

# Auditor's Report and Consolidated Annual Accounts

**2016**  
**Junta General d'Accionistes**  
Junta General de Accionistas  
*Annual Shareholders' Meeting*

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

Consolidated Financial Statements for the  
year ended 31 December 2015 and  
Consolidated Directors' Report, together  
with Independent Auditor's Report

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

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

## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of  
Cellnex Telecom, S.A.  
(formerly Abertis Telecom Terrestre, S.A.U.),

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Cellnex Telecom, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

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

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Cellnex Telecom, S.A. and Subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, identified in Note 2 to the accompanying consolidated financial statements, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Cellnex Telecom, S.A. and Subsidiaries as at 31 December 2015, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

### **Report on Other Legal and Regulatory Requirements**

The accompanying consolidated directors' report for 2015 contains the explanations which the Parent's directors consider appropriate about the situation of Cellnex Telecom, S.A. and Subsidiaries, the evolution of their business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2015. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Cellnex Telecom, S.A. and Subsidiaries.

DELOITTE, S.L.  
Registered in ROAC under no. S0692

Ana Torrens

18 February 2016

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

Consolidated Financial Statements for the  
year ended 31 December 2015 and  
Consolidated Directors' Report

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

## TABLE OF CONTENTS

Consolidated balance sheet.....	2
Consolidated income statement .....	3
Consolidated statement of comprehensive income.....	4
Consolidated statement of changes in net equity .....	5
Consolidated statement of cash flows .....	6
1. General information .....	7
2. Basis of presentation .....	7
3. Accounting policies and measurement bases.....	17
4. Financial and capital risk management.....	30
5. Business combinations.....	32
6. Property, plant and equipment .....	40
7. Goodwill and other intangible assets .....	47
8. Investments in associates .....	51
9. Current and non-current financial investments.....	52
10. Trade and other receivables .....	53
11. Cash and cash equivalents .....	55
12. Net equity .....	55
13. Borrowings.....	61
14. Trade and other payables .....	66
15. Income tax and tax situation .....	67
16. Provisions and other liabilities and employee benefit obligations.....	72
17. Revenue and expenses .....	79
18. Environmental information.....	84
19. Segment reporting .....	85
20. Related parties.....	86
21. Other disclosures .....	91
22. Post balance sheet events .....	91
23. Explanation added for translation to English.....	91
APPENDIX I. Subsidiaries included in the scope of consolidation at 31.12.2015 .....	92
APPENDIX II. Associates included in the scope of consolidation at 31.12.2015 .....	94
Consolidated Directors' Report for the year ended 31 December 2015.....	96
1. Information required under article 262 of the Spanish Limited Liability Companies Act.....	96
2. Annual Corporate Governance Report .....	110

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

## CELLNEX TELECOM, S.A. (FORMERLY ABERTIS TELECOM TERRESTRE, S.A.U.) AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2015 (Thousands of Euros)

	Notes	31 December 2015	31 December 2014
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Goodwill	Note 7	216,002	45,372
Other intangible assets	Note 7	582,645	103,793
Property, plant and equipment	Note 6	935,813	740,464
Investments in associates	Note 8	3,514	3,480
Financial investments	Note 9	12,530	13,451
Trade and other receivables	Note 10	27,710	5,644
Deferred tax assets	Note 15.d	28,899	37,837
<b>Total non-current assets</b>		<b>1,807,113</b>	<b>950,041</b>
<b>CURRENT ASSETS</b>			
Inventories		3,383	669
Trade and other receivables	Note 10	164,054	169,086
Receivables from Group undertakings and associates	Note 20.c	119	20,313
Financial investments	Note 9	921	921
Cash and cash equivalents	Note 11	51,000	90,891
<b>Total current assets</b>		<b>219,477</b>	<b>281,880</b>
<b>TOTAL ASSETS</b>		<b>2,026,590</b>	<b>1,231,921</b>
<b>NET EQUITY</b>			
<b>Share capital and attributable reserves</b>			
Share capital	Note 12.a	57,921	57,921
Share premium	Note 12.b	338,733	338,733
Reserves	Note 12.c	10,422	42,601
Profit for the year	Note 12.h	47,290	57,471
		<b>454,366</b>	<b>496,726</b>
<b>Non-controlling interests</b>	Note 12.g	82,851	4,666
<b>Total net equity</b>		<b>537,217</b>	<b>501,392</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings and bond issues	Note 13	979,261	429,507
Provisions and other liabilities	Note 16	125,384	18,375
Employee benefit obligations	Note 16	2,563	2,350
Deferred tax liabilities	Note 15.d	183,246	55,997
<b>Total non-current liabilities</b>		<b>1,290,454</b>	<b>506,229</b>
<b>CURRENT LIABILITIES</b>			
Bank borrowings and bond issues	Note 13	9,094	3,645
Employee benefit obligations	Note 16	8,230	11,010
Payable to Group companies and associates	Note 20.c	179	14,118
Trade and other payables	Note 14	181,416	195,527
<b>Total current liabilities</b>		<b>198,919</b>	<b>224,300</b>
<b>TOTAL NET EQUITY AND LIABILITIES</b>		<b>2,026,590</b>	<b>1,231,921</b>

The accompanying Notes 1 to 23 and Appendices I and II attached form an integral part of the consolidated balance sheet at 31 December 2015

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

## CELLNEX TELECOM, S.A. (FORMERLY ABERTIS TELECOM TERRESTRE, S.A.U.) AND SUBSIDIARIES

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

(Thousands of Euros)

	Notes	2015	2014
Services		575,365	412,132
Other operating income		36,419	23,913
<b>Operating income</b>	Note 17.a	<b>611,784</b>	<b>436,045</b>
Staff costs	Note 17.b	(89,258)	(83,886)
Other operating expenses	Note 17.c	(306,750)	(172,302)
Change in provisions	Note 17.d	1,138	(2,780)
Losses on fixed assets	Note 17.e	(117)	(250)
Depreciation and amortisation	Note 17.e	(153,500)	(91,032)
<b>Operating profit</b>		<b>63,297</b>	<b>85,795</b>
Financial income	Note 17.g	394	880
Financial costs	Note 17.g	(27,861)	(10,219)
<b>Net financial profit</b>		<b>(27,467)</b>	<b>(9,339)</b>
Profit of companies accounted for using the equity method	Note 8	34	590
<b>Profit before tax</b>		<b>35,864</b>	<b>77,046</b>
Income tax	Note 15	12,601	(19,315)
<b>Consolidated net profit</b>		<b>48,465</b>	<b>57,731</b>
Attributable to non-controlling interests	Note 12.g	1,175	260
<b>Net profit attributable to the Parent Company</b>		<b>47,290</b>	<b>57,471</b>
<b>Earnings per share (in euros per share):</b>			
Basic	Note 12.f	0.20	1.88
Diluted	Note 12.f	0.20	1.88

The accompanying Notes 1 to 23 and Appendices I and II attached form an integral part of the consolidated income statement corresponding to the year ended 31 December 2015.



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**CELLNEX TELECOM, S.A. (FORMERLY ABERTIS TELECOM TERRESTRE, S.A.U.) AND  
SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2015**  
(Thousands of Euros)

	<u>2015</u>	<u>2014</u>
<b>PROFIT FOR THE YEAR</b>	48,465	57,731
<b>Income and expenses recognised directly in net equity, transferable to the consolidated income statement:</b>		
Variation in cash flow hedges Parent Company fully and proportionately consolidated companies	41	-
<b>Total consolidated comprehensive income</b>	<b><u>48,506</u></b>	<b><u>57,731</u></b>
<b>Attributable to:</b>		
- Parent Company shareholders	47,321	57,471
- Non-controlling interests	1,185	260
<b>Total consolidated comprehensive income</b>	<b><u>48,506</u></b>	<b><u>57,731</u></b>

The accompanying Notes 1 to 23 and Appendices I and II attached form an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2015.

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

## CELLNEX TELECOM, S.A. (FORMERLY ABERTIS TELECOM TERRESTRE, S.A.U.) AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015 (Thousands of Euros)

	Share capital	Share premium	Reserves	Profit for the year	Non-controlling interests	Net equity
<b>At 1 January 2014</b>	57,921	338,733	12,339	78,490	-	487,483
Global earnings for the year	-	-	-	57,471	260	57,731
Final dividend for 2013 financial year	-	-	(48,251)	-	-	(48,251)
Distribution of 2013 profit	-	-	78,490	(78,490)	-	-
Changes in the scope of consolidation and others	-	-	23	-	5,204	5,227
Interim dividend for 2014	-	-	-	-	(798)	(798)
<b>At 31 December 2014</b>	<b>57,921</b>	<b>338,733</b>	<b>42,601</b>	<b>57,471</b>	<b>4,666</b>	<b>501,392</b>
<b>At 1 January 2015</b>	57,921	338,733	42,601	57,471	4,666	501,392
Global earnings for the year	-	-	31	47,290	1,185	48,506
Distribution of 2014 profit	-	-	57,471	(57,471)	-	-
Changes in the scope of consolidation and others	-	-	(80,414)	-	77,000	(3,414)
Interim dividend for 2015	-	-	(9,267)	-	-	(9,267)
<b>At 31 December 2015</b>	<b>57,921</b>	<b>338,733</b>	<b>10,422</b>	<b>47,290</b>	<b>82,851</b>	<b>537,217</b>

The accompanying Notes 1 to 23 and Appendices I and II attached form an integral part of the statement of changes in the consolidated equity corresponding to the year ended 31 December 2015.

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

## CELLNEX TELECOM, S.A. (FORMERLY ABERTIS TELECOM TERRESTRE, S.A.U.) AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015 (Thousands of Euros)

	Notes	2015	2014
<b>Profit for the year before tax</b>		<b>35,864</b>	<b>77,046</b>
<b>Adjustments to profit-</b>			
Depreciation	Notes 6 and 7	153,500	91,032
Gains/(losses) on derecognition and disposals of non-current assets	Note 17.e	116	250
Changes in provisions	Note 17.d	(217)	2,780
Interest and other income	Note 17.g	(394)	(880)
Interest and other expenses	Note 17.g	27,861	10,219
Share of results of companies accounted for using the equity method	Note 8	(34)	(590)
		<b>180,832</b>	<b>102,811</b>
<b>Changes in current assets/current liabilities-</b>			
Inventories		(2,714)	(363)
Trade and other receivables		8,386	2,031
Other current assets and liabilities		(4,710)	29,345
		<b>962</b>	<b>31,013</b>
<b>Cash flows generated by operations</b>		<b>217,658</b>	<b>210,870</b>
Interest paid		(9,995)	(7,661)
Interest received		196	880
Income tax paid		(13,913)	(37,493)
Employee benefit obligations and current provisions		(2,427)	(18,110)
Other receivables and payables		46,400	(16,343)
<b>Total net cash flow from operating activities (I)</b>		<b>237,919</b>	<b>132,143</b>
Business combinations and changes in scope of consolidation	Note 5	(668,670)	(79,590)
Purchases of property, plant and equipment and intangible assets		(140,494)	(177,739)
Non-current financial investments		(1,053)	(517)
<b>Total net cash flow from investing activities (II)</b>		<b>(810,217)</b>	<b>(257,846)</b>
Proceeds from issue of bank borrowings	Note 13	674,885	413,650
Bond issue	Note 13	591,174	-
Repayment and redemption of borrowings from Group companies		-	(146,938)
Repayment and redemption of bank borrowings	Note 13	(723,830)	-
Net repayment of other borrowings (Profits)		(1,348)	(1,541)
Dividends net of withholdings		(8,075)	(48,251)
Dividends to non-controlling interests		(399)	(399)
<b>Total net cash flow from financing activities (III)</b>		<b>532,407</b>	<b>216,521</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS (I)+(II)+(III)</b>		<b>(39,891)</b>	<b>90,818</b>
Cash and cash equivalents at beginning of year	Note 11	90,891	73
<b>Cash and cash equivalents at end of year</b>		<b>51,000</b>	<b>90,891</b>

The accompanying Notes 1 to 23 and Appendices I and II attached form an integral part of the consolidated statement of cash flows corresponding to the year ended 31 December 2015.

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

Notes to the consolidated financial statements for the year ended on 31 December 2015

### **1. General information**

Cellnex Telecom, S.A., (hereinafter, the “Parent Company” or “Cellnex”) was incorporated in Barcelona on 25 June 2008. Its registered office is at Avenida del Parc Logistic No. 12-20, Barcelona. On 1 April 2015, it changed its name from Abertis Telecom Terrestre, S.A.U. to Cellnex Telecom, S.A.

On 17 November 2014, the Sole Shareholder (Abertis Infraestructuras, S.A.) approved the change of corporate form from a sociedad limitada (private limited liability company) to a sociedad anónima (public limited liability company), and it was registered at Companies House, Barcelona on 15 December 2014.

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

- The establishment and operation of all kinds of telecommunication infrastructures and/or networks, as well as the provision, management, marketing and distribution, on its own account or on account of third parties, of all types of services based on or through such infrastructures and/or networks.
- The planning, technical assistance, management, organisation, coordination, supervision, maintenance and conservation of such installations and services under any type of contractual arrangement allowed by law, especially administrative concessions.

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

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

#### **Initial public offering and admission to trading of Cellnex shares (IPO)**

On 19 March 2015 the Board of Directors of the Parent Company, pursuant to the authority conferred on it at the General Shareholders’ Meeting of Abertis Infraestructuras, S.A. on the same date, unanimously agreed to request admission to officially trade on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia and on the subsequent initial public offering of shares on the Spanish Securities Market, a process that was successfully completed. As a result, 100% of the shares of the Parent Company have been listed on the market since 7 May 2015, of which a total of 66% were subject to the initial public offering by Abertis Infraestructuras, S.A. due to the exercising of the over-allotment option (green-shoe) by the coordinating banks (see Note 12.a).

### **2. Basis of presentation**

#### **a) Basis of presentation**

The consolidated financial statements of Cellnex Telecom, S.A. and Subsidiaries for the year ended on 31 December 2015, which have been based on the accounting records kept by the Parent Company and by the other companies that make up the Group, were formulated by the Directors of the Parent at the meeting of the Board of Directors held on 18 February 2016.

These consolidated financial statements have been prepared in accordance with the regulatory financial reporting framework applicable to the Group which is established by the International Financial Reporting Standards (“IFRS”) adopted by the European Union (hereinafter, “EU-IFRS”) and taking into consideration all of the accounting principles and standards and the valuation criteria that must be applied, as well as the Commercial Code, the Spanish Limited Liability Companies Act and other applicable commercial legislation, so that they show a true image of the equity and financial situation of the Cellnex Group at 31 December 2015 and the results of its operations, the changes in net equity and the consolidated cash flows that have occurred within the Group during the financial year ended on that date.

Given that the accounting principles and valuation criteria applied when preparing the Group’s consolidated financial statements at 31 December 2015 may differ from those used by some of the companies within the Group, the adjustments and reclassifications needed to standardise the principles and criteria, and adapt them to the EU-IFRS, have been carried out as part of the consolidation process. These adjustments have not had a significant impact on the Group’s consolidated annual accounts.

The consolidated financial statements of Cellnex Telecom, S.A., as well as its individual annual accounts and the annual accounts of the companies forming part of the Group will be submitted to their respective General Meetings of Shareholders/Partners or Shareholder/Sole Shareholder within the legally established deadlines. The Directors of the Parent Company consider that these accounts will be approved without any significant changes.

Moreover, the Group’s consolidated financial statements corresponding to the financial year ended on 31 December 2014 were approved by the Sole Shareholder of the Parent Company on 5 March 2015.

#### **b) Adoption of IFRSs**

The current consolidated financial statements of the Cellnex Group are submitted in accordance with the EU-IFRS, in line with that established in (EC) Regulation no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002. In Spain, the obligation to prepare consolidated financial statements under EU-IFRS is also regulated by Final Provision Eleven of Law 62/2003, of 30 December, on tax, administrative, labour and social security measures.

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

##### *(i) Standards and Interpretations effective during the present year*

During 2015 the new accounting standards detailed below have entered into force:

New standards, amendments and interpretations		Mandatory application for annual periods beginning on or after:
IFRIC 21 Levies (issued in May 2013)	Guidance on when to recognise a liability for levies that are conditional on participation by the entity in an activity on a specified date.	17 June 2014 <sup>(1)</sup>
Improvements to IFRS 2011-2013 Cycle (issued in December 2013)	Minor amendments to certain standards.	1 January 2015 <sup>(2)</sup>
Amendments to IAS 19, Defined Benefit Plans: Employee Contributions (issued in November 2013)	The amendments allow employee contributions to be deducted from service costs in the same period in which they are paid, providing certain requirements are met.	1 February 2015
Improvements to the IFRS Cycle 2010-2012 (issued in December 2013)	Minor amendments to a series of standards	1 February 2015

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

(2) The IASB date of entry into force of this standard was 1 July 2014.

The Group has been applying the outlined standards and interpretations from their entry into force, but this has not involved a significant change to the accounting policies applied by the Group.

