a balanced presence.

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

Explanation of means

C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

As a result of the Board restructuring in 2018, including the increase in the number of members, the number of female directors is now higher than 30%.

C.1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name of shareholder	Reason

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes ☐ **No** X☐

Name of shareholder	Explanation

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name of director	Brief description
MR TOBÍAS MARTÍNEZ GIMENO	The CEO, who has all the delegable powers of representation, management and disposition, except those that cannot be delegated by law or the Company By-laws.

C.1.10 Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Name of director	Name of group member	Position	Does the director have executive powers?
MR TOBÍAS MARTINEZ GIMENO	TRADIA TELECOM, S.A.U.	JOINT AND SEVERAL DIRECTOR	YES
MR TOBÍAS MARTINEZ GIMENO	RETEVISION I, S.A.U.	JOINT AND SEVERAL DIRECTOR	YES
MR TOBÍAS MARTINEZ GIMENO	ON TOWER TELECOM INFRAESTRUCTURAS, S.A.U.	JOINT AND SEVERAL DIRECTOR	YES
MR TOBÍAS MARTINEZ GIMENO	CELLNEX TELECOM ESPAÑA, S.L.U.	JOINT AND SEVERAL DIRECTOR	YES

Remarks

C.1.11 List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Position
MS ANNE BOUVEROT	CAPGEMINI	DIRECTOR
MS ANNE BOUVEROT	EDENRED	DIRECTOR
MR CARLO BERTAZZO	ATLANTIA S.p.A.	DIRECTOR
BERTRAND BOUDEWIJN KAN	SÍMINN HF	PRESIDENT
MS ELISABETTA DE BERNARDI DI VALSERRA	ATLANTIA S.p.A.	DIRECTOR
MS ELISABETTA DE BERNARDI DI VALSERRA	GETLINK SE	DIRECTOR

Remarks

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes X☐ **No** ☐

Explanation of the rules and identification of the document where this is regulated
On 28 June 2018, the Board of Directors of Cellnex Telecom, S.A. resolved to amend the Board Regulations, whereby, among other resolutions, it completed the second paragraph of its article 26, which stated that "The directors must show proper dedication and will adopt the measures required for the sound management and control of the Company in the performance of their duties", with the following wording: "For this purpose, the directors of the Company may not sit on more than four boards of other listed companies other than the Company. For purposes of this rule, all the boards of companies that are part of the same group will be counted as a single board and the following will not be counted: (i) boards of holding companies or companies that may constitute vehicles or supplements for the professional exercise of the director, his or her spouse or person with a similar sentimental relationship or their closest family members, (ii) boards on which the director sits as a proprietary director at the proposal of the Company or any company pertaining to its group, and (iii) the boards of companies whose purpose is supplementary or accessory to another activity that, for the Company director may entail an activity related to leisure, assistance or aid to third parties or of any other kind that does not imply true dedication to a commercial business."

C.1.13 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousand euros)	4,062

Amount of vested pension interests for current members (thousand euros)	650
Amount of vested pension interests for former members (thousand euros)	0

Remarks

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name	Position
MR LLUÍS DEULOFEU FUGUET	Deputy CEO
MR JOSE MANUEL AISA MANCHO	Finance and Corporate Development Manager
MR ANTONI BRUNET MAURI	Public Affairs and Corporate Manager
MS MARIA ROSA PIÑOL RAURICH	Resource and Transformation Manager (until 31/07/2018)
MR ALBERTO LOPEZ PRIOR	Resource and Transformation Manager (since 01/08/2018)
MR JAVIER MARTI DE VESES ESTADES	General and Corporate Secretary
MR ALEXANDRE MESTRE MOLINS	Business and Sales Development Manager
MR DANIEL FERNÁNDEZ CAPO	Global Operations Manager

Total senior management remuneration (thousand euros)	5,779

The difference in relation the amount that appears in the annual accounts is because in the ACGR we also add the remuneration of the internal auditor.

C.1.15 State whether the Board rules were amended during the year:

Yes X☐ **No** ☐

Description of amendment

The amendments to the Regulations were aimed at including some recommendations stated in the Code of Good Governance and materialise the proposals made by the external consultant that carried out the annual Board performance assessment for 2017. They basically consist of:

- Regulating the functions of the coordinating director.
- Limiting the number of boards on which the director can sit (4).
- Detailing the ACC's functions with respect to the external auditor under the terms set out in the Code of Good Governance.
- Limiting the cases in which an independent director's removal can be proposed to those envisaged in the Code of Good Governance.
- Providing the directors with the possibility of proposing other items on the agenda that were initially not envisaged.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

The procedures for the selection, appointment, re-election, assessment and removal of directors are

detailed in Sections 18 to 21 of the Board of Directors' Regulations.

NOTE OF CLARTIFICATION AP. D.2.

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of changes
As a result of the assessment made by an external advisor for 2017, the following actions were carried out in 2018: - Women joined the Board. - The Board of Director's Regulations were amended to include the proposals made by the external advisor. - A new organisational chart was approved, depending on the internal audit of the Audit and Control Committee.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas
At the end of 2018, the Board self-assessed its performance through a complete questionnaire comprising several blocks of questions: (i) Board composition; (ii) Board functioning; (iii) Board Chairperson; (iv) Board Secretary; (v) Board Committees; (vi) assessment of the chief executive and relationship with the senior management; (vii) the Board's alignment and

commitment to the strategic objectives; and (viii) overall assessment of the Board. The questionnaire was answered by all the directors.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

The assessment by the external consultant was made in 2017. No business relationships have taken place with that consultant.

C.1.19 State the situations in which directors are required to resign.

1.Directors will resign their positions when they have completed the period for which they were appointed and when decided on by the General Meeting under the powers legally or statutorily vested therein.
2. Directors will have to make their positions available to the Board of Directors and, if considered appropriate, formalise the corresponding resignation in the following cases:
a) When they cease to hold the executive posts linked to their appointment as a director. As regards independent directors, when they complete twelve (12) years in the position.
b) When they find themselves in a situation of conflict of interests or a prohibited situation as provided for by law.
c) When they have been prosecuted for an allegedly criminal act or are subject to a disciplinary measure due to (gross) misconduct brought by the supervisory authorities.
d) When their continued membership of the Board could put the Company's interests in jeopardy and when the reasons for their appointment no longer exist. This last circumstance will be understood as occurring with regard to a director representing substantial shareholders when the full shareholding of
which s/he is the owner or whose interests s/he represents have been disposed of and also when the reduction of their shareholding requires the consequent reduction of the directors representing substantial shareholders.
3. Executive directors must make their positions available to the Board once they have reached seventy years of age and the latter must decide whether they will continue exercising their executive or managerial functions or remain simply as a director.
4. In the event that, due to resignation or for any other reason, a director were to cease in his or her office prior to the end of his or her mandate, the reasons therefor shall be explained in a letter sent to all the members of the Board. Without prejudice to the timely communication of the cessation as a relevant event, the Board will give account of the cessation in the Annual Corporate Governance Report.
5. The Board of Directors may only propose the cessation of an independent director before the end of the statutory period when there is just cause, as appreciated by the Board following a report by the Appointments and Remuneration Committee. In particular, just cause will be deemed to exist when the director goes on to hold new offices or undertakes new duties that prevent him or her from devoting the necessary time to the tasks inherent in the role of director, fails to perform the duties inherent to his or her office or is involved in any of the circumstances that might cause him or her to lose his or her status of independent director, in accordance with the provisions of the applicable legislation. Such removal may also be proposed as a result of public offerings of acquisition, mergers or other

similar corporate transactions that entail a change in the structure of the share capital of the Company, when such changes in the structure of the Board are brought about by the criterion of proportionality.

C.1.20 Are qualified majorities other than those established by law required for any specific decision?

Yes ☐ **No** X☐

If so, please describe any differences.

Description of differences

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.

Yes ☐ **No** X☐

Description of requirements

C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

Yes X☐ **No** ☐

	Age limit
Chairman	N.A.
CEO	70
Directors	N.A.

Remarks

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law:

Yes ☐ **No** X☐

Additional requirements and/or maximum number of term limits	

C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. If so, please briefly describe the rules.

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

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	13
Number of Board meetings without the chairman	

Remarks

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	

Remarks

Please specify the number of meetings held by each committee of the Board during the year:

Number of meetings held by the Executive Committee	
Number of meetings held by the Audit Committee	9
Number of Meetings held by the Appointments and Remuneration Committee	9
Number of meetings held by the Appointments Committee	
Number of meetings held by the Remuneration Committee	
Number of meetings held by the ______ Committee	

Remarks

C.1.26 State the number of meetings held by the Board of Directors during the year in which all of its directors were present. For the purposes of this section, proxies given with specific instructions should be considered as attendance

Number of meetings when all directors attended	13
% of attendance over total votes during the year	97.90
Number of meetings in situ or representations made with specific instructions of all directors	10
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	97.90

Remarks

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

Yes X☐ **No** ☐

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

Name	Position
MR JOSÉ MANUEL AISA MANCHO	Corporate Finance & M&A Manager
MR TOBÍAS MARTÍNEZ GIMENO	CEO
MR JAVIER MARTÍ DE VESES ESTADES	General and Corporate Secretary

Remarks

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

In accordance with section 39.3 of the Board Regulations, the Board of Directors shall procure to definitively drawn up the annual accounts in a way that the auditor cannot oppose exceptions. However, when the Board considers that it shall maintain its approach, it shall explain publicly the content and scope of the discrepancy. The duties of the Audit and Control Committee (section 15.2(c) of the Board Regulations) include supervising the process of preparing and presenting the compulsory financial information as well as the integrity thereof.

The Audit and Control Committee holds regular meetings with the Company's external auditors to avoid discrepancies in the criteria to be followed in preparing the annual financial statements.

C.1.29 Is the secretary of the Board also a director?

Yes ☐ **No** X☐

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

Name of the secretary	Representative

MR JAVIER MARTÍ DE VESES ESTADES	
Remarks	

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

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

Another function (section 15.2(d) of the same Regulations), is to establish the appropriate relations with the external accounts auditors or auditing firms in order to receive information on issues that may jeopardize the independence of the same, to be studied by the Committee, and any other information relative to the auditing of the accounts, as well as any other notifications envisaged in the legislation and regulations concerning the auditing of accounts. In all cases, they must receive on an annual basis from the external accounts auditors or auditing firms written confirmation of their independence with regard to the company or any organisations directly or indirectly related to the same, in addition to information regarding any additional services of any kind provided to and the pertinent fees received from these organisations by said auditors or auditing firms, or by persons or organisations related to the same in accordance with the provisions established in the applicable legislation on account auditing.

Additionally, another function of the Audit and Control Committee (section 15.2 ap. e) of the Board Regulations) is to issue annually, prior to the issuance of the auditors' report on the annual accounts, a report which shall express an opinion on the independence of the auditors or audit companies. This
report shall contain, in any event, a valuation of the additional services provided referred to in the previous section, individually considered and as a whole, which are different from the legal audit and details in relation with the independent regime or the audit governing regulations.

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

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

In 2018, the Audit and Control Committee duly complied with the Board of Director's Regulations regarding the external auditors aimed at maintaining their independence, as stated in the preceding paragraphs.