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

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

<b>New standards, amendments and interpretations</b>		<b>Mandatory application for annual periods beginning on or after:</b>
<b>Approved for use in the European Union</b>		
Amendments to IAS 16 and IAS 38 Acceptable Methods of Depreciation and Amortisation (issued in May 2014)	Clarifies acceptable methods of depreciation of property, plant and equipment and amortisation of intangible assets, not including those based on revenue.	1 January 2016
Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014)	Specifies the accounting treatment for the acquisition of an interest in a joint operation that constitutes a business.	1 January 2016
Amendment to IAS 16 and IAS 41 Agriculture: Bearer Plants (issued in June 2014)	Bearer plants will now be recognised at cost, instead of at fair value.	1 January 2016
Improvements to IFRSs 2012-2014 Cycle (issued in May 2014)	Minor amendments to certain standards.	1 January 2016
Amendment to IAS 27 Equity Method in Separate Financial Statements (issued in August 2014)	An investor may now be accounted for using the equity method in separate financial statements	1 January 2016
IAS1 amendments: Disclosure Initiative (December 2014)	Various clarifications regarding disclosure (materiality, aggregation, order of the notes, etc.)	1 January 2016
<b>Not approved for use in the European Union</b>		
IFRS 9 Financial Instruments (last phase issued in July 2014)	Replaces the requirements for the classification, measurement, recognition and derecognition of financial assets and liabilities, hedge accounting and impairment of IAS 39.	1 January 2018
IFRS 15 Revenue from Contracts with Customers (issued in May 2014)	New standard for recognising revenue (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31).	1 January 2018 <sup>(3)</sup>
IFRS 16 Leases (issued in January 2016)	New leasing regulation which replaces IAS 17. Tenants will include all leases on the balance sheet as if they were financed purchases.	1 January 2019
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014)	Clarification regarding the results of these transactions if they are businesses or assets.	No date set
Amendment to IFRS 10, IFRS 12 and IAS 28: Investment Entities (December 2014)	Clarifications regarding the exception from consolidation for investment entities.	1 January 2016

<sup>(3)</sup> In May 2015 the IASB issued a proposal to defer the entry into force of IFRS 15 by one year, to 1 January 2018. In its meeting on 22 July 2015, this proposal was finally approved.

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

The Parent Company's Directors have nevertheless evaluated the potential impact of a future application of these standards.

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

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

The Parent Company's Directors considered that the accounting policy would affect the interpretation of the Group's financial information and decisions arising therefrom, thus the comparative information presented in these consolidated financial statements for the year ended 31 December 2014 was restated. Therefore, the initial asset and liability balances at 1 January 2013 were restated in accordance with the requirements of IAS 8.42.

**d) Presentation currency of the Group**

These consolidated financial statements are presented in euros because the euro is the currency of the main economic area in which the Group operates.

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

The preparation of the consolidated financial statements under IFRS requires certain accounting estimates to be made and certain elements of judgement to be considered by the Management of the Company. These are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events, that are considered reasonable under the circumstances. Although the estimates considered have been made with the best information available as of the date of preparing these consolidated financial statements, in accordance with IAS 8, any future amendment to these estimates would be applied prospectively as of that moment, acknowledging the effect of the change on the estimate made in the consolidated income statement for the financial year in question.

The main estimates and judgements considered in preparing the consolidated financial statements are as follows:

a) Useful lives of property, plant and equipment (see Note 3.a).

The determination of useful lives of property, plant and equipment requires estimates of the assets' level of use and of expected technological changes. Assumptions regarding the level of use, technological framework and their future development, based on which the useful lives are determined, entail a significant degree of judgment, since the time and nature of future events are difficult to foresee.

b) Useful lives of intangible assets (see Note 3.b).

The useful lives of intangible assets associated with the tower infrastructures for site rental are amortised over the years in which the Group is able to obtain income from the network coverage area in conjunction with the assets recognised as a result of business combinations.

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

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

d) Derivatives or other financial instruments (see Notes 3.d, 3.e, 10 and 13).

The fair value of financial instruments traded on official markets is based on the market prices at the consolidated balance sheet date. The quoted market price used for financial assets is the current bid price.

The fair value of the financial instruments not quoted on active markets is determined using valuation techniques. The Group uses various methods and makes assumptions based on the existing market conditions at each consolidated balance sheet date. To determine the fair value of the remaining financial instruments, other techniques, such as estimated discounted cash flows, are used. The fair value of the interest rate swaps is calculated as the present value of the estimated cash flows.

The carrying amount, less the provision for impairment losses on accounts receivable and payable, is similar to their fair value.

The fair value of financial liabilities, for the purposes of presenting financial information, is estimated by discounting future contractual cash flows at the current market interest rate the Group would have access to for similar financial instruments.

When financial assets not measured at fair value through profit or loss are initially recognised, the Group measures them at their fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset. In this sense, the Group determines the classification of its financial assets at initial recognition.

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

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

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

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

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

The calculation of the income tax expense requires the interpretation of tax legislation in the jurisdictions where the Group operates. The determination of expected outcomes with regards to outstanding disputes and litigation requires significant estimates and judgements to be made. The Group assesses the recoverability of deferred tax assets based on the estimates of future taxable income and the ability to generate sufficient income during the periods in which these deferred taxes are deductible.



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

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

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

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

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

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

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

Finally, the figures contained in all the financial statements forming part of the consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes to net equity, consolidated statement of cash flows) and the Notes to the consolidated financial statements are expressed in thousands of euros.

**f) Comparative information**

As required by the IFRS, the information relating to the financial year ended on 31 December 2014 contained in these consolidated financial statements for 2015 is submitted solely and exclusively for the purpose of comparison.

**g) Materiality**

In deciding what information to disclose in the Notes on the various items of the consolidated financial statements or other matters, the Group assessed their materiality in relation to these consolidated financial statements for 2015.

**h) Consolidation principles**

*(i) Methods of consolidation*

**Subsidiaries**

Subsidiaries are all companies in which the Group directly or indirectly controls the financial and operational policies, so that it exercises control over the investee company while maintaining the exposure or right to the variable results from the investment and the ability to use this control in order to influence the amount of these returns. This is generally accompanied by an ownership interest of more than the half of the voting rights. Additionally, to assess if the Group controls another company, the following are considered: the power over the investee; exposure or rights to variable returns of the investment; and the ability to use this power over the investee to affect the amount of the investor's

returns. The subsidiary companies are consolidated as from the date on which control is transferred to the Group and they are excluded from consolidation on the date in which the control ceases.

The Group consolidates subsidiaries using the full consolidation method.

Appendix I to these Notes provides details on all the subsidiaries included in the scope of consolidation at 31 December 2015.

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

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

The Group's interests in jointly controlled companies are recorded in accordance with IFRS 11 using the equity method as indicated in the following section "Associates" (until the adoption of the aforementioned standard in 2014, the Group chose to consolidate them by proportional consolidation).

With regards to the company Adesal Telecom, S.L., during the 2014 financial year the Group began to exercise effective control over it, in accordance with the addendum to the shareholders agreement, signed with the other parties on 21 October 2014. In addition, the Group increased its ownership interest to 60.08% after the date of the takeover.

Given the above, the Group has consolidated the shareholding in Adesal Telecom, S.L. up to the date of taking control using the equity method (in accordance with IFRS 11) and since taking control using the full consolidation method.

#### ***Associates***

Associates are companies over which the Group exercises significant influence and with which it has a long-term relationship that fosters and influences its business even though it has a small representation in the management and control bodies. Along with this representation, the Group generally holds between 20% and 50% of the company's voting rights, unless it can be clearly demonstrated that such influence does not exist or unless the Group holds less than 20% of those rights and it can be clearly demonstrated that said influence does exist.

The investments in associates are recorded using the equity method and are initially recognised at cost. The investments of the Parent Company in associates include, as per IAS 28, goodwill (net of any accumulated impairment losses) identified in the acquisition, and are recognised under "Investments in associates" in the consolidated balance sheet.

In the case of associates acquired in stages, IAS 28 does not specifically define how to determine the cost of the acquisition. Therefore, the Group interprets the cost of an investment in an associate acquired in stages to be the sum of the amounts paid at each acquisition plus the share of the profits and other changes in shareholders' equity less any impairment that may have arisen.

Thereafter, the Group's share of the profit (loss) and reserves of associates is recognised in the consolidated income statement and as consolidation reserves (other comprehensive income), respectively, with the value of the shareholding as the balancing entry in both cases. Dividends received and/or accrued after acquisitions are adjusted against the amount of the investment.

If the Group's share of the losses of an associate is equal to or greater than the value of its financial investment, including any other outstanding account receivable not guaranteed, further losses will not be recognised unless obligations have been incurred, guarantees have been furnished or payments have been made on behalf of the associate, which would entail the recognition of a financial liability.

Appendix II to these Notes provides details on the associates included in the scope of consolidation using the equity method at 31 December 2015.

*(ii) Standardisation of timing and valuation*

The reporting periods for all companies included in the scope of consolidation end on 31 December. For the purposes of the consolidation process, the respective financial statements prepared under IFRS principles were used. In accordance with current legislation, these companies present individual annual accounts as set forth in the applicable standards.

The measurement bases applied by the Group companies are largely consistent. However, where necessary, adjustments were made to standardise the measurement bases and ensure that the accounting policies of the companies included in the scope of consolidation were uniform with the policies adopted by the Group.

*(iii) Business combinations*

The subsidiaries acquired by the Group are accounted for using the acquisition method in accordance with the revised IFRS 3. Acquisition cost is the fair value of the assets acquired and the equity instruments issued, and of the liabilities incurred or assumed at the acquisition date, plus any asset or liability resulting from a contingent consideration arrangement. Costs that are directly attributable to the transaction are recognised directly in the consolidated income statement for the year in which the transaction takes place.

The identifiable assets acquired, the contingent assets and liabilities assumed and any non-controlling interest in a business combination are initially measured at their acquisition-date fair value. For each business combination, the Group may elect to recognise any non-controlling interest in the acquiree at fair value or according to the proportionate share of the non-controlling interest in the acquiree's net identifiable assets.

The excess over the fair value of the net assets identified in the transaction is recognised as goodwill arising on consolidation, which is allocated to the corresponding Cash-Generating Units (hereinafter, CGUs).

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

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

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

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

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

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

As indicated in Note 2.h.i., goodwill relating to acquisitions of associates and multi-group companies is included as an increase in the value of the respective investment and is recognised in accordance with Note 3.b.iv.

*(iv) Elimination of inter-company transactions*

Inter-company transactions and balances are eliminated, as are unrealised gains vis-a-vis third parties on transactions between or among Group companies. Unrealised losses are also eliminated, unless there is evidence of an impairment loss on the transferred asset.

Gains and losses from transactions between the Group and its associates and multi-group companies are recognised in the Group's financial statements only to the extent that they arise from the interests of other investors in associates and multi-group companies not related to the investor.

*(v) Transactions with non-controlling interests*

Transactions with non-controlling interests are recognised as transactions with the owners of the Group's equity. Therefore, in purchases of non-controlling interests, the difference between the consideration paid and the corresponding proportion of the carrying amount of the subsidiary's net assets is recognised with an impact on net equity. Likewise, gains or losses through the disposal of non-controlling interests are also recognised in the Group's net equity.

In the event that it ceases to have control or significant influence, the remaining investment is remeasured at its fair value, and any gain or loss relative to the previously recognised investment is recognised with an impact in the year's consolidated income statement. Additionally, any amount previously recognised in other comprehensive income with regards to this company is recorded as if the Group had directly sold all the related assets and liabilities. Should this occur, the amounts previously recognised under other comprehensive income would be reclassified to the consolidated income statement for the year. If the decrease in the investment in an associate does not imply a loss of significant influence, the proportional share previously recognised under other comprehensive income is reclassified to the consolidated income statement.

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

The most significant changes in the scope of consolidation and in the companies included in it during the 2015 financial year were as follows:

Name of the Company	Company with direct shareholding and % acquired/maintained	Consolidation method	Date
<b>Acquisitions/incorporations:</b>			
Cellnex Italia, S.r.L. (formerly Smartowers Italy, S.r.L.)	Cellnex Telecom, S.A. 100%	Full	19/02/2015
Galata, S.p.A.	Cellnex Italia, S.r.L. (formerly Smartowers Italy, S.r.L.) 90%	Full	26/03/2015
Cellnex UK Limited	Cellnex Telecom, S.A. 100%	Full	15/09/2015

*i) Cellnex Italia, S.r.L. (formerly Smartowers Italy, S.r.L.)*

On 19 February 2015, Cellnex incorporated the Italian company Smartowers Italy, S.r.l. with a share capital of EUR 10 thousand, in order to proceed with the subsequent acquisition of Galata, S.p.A. ("Galata"). On 9 July 2015 its name was changed to Cellnex Italia, S.r.L. ("Cellnex Italia").

ii) *Galata, S.p.A. (Galata)*

On 26 March 2015, through its subsidiary, Cellnex Italia, S.r.L. completed the acquisition from Wind Telecomunicazioni, S.p.A., by Cellnex, of 90% of the share capital of the Italian company Galata for a total of EUR 693 million.

After the aforementioned acquisition, Galata was fully consolidated in the Cellnex Group on 26 March 2015, such that at the end of 31 December 2015 the value of all its assets and liabilities was included in the consolidated balance sheet and the impact of all its operations over the 9 months and 5 days was included in the consolidated income statement for the period.

The fair value of 100% of the net assets acquired (determined, for the most part, through the analysis of the discounted cash flows generated by the identified assets) amounts to EUR 599.3 million, such that goodwill has been generated for the amount of EUR 159.2 million (see Note 5) which includes the net recognition of any deferred taxes resulting from the higher fair value attributed to the net assets acquired in comparison with the tax bases for the amount of EUR 206 million.

As the acquisition of Galata was completed at the end of March 2015, at the date of signing these annual accounts for the financial year ended on 31 December 2015, Cellnex is in the process of concluding the allocation of the fair value of the assets and liabilities acquired at the date of acquisition, through an analysis of the discounted cash flows generated by the identified assets. In accordance with IFRS 3, the Company has one year from the date of the respective transaction to complete the measurement.

Additionally, on 7 July 2015, the following operation occurred between companies belonging to the scope of consolidation in which Cellnex holds a 100% shareholding, so this did not have an impact on the consolidated financial statements for 2015:

- Acquisition by Smartowers, S.r.L. of 100% of the shares of TowerCo, S.p.A., until then owned by Cellnex Telecom, S.A., for its carrying amount of EUR 94.6 million.
- To finance that acquisition, Cellnex Telecom, S.A. made a contribution from shareholders to Smartowers, S.r.L. for the same amount.
- Subsequently, on 9 July 2015 the bylaws of Smartowers were amended, so from that date it became Cellnex Italia S.r.L., with its registered office in Rome.

iii) *Cellnex UK Limited*

On 15 September 2015, Cellnex incorporated the British company Cellnex UK Limited with a share capital of 1 British pound. The company is currently inactive.

The changes to the scope of consolidation that occurred during the 2014 financial year with a significant impact on the consolidated financial statements for the cited financial year was the incorporation of the following companies into the scope of consolidation as a result of the spin-off operation described in Note 1:

Name of the Company	Company with direct shareholding and % acquired/maintained/sold	Consolidation method	Date	
<b>Acquisitions:</b>				
Towerco, S.p.A.	Cellnex Telecom, S.A.	100%	Full	27/05/2014
Adesal Telecom, S.L.	Tradia Telecom, S.A.U.	51.1% <sup>(1)</sup>	Full	21/10/2014
Adesal Telecom, S.L.	Tradia Telecom, S.A.U.	8.98%	Full	27/11/2014
<b>Sales</b>				
Abertis Telecom Brasil Ltda	Cellnex Telecom, S.A. and On Tower Telecom Infraestructuras, S.A.U. (formerly Abertis Tower, S.A.)	100%	Full	19/05/2014

(1) There was no change of shareholding, but there was an effective takeover

### 3. Accounting policies and measurement bases

The main accounting policies used when preparing the consolidated financial statements, in accordance with those established by the International Financial Reporting Standards adopted by the European Union (EU-IFRS), as well as the interpretations in force when drawing up these consolidated accounts, were as follows:

#### a) *Property, plant and equipment*

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

With reference to the acquisition of tower infrastructures for site rentals, the price agreed upon in the commercial sale and purchase agreement refers to the acquisition of an asset with two components: the physical asset (tower and other equipment and installations) and the “coverage area” in order to be able to provide the service to mobile operators. This is in turn related to the subsequent lease contract with the mobile operator and the subrogation of all the rental contracts with third parties that the mobile operator previously had, and which includes the corresponding operating permits or licences. Thus, despite there being two types of assets, and given that the “coverage area” asset cannot be segregated as an intangible asset, the accounting treatment to be applied takes into account the recording under the “Property, plant and equipment” heading of the full amount of the purchase, which is amortised according to the useful life thereof on the basis of technical studies.

Grants related to assets received reduce the cost of acquisition of property, plant and equipment, and are recognised when the entity complies with conditions attaching to collection. These grants are taken to profit or loss on a straight-line basis over the useful life of the asset financed, with a reduction in the depreciation charge for the year.

Staff costs and other expenses, as well as net borrowing costs directly related to property, plant and equipment, are capitalised as part of the investment until the assets are put to use.

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

The costs of upkeep and maintenance are charged to the consolidated income statement in the year in which they are incurred.

The depreciation of property, plant and equipment is calculated systematically, using the straight-line method, over the useful life of the assets, based on the actual decline in value caused by their use and by wear and tear.

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

Asset	Useful life
Buildings and other constructions	7-50 years
Plant and machinery	3-17 years
Tooling	3-14 years
Other facilities	3-14 years
Furniture	5-10 years
Computer equipment	3-5 years
Other property, plant and equipment	4-13 years

When an asset's carrying amount exceeds its estimated recoverable amount, the carrying amount is immediately reduced to its recoverable amount, and the effect is taken to the consolidated income statement for the year, and the related provision is recognised. The Group therefore periodically determines whether there is any indication of impairment.

Gains or losses arising from the sale or disposal of an asset in this item are determined as the difference between carrying amount and sale price, and are recognised in the accompanying consolidated income statement under "Losses on fixed assets".