C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

Yes ☐ **No** X☐

Outgoing auditor	Incoming auditor

Remarks	

If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes ☐ **No** X☐

Explanation of disagreements

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

Yes X☐ **No** ☐

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	601	165	766
Amount invoiced for non-audit services/Amount for audit work (in %)	73.65	27.59	54.17

Remarks

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

Yes ☐ **No** X☐

Explanation of reasons

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group.

Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	6	6

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	100.00	100.00

Remarks

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

Yes X☐ **No** ☐

Explanation of procedure
Pursuant to section 22 of the Board of Directors' Regulation, the agenda of Board meetings will clearly indicate any points regarding which the Board of Directors must take adopt decision or a resolution so that the directors may examine or gather, in advance, the information required for the adoption thereof. All information referring to the proposals to be presented to directors will be available to them forty-eight (48) hours in advance. The advance information sent to directors during the financial year 2018 was generally sent to the directors one week in advance of the meetings.

C.1.36 State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

Yes X☐ **No** ☐

Explain the rules
Directors must tender their resignation to the Board and, if the Board of Directors considers it appropriate, formally resign (section 21 of the Board Regulations) in the following cases: - When they find themselves in a situation of conflict of interests or a prohibited situation as provided for by law; - When they are prosecuted for an alleged criminal act or are subject to disciplinary proceedings for serious or very serious misconduct instituted by the supervisory authorities;

- When their continued presence on the Board may jeopardize the Company's interests or when the reasons for which they were appointed cease to exist. The above circumstance shall be deemed to occur in the case of proprietary directors when the total shareholding they own or whose interests they represent is disposed of or when the reduction of such shareholding requires a reduction in the number of relevant proprietary directors.

C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

Yes ☐ **No** X☐

Name of director	Criminal charge	Remarks

State whether the Board of Directors has examined the case. If so, explain in detail the decision taken as to whether the director in question should continue in his or her post or, if applicable, describe any actions taken by the Board up to the date of this report, or which it intends to take.

Yes ☐ **No** ☐

Decision/Action taken	Explanation

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

<u>Debentures and other loans</u>

The terms and conditions of the bonds include a clause on change of control (at the option of the bondholders), which implies an early redemption.
Regarding the bonds issued under the EMTN Programme, the put option can only be activated if a change of control takes place and the credit rating is lowered due to a change of control (as defined in the terms and conditions of the EMTN Programme). Regarding the convertible bonds, the put option can only be activated if a change of control takes place or if an event which triggers the offer takes place (as defined in the terms and conditions of the convertible bonds).

In both clauses, a change of control is defined as the acquisition of over 50% of the voting rights of the parent company or the right to appoint or remove all or most of the Board members of the parent company.

<u>Loans and credit policies</u>

The syndicated financing includes a clause on early termination due to a change of control. Regarding the syndicated financing arranged by Cellnex Telecom, S.A., the triggering event is at the parent company level and, for the syndicated financing formalised through Cellnex Switzerland, the triggering event is at the level of that company and its subsidiary, Swiss Towers. In both cases, the change of control event is activated when a third party, on its own or with others, acquires 50% of the shares with voting rights or obtains the right to appoint or remove most of the Board members of the relevant company.

Acquisition of infrastructure

Regarding the Group's infrastructure acquired by the mobile telecommunications operators, the agreements signed with the sellers include the change of control events which establish that, if the seller's competitor becomes a controlling shareholder at the relevant company (where the control is defined as (i) more than 50% of the shares with voting rights or (ii) the right to appoint or remove most of the Board members), the seller is entitled to repurchase that infrastructure. Moreover, that repurchase right can also be granted if the seller's competitor acquires a significant part of the shares or obtains voting or governing rights which can be exercised in a way that can negatively affect the seller's interests. The change of control events can be activated by both Cellnex Telecom and at Group company level.

C.1.39 Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of beneficiaries 2	
Type of beneficiary CEO and Senior Management	**Description of agreement**

The executives have signed agreements with the company that contain compensation clauses.

In general terms, the contracts' compensation clause provides for the payment of compensation to the executive in the event of unfair dismissal. The compensation is the greatest of the following amounts:

a) compensation equivalent to one year's salary, taking into consideration the annual gross fixed remuneration in cash received at the time the employment relationship is terminated, as well as the annual gross variable remuneration received by the executive in the 12 months immediately before the effective cessation of the provision of their services; or b) the compensation established by current employment legislation.

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

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

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses	YES	

	YES	NO
Are these clauses notified to the General Shareholders' Meeting?		X

Remarks
After a report from the Nominations and Remuneration Committee, the Board approved the essential conditions for Senior Management.

C.2 Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

EXECUTIVE COMMITTEE

Name	Post	Category

% of executive directors	
% of proprietary directors	
% of independent directors	
% of external directors	

Remarks

Explain the duties exercised by this committee, other than those that have already been described in Section C.1.10, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

AUDIT COMMITTEE

Name	Post	Category
MR LEONARD PETER SHORE	MEMBER	INDEPENDENT
MR BERTRAND BOUDEWIJN KAN PETER SHORE	PRESIDENT	INDEPENDENT
MS ELISABETTA DE BERNARDI DI VALSERRA	MEMBER	PROPRIETARY
MS ANNE BOUVEROT	MEMBER	INDEPENDENT

% of proprietary directors	25.00
% of independent directors	75.00
% of external directors	

Remarks

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

NOTE OF CLARIFICATION AP. C.2.1.

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Name of directors with experience	MR BERTRAND BOUDEWIJN KAN MS ELISABETTA DE BERNARDI DI VALSERRA
Date of appointment of the chairperson	16/02/2017

Remarks

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Post	Category
MR GIAMPAOLO ZAMBELETTI ROSSI	CHAIRMAN	INDEPENDENT
MR PIERRE BLAYAU	MEMBER	INDEPENDENT
MR JOHN BENEDICT MCCARTHY	MEMBER	PROPRIETARY
MS MARIETA DEL RIVERO BERMEJO	MEMBER	INDEPENDENT
MS MARÍA LUISA GUIJARRO PIÑAL	MEMBER	INDEPENDENT

% of proprietary directors	20%
% of independent directors	80%
% of external directors	

Remarks

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

NOTE OF CLARIFICATION AP. C.2.1.

APPOINTMENTS COMMITTEE

Name	Post	Category

% of proprietary directors	
% of independent directors	
% of external directors	

Remarks

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

REMUNERATION COMMITTEE

Name	Post	Category

% of proprietary directors	
% of independent directors	
% of external directors	

Remarks

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

COMMITTEE

Name	Post	Category

% of executive directors	
% of proprietary directors	
% of independent directors	
% of other external directors	

Remarks

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors			
	Year t 2018 Number %	Year t-1 2017 Number %	Year t-2 2016 Number %	Year t-3 2015 Number %
Executive committee				
Audit committee	2 - 50.00%	0.00%	0.00%	0.00%
Appointments and remuneration committee	2 - 40.00%	1 - 25.00%	0.00%	0.00%
Appointments committee				
Remuneration committee				
_____ committee				

Remarks

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

The Board Committees do not have their own regulations and their functioning is regulated by the Board of Directors' Regulations, which are available on the company's website.
Each of these committees has drawn up an activity report for 2018, which is available on the company's website.

D RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure for approval of related-party and intragroup transactions.

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

1) They are carried out by virtue of contracts, the conditions of which are standardized and apply in masse to most customers. 2) They go through at market prices, generally set by the person supplying the goods or services. 3) Their amount is no more than 1% of the group's annual revenues. Furthermore, section 33 of the mentioned regulations establishes that: The Board of Directors formally reserves the right to know about any important transaction by the company with a significant shareholder. With regard to ordinary transactions, the general authorization for the line of operations and their conditions of execution will suffice.

D.2 Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
ABERTRIS INFRAESTRUCTURAS, S.A.	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	3,533
CONNECT	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	3,706
BLACKROCK, INC.	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	1,453
THREADNEEDLE ASSET MANAGEMENT LTD	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	1,211
CRITERIA CAIXA, S.A.U.	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	1,453

Remarks

D.3 Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name of director or manager	Name of the related party	Relationship	Type of transaction	Amount (thousand euros)

Remarks

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)

Remarks
At 31 December 2018 and 31 December 2017, the Cellnex Group did not maintain any assets or liabilities of a large amount with associates. Moreover, no transactions of a large amount were made with associates in 2018 and 2017.

D.5 State the amount of any transactions conducted with other related parties that have not been reported in the previous sections.

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
Atlantia	Agreement whereby the Group can locate certain assets to provide telecoms infrastructure services to Italian toll roads under concession to Atlantia until 2038.	(1,847)
Hispasat, S.A.	Leasing of certain satellite transponder capacity	(7,057)

Remarks
In addition to the contracts stated above, no transactions of a large amount were made with related parties in the year ending 31 December 2018 and 2017.

D.6 Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

In accordance with the Board of Directors' Regulations, directors and executives must report any conflicts of interest and abstain from participating or influencing the decision-making process on matters affected by the conflict.
Directors (section 27 c) of the Board Regulations) must abstain from participating in discussions and votes regarding resolutions or decisions in which they or a related person has a direct or indirect conflict of interest. Resolutions or decisions that affect their status as directors, such as their appointment to or removal from positions in the governing body or other similar decisions, shall be excluded from the aforementioned obligation to abstain.

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

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

a) Carrying out transactions with the company, except when these are ordinary operations, carried out under standard conditions for customers, and are of little importance, understood as those operations whose information is not required to convey a faithful image of the entity's assets, financial situation and results.
b) Using the company's name or their status of director to unduly influence the conduct of private operations.
c) Using the company's assets, including its confidential information, for private purposes.
d)Taking advantage of the company's business opportunities.
e) Obtaining benefits or payments associated with the performance of their position from third parties other than the company or its Group, unless they are acts of mere courtesy.
f) Carrying out activities, for their own account or for others, that cause them to be in effective competition, whether real or potential, with the company or which, in any other way, cause a permanent conflict with the company's interests.

In July 2016 Cellnex's Board of Directors approved a new Internal Code of Conduct (ICC) adapted to the requirements of the European Regulation on market abuse. With regard to conflicts of interest, the ICC establishes:

Principles of action

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

D.7 Is there more than one company in the group listed in Spain?

Yes ☐ **No** X☐

Identify the other companies that are listed in Spain and their relationship to the company:

Identity and relationship with other listed group companies

State if the respective areas of activity and business relationships between the listed companies have been defined publicly and precisely, as well as between the subsidiary and other members of the group;

Yes ☐ **No** ☐

Describe the business relationship between the parent and subsidiary listed companies as well as between the subsidiary and other members of the group

Identify measures taken to resolve potential conflicts of interest between the listed subsidiary and the other group companies:

Measures taken to resolve potential conflicts of interest

E RISK MANAGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

The Risk Management System works in a comprehensive and continuous way, consolidating by subsidiary / geographical area and by support area at corporate level.

The risk management model implemented has been approved and is monitored by the Audit and Control Committee, and is applicable to all business and corporate units in countries where the Cellnex Group operates.

To identify the risks, defined guidelines approved by the Audit and Control Committee are in place. Each corporate area is responsible for identifying, assessing and monitoring the inherent and residual risks, and supervising and implementing control measures to mitigate such risks.

The risk map is approved and reviewed by the Audit and Control Committee, which informs the Board of Directors and is cross-checked and implemented by the Management Committee.

E.2 Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

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

- The Board of Directors: the highest body responsible for defining the risk control strategy and policy.
- The Audit and Control Committee: Designated as such by the Board of Directors, its role is to monitor the effectiveness of the risk management model and the information supplied to third parties regarding the system, making sure that the risk management system is able to identify, manage, prioritize, control, monitor and provide complete information on risks.
- Risk Control: is responsible for preparing and updating risk management policies, setting out mechanisms and methodologies to identify and assess risks, updating risk mapping, implementing a system for monitoring and Communications to the highest level of company governance and review the controls that mitigate the identified risks.
- Senior Management Committee: Is responsible for risk management included in the implementation of the defined risk policies, the approval

of risk maps, the assigning of responsibilities, the implementation of control activities and action plans as well as the monitoring of existing risks in its area of responsibility.

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

E.3 State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives

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

- Strategic elements, such as mergers between telecommunications operators, emergenceof new competitors, restrictions on growth in regulated markets.
- Compliance following changes in fiscal, legal or environmental law or being subject to litigation or other judicial processes.
- Financial as a result of customers defaulting on payments, access to financing, fluctuations in the stock market price.
- Operatives derived from the integration and optimization of acquisitions, increase in exposure of information systems, emergence of alternative technologies, capacity to attract and retain qualified personnel.

E.4 State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.

The levels of tolerance are defined in the risk assessment matrix.

For the identified risks each person responsible will evaluate the possible impact of such risks should these occur and classify them as low, medium, large or critical depending on their economic impact, implications for the organisation and impact on reputation. Following this the possibility of the risk actually occurring will be evaluated. This possibility is classifies as unlikely, possible, probable and almost certain. The combination of impact and probability leads to risk prioritization.

E.5 State which risks, including tax compliance risks, have materialised during the year.

The main risks which materialised during the year were as follows:

- Regulatory changes. The CNMC (Spanish Competition Commission) initiated public consultation to review the wholesale market for the television broadcast carrier service. The proposed obligations to be imposed on Cellnex are similar to those at present, so no relevant changes are expected. The consultation has been answered but no decision has yet been made.
- Some Group clients wished to renegotiate their agreements or amend the current contractual agreements in a negative way. Some clients suggested the possibility of renegotiating their current contracts downwards. We answered that this was not possible since the current prices conform to the regulatory framework and to market prices.

- Advertising revenue performance in the media sector, especially TV, Internet and radio. Conflict with the CNMC due to potential abuse of a dominant position by the large television groups, to the detriment of the other television companies. This has not yet been resolved but it should not have an impact on Cellnex.
- Increase in competition in the acquisition of assets and companies within the context of the Group's business expansion.

E.6 Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.

The risk management model establishes the response and supervision plans for the main risks based on their assessment.
The risk maps and the risks considered to be a priority are reviewed by the Audit and Control Committee, which, in turn, informs the Board of Directors and notifies it if there are changes to any of the risks not defined as a priority. All the areas also carry out their own risk management.

To reduce exposure to risks such as the risks of sharing infrastructure, regulatory changes, technological advances and the development of alternative technology not used at present, an increase in competition, etc., the Group continues with its selective internationalisation, diversification and growth policy, fostering understanding with the Public Administrations to develop infrastructure and continuing with the efficiency plan to optimise operating expenses and investments.

F INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANICAL INFORMATION (ICFR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1 Control environment

Report on at least the following, describing their principal features:

F.1.1. The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

Internal Control over Financial Reporting (ICFR) at Cellnex forms part of its general internal control system and consists of a set of processes which the Board of Directors, the Audit and Control Committee, management and staff carry out to provide reasonable assurance of the reliability of the financial information reported to the market.
The 'Model for the Organisation and Monitoring of the ICFR' at Cellnex (hereinafter 'ICFR Organisation Model') establishes that the Board of Directors is the highest authority responsible for the supervision of the internal information systems, as well as the Risk Control and Management Policies. In addition, the Sections and the Board Regulations state, amongst other things, the following responsibilities:

-- Defining general company policies and strategies, as well as the corporate governance policies of the organisation.
-- The preparation and approval of annual accounts and any other report or information required by law.
-- The financial information that, due to its status as a listed company, the company must periodically publish.
Definition of the Risk Control and Management Policy, including taxation risks, as well as supervising internal information and control systems.
--The supervision of the correct functioning and actions of the delegated bodies, amongst which there is the Audit and Control Committee and designated directives.

According to the Board of Directors' Regulation (section 15), there are amongst the basic responsibilities of the Audit Control Committee (hereinafter the AAC):

. The supervision of the preparatory process and presentation of mandatory financial information, as well as its integrity.
. The supervision of the efficiency and suitability of internal control and risk evaluation in Cellnex as well as the best monitoring and control measures to avoid committing criminal offences and for risk management systems, including fiscal risk and the systems in place to manage compliance with all applicable legislation.
. Discussion with the account auditor of the significant weaknesses of the internal control system detected during the auditing process.
. The supervision of internal auditing services, ensuring their independence and making sure that the recommendations and suggested corrective measures be considered by the management.

Cellnex Internal Audit is in turn responsible for supervising ICFR in delegation from the Audit and Control Committee with the Finance and Corporate Development Department responsible for its design, maintenance and implementation.

F.1.2. State whether the following are present, especially if they relate to the creation of financial information:

- Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.

The Cellnex Board of Directors assigns the responsibility of the design and review of the organisational structure related to the preparation of the financial information to Organisation and General Services and to Finance and Corporate Development. From these guidelines the general structures and distribution of responsibilities and the procedure to design, review, update and inform on these are defined; this process being documented in the form of organisational structure charts and process models and its associated regulations which form part of the policy catalogue of Cellnex.

Cellnex has an internal organisational chart which covers all areas and which is basically divided according to department (including those departments involved in preparing, analyzing and supervising financial information). This organisational chart indicates responsibilities up to a certain management level and is supplemented by other more detailed organisational charts at departmental level.

Regarding to the preparation process of financial information, in addition to the detailed organisational charts and with the aim of assigning responsibilities, there is the ICFR Organisational Model, developed by the Department of Consolidation and Financial Reporting, part of the Finance and Corporate Development department, and which is submitted to the AAC for approval.

- Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.

Cellnex has a Code of Conduct (Code of Ethics) approved by Cellnex Telecom, S.A.'s Ethics and Compliance Committee that is made up from Internal Audit, the Legal department, Resources department, the Company Secretarial department, and the Regulation department, and this has been communicated to the employees and is available on the corporate intranet. Specific training for employees is being planned.

The main values and principles set out in the Code of Ethics are: integrity, honesty, transparency and good faith. The Code of Ethics includes among its fundamental principles the commitment to offer financial information that reflects the a fair view of the economic and financial situation in compliance with generally accepted accounting principles and international financial reporting standards applicable, and the responsibility of its employees and management to ensure this is so, both by correctly carrying out their functions and by notifying the management bodies of any circumstance which might affect this commitment.

The body responsible for analyzing breaches and proposing corrective actions and sanctions is the Ethics and Compliance Committee.

- Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature.

Cellnex has and promotes the use of communications channels concerning possible non-conformities with the Ethics Code and other irregular activities in the organisation, especially from a financial and accounting point of view, informing the Ethics and Compliance Committee in all cases.

As stated in the Ethics Channel Policy, which regulates the procedure, scope and application of the reports received, the latter can be communicated via a communications form, either by post or email, maintaining the confidentiality at all times.

Any communications will be received, analysed and followed up by the Ethics and Compliance Committee, and this committee will periodically inform the Nomination and Remuneration Committee and the Audit and Control Committee. From time to time the Ethics and Compliance Committee will inform the Nomination and Remuneration Committee and the Audit and Control Committee about the functioning of the Ethics Channel.

If reports have been received during the year, the Ethics and Compliance Committee will produce an annual report on the communications received, to facilitate the analysis of the functioning of the 'whistle-blowing' channel.

- Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.

Regarding training programs and the periodic updating of elements which can affect the preparation and publication of financial information, Cellnex believes the continuous development and training of its staff and management to be key. In this regard, Cellnex also considers that complete and up-todate training on accounting regulations, the rules for preparing financial information, the regulations on capital markets, taxation and internal control is necessary to ensure that the information reported to the market is reliable and in accordance with regulations.

Regarding the preparation and review of the financial information, during 2018 Cellnex implemented training plans based on the needs identified by the department of Consolidation and Accounting Regulation in relation to:

• New accounting, tax, capital markets and internal control regulations, adopted by the European Union and applicable to Cellnex.
• Changes in reporting methodology and / or information systems.
• Individual initiative from the team members of the department of Consolidation and Accounting Regulation.

Once the needs of these areas have been identified, the appropriate training activities are designed and put into effect to cover annual training objectives on these matters.

Cellnex carried out training activities during 2018 using external experts and internal training sessions, covering personnel involved in preparing and reviewing financial information. The training areas on which most emphasis was placed during 2018 relate to accounting, tax and financial matters which could have the greatest impact on the preparation of Cellnex's consolidated financial information, particularly in changes to the fiscal and accounting changes at both national and international levels and with the year's updates concerning EU-IFRS.

Cellnex has an on-line training platform where both technical training for specific work groups and a more overall training can be accessed on a voluntary and, in some cases, mandatory basis.

In 2018, the following specific training was also provided:

- SAP RE – IFRS 16 Module – Spain, Italy, France and Switzerland
- SAP RE – General – Intensive on-the-job post go-live training - IFRS 16 Module – Spain and Italy
- SAP RE – Owner management – France and Switzerland
- IFRS 16 – Leases

Additionally , the Consolidation and Financial Reporting department has subscriptions to a number of publications and journals on accounting and financial matters and to the website of the International Accounting Standards Board which regularly sends new developments and other communications of interest which are analysed and reported to ensure they are taken into consideration when preparing Cellnex's financial information.

F.2 Assessment of financial information risks

Report on at least the following:

F.2.1. The main characteristics of the risk identification process, including error and fraud risk, as regards:

- Whether the process exists and is documented.
- If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.
- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.
- If the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.
- The governing body within the company that supervises the process.

Cellnex has a Risk Control and Management Policy that establishes the basic principles and the general framework for the control and management of all types of risks which are faced. In this manner Cellnex identifies and updates the principle risks organizing adequate information and internal control systems and performing monitoring functions.

The Internal Control and Risk Management Manual of the ICFR (hereafter Risk Management Manual) describes and formalises Cellnex's internal control and risk management model with regards to the ICFR and establishes mechanisms used to determine the risks in this area, the key business processes along with the practical and operative documentation for this internal control model.

During the process of the drawing up and issuing financial information this manual sets out what financial information it refers to as well as the methodology for defining it. Furthermore, guidelines are established to determine whether the process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.

Cellnex has identified the relevant business processes together with their inherent risks and has designed a Risk and Controls Matrix that aims to identify the main risks, based on which control activities have been designed, such that when adequately complied with, true and reliable financial information can be obtained.

The Department of Consolidation and Accounting Regulation is entrusted with identifying and documenting risks of error in the financial information; the process is supplemented by Internal Audit, which considers identified risks of error in relation to the group's overall Risk Map (which takes into account both financial and non-financial risks). The entire process is ultimately overseen by the Audit and Control Committee.

The Cellnex Audit and Control Committee is responsible for supervising the risk control systems with the support from Internal Audit.