#### *Provision for asset retirement obligation*

This relates to the Group's best estimate of the legal obligation in relation to the retirement of tangible assets with long useful lives, such as, for example, infrastructures for mobile telecommunications operators. It is calculated using estimates of the present value of the cash payments required to dismantle the assets, taking into consideration all the information available at the balance sheet date.

### **b) Goodwill and other intangible assets**

The intangible assets indicated below are stated at acquisition cost less accumulated amortisation and any impairment losses, useful life being evaluated on the basis of prudent estimates. Any grants related to assets reduce the cost of acquisition of the intangible asset and are recognised when the entity complies with the conditions attaching to collection. Grants are credited to profit and loss on a straight-line basis over the useful life of the asset financed, with a reduction in the amortisation charge for the year.

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

#### *(i) Computer software*

Refers mainly to the amounts paid for access to property or for usage rights on computer programmes, only when usage is expected to span several years.

Computer software is stated at acquisition cost and amortised over its useful life (between 3 and 5 years). Computer software maintenance costs are charged to the consolidated income statement in the year in which they are incurred.

#### *(ii) Intangible assets in tower infrastructure for site rental*

This heading records the amounts paid in the business combinations that correspond to the fair value of the net assets acquired, mainly consisting of:

- *Concession intangible assets*

The contracts signed with mobile operators and the locations of the tower infrastructures for site rentals used.

The amount recognised represents the discounted cash flow that the site where the infrastructure is located will generate from the various operators. This asset is depreciated in the period over which the Group is able to obtain income from the network coverage area. In this case, the only intangible asset recorded by the Group corresponds to the business combination of the company TowerCo S.p.A. (see Note 5) and it is amortised on a straight-line basis until 2038.

- *Location intangible assets*

This consists of the amounts paid in business combinations corresponding to the fair value of the net assets acquired, mainly consisting of:

- Long-term rental agreements with the owners of the land (either rooftops or ground leases) where the sites are located.
- Permits (managed by Galata) which allow the site to be created and establish the technical characteristics permitted according to the current applicable regulations, in both public and private areas.
- The long-term Wind services provision contract (the seller). This so-called “anchor” contract not only creates a guarantee of future cash flows, but also helps to make the expectation of an increase in the sites’ inherent “tenancy ratio” more feasible.

The value of these intangible assets cannot be reliably measured separately, so it is better to group all the identifiable items together, which is why this group is now known as “location intangible assets”.

The useful life considered for “location intangible assets” is 22 years, based on the estimated useful life of the lease agreements, which is the most restrictive of all the intangible assets considered in the group. In this case, the only intangible asset recorded by the Group corresponds to the business combination of the company Galata, S.p.A. (see Note 5).

*(iii) Other intangible assets*

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

*(iv) Goodwill*

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

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

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

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

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

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

The Group assesses, at each reporting date, whether there is an indication than an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required (in



the case of goodwill), the Group estimates the asset's recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows that the asset is expected to generate are discounted to their present value using an interest rate that reflects the current time value of money and the risks specific to the assets.

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

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

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

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

**d) *Investments and other financial assets (excluding derivative financial instruments)***

When financial assets not measured at fair value through profit or loss are initially recognised, the Group measures them at their fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset.

The Group determines the classification of its financial assets at initial recognition. At 31 December 2015, financial assets were classified into the following categories:

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

This heading of the consolidated balance sheet includes, with regards to the acquisitions of tower infrastructures for site rentals undertaken by the Group, the multi-annual commercial costs assumed by the Group, in order to obtain the service provision lease agreements with the mobile telephone operators that will generate future economic profit, through the purchase, from these operators, of the tower infrastructures for site rentals, the dismantling of which has been agreed to along with the related cost. It must be noted that the dismantling expenses do not represent a legal obligation to dismantle the tower infrastructures for site rentals, but rather a commercial decision made by the Group and these costs will be capitalised as they are incurred.

These amounts are recognised as an advance of the subsequent lease agreement with the mobile telephone operator, which is recognised in the accompanying consolidated income statement on a straight-line basis as a reduction to "revenue from services rendered" according to the term of the lease agreement entered into with the operator.

*(ii) Trade and other receivables*

This heading mainly corresponds to:

- Loans granted to associates, multi-group or related parties, which are measured at amortised cost using the effective interest method. This value is reduced by the corresponding valuation adjustment for the impairment of the asset, as applicable.
- Deposits and guarantees recognised at their nominal value, which does not differ significantly from their fair value.
- Trade accounts receivable, which are measured at their nominal amount, which is similar to fair value at initial recognition. This value is reduced, if necessary, by the corresponding provision for bad debts (impairment loss) whenever there is objective evidence that the amount owed will not be partially or fully collected. This amount is charged against the consolidated income statement for the year.

The Group derecognises financial assets when they expire or the rights over the cash flows of the corresponding financial asset have been assigned and the risks and benefits inherent to their ownership have been substantially transferred, such as in the case of firm asset sales, non-recourse factoring of trade receivables in which the Group does not retain any credit or interest rate risk, sales of financial assets under an agreement to repurchase them at fair value and the securitisation of financial assets in which the transferor does not retain any subordinated debt, provide any kind of guarantee or assume any other kind of risk.

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

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

**e) *Derivative financial instruments***

The Group uses derivative financial instruments to manage its financial risk, arising mainly from changes in interest rates. 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 Group's risk and the counterparty's risk.

According to IAS 39, all derivative financial instruments are recognised as assets or liabilities on the consolidated balance sheet at their fair value, with changes in fair value recognised in consolidated income statement for the year. However, with hedge accounting, the effective portion of the hedge (fair value hedges, cash flow hedges and hedges of a net investment in a foreign currency) is recognised in equity.

At the inception of the hedge, the Group documents the relationship between the hedging instruments and the hedged items, as well as its risk management objective and the strategy for undertaking the hedge. The Group also documents how it will assess, both initially and on an ongoing basis, whether the

derivatives used in the hedges are highly effective for offsetting changes in the fair value or cash flows attributable to the hedged risk.

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

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

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

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

*(i) Cash-flow hedge*

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

Any positive or negative differences in the valuation of the derivatives corresponding to the ineffective portion are recognised directly in 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 Group companies that convert floating rate debt to fixed rate debt.

*(ii) Derivatives not recognised as hedges*

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

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

*(iii) Fair value and valuation techniques*

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

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

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

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

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

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

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

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

As at 31 December 2014 the Group only had one IRS (cashflow hedge) which hedged a total nominal amount of 5,263 thousand euros. As at 31 December 2015 the Group had no derivative financial instruments.

#### **f) Inventories**

Inventories comprise mainly technical equipment which, after installation, will be sold. Inventories are measured at acquisition price, less any necessary valuation adjustments and the corresponding impairment.

#### **g) Net equity**

The share capital is represented by ordinary shares.

The costs of issuing new shares or options, net of tax, are recognised directly against equity, as a reduction to reserves.

Dividends on ordinary shares are recognised as a reduction to equity when approved.

Acquisitions of treasury shares are recognised at their acquisition cost and are deducted from equity on disposal. The gains and losses obtained on the disposal of treasury shares are recognised under "Reserves" in the consolidated balance sheet.

#### **h) Earnings per share**

Basic earnings per share are calculated by dividing consolidated profit or loss for the year attributable to the Company by the weighted average number of ordinary shares outstanding during the year, excluding the average number of shares of the Company held by the Group.

Diluted earnings per share are calculated by dividing the consolidated profit or loss for the year attributable to ordinary shareholders adjusted for the effect attributable to the dilutive potential ordinary shares by the weighted average number of ordinary shares outstanding in the year, adjusted by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares of the Parent Company. For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period.

**i) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, demand deposits in banks and highly liquid, current investments with a maturity of three months or less.

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

**j) Financial liabilities**

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

Borrowings with floating interest rates hedged with derivatives that change the interest rate from floating to fixed are measured at fair value of the hedged item. Changes in the borrowings are taken to income, thus offsetting the impact on profit and loss of the change in the derivative instrument's fair value. The borrowings with floating interest rates hedged with derivatives are not significant.

The Group considers that the terms of financial liabilities are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

Financial liabilities are derecognised when the obligations giving rise to them cease to exist. In the case of an exchange of debt instruments between the Group and a third party with substantially different terms, the Group derecognises the original financial liability and recognises the new financial liability. The difference between the carrying amount of the original liability and the consideration paid, including attributable transactions costs, is recognised in the consolidated income statement for the year.

**k) Income tax**

The income tax expense (credit) is the total amount accrued in this connection during the year, representing both current and deferred tax.

Both the current and the deferred tax expense (credit) are recognised in the consolidated income statement. However, the tax effect from items that are recognised directly in other comprehensive income or in equity is recognised in other comprehensive income or in equity.

The deferred taxes are calculated using the balance sheet liability method based on the temporary differences that arise between the tax bases of the assets and liabilities and their carrying amounts in the consolidated financial statements, according to the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date and which are expected to apply when the corresponding deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities that arise from temporary differences with subsidiaries, jointly controlled entities and/or associates are always recognised, unless the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not be reversed in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which to offset the deductible temporary differences or the unused tax losses or unused tax credits can be utilised. Any deferred tax assets that arise due to temporary differences with subsidiaries, jointly controlled entities and/or associates are recognised if, in addition, it is probable that they will be reversed in the foreseeable future.

The recoverability of deferred tax assets is assessed when they are generated, and at the end of each reporting period, depending on the earnings forecasts for the companies included in their respective business plans.

Lastly, the tax effect that may arise as a result of including the results and reserves of the subsidiaries in the Company is not included in the accompanying consolidated financial statements since, pursuant to IAS 12, it is considered that no transfers of reserves that are subject to additional taxation will be made. Given that the Company controls the timing of the distribution, it is not probable that such distribution will occur in the foreseeable future, but rather that the results and reserves will be used as finance resources at each company.

## ***l) Employee benefits***

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

*(i) Post-employment obligations:*

### ***Defined contribution obligations***

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

### ***Defined benefit obligations***

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

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

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

*(ii) Other long-term benefits*

Regarding other long-term employee benefits, relating mainly to length of service at the company, the liability recognised on the balance sheet coincides with the present value of the obligations at the reporting date as they do not include any plan assets.

The projected unit credit method is used to determine both the current value of the liabilities at the balance sheet date and the cost of the services provided in the current and prior years. The actuarial gains and losses that arise from changes in the actuarial assumptions are recognised, unlike the post-employment liabilities, in the year in which they occur on the consolidated income statement for the year.

*(iii) Severance pay*

Severance pay is given to employees as a result of the decision to terminate their work contract before the normal retirement age or when the employee voluntarily accepts to resign in exchange for such compensations. The Group recognises these benefits when it is demonstrably committed to terminate the employment of the employees in accordance with a formal detailed plan without the possibility of withdrawal or to provide severance pay. If a mutual agreement is required, a provision is only recorded in situations in which the Group has decided to give its consent to the resignation of the employees when this has been requested by them.

*(iv) Share-based payments*

As indicated in Note 16, until April 2015 the Group had a management compensation plan consisting of the distribution of options on Abertis Infraestructuras, S.A. shares, the then sole shareholder of the Parent Company that can only be settled only in equity.

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

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

*(v) Obligations arising from plans for termination of employment*

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

*(vi) Long Term Incentive Plan – LTI*

The amounts considered by the Group in relation to the Long Term Incentive Plan which was formalised in 2015 with the objective to retain key personnel and incentivise the sustainable creation of value for the shareholders, is based on the variables described in Note 20.a.

**m) Government grants**

Government grants related to property, plant and equipment are deducted from the carrying value of the non-current assets in question and are taken to income over the expected useful lives of the assets concerned. In addition, the Group accounts for grants, donations or gifts and inheritances received as follows:

- a) Non-refundable capital subsidies, donations and legacies: these are measured at the fair value of the amount or the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss, except for grants received from shareholders or owners, which are recognised directly in non-current liabilities and do not give rise to the recognition of any income.

- b) Refundable grants: while they are refundable, they are recognised as non-current liabilities.
- c) Operating subsidies: They are posted to the results at the time they are granted, except if they are used to finance the operating losses of future financial years, in which case they are recorded in said financial years. If they are granted to finance specific expenses, they are recorded as the financial expenses are accrued.

**n) Provisions and contingencies**

On the date of drawing up these consolidated financial statements, the Group differentiates between:

- a) Provisions, understood as credit balances covering present obligations at the reporting date as a result of past events which could give rise to a loss for the Group, which is certain as to its nature but uncertain as to its amount and/or timing.
- b) Contingent liabilities, understood as possible obligations arising as a result of past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the consolidated entities.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of the provision is the present value of the future cash flows estimated to settle the present obligation.

Provisions recognised relate to the estimated amounts required to meet probable or certain liabilities stemming from ongoing litigation, compensation or other items resulting from the Group's activity that entail future payments that have been measured on the basis of currently available information. They are recognised as soon as the liability or obligation requiring compensation or payment to a third party arises, and bearing in mind the other conditions set forth in IFRSs.

*i) Provision for asset retirement obligation*

This relates to the Group's best estimate of the legal obligation in relation to the retirement of tangible assets with long useful lives, such as, for example, infrastructures for mobile telecommunications operators. It is calculated using estimates of the present value of the cash payments required to dismantle the assets, taking into consideration all the information available at the balance sheet date.

Due to the uncertainties inherent to the estimations necessary for determining the amount of the provision, the actual expenses may differ from the amounts originally recognised on the basis of the estimates made.

**o) Revenue recognition**

Revenue from the rendering of services is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably. The register of income should occur based on the actual flow of goods and services, irrespective of when the corresponding collections are made. Any collection that may be obtained for all of a service performed during a given period of time will be considered unearned revenue recognised on the liability side of the consolidated balance sheet under "Provisions and other liabilities" and "Trade and other payables", and will be taken to the consolidated income statement when the benefits of the service are received.

The various services are provided through lease agreements for the infrastructure, in order to distribute the broadcasting or mobile signals, for a certain amount and for a certain length of time. The Group



recognises revenue on a straight-line basis over the period in which the services are provided as established in the respective contracts.

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

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

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

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

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

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

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

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

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

Dividends income from investments is recognised when the shareholders' right to receive payment has been established, e.g., when the shareholders' meetings of the investees approve the dividend payment.

#### **p) Expense recognition**

Expenses are recognised in the consolidated income statement when there is a decrease in the future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. This means, in effect, that recognition of expenses occurs simultaneously with the

recognition of an increase in liabilities or a decrease in assets. The register of an expense should occur based on the actual flow of goods and services, irrespective of when the corresponding payments are made. Any payment that may be made for all of a service received during a given period of time will be considered a prepaid expense recognised on the asset side of the consolidated balance sheet under "Trade and other receivables" and will be taken to the consolidated income statement when the service is received by the Group.

Expenses are recorded immediately when a payment generates no future economic benefits or when it does not comply with the requirements to be registered as an asset.

An expense is also recorded when a liability is recorded and no corresponding asset is simultaneously recorded as would be the case for liabilities for guarantees.

**q) Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases:

a) Operating leases

Expenses from operating leases are taken to the income statement on an accruals basis. Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment, which will be allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

b) Finance leases

For finance leases in which the Group acts as the lessee, the Group recognises the cost of leased assets in the balance sheet based on the nature of the leased asset and, simultaneously, a liability for the same amount. This amount is the fair value of the leased asset at the inception of the lease or, if lower, the present value of the minimum lease payments, plus the purchase option, when there is no reasonable doubt that it will be exercised. The calculation does not include contingent payments, service costs or taxes that can be passed on by the lessor. The total finance charge on the lease is taken to the income statement for the year in which it is incurred, using the effective interest method. Contingent payments are expensed on an accruals basis. The assets recognised for these types of transactions are depreciated on the basis of their nature using criteria similar to those applied to other items of property, plant and equipment.

**r) Activities affecting the environment**

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

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

**s) Related Party Transactions**

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

#### **t) Consolidated statement of cash flows**

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

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

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

### **4. Financial and capital risk management**

#### **a) Financial risk factors**

The Group's activities are exposed to various financial risks, the most significant of which are foreign currency risk, interest rate risk, credit risk, liquidity risk and inflation risk. The Group uses derivatives to hedge certain interest rate risks.

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

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

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

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

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

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

The aim of interest rate risk management is to strike a balance in the debt structure which makes it possible to minimise the volatility in the consolidated income statement in a multi-annual setting.

The Group uses derivative financial instruments to manage its financial risk, arising mainly from changes in interest rates. These derivative financial instruments were classified as cash flow hedges and recognised at fair value (both initially and subsequently). The required valuations were determined by analysing discounted cash flows using assumptions mainly based on the market conditions at the reporting date for unlisted derivative instruments (see Notes 3.e and 13).

The main financing granted from third parties by the Group in 2015 (see Note 3.e and 13) is not covered by interest rate hedging mechanisms.

*(iii) Credit risk*

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

Telecommunications operators are the Group's main customers in its activities relating to the telecom site rental; television and radio broadcasting operators (television channels and radio stations) are the main clients in its activities relating to broadcasting infrastructure; and certain central, regional and local government authorities, emergency and security forces, the public service sector and telecommunications operators are the main customers in its activities relating to network services and other.

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

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

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

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

*(iv) Liquidity risk*

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

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

*(v) Inflation risk*

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

As at 31 December 2014 the Group only had one IRS (cash flow hedge) which hedged a total nominal amount of EUR 5,263 thousand euros. As at 31 December 2015 the Group had no derivative financial instruments.

**b) Capital management**

The Group manages its capital to ensure that it will be able to continue as a going concern to deliver returns to its shareholders and to maintain an optimal capital structure and lower costs.