F.3 Control activities

Report on whether the company has at least the following, describing their main characteristics:

F.3.1. Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.

Cellnex has a Regulated Information Reporting Manual, duly approved by the ACC, where the process for preparing and approving the financial information and the description of the ICFR to be published in the market and to investors is detailed. This manual sets out the criteria to identify relevant public financial information, this being as follows:

- Regular reporting obligations (RRO):
  - o Quarterly financial report.
  - o Half year financial report.
  - o Annual financial report and Annual Corporate Governance Report (ACGR)
- Annual report on remuneration policy for directors (ARR)
- Significant Events

Cellnex's Manual for the Issue of Regulated Information also details the departments involved in preparing, review and authorisation of the financial information and their respective responsibilities from the year end accounting processes to the publication of the relevant facts. In particular, for each set of regulated financial information to be published for the market there is a procedure for its preparation and review that requires completing questionnaires for the internal control of regulated information to ensure a reasonable security in the reliability of the entities financial statements.

Following the Manual for the Issue of Regulated Information and completing specific questionnaires for internal control is obligatory and subject to review by the internal Cellnex auditor.

On the matter of descriptive documentation regarding flows in activities and controls of the different transactions that can materially affect the financial statements, Cellnex has a ICFR Organisational Model that structures the specific mechanisms set up to maintain an internal control environment that favours the generation of complete financial information that is reliable and timely and anticipates the existence of possible irregularities as well as ways in which to detect and remedy these. Cellnex has developed procedures for those processes that are considered material and relevant as concerns
their potential impact on the financial information to be published, as detailed below:

- Revenue recognition and accounts receivable
- Fixed assets and investments
- Purchases and accounts payable
- Staff costs
- Judgements and estimates
- Month end accounting, consolidation and financial reporting
- Cash and borrowings
- Taxes

Individual and consolidated financial statements, six-monthly financial reports and the financial information in the quarterly interim statements of Cellnex are prepared and reviewed by Finance and Corporate Development prior to submission to the Audit and Control Committee. Here the procedures included in the Emission of Regulated Information Manual will be applied as a prior step to a submission of the information to Cellnex Board of Directors for final approval.

Cellnex has descriptions of controls over activities and controls directly related to transactions that might have a material impact on the financial statements, to mitigate the risk of material error in the information reported to the markets. These descriptions are documented in the 'ICFR Risk and Control Matrix' and contain information on what the controls should consist of, the reason these are carried out, who should carry them out, how often, and other information on what information systems or what operations carried out by third parties are important for the effectiveness of the control operation in question. The controls cover areas such as income generation, investment and
expenditure on concessions, acquisitions and subsequent valuation of other assets, analysis of the recoverability of investments, recording of taxation of profits or the correct presentation of financial instruments and of the financing operations of Cellnex.

In relation to the relevant judgements and estimations made, Cellnex reports any areas of particular uncertainty that it considers especially pertinent in its consolidated financial statements. The specific review and approval of the relevant judgements, estimates, assessments and projections as well as the key assumptions used for calculating them, with a material impact on the consolidated financial statements, are made by Finance and Corporate Development and, where applicable, by the managing director. The most significant ones, such as the monitoring of asset values and hedging policies will be treated and reviewed by the ACC before submitting them for the Board's approval.

F.3.2. Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

Cellnex uses information systems to keep adequate records and monitor Its operations and, therefore, their proper operation is a key element and one that is particularly emphasized by Cellnex. Specifically, the Consolidation and Reporting SAP BPC system has been implemented in all the Group's companies in Spain. The process of segregation of systems with its parent company Abertis was also completed during 2016.

Regarding the companies outside of Spain the database is fed through loading files which are prepared in the relevant foreign subsidiaries and sent back to the corporate offices in Spain for loading into the system. During 2018, SAP BPC has been installed in such foreign subsidiaries so that the charging to the consolidation system may be executed from each country. This process is expected to be completed during the second half of 2018. In respect of Galata - the Italian subsidiary - in the beginning of the year it was concluded the process for system segregation with their former parent Wind Telecomunicazioni and they have also started to work fully under SAP.

The Systems department, which forms part of the Organisation and Efficiency department, which in turn forms part of the Resources department is responsible for establishing the model of internal control over the information systems in those aspects relating to access security, segregation of duties (in coordination with the business areas and support areas) change control, apart from 47 carrying out monitoring activities for risks and controls derived from the externalisation of the systems.

F.3.3. Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

Cellnex does however regularly use reports by independent experts to value its financial instruments and undertakings to employees. In addition, Cellnex maintains certain activities associated with accounting, payroll and the administration and maintenance of its corporate information systems subcontracted to an external supplier.

Cellnex has guidelines drawn up concerning the treatment of activities with third parties both in terms of hiring and the monitoring of results. These guidelines are detailed in the internal purchasing procedures.

The Finance and Corporate Development department carries out controls on the work of these experts to check:

. The competence, capacity, accreditation and independence of these experts.
. The validity of the data and methods used.
. The reasonableness of the assumptions used, if applicable.

Certain control and risk management mechanisms have been established with the supplier to ensure that financial information derived from such activities is complete and correct, these include: a Management and Monitoring Committee for the contract, agreements in levels of service, risk indicators, service reports, measures for technology security, external audits as well as contingency and continuity plans, amongst others.

F.4 Information and communication

State whether the company has at least the following, describing their main characteristics:

F.4.1. A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

The responsibility to define, maintain and update accounting policies within Cellnex falls upon the management of Consolidation and Financial Reporting.

The duties of the Consolidation and Financial Reporting department also include responding to accounting queries made by the various business units or other corporate areas of Cellnex.

Cellnex has an accounting policies manual, the Group Reporting and Accounting Principles Handbook (GRAPH) for the purposes of preparing financial statements under EU-IFRS which is drawn up by Corporate Management Control and regularly updated by it to include the rules applicable to the year. The auditing instructions sent by the external auditor to the auditors of the various group companies for the limited review or audit in each six-monthly and annual close respectively indicate that accounting principles on which they must carry out their work are those contained in the Cellnex GRAPH.

Any alterations that may take place are notified to the subsidiaries by e-mail. In any event, checks are performed to verify whether any new significant modifications have been made in the preceding quarter that might affect the preparation of consolidated annual financial information.

F.4.2. Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

Cellnex has various integrated platforms of financial information for recording transactions and preparing financial information for all of its subsidiaries (SAP BCP consolidation and reporting). The completeness and reliability of such information systems are validated using the general controls stated in section F.3.2.

The preparation of regulated financial information as well as the individual financial states Cellnex's national companies is centralised Finance and Corporate Development, so to guarantee homogeneous procedures in their preparation.

Every half year and yearend the 'Half year forms /Annual forms' are received, these bring together all the information necessary for the preparation of the group's consolidated financial information (summarised intermediary financial statements and annual accounts).

These 'six-monthly and annual forms' ensure uniformity of information:

. It is standard and uniform for all countries and businesses.

. It is prepared on the basis of Cellnex's accounting manual which is standard for all of the group companies.

. It includes applicable legal, tax, commercial and regulatory requirements.

The information in the monthly reports and FORMS 2018 is loaded directly by the controllers.

F.5 Supervision of system performance

Describe at least the following:

F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

Cellnex already had a model for internal control over financial reporting, which was supervised in part by Abertis' corporate functions, to see through its commitment to complete and reliable financial information, and to comply with the fact that its previous main shareholder was also a listed company.,. The adaptation of this model to the specific needs of Cellnex as a listed entity have occupied the majority of the Audit and Control Committee's activities during this year. To this effect, the AAC has carried out the following ICFR-related activities in 2018:

- Monitoring of the degree of implementation and potential changes to Cellnex's ICFR model.
- Review of ICFR-related information in the Annual Corporate Governance Report.
- Review of the financial information reported by Cellnex to the market.
- Supervision and periodic analysis of the performance of the ICFR implementation, taking note of its degree of implementation and efficacy.
- Monitoring of the work performed by the Company's external auditors to find out the internal control weaknesses detected when executing their work and the relevant factors or incidents related to them.

The Audit and Control Committee has already approved the Internal Audit Plan for 2019, which includes the necessary actions to guarantee adequate supervision and evaluation of the plans throughout the year by regularly reporting the incidents detected and the necessary actions for improvement once checked with audited areas.

Cellnex has an Internal Audit function that reports to the CAC and, as indicated by the Cellnex Board of Directors Regulations and specifically the section that corresponds tothe powers assigned to the Audit and Control Committee, has the main function o supervising the effectiveness of the company's internal controls and the internal auditing services, by verifying their suitability and integrity, and reviewing the appointment and replacement of the managers, as well as supervising the monitoring and control measures necessary for preventing criminal offences, the risk management systems, including tax-related ones, and the compliance management systems for any applicable legislation, and to discuss with the auditors any significant weaknesses in the internal control system detected while carrying out the audit.

During 2018 Internal Auditing developed various activities in key business process reviews and, as reported timely to the ACC, no significant weaknesses that could have a material impact on Cellnex's 2018 financial information have been identified; furthermore, necessary corrective actions to solve other future possible weaknesses have been carried out.

Likewise, as stated in section F.7.1, the external auditor has issued a report on the procedures agreed regarding the ICFR description made by Cellnex and which has not highlighted any material issues.

F.5.2. If there is a procedure by which the account auditor (in accordance with the contents of the *Normas Técnicas de Auditoría* (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

The discussion procedure for significant weaknesses identified in relation to internal control is based, in general terms, on regular meetings maintained by the various parties involved. In this regard, the Internal Audit function communicates, on a regular basis, its conclusions regarding internal control during the reviews of the SCIIF to the Finance and Corporate Development department and to the ACC. It also reports on its conclusions relating to the internal audit processes carried out during the year, along with the implementation state of the corrective action plans established.

In relation to the relationship with external auditors, as described in section 39 of the Cellnex Board of Directors Regulations, these are channelled through the Audit and Control Committee. To this effect and to comply with its responsibility in supervising the auditor's actions as well as receiving communications regarding potential weaknesses in internal controls identified during professional actions, should there be any, the Audit and Control Committee will periodically meet with the external auditor. These communications are recorded in the Audit and Control Committee's minutes and are monitored through Internal Audit functions.

In addition, Cellnex's external auditors have direct contact with the Chief Financial Officer and maintain periodic meetings both to obtain information necessary to carry out their work and to communicate any weaknesses detected.

F.6 Other relevant information

No additional aspects to describe have been identified.

F.7 External auditor´s report

Report from:

F.7.1. If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

Cellnex has submitted to the external auditor for review the ICFR information submitted to the markets for 2018. The scope of the review procedures of the auditor are performed in accordance with Circular E14/2013 of 19 July 2013, of the Spanish Institute of Certified Auditors, which sets out the guidelines for the audit report model in relation to the Internal Control over the Financial Reporting (ICFR) of quoted companies.

G EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Unified Code of Good Governance.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company´s actions. General explanations are not acceptable.