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

This leverage ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings, as given in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as given in the consolidated balance sheet, plus net debt.

During the year, the Group's capital management strategy changed significantly. The increase in borrowings in 2015 was caused by the asset purchases and business combinations carried out (see Notes 5, 6 and 7), and had a significant impact on the leverage ratio at 31 December 2015 compared with 2014.

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

	<u>Thousands of Euros</u>	
	<u>31/12/2015</u>	<u>31/12/2014</u>
Bank borrowings (Note 13)	378,195	421,436
Bonds issues (Note 13)	599,743	-
Other financial liabilities (Note 13)	10,417	11,716
Cash and cash equivalents (Note 11)	<u>(51,000)</u>	<u>(90,891)</u>
Net Borrowings <sup>(1)</sup>	<b>937,355</b>	<b>342,261</b>
Net equity (Note 12)	537,217	501,392
Total capital <sup>(2)</sup>	<u><b>1,474,572</b></u>	<u><b>843,653</b></u>
<b>Leverage ratio <sup>(1)/(2)</sup></b>	<b>64%</b>	<b>41%</b>

## 5. Business combinations

### Business combinations for 2015

#### *Acquisition of Galata, S.p.A.*

As indicated in Note 2.i., on 27 February 2015 Cellnex Italia agreed with Wind Telecomunicazioni, S.p.A. ("Wind"), the acquisition of 90% of the share capital of Galata S.p.A. ("Galata"), a holding company of 7,377 mobile phone towers located in Italy, for EUR 693 million, an agreement that was completed on 26 March 2015 once the conditions precedent of the contract were fulfilled.

Galata was incorporated on 18 February 2015, the date on which Wind transferred all its assets and liabilities to it. Additionally, and at the same time as the acquisition of Galata was completed, contracts were signed with Wind for an agreement to render services relating to the lease and maintenance of the mobile telephone towers to Wind, an agreement between shareholders and a put option contract between Cellnex Italia and Wind ("Put Option"). Cellnex Telecom, S.A. (the Parent Company) was actively involved in defining these contracts due to the lack of technical knowledge in Galata.

This Put Option contract may be exercised wholly and not partially over the shares which represent the share capital of Galata owned by Wind and through said contract Wind may sell all the shares in Galata that it holds on that date to Cellnex Italia. The price for exercising the Put Option is EUR 81.62 million at the start of the period during which Wind may exercise it and shall increase from that moment by the interest accumulated

and decrease by the dividends paid by Galata to Wind. Additionally, Cellnex Italia has granted a purchase option to Wind, executable exclusively in the event of a clear infringement of the contract for the provision of services by Galata, S.p.A. or in the event of a change of the primary shareholder of Cellnex to a direct competitor of Wind. Cellnex has analysed the aforementioned purchase option and has concluded that it corresponds to protective and not substantive rights, aspects that it does not consider as likely to occur and that therefore do not have any impact.

Additionally, a shareholders agreement has been signed between Cellnex and Wind as shareholders of Galata, through which a series of protective rights have been given to Wind that may be used to protect its non-controlling shareholding from possible movements outside the normal course of operations but that would not impede the operational running of Galata by Cellnex.

The Cellnex Group financed the acquisition of 90% of the share capital of Galata through:

- the drawdown of the loan of EUR 350 million granted by virtue of the syndicated financing agreement signed by the Group in 2014.
- the signing of the syndicated financing agreement by the Cellnex Group on 20 February 2015, for an amount of EUR 300 million; and
- factoring facilities and available cash.

As is mentioned above, Cellnex structured this purchase through the fully owned Italian company Cellnex Italia.

Thus, after the aforementioned acquisition, Galata is now fully consolidated within the Cellnex Group as of 26 March 2015, meaning that at the close of 2015 the value of all its assets and liabilities was incorporated into the consolidated balance sheet and the impact of all its operations over the nine months and five days since the aforementioned date of acquisition was included in the consolidated income statement for the period.

The breakdown of the net assets acquired and goodwill generated by the purchase of 90% of Galata, at the acquisition date, is as follows:

	<u>Thousands of Euros</u>
Total acquisition price <sup>(1)</sup>	770,000
Fair value of the net assets acquired	599,370
Resulting goodwill	<u>170,630</u>

<sup>(1)</sup>The purchase price paid of EUR 693,000 thousand has been grossed up to 100% to compare to 100% of the fair value of the net assets acquired.

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

With regards to the acquisition of Galata, the preliminary purchase price allocation process ("PPA") was performed provisionally for the purposes of including it in the Pro-Forma Financial Information for the financial year ended on 31 December 2014 to be included in the prospectus for the public offering and listing of Cellnex shares (IPO) dated 5 May 2015.

Subsequently, considering that IFRS 3 helps reassess the allocation process during a period of one year and given the complexity of identifying the acquired intangible assets, the Group has decided to make a new purchase price allocation with the participation of an independent third party expert, having obtained the results as detailed below.

The potential value of the sites is mainly due to the characteristics and quality of the locations, which translates into a certain expectation of increasing their “tenancy ratio”, which is attributed to certain sets of intangible assets without which it would not be possible.

Thus, the fair value amount of the acquired net assets includes the valuation of the intangible assets identified that individually meet the identifiability criteria of IAS 38 (Intangible Assets), and are as follows:

- i. Long-term rental agreements with the owners of the land (either on a roof or on the ground) where the sites are located. These contracts are key for the stable, long-term placing the towers on sites in the intended location.
- ii. The permits (managed by Galata) which allow the site to be created and set out the technical characteristics permitted according to the applicable and current regulations, in both public and private spaces, granting them a greater or lesser potential volume of electromagnetic signal emissions and antenna points.
- iii. Moreover, the service provision contract of Wind (the seller), which is long-term, also meets the identifiability criteria of IAS 38. This so-called “anchor” contract not only creates a guarantee of future cash flows, but also helps to make the expectation of an increase in the sites’ inherent “tenancy ratio” more feasible.

The value of the lease agreements, the contract with customers and the authorisations cannot be reliably measured separately. Rather it is better to group together all the identifiable concepts, so that:

- i. Long-term lease agreements for land and rooftops are what give rise to the existence of the site and its characteristics, its potential and the expected attributable future profitability.
- ii. The signing of lease agreements is not carried out until the permits are obtained, which are not requested until negotiations have begun with the owners and a preliminary agreement has been reached; and
- iii. The long-term location service contracts with customers (“anchor” agreement with Wind and others) ensures a tenant level but which would not be possible without the existence of the other two intangible assets.

Therefore, it is considered that the grouping of this set of intangible assets which are known as “location intangible assets” is the economic grouping of assets that has value from the perspective of a market participant and that combines the value interdependencies of all of them. It is considered that the separation of specific future cash flows for each one cannot be carried out reliably and makes no economic sense given the specific interrelations.

The useful economical life considered for the “location intangible asset” is 22 years, based on the estimated useful life of the ground lease contracts, being the most restrictive of the intangible assets considered in the grouping.

Therefore, the estimated future cash flow representing the set estimated based on the premise described above is that which appropriately reflects the concept of the ‘greatest and best possible use’ of the ‘location intangible asset’ conceived by any market participant, in accordance with the definition of fair value in IFRS 13, and is compared with similar market levels. In the estimation, the incremental part of the “tenancy ratio” associated with the Business Plan to lever the acquisition of future additional towers for their dismantling has not been included.

The value of the physical assets (masts, civil works, fences, cabins and other equipment) can be reliably measured separately based on their replacement cost. Additionally, the factors that determine their useful life

are different to those of the “location intangible assets”, mainly due to physical and technical obsolescence, which suggests that their value be calculated separately from that allocated to these.

The goodwill, which in turn includes the net recognition of any deferred taxes resulting from the higher fair value attributed to the net assets acquired in comparison with the tax bases (EUR 170.6 million), derives from the synergies and other additional future cash flows expected to arise following acquisition by the Group. Among other effects, this will allow the Group to strengthen and consolidate its “telecom site rental” business in the terrestrial telecommunications field by beginning its geographical diversification, in this case, towards the Italian market.

The assets and liabilities of Galata, S.p.A. arising from the acquisition of 90% of the company are as follows:

Debit/(Credit)	Notes	Thousands of Euros		
		Value acquired		
		Fair Value	Book value	Revaluation
Cash and cash equivalents		24,330	24,330	-
Property, plant and equipment	Note 6	234,248	234,248	-
Other intangible assets	Note 7	498,819	-	498,819
Financial assets		49,903	49,903	-
Trade and other current assets		1,559	1,559	-
Trade creditors		(22,848)	(22,848)	-
Provisions		(27,418)	(19,418)	(8,000)
Deferred tax assets/(liabilities), net		(159,223)	-	(159,223)
<b>Net assets</b>		<b>599,370</b>	<b>267,774</b>	<b>331,596</b>
Non-controlling interests <sup>(a)</sup>		(59,937)	(26,777)	(33,160)
<b>Net assets acquired</b>		<b>539,433</b>	<b>240,997</b>	<b>298,436</b>
Total acquisition price		693,000	693,000	
Cash and cash equivalents		(24,330)	(24,330)	
<b>Cash outflow in the acquisition</b>		<b>668,670</b>	<b>668,670</b>	

<sup>(a)</sup> The non-controlling interests are broken down as follows:

Non-controlling interests net assets acquired	59,937
Non-controlling interests goodwill	17,063
<b>Total non-controlling interests (Note 12.g)</b>	<b>77,000</b>

	Thousands of Euros	
	Contribution since the acquisition on 26.3.2015 <sup>(2)</sup>	Proforma <sup>(3)</sup> December 2015
	Operating income	151,393
Operating expenses and depreciation	(157,609)	(177,874)
Operating profit	(6,216)	(7,016)
<b>Net profit<sup>(1)</sup></b>	<b>14,140</b>	<b>13,789</b>

(1) Net profit including the additional amortisation of the revalued assets, but not taking into account the financial burden on Cellnex Telecom, S.A. associated with the acquisition of the aforementioned company or the inter-company charges for the transfer of know-how. With regards to the Proforma, the net income is lower due to the one-off effect of the change in taxation rates in Italy (Note 15c).

(2) Impact of the 9 months and 5 days of full consolidation of the 90% in the consolidated income statement.



(3) Estimating that the acquisition of Galata, S.p.A. had been carried out effective 18 February 2015 (date of incorporation of the Company) and consequently that the 90% of this Company had been fully consolidated during the entire period of 10 months and 10 days ending on 31 December 2015.

Finally, given that the acquisition of Galata, S.p.A. was completed at the end of March 2015, at the date of signing these consolidated financial statements for the 2015 financial year, this purchase price allocation (PPA) was provisional, i.e., the Group is in the process of concluding, with the help of an independent third-party expert, the allocation of the fair value of the assets and liabilities acquired at the date of acquisition, through an analysis of the discounted cash flows generated by the identified assets. In accordance with IFRS 3, the Company has one year from the date of the respective transaction to complete the measurement.

#### **Business combinations for 2014**

##### ***Acquisition of Towerco, S.p.A.***

On 27 May 2014 100% of the share capital of TowerCo, S.p.A. was acquired for EUR 94.6 million, after the related purchase agreement was entered into with Atlantia, S.p.A.

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

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

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

	<b>Thousands of Euros</b>
Total acquisition price	94,600
Fair value of the net assets acquired	<u>91,605</u>
Resulting goodwill	<u><u>2,995</u></u>

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

With regards to the acquisition of Towerco, S.p.A.'s assets, the purchase price allocation (PPA) process was carried out without the participation of an independent third-party expert given that:

- IFRS 3 (Revised) does not require that PPA processes be carried out with an independent expert;
- The Group had an internal team with sufficient knowledge and experience in the sector in which the acquired business operates and in PPA processes.

The fair value of the net assets acquired includes the valuation of the intangible assets identified, consisting mainly of intangible assets that relate to contracts entered into with mobile operators and the location of the tower infrastructures used throughout the motorway network of Atlantia, S.p.A.

The goodwill, which in turn includes the net recognition of any deferred taxes resulting from the higher fair value attributed to the net assets acquired in comparison with the tax bases (EUR 3 million), derives from the synergies and other additional future cash flows expected to arise following acquisition by the Group. Among other effects, this will allow the Group to strengthen and supplement its “telecom site rental” business in the terrestrial telecommunications field by beginning its geographical diversification, in this case, towards the Italian market.

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

Debit/(Credit)	Thousands of Euros		
	Value acquired (effective 1/6/2014)		
	Fair Value	Book value	Revaluation
Cash and cash equivalents	8,870	8,870	-
Property, plant and equipment	19,834	19,834	-
Other intangible assets	98,593	29	98,564
Financial assets	56	56	-
Receivables and other current assets	17,562	17,562	-
Accounts payable	(21,150)	(21,150)	-
Provisions	(366)	(366)	-
Deferred tax assets/(liabilities), net	(31,794)	62	(31,856)
<b>Net assets</b>	<b>91,605</b>	<b>24,897</b>	<b>66,708</b>
Total acquisition price	94,600	94,600	
Cash and cash equivalents	(8,870)	(8,870)	
<b>Cash outflow on acquisition</b>	<b>85,730</b>	<b>85,730</b>	

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

	Thousands of Euros	
	Contribution since the acquisition on 27/5/2014 <sup>(2)</sup>	Proforma December 2014 <sup>(3)</sup>
Operating income	13,261	22,397
Operating expenses and depreciation	(10,030)	(16,836)
Operating profit	3,231	5,561
Net profit <sup>(1)</sup>	<b>2,204</b>	<b>3,789</b>

- (1) Net profit including the additional depreciation of the revalued assets, but excluding the financial burden on Cellnex Telecom, S.A. associated with the acquisition of the aforementioned company.
- (2) Impact on the consolidated income statement of seven months of full consolidation.
- (3) Estimating that TowerCo, S.p.A. had been acquired effective 1 January 2014, and consequently that this company had been fully consolidated for the entire year ended 31 December 2014.

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

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

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

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

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

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

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

	Effect for accounting purposes	% acquired	Thousands of Euros Amounts
Initial Collaboration Agreement (joint control)	17.04.2007	51.10%	3,297
Amendment to the shareholders agreement (takeover)	21.10.2014	-	-
Fair value of Adesal Telecom, S.L.			12,996
Fair value of the net assets acquired			12,633
Resulting goodwill <sup>(1)</sup>			363

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

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

With regards to the acquisition of the assets of Adesal Telecom, S.L., the purchase price allocation (PPA) process was carried out internally without the involvement of an independent third-party expert given that:

- IFRS 3 (Revised) does not require that PPA processes be carried out with an independent expert;
- The Group has an internal team with sufficient knowledge and experience in the sector in which the acquired business operates and in PPA processes.
- The Cellnex Group has extensive knowledge of the acquired business as it previously held a 51.10% ownership interest in the net assets acquired.

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

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

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

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

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

The impact of the business acquired in Adesal Telecom, S.L on the consolidated income statement of the Cellnex Telecom Group is detailed below:

	Thousands of Euros			
	January – October contribution (Equity method) <sup>(2)</sup> (a)	November – December contribution (Full) <sup>(2)</sup> (b)	2014 Contribution <sup>(2)</sup> (a+b)	Proforma December 2014 <sup>(3 and 4)</sup>
Operating income	-	1,506	1,506	7,393
Operating expenses	-	(1,104)	(1,104)	(5,260)
Operating profit	-	402	402	2,133
Earnings Equity method	546	-	546	-
<b>Net profit <sup>(1)</sup></b>	<b>546</b>	<b>358</b>	<b>904</b>	<b>1,014</b>

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

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

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

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

## 6. Property, plant and equipment

The changes in this heading in the consolidated balance sheets in 2015 and 2014 were as follows:

	Thousands of Euros			
	Land and buildings	Plant and machinery and other fixed assets	Property, plant and equipment under construction	Total
<b>At 1 January 2015</b>				
Cost	442,579	433,568	7,385	<b>883,532</b>
Accumulated amortisation	(37,607)	(105,461)	-	<b>(143,068)</b>
<b>Carrying amount</b>	<b>404,972</b>	<b>328,107</b>	<b>7,385</b>	<b>740,464</b>
Carrying amount at beginning of year	404,972	328,107	7,385	<b>740,464</b>
Changes in the consolidation scope (Note 5)	234,248	-	-	<b>234,248</b>
Additions	43,695	43,344	3,059	<b>90,098</b>
Disposals	(93)	(1,873)	-	<b>(1,966)</b>
Derecognition of depreciation	41	1,814	-	<b>1,855</b>
Transfers	522	3,767	(4,289)	-
Other	601	(735)	-	<b>(134)</b>
Depreciation charge	(64,779)	(63,973)	-	<b>(128,752)</b>
<b>Carrying amount at close</b>	<b>619,207</b>	<b>310,451</b>	<b>6,155</b>	<b>935,813</b>
<b>At 31 December 2015</b>				
Cost	721,552	472,412	6,155	<b>1,200,119</b>
Accumulated amortisation	(102,345)	(161,961)	-	<b>(264,306)</b>
<b>Carrying amount</b>	<b>619,207</b>	<b>310,451</b>	<b>6,155</b>	<b>935,813</b>
<b>Thousands of Euros</b>				
	Land and buildings	Plant and machinery and other fixed Assets	Property, plant and equipment under construction	Total
<b>At 1 January 2014 (restated)</b>				
Cost	141,657	357,330	108,890	<b>607,877</b>
Accumulated amortisation	(12,868)	(50,765)	-	<b>(63,633)</b>
<b>Carrying amount</b>	<b>128,789</b>	<b>306,565</b>	<b>108,890</b>	<b>544,244</b>
<b>2014</b>				
Carrying amount at beginning of year	128,789	306,565	108,890	<b>544,244</b>
Changes in consolidation scope (Note 5)	16,958	6,891	2,668	<b>26,517</b>
Additions	204,839	46,003	4,584	<b>255,426</b>
Disposals	(274)	(5,717)	-	<b>(5,991)</b>
Derecognition of depreciation	182	5,559	-	<b>5,741</b>
Transfers	79,399	29,358	(108,757)	-
Other	-	(297)	-	<b>(297)</b>
Depreciation charge	(24,921)	(60,255)	-	<b>(85,176)</b>
<b>Carrying amount at close</b>	<b>404,972</b>	<b>328,107</b>	<b>7,385</b>	<b>740,464</b>
<b>At 31 December 2014</b>				
Cost	442,579	433,568	7,385	<b>883,532</b>
Accumulated amortisation	(37,607)	(105,461)	-	<b>(143,068)</b>
<b>Carrying amount</b>	<b>404,972</b>	<b>328,107</b>	<b>7,385</b>	<b>740,464</b>

The carrying amount recognised under “Land and buildings” includes infrastructures acquired at the centres in which the Group has installed its telecommunications equipment (land, towers and buildings – prefabricated and civil works).

“Plant and machinery and other fixed assets” includes mainly the telecommunications infrastructure network for broadcasting and other network services. It also includes all equipment necessary to ensure the operation of the technical equipment installed in any infrastructure (electrical and acclimatization).

“Property, plant and equipment under construction” includes the carrying amount of those items of property, plant and equipment acquired in the last days of the year that have still not been put into operation.

### **Movements in 2015**

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

Additions in 2015 due to changes in the scope of consolidation and business combinations relate to:

- Infrastructure for mobile telecommunications operators located in Italy (EUR 234,248 thousand) following the acquisition of Galata, S.p.A. (see Note 2.h and 5).

#### **Signed acquisitions and commitments**

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

Additions in the year include the acquisition, on 26 January 2015, of 300 mobile telephone towers for EUR 43.5 million acquired by virtue of the agreement signed in the 2014 financial year between **On Tower Telecom Infraestructuras, S.A.U. (On Tower)** and Telefónica Móviles España S.A. (hereinafter TME) for the restructuring and rationalisation of tower infrastructures for site rentals, through the Volta Extended project, of which EUR 22 million that has been recognised under “Trade and other payables” in the accompanying consolidated balance sheet is pending payment. By means of this sale and purchase agreement, a lease agreement was subsequently entered into with the same mobile telephone operators.

At year-end 2015, the Group had not entered into any additional framework agreements with any other customer.

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

	<b>Thousands of Euros</b>
	<b>Volta Extended project</b>
	<b>Purchase dated 26 January 2015 from TME</b>
Rental income	5,516
Direct costs <sup>(1)</sup>	(2,436)
<b>Net</b>	<b>3,080</b>
<b>Number of infrastructures acquired</b>	<b>300</b>

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

There were also additions in 2015 related to the expansion of the Group's business and the maintenance of its operations, mainly relating to Digital Terrestrial Television equipment and signal transmission.

## **Movements in 2014**

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

Additions for the 2014 financial year due to changes in the scope of consolidation and business combinations related to:

- Infrastructure for mobile telecommunications operators located in Italy (EUR 19,834 thousand) following the acquisition of TowerCo, S.p.A (see Notes 2.h and 5).
- The impact of takeover of Adesal Telecom, S.L. effective as of 1 November 2014 (EUR 6,683 thousand) (see Notes 2.h and 5).

### ***Signed acquisitions and commitments***

Additions in 2014 include the acquisition of 643 tower infrastructures for site rental, six of which were purchased in order to be dismantled, for EUR 70 million. The infrastructures were acquired by virtue of the framework agreement entered into by the Group on 31 July 2013, as described in the 2013 changes, from which 6 tower infrastructures for site rentals were bought in order to be dismantled. This acquisition was recognised under the following headings: "Property, plant and equipment", "Non-current investments" and "Current financial investments" in the accompanying consolidated balance sheet for approximately, EUR 69,257 thousand, EUR 465 thousand and EUR 52 thousand, respectively. By means of this sale and purchase agreement, a lease agreement was subsequently entered into with the same mobile telephone operators.

On 1 September 2014, through the addendum to the initial framework contract drawn up by the Group with TME and Xfera Móviles, S.A.U. (hereinafter Xfera or Yoigo) on 31 July 2013, the completion of the execution of the Volta Project was placed on record, as well as the final scope thereof, which was concluded with the acquisition between 2014 and 2013, of a total of 1,854 tower infrastructures for site rentals, for a total amount of EUR 183 million.

Moreover, on 31 July 2014, the consolidated company On Tower Telecom Infraestructuras, S.A.U. (formerly Abertis Tower, S.A.U.) signed an agreement with TME. for the restructuring and rationalisation of tower infrastructures for site rentals, through the so-called Volta Extended project in which the Group agreed to make its best efforts, during 2014, to achieve a total approximate acquisition of 2,120 tower infrastructures for site rentals for approximately EUR 300 million. By means of this sale and purchase agreement, a lease agreement was subsequently entered into with the same mobile telephone operators.

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

At year-end 2014, the Group had not entered into any additional framework agreements with any other customer except for the framework agreement of 31 July 2014 with TME.

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

The investments in acquisitions of tower infrastructures for site rentals described above gave rise to the following impact on the consolidated income statement for 2014 as of the date on which they were included in the consolidated balance sheet:

	Thousands of Euros			
	Volta project			Volta Extended project
	Purchase dated 30 December 2013 from TME and Xfera. (Phase I)	Purchase dated 10 January 2014 from TME. (Phase II)	Purchase dated 30 June 2014 from TME and Xfera. (Phase III)	Purchase dated 12 November 2014 from TME
Rental income	31,014	14,201	1,083	3,276
Direct costs <sup>(1)</sup>	(17,745)	(7,096)	(664)	(1,335)
<b>Net</b>	<b>13,269</b>	<b>7,105</b>	<b>419</b>	<b>1,941</b>
<b>Number of infrastructures acquired</b>	<b>1,211</b>	<b>530</b>	<b>113</b>	<b>1,090</b>
<b>Number of infrastructures to be dismantled</b>	<b>215</b>	<b>6</b>	-	-

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

Additionally, during the 2014 financial year there were additions associated with the expansion of the business and maintenance of the Group's operations, mainly in equipment for Digital Terrestrial Television and signal transmission.

#### Additions by investment type

At 31 December 2015 and 2014, the detail of additions of property, plant and equipment, by type of investment, is as follows:

Type of investment	Thousands of Euros	
	31/12/2015	31/12/2014
Inorganic growth <sup>(1)</sup>	46,478	223,632
Organic growth <sup>(2)</sup>	28,963	20,921
Maintenance investment <sup>(3)</sup>	14,657	10,873
<b>Total</b>	<b>90,098</b>	<b>255,426</b>

(1) Organic growth: investment related to the expansion of our business and that generates additional income, including build-to-suit, investment in dismantling, the adaptation of mobile telephony infrastructures, the acquisition of land and urban and broadcasting telecommunication infrastructures.

(2) Inorganic growth: includes investments in holdings in companies as well as investments in acquiring portfolios of sites (asset purchases).

(3) Maintenance investment: investment in existing assets primarily related to the maintenance of the sites, but excluding those investments that entail an increase in the capacity of said sites.



## Property, plant and equipment abroad

At 31 December 2015 and 2014 the Group had the following investments in property, plant and equipment located in Italy:

2015	Thousands of Euros			Total
	Book value (Gross)	Accumulated Amortisation	Accumulated valuation adjustments	
Land and buildings	261,257	(39,131)	-	<b>222,126</b>
Plant and machinery	72	(4)	-	<b>68</b>
Property, plant and equipment under construction and advances	2,556	-	-	<b>2,556</b>
<b>Total</b>	<b>263,885</b>	<b>(39,135)</b>	-	<b>224,750</b>

2014	Thousands of Euros			Total
	Book value (Gross)	Accumulated Amortisation	Accumulated valuation adjustments	
Land and buildings	19,137	(2,179)	-	<b>16,958</b>
Plant and machinery	-	-	-	-
Property, plant and equipment under construction and advances	2,455	-	-	<b>2,455</b>
<b>Total</b>	<b>21,592</b>	<b>(2,179)</b>	-	<b>19,413</b>

## Fully depreciated goods

At 31 December 2015, fully depreciated property, plant and equipment amounted to EUR 218,531 thousand (EUR 58,331 thousand in 2014).

## Change of control clauses

With regard to the Group's acquisitions of tower infrastructures for mobile telecommunications, certain change of control clauses are included in the purchase contracts which state that if the Group is acquired by a direct competitor of the mobile operator selling the towers, the latter holds the right to repurchase the aforementioned infrastructures.

## Purchase commitments at year-end

At year-end the Group held purchase agreements for material assets amounting to EUR 4,110 thousand (EUR 54,554 thousand in 2014). At 31 December 2014, On Tower Telecom Infraestructuras, S.A.U. had agreed to the purchase of 300 mobile telephone towers from Telefonica Móviles, which was successfully completed on 26 January 2015 (see the section on "Signed acquisitions and agreements" in this Note).

## Impairment

At 2015 and 2014 year-end, the Directors of the Parent Company have not identified any indications of impairment related to the property, plant and equipment.

Despite this, and in view of the relevance of the recently acquired assets related to tower infrastructures for site rental (those not related to business combinations), the Directors of the parent company have decided to disclose the hypotheses used to evaluate any loss due to impairment, as the price agreed upon in the purchase negotiations refers to an asset with two components: a physical asset (tower and other fixtures and fittings) and a 'network coverage area' to offer a service to mobile operators. This evaluation is based on the calculation of the value in use of the corresponding cash generating unit, which, in the case of the acquisitions mentioned above, relates to the company On Tower Telecom Infraestructuras, S.A.U.

The value in use was calculated as follows:

- The period over which the related investment is expected to generate cash flows was determined.
- The respective revenue and expense projections were made using the following general criteria:
  - For revenue, trends were forecast assuming an increase in the consumers' price index (CPI) in Spain, being the country in which the business operates.
  - For expenses, trends were considered in light of expected changes in the CPI for Spain and the projected activity of the business.
  - In addition, the Group considered the impact of infrastructure maintenance to be carried out, using the best estimates available based on the Group's experience and taking into account the projected performance of the activity.
- The cash inflow projections based on the revenue and expense projection made as set forth above were discounted at the rate resulting from adding, to the long-term cost of money, the risk premium assigned by the market to each country where the activity takes place and the risk premium assigned by the market to each business (over the long term in both cases).

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

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

### 2015

	Discount Rate BEFORE TAX	Activity growth rate	Terminal growth rate "g"	Years of projected cash flows
On Tower Telecom Infraestructuras, S.A.U. business	8.16%	1.00%	1.00%	5

## 2014

	Discount Rate BEFORE TAX	Activity growth rate	Terminal growth rate "g"	Years of projected cash flows
On Tower Telecom Infraestructuras, S.A.U. business	8.52%	1.00%	1.00%	5

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

With regards to the impairment tests carried out on the business of On Tower Telecom Infraestructuras, S.A.U., the recoverable amount obtained (determined based on the value in use as indicated previously) exceeds the carrying value of the assigned assets to such an extent that even if the hypothesis used were changed there would be no significant risk of impairment. The carrying amount of these assets stands at approximately EUR 408 million (EUR 385 million) at 2015 and 2014 year-end respectively.

The impairment tests carried out demonstrate that the unit to which the assets are allocated is deemed capable of recovering the net carrying value recognised at 31 December 2015 and 2014. Consequently, there is no need to recognise any provision for impairment. In accordance with the sensitivity analysis performed, any changes in the discount rates of +50 basis points; in CPI of -50 basis points; in activity of -50 basis points, and in Opex +50 basis points could be made without recognising any impairment in the assets recognised by the Group at 31 December 2015 and 2014.

### Asset revaluation pursuant to Act 16/2012, of 17 December

With regard to assets located in Spain, in 2012 several Spanish Group companies took advantage of Act 16/2012, of 27 December, resulting in an increase in the value of the assets through an accounting revaluation for EUR 41 million in the separate financial statements of the Spanish companies, which is not included in the cost of the assets for IFRS purposes. The tax effect of this revaluation has been recorded as a deferred tax asset in the accompanying consolidated financial statements (Note 15).

### Insurance

The Group takes out all insurance policies considered necessary to cover possible risks which might affect its property, plant and equipment. At 31 December 2015, the Group's Directors considered that the insurance coverage was sufficient to cover the risks relating to its activities.

### Other disclosures

At 31 December 2015 and 2014, the Group did not have significant property, plant and equipment subject to restrictions or pledged as collateral on liabilities.

## 7. Goodwill and other intangible assets

The changes in this heading in the consolidated balance sheets in 2015 and 2014 were as follows:

	Thousands of Euros			
	Goodwill	Intangible assets in tower infrastructure for site rental	Computer software and other intangible assets	Total
<b>At 1 January 2015</b>				
Cost	45,372	98,564	14,707	<b>158,643</b>
Accumulated amortisation	-	(2,396)	(7,082)	<b>(9,478)</b>
<b>Carrying amount</b>	<b>45,372</b>	<b>96,168</b>	<b>7,625</b>	<b>149,165</b>
Carrying amount at beginning of year	45,372	96,168	7,625	<b>149,165</b>
Changes in the scope of consolidation (Note 5)	170,630	498,819	-	<b>669,449</b>
Additions	-	-	4,692	<b>4,692</b>
Disposals	-	(6)	-	<b>(6)</b>
Other	-	95	-	<b>95</b>
Depreciation and amortisation charge	-	(21,095)	(3,653)	<b>(24,748)</b>
<b>Carrying amount at close</b>	<b>216,002</b>	<b>573,981</b>	<b>8,664</b>	<b>798,647</b>
<b>At 31 December 2015</b>				
Cost	216,002	597,472	19,399	<b>832,873</b>
Accumulated amortisation	-	(23,491)	(10,735)	<b>(34,226)</b>
<b>Carrying amount</b>	<b>216,002</b>	<b>573,981</b>	<b>8,664</b>	<b>798,647</b>

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

### Goodwill:

Gross goodwill and the accumulated losses in value recognised at 31 December 2015 and 2014, respectively, are detailed as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
Gross goodwill	216,002	45,372
Accumulated valuation adjustments	-	-
<b>Net goodwill</b>	<b>216,002</b>	<b>45,372</b>

The detail of goodwill, classified by cash-generating unit, at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
Business of "Galata, S.p.A."	170,630	-
Business of "Tradia Telecom, S.A.U."	42,014	42,014
Business of "TowerCo, Sp.A."	2,995	2,995
COMDES Network Business	363	363
<b>Goodwill:</b>	<b>216,002</b>	<b>45,372</b>

The variations in the 2015 financial year are due to changes in the scope of consolidation and business combinations, and correspond to the impact of the takeover of Galata S.p.A. amounting to EUR 170,630 thousand at the date of acquisition (see Note 5).

The goodwill amounting to EUR 42,014 thousand at 31 December 2015 and 2014 relates to the difference between the carrying amount of the assets contributed in the capital increases through non-monetary contributions and the estimated market value of the line of business contributed by Centre de Telecomunicacions i Tecnologies de la Informació (CTTI) of the Catalonia Autonomous Community Government to Tradia Telecom, S.A.U. in 2000. This goodwill was allocated to the overall business corresponding to the activity of the company Tradia Telecom, S.A.U.

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

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

Additions for the 2015 financial year due to changes in the scope of consolidation and business combinations correspond to the allocation of the purchase price resulting from the acquisition of Galata, S.p.A. and to intangible assets in tower infrastructures for site rentals amounting to EUR 498,819 thousand. (see Note 2.i and 5).

Additions for the 2014 financial year due to changes in the scope of consolidation and business combinations corresponded to the allocation resulting from the takeover of Towerco, S.p.A. and to intangible assets in tower infrastructures for site rentals amounting to EUR 98,564 thousand (see Note 2.i and 5).

## Impairment

As indicated in Notes 3.b and 3.c, at the end of each reporting period goodwill is assessed for impairment based on a calculation of the value in use of their respective cash-generating unit or their market value (price of similar, recent transactions in the market), if the latter is higher.

Prior to preparing revenue and expense projections, those projections made as part of the impairment tests for the prior year were reviewed to assess possible variances. In the review of the 2014 impairment tests with regard to the 2015 results, no significant variances were detected.

The value in use was calculated as follows:

- The period over which the related investment is expected to generate cash flows was determined.
- The respective revenue and expense projections were made using the following general criteria:
  - For revenue, trends were forecast assuming a different increase for each cash-generating unit of the consumers price index (CPI) in each country in which the assets are used or the business operates.
  - For expenses, trends were considered in light of expected changes in the respective CPIs and the projected performance of the business.
  - In addition, the Group considered the impact of infrastructure maintenance to be carried out, using the best estimates available based on the Group's experience and taking into account the projected performance of the activity.
- The cash inflow projections based on the revenue and expense projection made as set forth above were discounted at the rate resulting from adding, to the long-term cost of money, the risk premium assigned by the market to each country where the activity takes place and the risk premium assigned by the market to each business (over the long term in both cases).