1. **That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.**

Complies X☐ Explanation ☐

2. **That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:**

   a) **The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.**

   b) **The mechanisms in place to resolve any conflicts of interest that may arise.**

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable X☐

3. **That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:**

   a) **Changes that have occurred since the last General Shareholders' Meeting.**

   b) **Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.**

Complies X☐ Complies partially ☐ Explanation ☐

4. **That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.**

   And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies X☐ Complies partially ☐ Explanation ☐

5. **That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.**

   And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies X☐ Complies partially ☐ Explanation ☐

6. **That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:**

   a) **Report regarding the auditor's independence.**

   b) **Reports regarding the workings of the audit committee and the appointments and remuneration committee.**

   c) **Report by the audit committee regarding related-party transactions**

   d) **Report on the corporate social responsibility policy.**

Complies X☐ Complies partially ☐ Explanation ☐

7. **That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.**

Complies X☐ Explanation ☐

8. **That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.**

Complies X☐ Complies partially ☐ Explanation ☐

9. **That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.**

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies X☐ Complies partially ☐ Explanation ☐

10. **That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:**

    a) Immediately distributes the additions and new proposals.

    b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.

    c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.

    d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable X☐

11. **That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.**

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable X☐

12. **That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.**

    And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies X☐ Complies partially ☐ Explanation ☐

13. **That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.**

Complies X☐ Explanation ☐

14. **That the Board of Directors approves a selection policy for directors that:**

    a) Is concrete and verifiable.

    b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.

    c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies X☐ Complies partially ☐ Explanation ☐

15. **That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.**

Complies X☐ Complies partially ☐ Explanation ☐

16. **That the percentage of proprietary directors divided by the number of non-executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.**

This criterion may be relaxed:

a) **In companies with a high market capitalisation in which interests that are legally considered significant are minimal.**

b) **In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.**

Complies ☐ Explanation X☐

This recommendation states that there must be a proportion between the capital represented by the proprietary directors and their percentage out of the total non-executive directors. At present, Cellnex's proprietary directors represent 36% of the non-executives, while the shareholder that they represent, Connect S.p.A., owns 29.9% of its share capital. Without prejudice to this, we must remember that this recommendation states that this criterion can be mitigated in companies where there are few significant shareholdings. Apart from Connect S.p.A., there are only 4 significant shareholders (over 3%) at Cellnex and none of them has stated an interest in participating on the Board.

17. **That the number of independent directors represents at least half of the total number of directors.**

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies X☐ Explanation ☐

18. **That companies publish and update the following information regarding directors on the company website:**

a) **Professional profile and biography.**

b) **Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.**

c) **Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.**

d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.

e) The shares and options they own.

Complies X☐ Complies partially ☐ Explanation ☐

19. **That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.**

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable X☐

20. **That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.**

Complies X☐ Complies Partially ☐ Explanation ☐ Not Applicable ☐

21. **That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.**

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies X☐ Explanation ☐

22. **That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.**

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as

soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies X☐ Complies partially ☐ Explanation ☐

23. **That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.**

    Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

    This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable X☐

24. **That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.**

Complies X☐ Complies Partially ☐ Explanation ☐ Not Applicable ☐

25. **That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.**

    And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies X☐ Complies partially ☐ Explanation ☐

26. **That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.**

Complies X☐ Complies partially ☐ Explanation ☐

27. **That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.**

Complies ☐ Complies partially X☐ Explanation ☐

Section 26 of the Board of Directors' Regulations states that directors must carry out and comply with obligations set out in the company statutes and with due business diligence, keeping in mind the nature of the roles and the functions assigned to each of these. It is also established that directors must have an adequate dedication and must adopt the necessary measures to ensure good management and control of the company when carrying out their role functions. Therefore absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. However, the Board of Directors' Regulation does not set out a Board of Directors' obligation to assign representation with instructions as such requirement cannot always be possible due to no previous participation in the debates and deliberations of the matters put forward to the Board of Directors.

28. **That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.**

Complies X☐ Complies Partially ☐ Explanation ☐ Not Applicable ☐

29. **That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.**

Complies X☐ Complies partially ☐ Explanation ☐

30. **That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require**

Complies X☐ Explanation ☐ Not Applicable ☐

31. **That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.**

    When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall by duly recorded in the minutes.

Complies X☐ Complies partially ☐ Explanation ☐

32. **That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.**

Complies X☐ Complies partially ☐ Explanation ☐

33. **That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.**

Complies X☐ Complies partially ☐ Explanation ☐

34. **That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as**

those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

Complies X☐ Complies Partially ☐ Explanation ☐ Not Applicable ☐

35. **That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.**

Complies X☐ Explanation ☐

36. **That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:**

   a) **The quality and efficiency of the Board of Directors' work.**

   b) **The workings and composition of its committees.**

   c) **Diversity of membership and competence of the Board of Directors.**

   d) **Performance of the chairman of the Board of Directors and the chief executive officer of the company.**

   e) **Performance and input of each director, paying special attention to those in charge of the various Board committees.**

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies X☐ Complies partially ☐ Explanation ☐

37. **That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.**

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable X☐

38. **That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.**

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable X☐

39. **That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy,**

audit and risk management issues, and that the majority of its members be independent directors.

Complies X☐ Complies partially ☐ Explanation ☐

40. **That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.**

Complies X☐ Complies partially ☐ Explanation ☐

41. **That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.**

Complies X☐ Complies Partially ☐ Explanation ☐ Not Applicable ☐

42. **That in addition to the provisions of applicable law, the audit committee should be responsible for the following:**

    1. **With regard to information systems and internal control:**

        a) **Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.**

        b) **Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.**

        c) **Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.**

    2. **With regard to the external auditor:**

        a) **In the event that the external auditor resigns, examine the circumstances which caused said resignation.**

        b) **Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.**

        c) **Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.**

        d) **Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.**

e) **Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.**

Complies X☐ Complies partially ☐ Explanation ☐

43. **That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.**

Complies X☐ Complies partially ☐ Explanation ☐

44. **That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.**

Complies X☐ Complies Partially ☐ Explanation ☐ Not Applicable ☐

45. **That the risk management and control policy identify, as a minimum:**

a) **The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.**

b) **Fixing of the level of risk the company considers acceptable.**

c) **Means identified in order to minimise identified risks in the event they transpire.**

d) **Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.**

Complies X☐ Complies partially ☐ Explanation ☐

46. **That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:**

a) **Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.**

b) **Actively participate in the creation of the risk strategy and in important decisions regarding risk management.**

c) **Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.**

Complies X☐ Complies partially ☐ Explanation ☐

47. **That members of the appointment and remuneration committee -- or of the appointments committee and the remuneration committee if they are separate – are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.**

Complies X☐ Complies partially ☐ Explanation ☐

48. **That high market capitalisation companies have formed separate appointments and remuneration committees.**

Complies ☐ Explanation X☐ Not Applicable ☐

A separate Nominations Committee and Remuneration Committee have not been considered necessary so far since the current Nominations and Remuneration Committee has the ability to analyse both areas in a unified way. Dividing the Committee into two separate ones will be analysed depending on how the company performs.

49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies X☐ Complies partially ☐ Explanation ☐

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

a) Propose basic conditions of employment for senior management.

b) Verify compliance with company remuneration policy.

c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.

d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.

e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies X☐ Complies partially ☐ Explanation ☐

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies X☐ Complies partially ☐ Explanation ☐

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

a) That they are comprised exclusively of non-executive directors, with a majority of them independent.

b) That their chairmen be independent directors.

c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.

d) **That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.**

e) **That their meetings be recorded and the minutes be made available to all directors.**

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable X☐

53. **That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:**

a) **Verification of compliance with internal codes of conduct and the company's corporate governance rules.**

b) **Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.**

c) **The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.**

d) **Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.**

e) **Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.**

f) **Supervision and evaluation of the way relations with various stakeholders are handled.**

g) **Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.**

h) **Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.**

Complies X☐ Complies partially ☐ Explanation ☐

54. **That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:**

a) **The objectives of the corporate social responsibility policy and the development of tools to support it.**

b) **Corporate strategy related to sustainability, the natural environment and social issues.**

c) **Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.**

d) **Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.**

e) **Means of supervising non-financial risk, ethics, and business conduct.**

f) **Communication channels, participation and dialogue with stakeholders.**

g) **Responsible communication practices that impede the manipulation of data and protect integrity and honour.**

Complies X Complies partially Explanation

55. **That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.**

Complies X Complies partially Explanation

56. **That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.**

Complies X Explanation

57. **That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.**

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies X Complies partially Explanation

58. **That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.**

And, in particular, that variable remuneration components:

a) **Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.**

b) **Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.**

c) **Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.**

Complies X Complies Partially Explanation Not Applicable

59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies X☐ Complies Partially ☐ Explanation ☐ Not Applicable ☐

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable X☐

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies X☐ Complies Partially ☐ Explanation ☐ Not Applicable ☐

62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.

The forgoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.

Complies ☐ Complies Partially ☐ Explanation X☐ Not Applicable ☐

The Company does not meet this recommendation since it establishes certain limits, though not exactly those envisaged in the recommendation. Specifically, the CEO is obliged to keep all shares attributed as a result of his long-term variable remuneration (LTIP 2017-2019, LTIP 2018-2020) for a period of at least two years from receipt thereof. The Company considers that two years is a sufficient deferral period as to keep the loyalty of key personnel, and also prevent merely speculative conduct through the immediate sale of the shares received. The latest LTIP that was approved (LTIP 2019-2021) changed the criterion and, instead of establishing a period for not transferring the ownership of the shares received, the obligation was established for the CEO to have at all times a certain percentage of shares, specifically an amount equivalent to one year of his base salary.

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.

Complies X☐ Complies Partially ☐ Explanation ☐ Not Applicable ☐

64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.

Complies ☐ Complies Partially ☐ Explanation X☐ Not Applicable ☐

The Company does not exactly meet the recommendation since, although the payments to which the CEO is entitled as compensation consist of the equivalent to two years of his annual remuneration, the CEO is subject to a post-contractual non-compete covenant for a period of one year. This type of agreement must have a financial consideration, which consists of compensatory financial consideration for this restriction of one year's fixed remuneration. In the event that the CEO were not to fulfil his duty not to compete, he must return the amount received and pay an additional amount equivalent to another year of his fixed remuneration.

H FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

   Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010

Carbon Disclosure Project (CDP)

Once again Cellnex took part in the Carbon Disclosure Project (CDP), one of the most highly recognised organisations for its work on climate change, which seeks to assess the quality of – and systems for reporting – the information provided by private companies or by the public sector in the sustainability and environment area. In this sense, Cellnex was rated a letter B, maintaining the same score as in previous years.

Furthermore, this year Cellnex joined the CDP Supply Chain programme, which aims to better understand how suppliers are addressing climate change and working to reduce their greenhouse gas emissions. The response rate of the suppliers who were invited to answer the questionnaire in this first CDP Supply Chain campaign was 35%.

United Nations Global Compact

In November 2015 Cellnex Telecom joined the United Nations Global Compact as an expression of its commitment to including the corporate social responsibility concept into its operational strategy and organisational culture. United Nations Global Compact is an international voluntary initiative that includes more than 8,000 companies and institutions across 135 countries. Under this agreement, Cellnex Telecom undertakes to promote and spread corporate sustainability policies and practices based on the 10 key principles promoted by the United Nations, focusing on the areas of human rights, labour standards, environment and combating corruption in business activities. Cellnex's commitment to the United Nations Global Compact is part of its Corporate Responsibility (CR) programme.

FTSE4Good

Cellnex was added to the FTSE4Good sustainability index, which recognises the good practices of listed companies in the environmental, social and corporate governance fields. This year, the company obtained a score of 4.5 out of 5 in corporate governance practices and 3.8 out of 5 in social factors, two of the three main areas of analysis that led the company to be included in that international index. In environmental practices it scored 3.3.