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

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

### 2015

	Discount rate BEFORE TAXES	Growth rate	Growth rate rate terminal 'g'	Years of projected cash flows
Business of Tradia Telecom, S.A.U.	8.16%	0.00%	1.00%	5
Business of Towerco, S.p.A. <sup>(1)</sup>	8.39%	1.39%	-	Until 2038
Business of Galata, S.p.A.	8.39%	2.19%	1.00%	5

**2014**

	Discount rate BEFORE TAXES	Growth rate	Growth rate rate terminal 'g'	Years of projected cash flows
Business of Tradia Telecom, S.A.U.	8.11%	2.00%/1.10%	1.40%	5
Business of Towerco, S.p.A. <sup>(1)</sup>	8.01%	4.20%/2.60%	-	Until 2038

(1) The TowerCo business relates to the rental of tower infrastructures for site rentals located in tunnels of the Atlantia concession ending in 2038 and, as a result, the cash flows were projected until 2038.

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

The impairment tests carried out demonstrate that the unit to which the recognised goodwill or intangible assets in tower infrastructures for site rentals are allocated is deemed capable of recovering the net value recognised at 31 December 2015 and 2014. Consequently, there is no need to recognise any provision for impairment. In accordance with the sensitivity analysis performed, any changes in the discount rates of +50 basis points; in CPI of -50 basis points; in activity of -50 basis points, and in Opex +50 basis points could be made without recognising any impairment to goodwill recognised by the Group at 31 December 2015.

**Intangible assets abroad**

At 31 December 2015 and 2014, the Group had the following intangible assets located in Italy:

2015	Thousands of Euros			Total
	Book value (Gross)	Accumulated amortisation	Accumulated valuation adjustments	
Goodwill	173,625	-	-	<b>173,625</b>
Intangible assets in tower infrastructure for site rental	597,705	(23,814)	-	<b>573,891</b>
Computer software and other intangible assets	254	(42)	-	<b>212</b>
<b>Total</b>	<b>771,584</b>	<b>(23,856)</b>	<b>-</b>	<b>747,728</b>

2014	Thousands of Euros			Total
	Book value (Gross)	Accumulated amortisation	Accumulated valuation adjustments	
Goodwill	2,995	-	-	<b>2,995</b>
Intangible assets in tower infrastructure for site rental	98,563	(2,396)	-	<b>96,167</b>
Computer software and other intangible assets	365	(343)	-	<b>22</b>
<b>Total</b>	<b>101,923</b>	<b>(2,739)</b>	<b>-</b>	<b>99,184</b>

### **Fully amortised assets**

At 31 December 2015, fully amortised intangible assets amounted to EUR 13,523 thousand (EUR 9,372 thousand in 2014).

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

The drawn up purchase agreements at 31 December 2015 amounted to EUR 1,649 thousand (EUR 229 thousand in 2014).

### **Other disclosures**

At 31 December 2015 and 2014, the Group did not have significant intangible assets subject to restrictions or pledged as collateral on liabilities.

At 31 December 2015 and 2014, the detail of additions of intangible assets, by type of investment, is as follows:

Type of investment	Thousands of Euros	
	31/12/2015	31/12/2014
Inorganic growth <sup>(1)</sup>	-	-
Organic growth <sup>(2)</sup>	1,469	625
Maintenance investment <sup>(3)</sup>	3,223	2,338
<b>Total</b>	<b>4,692</b>	<b>2,963</b>

<sup>(1)</sup> Inorganic growth: acquisitions mainly of tower infrastructures for site rentals in projects that generate new income.

<sup>(2)</sup> Organic growth: investment related to the expansion of our business and that generates additional income, including build-to-suit, investment in dismantling, the adaptation of mobile telephony infrastructures, the acquisition of land and urban and broadcasting telecommunication infrastructures.

<sup>(3)</sup> Maintenance investment: investment in existing assets primarily related to the maintenance of the sites, but excluding those investments that entail an increase in the capacity of said sites.

## **8. Investments in associates**

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

	Thousands of Euros	
	2015	2014
<b>At 1 January</b>	<b>3,480</b>	<b>9,311</b>
Changes in scope of consolidation and business	-	(6,402)
Profit for the year	-	590
Profit sharing	34	-
Other	-	(19)
<b>At 31 December</b>	<b>3,514</b>	<b>3,480</b>



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

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

	<b>Thousands of Euros</b>	
	<b>Value of the shareholding</b>	
	31 December 2015	31 December 2014
Torre Collserola, S.A.	2,678	2,675
Consorcio de Telecomunicaciones Avanzadas, S.A. (COTA)	836	805
<b>Total</b>	<b>3,514</b>	<b>3,480</b>

In addition to the impairment tests referred to above, the Group carried out impairment tests to determine the recoverability of the investments in associates. To carry out these tests, the Group considered future cash flow projections in a manner similar to that indicated in Note 7. No indication was found of a need to recognise any provision for impairment in the consolidated income statement for the 2015 and 2014 financial years.

## 9. Current and non-current financial investments

The changes in this heading in 2015 and 2014 were as follows:

	<b>Thousands of Euros</b>					
	<b>2015</b>			<b>2014</b>		
	Non-current	Current	Total	Non-current	Current	Total
<b>At 1 January 2014 (restated)</b>	-	-	-	13,907	869	14,776
<b>At 1 January 2015</b>	13,451	921	14,372	-	-	-
Additions	-	-	-	465	52	517
Charge to the consolidated income statement	-	(921)	(921)	-	(921)	(921)
Transfer	(921)	921	-	(921)	921	-
<b>At 31 December</b>	<b>12,530</b>	<b>921</b>	<b>13,451</b>	<b>13,451</b>	<b>921</b>	<b>14,372</b>

Current and non-current financial investments relate to the effect of the accounting treatment adopted by the Group in the 2014 financial year in reference to the tower infrastructures for site rentals acquired, which are to be subsequently dismantled. These purchases are considered customer advances and are recognised under these headings (Note 3.d).

The balances of the financial assets are reflected at their face value, there being no significant differences with regards to their fair value.

### Additions in 2015

No additions were made during the 2015 financial year.

## Additions in 2014

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

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

## Charge to the consolidated income statement

During the 2015 and 2014 financial years, the amount paid for the tower infrastructures for site rentals purchased by the Group, as a prepayment for the subsequent lease agreement and in accordance with the term of the lease agreement entered into with the operator, was taken to the accompanying consolidated income statement. At 31 December 2015 and 2014, this payment was recognised as a reduction to revenue amounting to EUR 921 and 921 thousand respectively (see Note 17).

## Transfers

The transfers from the 2015 and 2014 financial years are due to the classification under “Current financial investments” of the part that is expected to be charged during the next financial year to the consolidated income statement.

## 10. Trade and other receivables

The breakdown of this heading in the accompanying consolidated balance sheet at 31 December 2015 and 2014 is as follows:

	Thousands of Euros					
	31/12/2015			31/12/2014		
	Non-current	Current	Total	Non-current	Current	Total
Trade receivables	-	104,701	<b>104,701</b>	-	174,046	<b>174,046</b>
Allowances for doubtful debts (write-downs)	-	(9,831)	<b>(9,831)</b>	-	(12,403)	<b>(12,403)</b>
<b>Trade receivables</b>	-	94,870	<b>94,870</b>	-	161,643	<b>161,643</b>
Other financial assets	19,806	52,690	<b>72,496</b>	1,157	15	<b>1,172</b>
Current tax assets	-	4,605	<b>4,605</b>	-	2,065	<b>2,065</b>
Receivables with other related parties (Note 20.c)	-	982	<b>982</b>	-	-	-
Other receivables	7,904	10,907	<b>18,811</b>	4,487	5,363	<b>9,850</b>
<b>Other receivables</b>	27,710	69,184	<b>96,894</b>	5,644	7,443	<b>13,087</b>
<b>Trade and other receivables</b>	<b>27,710</b>	<b>164,054</b>	<b>191,764</b>	<b>5,644</b>	<b>169,086</b>	<b>174,730</b>

Trade and other receivables are shown at amortised cost, which does not differ significantly from their nominal value.

### Trade receivables

“Trade receivables” includes outstanding amounts from customers. At 31 December 2015 and 2014, the account had no significant past-due balances that were not provided for.

The balance of public-sector customers at 31 December 2015 and 2014, net of non-recourse factoring, amounted to EUR 32,458 thousand and EUR 30,963 thousand, respectively.

Additionally, during the months of January and February 2015, several non-recourse factoring agreements were signed, increasing the amount of EUR 45 million available at the close of the 2014 financial year to EUR 106.5 million at 31 December 2015. On 13 February 2015, a balance of EUR 88 had been drawn down, mainly to supplement the purchase of Galata, S.p.A., and at 2015 year-end the amount drawn down had fallen to a total of EUR 44.5 million corresponding to these contracts. In this regard, the Group derecognises non-recourse factored receivables as it considers that it has substantially transferred the risks and rewards inherent to their ownership to the banks.

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

The changes in the allowance for doubtful debts in the years ended 31 December 2015 and 2014 were as follows:

	<b>Thousands of Euros</b>	
	<b>2015</b>	<b>2014</b>
<b>Opening balance at 1 January</b>	<b>12,403</b>	<b>21,545</b>
Disposals	(1,569)	(981)
Net changes	(1,003)	(8,161)
<b>Total</b>	<b>9,831</b>	<b>12,403</b>

Disposals in 2015 and 2014 relate to previous balances that were fully provisioned and which the Group decided to completely derecognise, without this having any impact on the accompanying consolidated income statement.

Net changes relate to changes in the provision recognised under “Changes in provisions” in the accompanying consolidated income statement with regard to the previous year.

At 31 December 2015, “Other financial assets” is mainly made up of the balance of both the amounts paid in advance to the owners of the land and rooftops where certain towers are located in Italy (EUR 48,591 thousand), the amounts paid for energy (EUR 2,500 thousand), and the amounts paid to professional advisors to obtain discounts on leases (EUR 1,599 thousand). These amounts are allocated to the consolidated income statement, following a financial method, during the duration of the land lease contract.

The Group also includes the guarantees established as a result of the leases that the Group companies have agreed with third parties. No unmatured guarantee was renegotiated during the financial year.

## Other receivables

'Other receivables' is made up of:

- Loans with service purchasers that are not strictly considered customers and with other trade debtors not included under other accounts. Advances to creditors, debtors and employees are also recognised under this heading.
- A receivable amounting to 2,095 thousand euros related to the previous shareholding held in Teledifusión de Madrid, S.A. which does not accrue interest and has an agreed payment schedule, as is indicated in the payments agreement maturing in the 2020 financial year. The Group has not registered the receivable at its amortised cost as it considers that the impact of the financial restatement is not significant.
- PROFITS (coordination): the Group plays the role of coordinator for certain aid programs under the National Plan for Scientific Research, Development and Technological Innovation (PROFIT) granted by the Spanish Ministry for Industry, Tourism and Trade and applies for this aid together with other companies. The Group includes in accounts receivable amounts that were previously assigned to third parties, received by the Group under the guise of PROFIT grants and refundable loans. The full amount of PROFIT grants received by the Group (including part of the amount assigned to third parties) is recognised under "Other non-current borrowings" and "Other current borrowings" (see Note 13).

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

## 11. Cash and cash equivalents

The breakdown of "Cash and cash equivalents" at 31 December 2015 and 2014, is as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
Cash on hand and at banks	51,000	20,891
Term deposits at credit institutions maturing in less than 3 months	-	70,000
<b>Cash and cash equivalents</b>	<b>51,000</b>	<b>90,891</b>

## 12. Net equity

### a) Share capital

At 31 December 2015 and 2014, the share capital of **Cellnex** is represented by 231,683,240 cumulative and indivisible ordinary registered shares of EUR 0.25 par value each, fully subscribed and paid.

On 21 November 2014, the Company approved the split of the par value and the number of its shares, through a reduction to the par value of the shares and the simultaneous issue of 40 new shares for each previous share without changing the amount of share capital and by awarding new shares to the Sole Shareholder at the time. Therefore, the 5,792,081 shares of EUR 10 par value each into which the Company's share capital was divided were split at a ratio of 40 shares of EUR 0.25 each for every share worth EUR 10.

For such purposes, the Company decided to simultaneously:

- Reduce the par value of each of the 5,792,081 outstanding shares by EUR 9.75, and
- Issue 225,891,159 shares of EUR 0.25 par value each, of the same class and series, and with the same rights as the outstanding shares.

As indicated in Note 1, on 19 March 2015 the Board of Directors of the Parent Company, pursuant to the authority conferred to it at the General Shareholders' Meeting of Abertis Infraestructuras, S.A. on the same date, unanimously agreed to request admission to officially trade on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia and on the subsequent initial public offering of shares on the Spanish Securities Market, a process that was successfully completed. As a result, 100% of the shares of the Parent Company have been listed on the market since 7 May 2015, of which a total of 66% were subject to the initial public offering by Abertis Infraestructuras, S.A. due to the exercising of the over-allotment option (green-shoe) by the coordinating banks.

The number of shares subject to the initial public offering was set at 139,009,944 shares of EUR 0.25 par value each, offered to qualified investors through Global Collaborating Entities. Additionally, it was agreed to set the volume of the purchase option (over-allotment option) at 13,900,994 shares, to be granted by Abertis Infraestructuras, S.A.

The price of the initial public offering was set at EUR 14 per share.

In accordance with the notifications about the number of corporate shares made to the National Securities Market Commission, the shareholders who hold significant shareholdings in the share capital of the Parent Company, both direct and indirect, greater than 5% of the share capital at 31 December 2015, are as follows:

Company	% ownership
	2015
Abertis Infraestructuras, S.A.	34.00%
Ameriprise Financial, Inc <sup>(1)</sup>	8.86%
Blackrock, Inc <sup>(2)</sup>	6.22%

<sup>(1)</sup> Shareholding through Threadneedle Asset Management Holdings Limited of 8.63% and Columbia Management Investment Advisors, LLC of 0.23%.

<sup>(2)</sup> Shareholding through Blackrock Advisors, LLC of 4.38% and the rest corresponds to managed collective institutions with a percentage lower than 3%.

As a result of the aforementioned shareholder structure change, the companies which make up the Abertis Group are no longer considered as "group companies" but rather as "other related parties" (See Note 20).

#### *Pre-emptive rights in offers for subscription of shares of the same class*

On 10 April 2015 the then sole Shareholder, Abertis Infraestructuras, S.A., decided, under the terms established by article 297.1(b) of the Spanish Companies Law, to delegate to the Parent Company's Board of Directors the capacity to increase the share capital, either for the entire amount or in various, successive instalments, up to half of the current share capital of the Parent Company at any time within a period of five years from the date of this decision. The decision expressly states that the Board of Directors has the capacity to exclude pre-emptive rights in accordance with article 506 of the above law (although this capacity is limited to share capital increases for an amount equivalent to 20% of the share capital of the Parent Company at the date the decision takes effect.) In this regard, any member may substitute another.

In addition, pursuant to the same decision of 10 April 2015 by the then solo Shareholder, the authority has been conferred on the Parent Company's Directors to:

- i. Issue convertible bonds up to EUR 750 million euros
- ii. Issue non-convertible bonds up to EUR 2,000 million euros
- iii. Purchase treasury shares representing up to 10% of the share capital of the Parent Company.

**b) Share premium**

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

**c) Reserves**

The breakdown of this account is as follows:

	Thousands of Euros	
	31 December 2015	31 December 2014
Legal reserve	11,584	11,584
Reserve from retained earnings	25,748	-
Reserves of consolidated companies	(26,910)	31,017
<b>Reserves</b>	<b>10,422</b>	<b>42,601</b>

*(i) Legal reserve*

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

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

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

At 31 December 2015, the legal reserve had reached the legally established minimum.

*(ii) Reserves of consolidated companies*

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

	<b>Thousands of Euros</b>	
	<b>31 December 2015</b>	<b>31 December 2014</b>
Retevisión I, S.A.U.	31,571	20,840
Tradia Telecom, S.A.U.	23,184	10,611
On Tower Telecom Infraestructuras, S.A.U.	(6,739)	(3,319)
Adesal Telecom, S.L.	2,512	2,191
Towerco, S.p.A.	2,239	-
Cellnex Italia, S.r.L.	(80,414)	-
Consorcio de Telecomunicaciones Avanzadas, S.A.	502	472
Torre de Collserola, S.A.	235	222
<b>Total</b>	<b>(26,910)</b>	<b>31,017</b>

**d) Exchange differences**

At 31 December 2015 and 2014 there were no conversion differences.

**e) Interim dividend and distribution of profits**

The determination of the distribution of dividends is carried out based on the individual annual accounts of Cellnex Telecom, S.A., and within the framework of the commercial legislation in force in Spain.

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

During the 2015 financial year an interim dividend amounting to EUR 9,267 thousand was distributed, which represents EUR 0.04 gross for each of the shares that make up the share capital of Cellnex Telecom, S.A. On 30 June 2014 a distribution was approved on behalf of the Parent Company to its then sole shareholder of an extraordinary dividend against distributable reserves for EUR 48,251 thousand euros, and was settled in its entirety in the same year.