Standard Ethics

Cellnex has taken part in the Standard Ethics sustainability index since 2017, obtaining this year an “EE-“, the same rate as last year, which is equivalent to an adequate level for good compliance in governance, sustainability and social responsibility.

Sustainalytics

For the second year running, Cellnex was evaluated by Sustainalytics, an environmental, social and corporate governance (ESG) research and rating company for investors worldwide. This year its average score was 67 points, up from 64 in 2017 and taking the company to 29th position (out of 105) from 38th the previous year. Cellnex scores average for the sector on social and environmental matters but holds a leading position when it comes to governance.

Cellnex's better rating on this index contributed to the company being able to renew a € 500 million 'green' loan that matures in 2023.

Dow Jones Sustainability Index[1]

In 2017, Cellnex participated in the DJSI index for the first time and achieved good results, ranking above the industry average in the three dimensions evaluated: economic, environmental and social.

This year Cellnex was again invited to participate in the Dow Jones Sustainability Index, as one of the few telecommunications operators worldwide. In 2018, the average score of the telecommunications industry leader dropped by 3%, whereas Cellnex improved its total score by 10%, taking it to 57 points. More specifically, in the economic dimension its score was improved by improvements made in Risk Management, Innovation and Network Reliability. With slightly lower social and environmental scores than in 2017, Cellnex will strive to continue working on all areas.

Social contribution

Cellnex works with non-governmental organisations through corporate volunteering actions, donations and joint development of projects. In 2018, Cellnex finalised and approved a Sponsorship Policy that sets out the company's priorities and guidelines on donations and sponsorships.

Contribution to initiatives

For years Cellnex has shown its commitment to society by joining and organising numerous Corporate Responsibility initiatives. Below are the most important initiatives of 2018.

Seres Foundation

The company worked with the Seres Foundation, whose aim is to "Build a healthier, stronger society with competitive businesses that can stand the test of time". The foundation aims to foster and promote strategic business actions that contribute to an overall improvement of social reality. Cellnex has signed an agreement pledging to work with the Seres Foundation, disseminate their joint work, share knowledge on good practices in social matters, and attend meetings with partners and other social entities.

Fair Logistics Foundation

In 2018 Cellnex collaborated with Fair Logistics Foundation, an organisation that works towards equal opportunities for groups at risk of exclusion from society and the labour market. Through this collaboration, Cellnex takes on the foundation's commitment to responsible consumption and the development of social logistics by importing fair trade and social economy products.

AMPANS

Cellnex contributes to the AMPANS foundation by buying the company's Christmas gift hampers from them. The AMPANS Foundation promotes education, quality of life and employment for people with an intellectual disability, mental illness and other groups at risk of exclusion, by creating and managing centres, services, programmes, support and business activities that pursue excellence.

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[1] GRI: 102-12

WWF Earth Hour 2018

For the third year running, Cellnex joined the WWF 2018 Earth Hour campaign and turned the lights off in its Madrid and Barcelona headquarters (and this year also the Esplandiu and Barcelona offices) from 8.30pm to 9.30pm on 24 March. In doing so Cellnex hopes to show its concern about the effects that climate change is having on the planet's people, nature and economy, in addition to its public commitment to reduce CO2 emissions.

Installation of forest water connections

Since 2008, Cellnex has been investing in forest water connections at its centres for firefighters to use in the event of an emergency. To date Cellnex has installed water connections in 23 of its centres in Spain, with a total investment of € 153,425 (€ 6,973.86 per connection).

Citizen Sustainability Board

In 2018, Cellnex participated in a workshop to design the work plan of the 'Barcelona Network + Sustainable' which aims to pinpoint the joint short- and medium-term measures required to overcome the challenges that this initiative focuses on.

Barcelona Climate Plan

Participation in co-producing the Barcelona Climate Plan with Barcelona City Council, which sets down all ongoing and planned actions related to climate change in the city. Cellnex draws up proposals within the company and takes part in the debate on the proposals submitted by all participants.

TV3 Telethon

Cellnex has been taking part in the TV3 Telethon for more than 10 years. The Telethon Foundation aims to foster and promote biomedical research into and social awareness of diseases for which no cure has been found. In 2018, Cellnex donated € 9,000. The money raised is used to research new methods of prevention, diagnosis and treatment for people with cancer.

Collaboration with the BEST Foundation

Cellnex made a commitment to the Barcelona Engineering and Economic Studies project this year as a sponsor company of the BEST Foundation. This new inter-university degree offered by the Polytechnic University of Catalonia (UPC), Pompeu Fabra University (UPF), Barcelona Global, and FemCat aims to train highly skilled engineers to address the challenges of a continuously changing society and equip professionals who are interested in business leadership. Cellnex will sponsor two students in a four-year commitment with an annual contribution of € 10,000 each.

IESE

Cellnex has been an IESE sponsor company since 2017 and is involved in various projects run by the Public Sector-Private Sector Centre of the Business School. In 2018, Cellnex contributed to the scholarship fund and young teacher training.

In addition, Cellnex worked with IESE on the I-WiL Index (Women in Leadership) research study, which examines female leadership and equal opportunities in 34 OECD countries, comparing the current situation (2018) to 2006. By supporting projects such as this, Cellnex hopes to highlight the importance of diversity and gender equality at work and to raise awareness among society at large.

Third Social Sector Board

As part of the m4Social Project, Cellnex Telecom signed a collaboration agreement in December 2017 with the Third Social Sector Board to carry out a social housing project involving the use of sensorisation and connectivity technologies linked to the Internet of Things (IoT). In 2018, following various definition and planning meetings and a design thinking day, Cellnex sensorised the six social houses under the project. Over the course of the year we collected and monitored data, primarily regarding consumption, energy efficiency, temperature and other indicators used to upkeep these 'connected' households. This data is stored on an IoT platform that Cellnex provides which allows the housing authorities to anticipate abnormal situations or risks, optimise resource use, and make decisions on possible actions according to the parameters obtained. It also enables them to learn a new management methodology, which in addition optimises and renders their operations more efficient.

It is worth noting that in 2018, the m4Social Project was selected and included in the Special Dossier on the SDGs of the Global Compact Network Spain as a good practice.

Highlights: Cellnex plans to adhere to the Code of Good Tax Practices but this had not yet been done at 2018 year-end.

NOTE OF CLARIFICATION ap. C1.16

Article 18. Appointment of directors

1. Directors will be appointed by the General Meeting or by the Board of Directors, in accordance with the provisions of Royal Decree 1/2010, of 2 July, by way of which the revised text of the Law on Capital Companies is approved, or the legal text which may supersede the same.
2. The proposals for the appointment of directors submitted to the Board of Directors for deliberation at the General Meeting and the appointment decisions that the Board adopts by virtue of the powers of co-optation legally vested in it must be preceded by the corresponding proposal by the Appointments and Remuneration Committee when in relation to independent directors, and by a report in the case of all other directors.

Article 19. Appointment of external directors

The Board of Directors and the Appointments and Remuneration Committee, within the scope of their remits, will ensure that the election of candidates relates to persons of known solvency, competence and experience, being particularly rigorous in relation to those called on to fulfil the positions of independent director provided for in Article 5 of these Regulations and in the terms of the applicable good governance standards.

Article 20. Term of office

1. Directors will hold their positions for the term provided for in the corporate bylaws, and can be re-elected one or more times for said term.
2. Directors appointed by co-option hold their positions until the date of the first General Meeting. Should the vacancy arise once the General Meeting has been convened, and prior to the holding thereof, the Board of Directors may appoint a director until the following General Meeting is held. Moreover, directors appointed by the Board through co-optation need not necessarily be shareholders of the Company.

When, further to the Appointments and Remuneration Committee report, the Board of Directors learns that the interests of the Company are in jeopardy, the director ending his/her mandate or ceasing to hold his/her position for any other reason cannot provide his/her services to another entity with a similar corporate purpose to the Company and that is a competitor thereof according to the assessment of the Board of Directors, for the period established by it, which will in no case be greater than two (2) years.

Article 21. Resignation of directors

1. Directors will resign their positions when they have completed the period for which they were appointed and when decided on by the General Meeting under the powers legally or statutorily vested therein.
2. Directors will have to make their positions available to the Board of Directors and, if considered appropriate, formalise the corresponding resignation in the following cases:
a) When they cease to hold the executive posts linked to their appointment as a director. As regards independent directors, when they complete twelve (12) years in the position.
b) When they find themselves in a situation of conflict of interests or a prohibited situation as provided for by law.
c) When they have been prosecuted for an allegedly criminal act or are subject to a disciplinary measure due to (gross) misconduct brought by the supervisory authorities.
d) When their continued membership of the Board could put the Company's interests in jeopardy and when the reasons for their appointment no longer exist. This last circumstance will be understood as occurring with regard to a director representing substantial shareholders when the full shareholding of which s/he is the owner or whose interests s/he represents have been disposed of and also when the reduction of their shareholding requires the consequent reduction of the directors representing substantial shareholders.
3. Executive directors must make their positions available to the Board once they have reached seventy years of age and the latter must decide whether they will continue exercising their executive or managerial functions or remain simply as a director.
4. In the event that, due to resignation or for any other reason, a director were to cease in his or her office prior to the end of his or her mandate, the reasons therefor shall be explained in a letter sent to all the members of the Board. Without prejudice to the timely communication of the cessation as a relevant event, the Board will give account of the cessation in the Annual Corporate Governance Report.
5. The Board of Directors may only propose the cessation of an independent director before the end of the statutory period when there is just cause, as appreciated by the Board following a report by the Appointments and Remuneration Committee. In particular, just cause will be deemed to exist when the director goes on to hold new offices or undertakes new duties that prevent him or her from devoting the necessary time to the tasks inherent in the role of director, fails to perform the duties inherent to his or her office or is involved in any of the circumstances that might cause him or her to lose his or her status of independent director, in accordance with the provisions of the applicable legislation. Such removal may also be proposed as a result of public offerings of acquisition, mergers or other similar corporate transactions that entail a change in the structure of the share capital of the Company, when such changes in the structure of the Board are brought about by the criterion of proportionality.

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

NOTE OF CLARIFICATION ap. C.2.1 - CAC

a) Responsibilities

The rules of organization and operation of the Committee are described in the by-laws and in the Company's Board of Directors' Regulation and, without prejudice to the other tasks assigned to it by the applicable legislation, the Board of Directors or the regulations governing the auditing of accounts, the Committee will have at least the following responsibilities:

a) To inform the General Shareholders' Meeting on questions arising in relation to those matters which fall within the competence of the Committee.

b) To propose to the Board of Directors, for submission to the General Shareholders' Meeting, proposals for the selection, appointment, re-election and replacement of the external auditor or auditing company, the contract conditions, the scope of the professional mandate and, where appropriate, revocation or non-renovation, all pursuant to the current regulations, as well as to regularly gather from the same information on the audit plan and the implementation thereof, and to safeguard their independence in the exercising of their duties.

c) To monitor the process of preparing and presenting the mandatory financial information as well as the integrity thereof.

d) To establish the appropriate relations with the external auditors or external auditing companies in order to receive information on issues which may prejudice their independence, to be studied by the Committee, and any other information related to the auditing of the accounts, as well as any other notifications envisaged in the legislation and regulations concerning the auditing of accounts. In all cases, they must receive on an annual basis from the external auditors or external auditing companies written confirmation of their independence from the Company or any organisations directly or indirectly related thereto, in addition to information regarding any additional services of any kind provided to said organisations and the corresponding fees received therefrom by auditors or external auditing companies, or by persons or organisations related thereto in accordance with the provisions established in the legislation applicable to the auditing of accounts.

e) In the event of the resignation of the external auditor, to examine the circumstances that gave rise to such.

f) To ensure that the remuneration of the external auditor for his or her work does not compromise the quality or independence thereof.

g) To oversee that the Company communicates the change of auditor as a relevant event and accompany such, where appropriate, with a declaration on the possible existence of disagreements with the outgoing auditor and of the contents thereof.

h) To ensure that the external auditor meets annually with the Board of Directors at a plenary session to inform as to the work carried out and the evolution of the accounting situation and Company risks.

i) To ensure that the Company and the external auditor comply with the standards in force on the provision of services other than auditing, the limits to the concentration of the auditor’s business and the other standards governing auditor independence.

j) To issue, on an annual basis, prior to the issue of the Audit Report, a report expressing an opinion on the independence of the external auditors or auditing companies. This report must contain, in all cases, an evaluation of the provision of the additional services referred to in the previous paragraph, considered individually and as a whole, other than the legal audit, and in connection with their independent status or with the governing regulations of the audit.

k) To inform the Board of Directors in advance on all matters provided for by the Law, the corporate bylaws and in these Regulations and, in particular, regarding the financial information that the Company must publish periodically, on the creation or acquisition of holdings in entities with a special purpose or domiciled in countries or territories considered as being tax havens and on operations with associated parties.

l) To supervise compliance with the internal protocol for relationships between the majority shareholder and the Company and the companies of its respective groups, as well as to conduct any other actions established in the protocol itself for optimal compliance with the aforesaid duty of supervision.

m) To provide information in relation to the transactions that involve or could involve conflicts of interest, and in general, on the matters considered in Chapter IX of these Regulations.

n) To inform on operations of structural and corporate modifications which the Company plans to conduct, the economic conditions and the accounting impact thereof and, in particular, on the exchange ratio, where applicable.

o) To monitor the effectiveness of the Company's internal control, the internal audit services, verifying the suitability and integrity thereof and to review the appointment and replacement of those persons responsible for the same, to supervise the suitable security and control measures for preventing the commission of criminal offences, the risk management systems, including fiscal risks, the systems for managing compliance with all applicable regulations, as well as to discuss with the external auditors any significant weaknesses detected in the internal control system while conducting the audit.

p) To supervise a mechanism which allows employees to confidentially report potentially relevant irregularities detected inside the Company, especially those regarding finance and accounting, as well as those which may constitute a criminal responsibility for the Company.

The above responsibilities are stated by way of example, without prejudice to any others that may be conferred upon the Committee by the applicable legislation, the Board of Directors or which may be attributed thereto by the regulations governing the auditing of accounts.

b) Operation

The Company's Board of Directors' Regulation shall define the skills of the Committee and its scheme of organization and operation.
The Board of Directors shall determine who will hold the position of Chairman of the Committee from among the independent directors of the Committee, who will be replaced every four years, being able to be re-elected once a period of one year has elapsed since his/her resignation. The Committee itself will appoint a Secretary and may also appoint a Vice-Secretary, neither needing to be members thereof.
The Committee will meet as many times as necessary for the execution of its functions and will be convened by its Chairman, either on his/her own initiative or at the request of the Chairman of the Board of Directors or of two members of the Committee.
The Committee will be validly constituted when the majority of its members attend the meeting, either present or represented. The resolutions will be adopted by a majority vote among those in attendance, present or represented.
Any member of the management team or Company's personnel may be obliged to attend the Committee's sessions and to provide assistance to its members and access to the information s/he has available, if so requested. The Committee can also request that the Company's external auditors attend its sessions.

1. Activities

During 2018, the Committee held nine meetings and carried out the following key activities:

a) Review of financial information

- 2017 financial statements:

  - In February, the Committee reviewed the December 2017 results and the 2017 Consolidated Financial Statements, including the external Auditors' Report, the Integrated Annual Report, the Management Report and the Annual Corporate Governance Report, with the finance team and the external auditors who presented the main aspects and their conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the application of the 2017 results (including the distribution of the final dividend corresponding to year 2017 against issue premium reserve) and the 2017 Annual Accounts, including the Management Report and Annual Corporate Governance Report.
    (a)
    (b)
- 2018 financial statements and 2019 budget:

  - In January, the Committee reviewed the 2018 budget with the finance team who presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the 2018 budget.

  - In April, the Committee reviewed the financial results for the first quarter of the year with the finance team who presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the first quarter financial statements.

  - In July, the Committee reviewed the half-yearly financial statements and the relevant external Auditors' Report. This information was discussed with the members of the management team responsible for their preparation and with the external auditors who presented the main aspects and their conclusions.

The Committee provided a favourable recommendation to the Board of Directors to approve these interim financial statements under IFRS 16.

- In November, the Committee reviewed the financial results for the third quarter of the year together with the third quarter external Auditors' Report. This information was discussed with the members of the management team responsible for their preparation and with the external auditors who presented the main aspects and their conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the third quarter financial statements.

- In December, the Committee reviewed the 2018 forecast and the 2019 budget with the finance team who presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the 2019 budget.

b) External auditors

- In January, the external auditors attended the Committee to explain the new Auditor's Report, the additional report to the Committee and the Integrated Annual Report to be prepared and to present their draft report on the 2017 Consolidated Financial Statements.

- In February, the external auditors attended the Committee to review the 2017 Consolidated Financial Statements, including the external Auditors' Report, the Integrated Annual Report, the Management Report and the Annual Corporate Governance Report, and presented the main aspects and their conclusions.

- Also in February, the external auditors presented to the Committee their review of the Internal Control over Financial Reporting Model and the new regulation on the pre-approval by audit committees of the non-audit services to be provided by the external auditors.

- In July, the external auditors attended the Committee to present the report of the 2018 half-yearly financial statements (under IFRS 16).

- In November, the Committee met the external auditors to review the scope, the audit planning and the status of their review and they provided their conclusions on the 2018 third quarter financial statements and their preliminary conclusions on the 2018 financial statements.

c) Corporate Governance

- In February, the Committee reviewed the three reports for year 2018 to be approved by the Committee in connection with the Annual Accounts, the Management Report and the Annual Corporate Governance Report, namely: (i) the Report on the Functions and Activities of the Committee; (ii) the Report on Related Party Transactions; and (iii) the Report on the Independence of the Auditor. The Committee provided a favourable recommendation to the Board of Directors to approve these reports.

- In April, the Committee reviewed the Annual General Meeting delegations to the Board to be updated. The Committee provided a favourable recommendation to the Board of Directors to submit to the Annual General Meeting, for its approval, the renewal of the delegations to issue shares with pre-emption rights, to issue convertible securities and to acquire treasury shares, all for a period of five years.

d) Capital markets

- In 4 January 2018 (by conference call), the Committee discussed the issuance of a convertible bond. The finance team presented the main aspects, characteristics and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the issuance of the convertible bond on the terms agreed.

- In all the meetings, the Corporate Finance Director, together with the CFO, provided to the meeting a capital markets update (including the liquidity assessment).

- In April, the Committee discussed the establishment of a multi-currency European Commercial Paper ("**ECP**") and the renewal of the existing EMTN programme. The finance team presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to authorize: (i) the establishment of the ECP programme in Euros, GBP and Swiss Francs for an amount of up to €500 million and the drawdowns under the same for an amount up to the equivalent of €150 million; and (ii) the execution of all the documents necessary to renew the EMTN programme.

- In July, September and November, external financial advisors presented to the Committee their view on the debt and equity markets and presented strategic considerations regarding the Company's capital structure.

- In December, the Secretary of the Committee together with the finance team presented to the meeting an update of the Brexit process and a summary of the main aspects affecting the Company. It was agreed to monitor the process and provide further reports to the Committee.

- Also in December, the finance team presented to the Committee a project to optimize the Company's financial structure taking advantage of the share price performance. The Committee provided a favourable recommendation to the Board of Directors to approve the tap of the existing convertible bond up to c. €200 million.

e) Tax

- In February, the tax team, together with the law firms Altalex and Pérez Llorca, provided the Committee with an update on the work carried out in relation to the Netherlands and Spain restructurings and they noted their current status and next steps to be executed.

- In April, the tax team, together with the consultancy firm IplusF, provided the Committee with an overview of the patent box model and 5G being implemented by the Company and its group. It was confirmed that these initiatives are compliant with current tax legislation.

- Also in April, the tax team, together with PwC, provided the Committee with an update on (i) the development and implementation of the Tax Control Framework and (ii) the Company's position on tax best practices (transparency) taking into consideration the indicators defined by certain key investors. It was noted that the Company is diligent and is working in accordance with law and best practice.

- In July, the Secretary of the Committee introduced to the meeting the notification received by the Company on a tax audit to take place shortly (focused on CIT&VAT for years 2015 and 2016). It was noted that the Company is well prepared for this. In September, the tax team, together with PwC, presented to the Committee an update of the tax audit process.

- In September, the tax team, together with the Company's advisors in the Netherlands (Atlas), provided to the meeting an update on the RETT issue in France and the Netherlands respectively and detailed the next steps and main actions to be undertaken.

- Also in September, the tax team, together with PwC, explained to the Committee the assessment of a potential merger between Cellnex Italia and Galata with the objective of making the current organizational structure in Italy more efficient. The transaction overview and the strategic rationale were noted.

- In December, the tax team presented to the Committee an update on the tax dossier (included following the recommendation of the good tax governance policy). It was noted that, based on the analysis carried out by external advisors, there are no significant tax risks.

f) Other information

- Rating agencies, financial firepower and capital structure assessment: In February, April, June, July, September and December, the Head of Corporate Business & Finance Planning, together with the CFO, attended the Committee to: (i) provide an update on the current situation with rating agencies and the different aspects affecting the Company's credit rating; (ii) review the M&A projects pipeline and the Company's financial firepower to execute said pipeline; and to (iii) provide a capital structure assessment.

- Investor relations update: In all but one of the meetings , the Head of Investor Relations, together with the CFO, provided to the Committee an update on this topic, focusing on the share price performance, the relation with investors and analysts and the status of short positions.

- Operational report: In January, the Chief Business Operating Officer provided a report to the Committee on operational matters.

- State aid update: In February, the finance team provided an update to the Committee on this topic, explaining that it has been closed with a favourable outcome for the Company.

- Efficiency plan update:

    - In February, those responsible for its preparation presented to the Committee an update on the 2017-2020 OPEX Efficiency Plan noting the key items and their conclusions.

    - In June and November, those responsible for its preparation presented to the Committee an update on the 2015-2020 OPEX Efficiency Plan noting the key items and their conclusions.

- Non-audit services: In February, the proposal of pre-approval by the Committee of the non-audit services to be provided by the auditors was presented and approved.

- IFRS 16:

    - In April and July, the finance team, together with PwC, provided to the Committee an update on this topic and presented the main aspects and their conclusions

    - In June, the finance team provided to the Committee a first look of IFRS 16, detailing the work undertaken in order to be prepared for the Company to be an early adopter of IFRS 16 in reporting the first half results, and provided to the meeting an update on this topic.