The forecast accounting statement drawn up by Cellnex Telecom, S.A. in accordance with the legal requirements and which demonstrates the existence of sufficient profit in the period for the distribution of the aforementioned interim dividend, and of the liquidity required to make the payment, was as follows:

**Cellnex Telecom, S.A. forecast statement drawn up on 31 October 2015 for the distribution of the interim dividend**

Net profit from the period between 1 January and 31 October 2015	16,131
To deduct:	
Legal reserve	-
Maximum possible distribution	16,131
<b>Total 2015 interim dividend</b>	<b>9,267</b>
Available in credit facilities of Cellnex Telecom, S.A. at 31 October 2015	50,000
Available in cash as at 31 October 2015	9,151
Receipts and payments foreseen up to 31 December 2015	(3,874)
<b>Liquidity available before payment</b>	<b>55,277</b>
Interim dividend	(9,267)
<b>Liquidity available after payment</b>	<b>46,010</b>

The Board of Directors of Cellnex Telecom, S.A. will submit the following proposal for the distribution of the 2015 results to the Annual General Meeting for approval:

	<b>Thousands of Euros</b>
<b>Basis of distribution (Profit and Loss)</b>	<b>21,539</b>
Distribution:	
Interim Dividend	9,267
Final Dividend	10,889
Reserves	1,383
<b>Total</b>	<b>21,539</b>

**f) Earnings per share**

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

	<b>Thousands of Euros</b>	
	<b>31 December 2015</b>	<b>31 December 2014</b>
Profit attributable to the Parent Company	47,290	57,471
Weighted average number of shares outstanding (Note 12.a)	231,683,240	30,547,277
Basic EPS attributable to the Parent Company (euros per share)	0.20	1.88
Diluted EPS attributable to the Parent Company (euros per share)	0.20	1.88



**g) Non-controlling interests**

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

The changes in this heading were as follows:

	Thousands of Euros	
	2015	2014
<b>Balance at 1 January</b>	<b>4,666</b>	-
Profit for the year	1,175	260
Dividends	-	(798)
Other	10	16
Change in scope of consolidation	77,000	5,188
<b>Balance at 31 December</b>	<b>82,851</b>	<b>4,666</b>

As regards the main non-controlling interest, the summarised financial information in relation to the assets, liabilities, operating results and cashflow relating to Galata, S.p.A. incorporated in the consolidation process is as follows:

	Thousands of Euros
	2015
Non-current assets	227,095
Current assets	95,501
<b>Total assets</b>	<b>322,596</b>
Non-current liabilities	15,360
Current liabilities	39,755
<b>Total liabilities</b>	<b>55,115</b>
<b>Net assets</b>	<b>267,481</b>
Income	169,842
Expenses	(132,952)
<b>Gross operating profit</b>	<b>36,890</b>
<b>Profit attributable to the shareholders</b>	<b>(1,291)</b>
Operating activities	37,040
Investment activities	(9,802)
Financing activities	2,594
<b>Cashflows</b>	<b>29,832</b>

As at 31 December 2014 the non-controlling interests were not material to the Group.

## h) Profit for the year

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

	Thousands of Euros	
	2015	2014
Cellnex Telecom, S.A.	(23,961)	(2,574)
Retevisión I, S.A.U.	42,610	48,336
Tradia Telecom, S.A.U.	16,404	12,022
On Tower Telecom Infraestructuras, S.A.U.	2,103	(3,421)
Adesal Telecom, S.L.	1,017	904
Towerco, S.p.A.	7,134	2,204
Cellnex Italia, S.r.L.	(2,510)	-
Galata, S.p.A.	4,493	-
<b>Profit for the Group</b>	<b>47,290</b>	<b>57,471</b>

## 13. Borrowings

The breakdown of borrowings at 31 December 2015 and 2014 is as follows:

	Thousands of Euros					
	31 December 2015			31 December 2014		
	Non-current	Current	Total	Non-current	Current	Total
Syndicated financing	375,543	(1,021)	<b>374,522</b>	416,021	115	<b>416,136</b>
Bond Issues	592,804	6,939	<b>599,743</b>	-	-	-
Loans and credit facilities	2,055	1,618	<b>3,673</b>	3,677	1,587	<b>5,264</b>
Derivative financial instruments	-	-	-	-	36	<b>36</b>
Other financial liabilities	8,859	1,558	<b>10,417</b>	9,809	1,907	<b>11,716</b>
<b>Borrowings</b>	<b>979,261</b>	<b>9,094</b>	<b>988,355</b>	<b>429,507</b>	<b>3,645</b>	<b>433,152</b>

### Evolution of syndicated financing

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

- Loan amounting to EUR 350,000 thousand, accruing interest at market rates, repayable in a single instalment in June 2017, and which had yet to be drawn down at year-end 2014.
- Loan amounting to EUR 375,000 thousand, accruing interest at market rates, repayable in a single instalment in June 2019 and that was completely drawn down at 2014 year-end.
- Credit facility with a limit of EUR 75,000 thousand, accruing interest at market rates, repayable in a single instalment in June 2019 and that was drawn down at 2014 year-end for EUR 45,000 thousand.

On 20 February 2015, the Group signed an additional syndicated financing agreement for the amount of EUR 300 million, accruing interest at market rates and repayable in a single instalment on 30 June 2021. Both the drawdown of the EUR 350 million tranche of the syndicated loan of EUR 800 million as well as the drawdown of the EUR 300 million of the new syndicated loan were used to finance the acquisition of Galata, S.p.A. described in Note 5.

In accordance with financial policy approved by the Board of Directors, the Group prioritises placing all sources of financing at the Parent Company level. The aim of this policy is to achieve financing at a lower cost, promote the access to capital markets and enjoy greater flexibility in the contracts in order to accommodate the growth strategy of the Group.

### **Change of control clauses**

The syndicated loan includes a change of control clause, which is triggered either due to the acquisition of more than 50% of the shares with right to vote, or due to achieving the right to appoint or dismiss the majority of the Board members of the Parent Company.

The bond issue contracts also include a change of control clause (in the same terms as the bank financing), but in addition, to be triggered, the change in control would need to cause a reduction in the rating of the bonds and with the condition that the rating agency would need to state that the reduction in the credit rating is caused by the change in control.

### ***Change in Group financial structure***

Subsequently, during the 2015 financial year, the restructuring of the Parent Company's borrowings took place. This has allowed it to extend the maturity profile of its bank debt, eliminate financial covenants as well as pledges on shares and take advantage of low interest rates over the long term, with an annual average cost of 2.2%.

Cellnex has agreed a non-extinctive novation of the syndicated loans of EUR 800 million and EUR 300 million with the corresponding banks, through which Cellnex has managed to extend the average life of the debt with a loan of EUR 200 million maturing in five years and a credit facility of EUR 300 million maturing in five years plus two one-year extensions each.

In addition, on 20 July 2015, in accordance with the Programme described below, Cellnex successfully completed the pricing of an issue of straight bonds (rated BBB- by Fitch Ratings and BB+ by Standard & Poor's) aimed at qualified investors for an amount of EUR 600 million maturing in July 2022 and a coupon rate of 3.125%. The closure and payment of this issue was carried out on 27 July 2015.

At 31 December 2015, EUR 4.5 million was deducted from "Bank borrowings", corresponding to liabilities that have been derecognised from the consolidated balance sheet as a result of the conversion of EUR 500 million of the above syndicated financing into a loan and credit facility of EUR 200 million and EUR 300 million respectively, upon considering that they meet the conditions established in IAS 39 regarding derecognition of financial assets. In this regard, the aforementioned operations have been partially recorded as a non-significant amendment to the pre-existing liability.

At 31 December 2015 the credit facility was drawn down for EUR 180 million euros.

### ***Bond Issue Programme – EMTN Programme***

On 14 May 2015 the Group formalised the signing of a Euro Medium Term Note (EMTN) Programme through the parent company Cellnex Telecom, S.A. This programme allows the issue of bonds totalling EUR 2,000 million and was recorded in the Irish Stock Exchange.

## Bond issue

The breakdown of the bond issuance is summarised below:

Thousands of Euros					
Issue	Duration	Maturity	Fixed coupon rate payable annually	Value of the issue	31 December 2015
27.07.2015	7 years	27.07.2022	3.125%	600,000	<b>600,000</b>

Due to the issue of bonds the Parent Company has incurred certain costs amounting to EUR 8,826 thousand relating to arrangement expenses and advisors' fees that the Group will accrue/defer during the years of validity of the bonds following a financial criterion (EUR 8,351 thousand at 31 December 2015). The payment of the amount for the aforementioned bond issue and the aforementioned financial restructuring involved the payment of commissions and other costs amounting to EUR 4,656 thousand, which have been recorded under "Financial expenses" in the consolidated income statement at 31 December 2015.

The total borrowings before and after the refinancing in nominal terms is summarised as follows:

Before refinancing	Thousands of Euros	After refinancing	Thousands of Euros
Syndicated debt – Galata	300,000	Bonds	600,000
Credit facility	75,000	Syndicated debt	200,000
Syndicated debt – Tranche A	350,000	Credit facility	300,000
Syndicated debt – Tranche B	375,000		
<b>Borrowings before refinancing</b>	<b><u>1,100,000</u></b>	<b>Borrowings after refinancing</b>	<b><u>1,100,000</u></b>

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

On 31 December 2015 and 2014, the breakdown, by type of debt and maturity, of the Group's borrowings (not including debt with companies accounted for using the equity method) is as follows:

## 2015

	Limit	Thousands of Euros					Total	
		Current	Non-current					
		Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	
Syndicated financing	500,000	193	-	-	-	380,000	-	<b>380,193</b>
Arrangement expenses	-	(1,214)	(1,228)	(1,240)	(1,254)	(735)	-	<b>(5,671)</b>
Bond issues	600,000	8,094	-	-	-	-	600,000	<b>608,094</b>
Arrangement expenses	-	(1,155)	(1,194)	(1,234)	(1,276)	(1,319)	(2,173)	<b>(8,351)</b>
Loans and credit facilities	12,750	1,618	1,641	414	-	-	-	<b>3,673</b>
Other financial liabilities	-	1,558	1,894	1,915	1,435	1,182	2,433	<b>10,417</b>
<b>Total</b>	<b><u>1,112,750</u></b>	<b><u>9,094</u></b>	<b><u>1,113</u></b>	<b><u>(145)</u></b>	<b><u>(1,095)</u></b>	<b><u>379,128</u></b>	<b><u>600,260</u></b>	<b><u>988,355</u></b>

## 2014

	Thousands of Euros							Total
	Current	Non-current						
Limit	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years		
Syndicated financing	800,000	1,721	-	-	-	420,000	-	<b>421,721</b>
Arrangement expenses	-	(1,606)	(1,608)	(1,225)	(738)	(408)	-	<b>(5,585)</b>
Loans and credit facilities	12,750	1,587	1,616	1,645	416	-	-	<b>5,264</b>
Derivative financial instruments	-	36	-	-	-	-	-	<b>36</b>
Other financial liabilities	-	1,907	1,427	1,679	1,698	1,188	3,817	<b>11,716</b>
<b>Total</b>	<b>812,750</b>	<b>3,645</b>	<b>1,435</b>	<b>2,099</b>	<b>1,376</b>	<b>420,780</b>	<b>3,817</b>	<b>433,152</b>

### ***Syndicated financing obligations and restrictions***

At 31 December 2015 the Group has no restrictions on the use of capital resources arising from the syndicated financing signed during the current financial year.

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

- Limits on the distribution of the Company's dividends in 2014, subject to compliance of the obligations arising from the loan, unless payment of all obligations arising from this loan and compliance with certain agreements is evidenced upon distribution of the dividends;
- Limits on the disposal of strategic assets, except for those expressly allowed in the loan agreement or that are exchanged for assets of the same or greater value and quality; and
- Limits on the arranging and granting of debt by the Company.

At the date of signing of the consolidated financial statements for 2014, none of the grounds for early termination stipulated in this agreement applied to the Company.

### ***Guarantees provided and financial ratios***

At 31 December 2015 and as a result of the change in the structure of the borrowings of the Group described above, the guarantees provided in relation to the syndicated financing held at the 2014 year end, have been eliminated.

The syndicated financing contract held at 31 December 2015 contains no requirement for the Group to comply with any financial ratios. At 31 December 2014 the Group complied with the financial ratios and guarantees provided in the financing contract in force at that date such that no financial liabilities became due for payment.

### ***Interest rate and fees of the syndicated financing***

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

The loan accrues a EURIBOR interest rate plus a margin between 70 and 120 basis points, and the credit facility accrues a EURIBOR interest rate plus a margin between 40 and 90 basis points. These margins may vary depending on the Group's net debt: EBITDA ratio. The credit facility also accrues an availability fee depending on the amount drawn and a non-availability fee of 0.35% over the margin of interest applied depending on the amount not drawn.

### ***Loans and credit facilities***

At 31 December 2015, the Group company Adesal Telecom, S.L. had a loan arranged in 2008 amounting to EUR 12,250 thousand, maturing in 2018, and of which EUR 3,673 thousand is pending payment.

Adesal Telecom, S.L. also holds a credit facility with Caixabank with a limit of EUR 500 thousand, with a market interest rate and maturing on 31 December 2016. This facility was not drawn down at the year end.

### ***Loan and credit facility obligations and restrictions***

At 31 December 2015, the Group's loan and credit facility agreements with certain credit institutions described above include clauses regarding maturity and the obligation of early repayment if certain conditions, which are standard practice in the market, are not met by the borrower. At the date of signing of these consolidated financial statements, none of the grounds for early termination stipulated in these agreements applied to the Group.

### ***Derivative financial instruments***

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

The Group determines the fair value of interest rate derivatives (fixed-rate swaps or IRSs) by discounting cash flows on the basis of the implicit euro interest rate calculated on the basis of market conditions at the measurement date, adjusting for the bilateral credit risk such as to reflect both parties risk profile.

The Group performs interest rate hedging operations in accordance with its risk management policy. These operations are intended to mitigate the effect that changes in interest rates could have on the future cash flows of the credits and loans tied to variable interest rates.

The expense for negative settlements of derivative financial instruments during the 2015 financial year was EUR 2,240 thousand (EUR 0 thousand in 2014).

As at 31 December 2015 the Group had no derivative financial instruments. As at 31 December 2014 the Group only had one IRS (cashflow hedge) which hedged a total nominal amount of EUR 5,263 thousand euros.

### ***Other financial liabilities***

"Other financial liabilities" relates mainly to certain grants awarded (arranged as repayable advances) to other Group companies (Retevisión-I, S.A.U. and Tradia Telecom, S.A.U.) under the Ministry for Industry, Tourism and Trade's PROFIT programme. According to the technical-financial terms of the grant resolutions, the repayable advances bear no interest (see Note 10).

## 14. Trade and other payables

The detail of this heading at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	31 December 2015	31 December 2014
Trade payables	105,092	68,231
Other payables to Government Agencies (Note 15.b)	25,654	21,904
Other payables to related parties (Note 20.c)	39	-
Remuneration payable	7,747	8,086
Other payables	42,884	97,306
<b>Trade and other payables</b>	<b>181,416</b>	<b>195,527</b>

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

At 31 December 2015 and 2014, "Trade payables" included mainly the amounts payable for trade purchases made by the Group and their related costs.

"Other payables to Government Agencies" includes all balances payable by the Group to the tax authorities as detailed in Note 15.b.

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

Lastly, "Other payables" is formed mainly of payables to non-current asset suppliers. The most significant amount at year's end 2015 and 2014 is the EUR 22 and 77 million relating to the acquisitions described in Note 6.

### Information on deferral of payment to suppliers

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

In accordance with the provisions of the aforementioned Act, no comparative information is disclosed, this being the first year of application.

	Thousands of Euros
	2015
Total payments in the year	188,242
Total payments outstanding	9,180
Average payment period to suppliers (days)	38 days
Ratio of transactions paid (days)	39 days
Ratio of transactions outstanding (days)	32 days

In accordance with the AAI resolution, only the delivery of goods and services from the date Law 31/2014 of 3 December came into force have been taken into account, and only with regard to the Group companies situated in Spain and fully or proportionately consolidated.

For the sole purpose of the disclosure of information required by this resolution, the term 'suppliers' relates to the trade payables for debts with suppliers of goods or services included in the heading 'Trade and other payables' in the short term liabilities of the consolidated balance sheet. Moreover, only amounts relating to those Spanish entities included in the consolidated entity are considered for these purposes.

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

## **15. Income tax and tax situation**

### **a) Tax information**

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

All Spanish companies composing the Cellnex Group file consolidated corporation tax returns if at least 75% is owned by the ultimate parent of the tax group, Cellnex Telecom, S.A.

#### *Tax audits and litigation*

At 31 December 2015, Group companies had, for the most part, all the taxes applicable to them that have not passed the statute of limitations as of that date in each of the jurisdictions in which they are filed open for review. No significant impact on equity is expected to arise from different interpretations that could be afforded to current tax legislation regarding the other financial years open for review.

Additionally, during 2015 general inspection activities were opened for Abertis Infraestructuras, S.A. with regards to consolidated corporate income tax for the 2010 and 2011 financial years and also in relation to the Value Added Tax of the group of companies for the period July-December 2011. In this regard, it must be noted that in the 2010 and 2011 financial years both Cellnex Telecom, S.A. and its subsidiaries formed part of the Abertis consolidated tax group. With regards to value added tax, Adesal Telecom, S.L. also formed part of the group of VAT companies in the Abertis group during the period between July and December 2011.

At the date of drawing up these consolidated financial statements, the inspection activities are at a preliminary stage.

#### *Tax effect of business combinations in 2013*

In accordance with prevailing legislation, at 31 December 2014 the Group did not recognise the tax effect arising from differences between the carrying amount and the amount for tax purposes of assets received in non-cash contributions for capital increases, which took place in 2013, in the consolidated balance sheet at 31 December 2014. The estimated effect of this difference multiplied by the tax rate (25%) amounted to EUR 78 million at 31 December 2014.