- Dividends:

    - In April, the finance team explained to the Committee the proposal to distribute the dividends corresponding to years 2017, 2018 and 2019 against share premium reserve. The Committee provided a favourable recommendation to the Board of Directors to submit such proposal to the Annual General Meeting.

    - In June, the Committee reviewed the dividend policy. The finance team presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the distribution in mid-July of a dividend against share premium reserve.

    - In November, after the explanation of the finance team, the Committee provided a favourable recommendation to the Board of Directors to approve the distribution of cash to shareholders against share premium reserve.

- Cash pooling policy: In June, the finance team presented to the Committee the proposal of cash pooling framework policy and the reason for its implementation. The Committee provided a favourable recommendation to the Board of Directors to approve the endorsement of the policy as the framework for all the cash pooling agreements to be implemented within and across countries of the Cellnex group. This framework policy will serve as a basis for the more developed and detailed policy to be prepared.

- UK restructuring: In June, the Secretary of the Committee explained to its members the restructuring project started in the UK in order to rationalize the corporate structure.

- Internal audit guidelines: In November, the Internal Audit Manager presented to the Committee the amendments proposed to the internal audit guidelines. The Committee provided a favourable recommendation to the Board of Directors to approve (i) the update of the internal audit guidelines for them to be fully consistent with all the CNMV recommendations and (ii) the required amendments to the organizational chart.

- CNMV questionnaire: In September, the Secretary of the Committee reported on the CNMV questionnaire received by the IBEX 35 companies regarding the functioning of audit committees and explained that the relevant responses were being prepared in order to submit the answers within the deadline.

g) Internal audit

- Functions: The main Internal Audit functions are:

    - Perform the auditing activities as defined in the annual audit plan, based on reasonable and established criteria, especially in the risk level assessment and focusing on the main organizational activities, giving priority to those that are considered to be more exposed to risk, and those that are requested by the Committee and / or by the Senior Management.
    - Maintain an adequate coordination with the external auditors for the exchange of information regarding the audits carried out with the aim of minimizing duplication and in order to track the audits performed as well as any weaknesses in the internal control identified.
    - Report to the Committee and Senior Management of the Cellnex group regarding the key recommendations in each company of the group, as well as to provide them with the action plan to be performed by such companies.

- Activities: The main activities carried out by Internal Audit and supervised by the Committee are:

    - Audits:

      - The performance of those audits included in the 2018 audit plan and of those audits not originally included in the audit plan but requested by the Committee and / or by the Senior Management.

      - The monitoring of the recommendations and action plans proposed for the different audits. While carrying out its audit work, if Internal Audit detects that improvements can be made to the internal controls, it reports the main recommendations and the action plans defined to the relevant area responsible with the aim of strengthening the existing control or implementing a new control and establishing the implementation date.

      - The review of the defined processes and controls related to financial reporting which are included in the annual internal audit plan.

    - Audit Plan: Prepare the audit plan for the next year. In November, the Committee approved the audit plan for 2019 based upon:

      - Assessing the risk level and focusing on the main organization's activities, giving priority to those that are considered to be more exposed to risk, and those that are requested by the Committee and / or by the Senior Management.

      - Defining the activities to be reviewed, i.e., basic processes (revenues, procurements, etc.), other processes (real estate, rentals, energy, etc.) or compliance (ICFR, others).

h) Risk control

This function is carried out by Internal Audit.

The activities carried out in this regard by Internal Audit and supervised by the Committee in 2018 were:

- A review of the risk map (including likelihood and impact) of Spain, Italy, UK, the Netherlands, France and Switzerland.

- The review of the action plans associated to the risks in these countries.

NOTE OF CLARIFICATION ap. C.2.1 - CNR

OPERATION

In accordance with the Board of Directors' Regulations, the Board of Directors will appoint a Chair among the independent directors. The Chair must be replaced every four years and may be re-elected once a period of one year from his departure has transpired. The Nominations and Remuneration Committee will appoint a Secretary and may appoint a Vice-Secretary that will not be necessarily members of the Committee itself.
The Nominations and Remuneration Committee will meet every time the Board of Directors or its Chair request a report be issued or proposals adopted and, in any case, whenever it is deemed advisable for the proper execution of its duties. It will be convened by the Chair of the Committee, either on his/her own initiative or on the request of the Chair of the Board of Directors or of two members of the Committee itself.
The Nominations and Remunerations Committee will be validly constituted when the majority of its members attend the meeting, either present or represented. The resolutions will be adopted by a majority vote among those in attendance, present or represented.

RESPONSIBILITIES

Without prejudice to the other tasks assigned to it by the Board of Directors, the Nominations and Remuneration Committee will have at least the following basic responsibilities:

(a) To evaluate the competencies, knowledge and experience required in the Board of Directors. To this end, it will define the duties and skills required of the candidates to fill each vacancy, and it will evaluate the time and dedication needed for them to effectively perform their duties.

(b) To establish a target for the representation of the under-represented gender on the Board of Directors, and prepare guidance on how to obtain said target.

(c) To submit to the Board of Directors proposals for the appointment of independent directors for the co-optation thereof or for the submission thereof to the decision of the General Shareholders' Meeting, as well as proposals for the re-election or dismissal of the aforesaid directors by the General Shareholders' Meeting.

(d) To inform on proposals for the appointment of the other directors for the co-optation thereof or for the submission thereof to the decision of the General Shareholders' Meeting, as well as proposals for the re-election or dismissal of the aforesaid directors by the General Shareholders' Meeting.

(e) To inform on proposals for the appointment and dismissal of members of the Senior Management and the basic conditions of their contracts.

(f) To inform, in advance, on the appointment by the Board of Directors of the Chair and, where applicable, of one or more Vice-Chairs, as well as the appointments of the Secretary and, where applicable, of one or more Vice-Secretaries. The same procedure shall be followed to agree on the dismissal of the Secretary and, where applicable, of each Vice-Secretary.

(g) To examine and organise the succession of the Chair of the Board of Directors and of the Company's CEO and, if appropriate, to make proposals to the Board of Directors for such succession to occur in an orderly and well planned manner.

(h) To propose to the Board of Directors the remuneration policy for the directors and general managers, or for those individuals who perform their Senior Management duties reporting directly to the Board of Directors, to executive committees or to CEOs, as well as the individual remuneration and all other contractual conditions for executive directors, ensuring compliance therewith.

(i) To suggest to the Board of Directors which members should form part of each of the Committees.

(j) To periodically review the remuneration programmes, considering their suitability and returns.

(k) To propose to the Board of Directors, for submission to the General Shareholders' Meeting for an advisory vote, the drafting of an annual report on the remuneration of its directors, under the terms of article 541 of the Law on Capital Companies, already other provision which may replace the same in the future.

(l) To consider the suggestions made to it by the Chair, Board members, company executives or shareholders.

(m) To provide information regarding the appointment and dismissal of managers who have direct dependence to the Board of Directors or some of its members, as well as establishing the basic conditions of their contracts, including remuneration, and also inform decisions on remuneration of directors, within the statutory framework and, where appropriate, of the remuneration policy adopted by the General Shareholders' Meeting.

(n) To monitor compliance with the corporate governance rules and internal codes of conduct.

(o) To monitor the corporate social responsibility strategy and practices, and to assess the degree of compliance therewith.

2.- Activities

Nine meetings were held involving the following actions, amongst others:

(A) <u>Corporate governance:</u>

The corresponding report was issued assessing the competence, experience and merits of the proprietary directors Mr Carlos del Rio and Mr David Diaz to appoint them by co-option and for ratification by the General Meeting.

The corresponding report was issued proposing the designation of Mr Tobias Martinez as the Board Chair (replacing Mr Francisco Reynés) and the appointment of Mr Giampaolo Zambeletti as a coordinating director.

The corresponding report was issued proposing the re-election of the independent directors Messrs Blayau, Shore, Kan, and Zambeletti.

The corresponding report was issued assessing the competence, experience and merits of the independent directors Ms Anne Bouverot and Ms Marisa Guijarro, proposing their appointment and enabling MS Marisa Guijarro to join the NRC and Ms Anne Bouverot the ACC.

The corresponding report was issued assessing the competence, experience and merits of the proprietary directors Mr Marco Patuano, Ms Elisabetta De Bernardi di Valserra, Mr Carlo Bertazzo and Ms Andrea Pezzangora to appoint them by co-option.

The corresponding report was issued proposing the designation of Mr Marco Patuano as the Board Chair (replacing Mr Tobias Martinez).

The corresponding report was issued assessing the competence, experience and merits of the proprietary director Mr John McCarthy to appoint him by co-option and enable him to join the NRC.

A report was issued amending the Board of Directors' Regulations aimed at including the proposals made by an independent expert who assessed the functioning of the Board and its Committees in 2017.
A performance self-assessment of the Board and its Committees was conducted in 2018, and improvements were proposed to the Board through an Action Plan.
Reports were given on the ACGR (annual corporate governance report) and the ARR (annual remuneration report).

(B) <u>Remuneration-related activities</u>:

The degree of compliance by the CEO with the targets for 2017 was analysed and his performance assessed. The CEO's targets for 2018 were also analysed and the corresponding proposals were submitted to the Board.
Based on a comparative study by an external company, the CEO's remuneration for 2018 and 2019 was proposed and, consequently, the amendment to the director remuneration policy was prepared and approved for submission to the Board and approval by the General Meeting.
The directors' remuneration was reviewed to conform it to the market and take into account the directors' degree of involvement and commitment.
The nomination of several members of the Senior Management was reported. Also, based on market surveys conducted by an external company, the remuneration of the main managers (reporting directly to the CEO) for 2019 and 2020 was analysed, and the corresponding proposal was submitted to the Board for approval.
A final assessment of the achievement of the LTIP 2015-2017 targets was made and the approval of Multi-Year Incentive Plans (LTIP 2018-2020, LTIP 2019-2021) applicable to the CEO and certain key company personnel, together with the corresponding contracts, was prepared and submitted to the Board.

(C) <u>Corporate social responsibility activities</u>:

The Corporate Social Responsibility Master Plan for 2016-2020 was monitored. This instrument includes all the company's ethical, environmental and social initiatives whose yearly progress is included in the Integrated Annual Report.
A corporate social responsibility policy report was also drafted.

(D) <u>Code of Ethics activities</u>:

Reports were given on the restructuring of the Ethics and Compliance Committee.
A training plan was supervised on the Code of Ethics and supplementary regulations for all the Group's employees.

(E) <u>Talent management</u>:

(c) The NRC analysed the actions carried out to date by management, basically the Succession Plan and High Potential Programme. The general Succession Plan includes the CEO and certain key positions (32).
(d) The top 10 positions (Senior Management and Country Managers) were also analysed individually, and the succession proposals were validated with the help of a prestigious external advisor. An emergency Succession Plan (independent of the general Succession Plan) was also drafted; therefore, in the event of unforeseen circumstances, all the key positions have a replacement so that the company's activity is not affected.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on 21/02/2019.

State whether any directors voted against or abstained from voting on this report.

Yes ☐ No x☐

Name of director who has not voted for the approval of this report	Reasons (against, abstention, non- attendance)	Explain the reasons
	Remarks	