**b) Balances for tax payable and receivable**

The tax receivables held by the Group with the tax authorities at 31 December 2015 and 2014 are as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
VAT receivable	1,655	7
Canary Islands tax refundable	128	716
Other taxes	2,822	1,342
<b>Tax receivables</b>	<b>4,605</b>	<b>2,065</b>

The current tax payables held by the Group with tax authorities at 31 December 2015 and 2014 are as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
VAT payable	20,237	17,287
Canary Island tax payable	119	123
Social security payable	1,626	1,642
Personal income tax withholdings	2,065	2,105
Other taxes	1,607	747
<b>Tax payables</b>	<b>25,654</b>	<b>21,904</b>

**c) Corporation tax expense**

The standard income tax rate in 2015 was 28% for Spanish Group companies, and was 32.32% in Italy, which is made up of the IRES (Imposta sul Reddito delle Societa) at a rate of 27.5% and the IRAP (regional business tax in Rome) at a rate of 4.82% (30% for Spanish Group companies and 32.32% in Italy in 2014).

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

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

The Italian Stability Law 2016 relating to the Imposta sul Reddito delle Societa (IRES), approved on 28 December 2015, which comes into force on 1 January 2017, establishes a general rate for companies subject to this tax of 24% in Italy.

The reconciliation of net income and expenses for the 2015 and 2014 financial years and the taxable income for corporation tax purposes is as follows:

	<b>Thousands of Euros</b>	
	<b>2015</b>	<b>2014</b>
Consolidated profit before tax	35,864	77,046
Theoretical tax	(9,427)	(23,176)
Impact on tax expense from (permanent differences):		
Non-deductible expenses	(1,436)	(5,567)
Income from transfer of know-how	2,272	127
<b>Income tax expense for the year</b>	<b>(8,591)</b>	<b>(28,616)</b>
Changes in tax rates	20,543	1,836
Other tax effects	649	7,465
<b>Other tax effects</b>	<b>21,192</b>	<b>9,301</b>
<b>Income tax expense</b>	<b>12,601</b>	<b>(19,315)</b>

The adjustment to the calculation of the tax expense accrued in the 2015 financial year as a result of the deferred tax originating from the acquisitions of Galata, S.p.A. and TowerCo, S.p.A by Cellnex Italia, S.r.L. in 2015 and 2014 respectively, involved a credit to the Income tax expense amounting to EUR 20,453 thousand, recorded under "Changes in tax rate" for the 2015 financial year. This adjustment was made during 2015 following the approval, on 28 December 2015, of the 2016 Italian Stability Law, which reduces the IRES rate from 27.5% to 24% with effect on 1 January 2017, given that, according to IAS 12, deferred tax assets and liabilities must be measured using the tax rates that are expected to be applied in the period in which the liability is cancelled, based therefore on the tax rates that have been substantively enacted at the end of the reporting period.

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

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

- "Income from transfer of know-how" for the 2015 financial year includes the reduction of income from certain intangible assets (Patent Box) in accordance with the provisions of Law 27/2014, of 27 November, regarding Corporation Tax.
- "Changes in tax rate" in 2015 includes the adjustment to the new tax rates made to the deferred tax assets and liabilities in accordance with Corporate Income Tax Act 27/2014, of 27 November.

The main components of the income tax expense for the year are as follows:

	<b>Thousands of Euros</b>	
	<b>2015</b>	<b>2014</b>
Current tax	(11,956)	(35,364)
Deferred tax	23,036	15,994
Tax from prior years / other	1,521	55
<b>Income tax expense</b>	<b>12,601</b>	<b>(19,315)</b>

Group companies did not take any tax deductions for investments in 2015 or 2014.

Tax withholdings and payments on account totalled EUR 13,020 thousand (EUR 32,393 thousand in 2014).

**d) Deferred taxes**

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

	Thousands of Euros			
	2015		2014	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
<b>At 1 January</b>	<b>37,837</b>	<b>(55,997)</b>	<b>42,086</b>	<b>(43,829)</b>
Debits/(credits) in income statement	(8,938)	11,431	3,499	10,659
Debits/(credits) due to incorporation into scope and business combinations	-	(159,223)	343	(32,706)
Debits/(credits) to equity	-	-	(48)	-
Transfer	-	-	(5,526)	5,526
Changes in tax rates	-	20,543	(2,517)	4,353
<b>At 31 December</b>	<b>28,899</b>	<b>(183,246)</b>	<b>37,837</b>	<b>(55,997)</b>

	Thousands of Euros	
	31/12/2015	31/12/2014
(Debits)/credits in income statement		
Deferred tax asset	(8,938)	3,499
Deferred tax liability	11,431	10,659
Changes in tax rates	20,543	1,836
<b>Total credit to deferred tax expense</b>	<b>23,036</b>	<b>15,994</b>

The breakdown of the deferred taxes is as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
<b>Deferred tax assets:</b>		
Provision for liability	7,903	9,724
Limit on depreciation and amortisation of fixed assets	10,631	14,484
Employee benefit obligations	1,650	1,662
Other provisions	853	2,646
Timing differences in revenue and expense recognition	550	-
Asset revaluation	4,953	5,797
<b>Tax credits recognised:</b>		
Limit on depreciation and amortisation of fixed assets	2,359	2,619
Asset revaluation	-	905
<b>Total deferred tax assets</b>	<b>28,899</b>	<b>37,837</b>
<b>Deferred tax liabilities:</b>		
Business combinations (Note 5)	(163,096)	(31,082)
Accelerated depreciation and amortisation	(20,101)	(24,915)
Other deferred tax liabilities	(49)	-
<b>Total deferred tax liabilities</b>	<b>(183,246)</b>	<b>(55,997)</b>

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

Deferred tax assets include unused tax credits and the temporary differences recognised at year-end. At 31 December 2015 and 2014, the Group did not have any unused tax credits or deductions unrecognised.

The main components of "Deferred tax assets" at 31 December 2015 and 2014 are as follows:

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

The Group has yet to avail itself of the tax credit recognised in 2012 for the collective redundancy procedure, which at year-end 2015 and 2014 had yet to be paid in full.

*Limit on depreciation and amortisation of fixed assets*

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

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

*Asset revaluation*

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

The main components of "Deferred tax liabilities" at 31 December 2015 and 2014 are as follows:

*Accelerated depreciation and amortisation*

On 3 December 2010, Act 13/2010 was approved, which allowed for the accelerated depreciation of new items of property, plant and equipment and investment property used in business activities, and made available to the taxpayer in tax periods beginning in 2011, 2012, 2013, 2014 and 2015. This measure gave rise to a temporary difference between depreciation for accounting and for tax purposes.

*Business combinations*

This corresponds to the deferred tax liabilities that are integrated into the Group as a result of the acquisition of 90% of the share capital of Galata on 26 March 2015, and the acquisition of 100% of the share capital of Towerco on 27 May 2014 (see Note 5).

### ***Expected schedule for reversal the deferred tax assets and liabilities***

In most cases, the use of the Group's deferred tax assets and liabilities is conditional upon the future performance of the business activities carried out by its various companies, the tax regulations of the different countries in which they operate, and the strategic decisions to which they may be subject. Under the assumption used, it is estimated that the deferred tax assets and liabilities recognised in the consolidated balance sheet at 31 December 2015 and 2014 will be used as follows:

	<b>Thousands of Euros</b>		
	<b>31/12/2015</b>		
	<b>Less than one year</b>	<b>More than one year</b>	<b>Total</b>
Deferred tax assets	7,623	21,276	28,899
Deferred tax liabilities	(12,107)	(171,139)	(183,246)

	<b>Thousands of Euros</b>		
	<b>31/12/2014</b>		
	<b>Less than one year</b>	<b>More than one year</b>	<b>Total</b>
Deferred tax assets	6.352	31.485	37.837
Deferred tax liabilities	(4.928)	(51.069)	(55.997)

The factors taken into consideration for maintaining a deferred tax asset at 31 December 2015 active and supporting its future recoverability were as follows:

- The Group's IPO Business Plan establishes increasing profit margins, which will allow tax assets to be offset over the coming years, as applicable.
- In 2015 and 2014, the Group generated taxable profit of EUR 30,803 thousand and EUR 64,383 thousand, respectively, in its Spanish companies which enabled the Group to use the deferred tax assets and maintain a taxable profit for both years.

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

## **16. Provisions and other liabilities and employee benefit obligations**

The detail of "Provisions and other liabilities" and "Current and non-current employee benefit obligations" at 31 December 2015 and 2014 is as follows:

	<b>Thousands of Euros</b>					
	<b>31 December 2015</b>			<b>31 December 2014</b>		
	<b>Non- current</b>	<b>Current</b>	<b>Total</b>	<b>Non- current</b>	<b>Current</b>	<b>Total</b>
Provisions	43,510	-	<b>43,510</b>	17,816	-	<b>17,816</b>
Put option Galata, S.p.A.	81,315	-	<b>81,315</b>	-	-	-
Deferred income	559	-	<b>559</b>	559	-	<b>559</b>
<b>Provisions and other liabilities</b>	<b>125,384</b>	-	<b>125,384</b>	<b>18,375</b>	-	<b>18,375</b>

	Thousands of Euros					
	31 December 2015			31 December 2014		
	Non-current	Current	Total	Non-current	Current	Total
Share options	-	-	-	95	-	95
Defined benefit obligations	2,004	163	2,167	2,128	98	2,226
Employee benefit obligations	559	8,067	8,626	127	10,912	11,039
<b>Employee benefit obligations</b>	<b>2,563</b>	<b>8,230</b>	<b>10,793</b>	<b>2,350</b>	<b>11,010</b>	<b>13,360</b>

**a) Share options**

At the close of 31 December 2015 the Cellnex Group, within the framework of the remuneration policy of the Abertis Group, has already concluded all share options plans for Abertis Infraestructuras, S.A., aimed at the management staff and certain key employees of the company and its subsidiaries.

The aforementioned Plans establish a three-year vesting period in order to exercise the options as from the grant date. At the end of this period, management personnel may exercise the options received over a period of two years.

One share in Abertis Infraestructuras, S.A. corresponds to each option, with the number of options from the last Plan in force at the start of the year being 0 at 2015 year-end (58,698 options from Plan 2010 at 2014 year-end).

The changes recorded in the 2015 financial year for Plan 2010 ended on 1 April 2015 are as follows:

	Plan 2010 (maturity in 2015)	
	Number of options	Strike price <sup>(1)</sup> (€/share)
<b>At 1 January 2015</b>	<b>58,698</b>	<b>10.54</b>
Bonus issue	-	-
Options exercised	(58,698)	-
Disposals	-	-
Disposals due to the end of the exercise period	-	-
<b>At 31 December 2015</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> For Plan 2010, an exercise price for the options was established at the average market price of Abertis Infraestructuras, S.A. shares from 4 January 2010 until 26 April 2010, both inclusive (EUR 14.57/share), adjusted for the effect of possible bonus issues and other impacts.

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

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

- (1) Effect in 2014 on the options granted from the bonus issue charged to voluntary reserves in the ratio of one new share for every 20 old shares approved at the General Shareholders' Meeting of 1 April 2014, according to that established in Plan 2010.
- (2) For Plan 2010, an exercise price for the options was established at the average market price of Abertis Infraestructuras, S.A. shares from 4 January 2010 until 26 April 2010, both inclusive (EUR 14.57/share), adjusted for the effect of possible bonus issues and other impacts.
- (3) For Plan 2009, an exercise price for the options was established at the average market price of Abertis Infraestructuras, S.A. shares during the three months prior to the General Shareholders' Meeting of 31 March 2009 (EUR 12.06/share) adjusted for the effect of possible bonus issues and other impacts.

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

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

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

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

	Thousands of Euros	
	2014	
	Plan 2010	Plan 2009
Fair Value	473	468
Staff costs	9	-

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

	Plan 2010	Plan 2009
Valuation model	Hull & White	Hull & White
Option exercise price (€/share)	14.57	12.06
Grant date	28.04.2010	01.04.2009
Maturity	28.04.2015	01.04.2014
Term of option to maturity	5 years	5 years
Term of option until first exercise date	3 years	3 years
Option type / style	"Call / Bermuda"	"Call / Bermuda"
Spot price (€/share)	13.03	11.99
Expected volatility <sup>(1)</sup>	27.52%	24.75%
Risk-free rate	2.31%	2.63%
Payout ratio <sup>(2)</sup>	0.00%	0.00%

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

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

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

**b) Non-current provisions**

This item includes amounts claimed from Group companies, Retevisión-I, S.A.U. and Tradia Telecom, S.A.U., in ongoing litigation at 31 December 2015 and other risks related to management of the Group. The amounts were estimated based on the amounts claimed or stipulated in court rulings issued at the end of each year shown and appealed against by the aforementioned companies. Labour-related lawsuits, for which provisions are made, amount to EUR 358 thousand and the civil proceedings to EUR 17,418 thousand (EUR 327 thousand and EUR 17,489 thousand respectively in 2014), the outcome of which has been estimated to cause an outflow of cash.

The main provision made relates to the fine imposed by the National Competition Commission on 19 May 2009 (see Note 16.f) for a total of EUR 16,000 thousand.

Similarly, it includes the provisions for the contractual obligation to dismantle mobile phone towers for the sum of EUR 18,248 thousand, as well as a provision for other liabilities related to Galata, S.p.A acquisition for 8,000 thousand euros (see Note 5).

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

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

Together with the above obligations, the liability side of the accompanying balance sheet includes EUR 2,004 thousand (EUR 2,128 thousand in 2014) under "Non-current provisions" and EUR 163 thousand (EUR 98 thousand in 2014) under "Current provisions", relating to the measurement of employee commitments arising from certain non-current obligations related to employees' length of service with the Group. The amounts recognised in 2015 and 2014 for these obligations as a decrease in staff costs were EUR 33 thousand and EUR 82 thousand and, as a finance cost, were EUR 16 thousand and EUR 39 thousand, respectively.

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

	<b>Thousands of Euros</b>	
	<b>2015</b>	<b>2014</b>
<b>At 1 January</b>	<b>2,226</b>	<b>2,359</b>
Current service cost	103	105
Interest cost	16	39
Actuarial losses/(gains)	(135)	(187)
Benefits paid	(42)	(90)
<b>At 31 December</b>	<b>2,168</b>	<b>2,226</b>

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



	Thousands of Euros	
	2015	2014
<b>At 1 January</b>	-	-
Sponsor contributions	42	90
Benefits paid	(42)	(90)
<b>At 31 December</b>	-	-

The actuarial assumptions (demographic and financial) used constitute the best estimates on the variables that will determine the ultimate cost of providing post-employment benefits.

The main actuarial assumptions used at the reporting date are as follows:

	2015	2014
Annual discount rate	1.00%	0.75%
Salary increase rate	2.00%	2.00%

#### **d) Benefit obligations**

During the 2015 financial year, a long term incentive plan for 31 beneficiaries was formalised (LTI – Long Term Incentive). It was approved in the Minutes of resolutions of the then Sole Shareholder (Abertis Infraestructuras, S.A.) on 10 April 2015. The objective of the Plan is to retain key people and encourage the creation of value for shareholders in a sustained manner over time. The vesting period of the Long Term Incentive begins in May 2015 and ends on 31 December 2017.

In accordance with Note 20.a, based on the best estimate possible of the amount of the liability associated with this plan and taking into consideration all available information, the Parent Company has not registered a provision as at 31 December 2015.

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

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

A provision was recognised for this collective redundancy procedure at 31 December 2012, estimating a cost of EUR 50,779 thousand for 220 employees. During the 2015 financial year, no staff left as a result of the execution of this agreement (69 persons with a cash outflow of EUR 17,873 thousand in 2014).

The changes in this heading in 2015 and 2014 were as follows:

	Thousands of Euros	
	2015	2014
<b>Balance at 1 January</b>	<b>10,912</b>	<b>28,685</b>
Benefits paid	(2,077)	(17,873)
Payment to income statement	(768)	-
Scope variation	-	100
<b>Balance at 31 December</b>	<b>8,067</b>	<b>10,912</b>

The balance payable at 31 December 2015 associated with the collective redundancy procedures carried out by the Group represent expected payments related to the process.

**e) Put option Galata, S.p.A.**

On 27 February 2015 a Put Option contract was signed in relation to the acquisition of Galata, S.p.A., which may be exercised wholly and not partially over the shares which represent the share capital of Galata owned by Wind and through said contract Wind may sell all the shares in Galata that it holds on that date to Cellnex Italia. The price for exercising the Put Option is EUR 77 million, and it shall increase by 6% per year and decrease by the dividends paid by Galata to Wind over a maximum period of 4 years.

Cellnex has calculated the amount for exercising the Put Option at the end of the first year which is from when Wind may exercise the Put Option, such that the amount payable at the end of the first year (26 March 2016) is EUR 81,620 thousand. Similarly, the value of said Put Option has been calculated at its present value discounted at the effective interest rate of Cellnex (approximately 1.5% annually), such that the Put Option amounts to EUR 81,315 thousand. (80,414 at the date of acquisition of this Company, being 26 March 2015). During 2015, EUR 901 thousand was recognised in the accompanying consolidated income statement.

**f) Contingent liabilities**

At 31 December 2015 and 2014, the Group held guarantees with third parties amounting to approximately EUR 53,100 thousand and EUR 42,777 thousand. These relate mainly to guarantees provided by banks before Government Agencies in connection with grants and technical guarantees, and before third parties in connection with rental guarantees.

It should also be noted, that on 19 May 2009, the Board of the National Competition Commission (CNC) imposed a fine of EUR 22.7 million on Abertis Telecom, S.A.U. (now Abertis Telecom Satélites, S.A.U.) for abusing its dominant position in the Spanish market for transmitting and broadcasting TV signals, pursuant to article 2 of the Competition Act and article 102 of the Treaty on the Functioning of the European Union. The Group filed an appeal for judicial review with the National Appellate Court against the CNC fine, which was dismissed in the judgement passed on 16 February 2012. This judgement was appealed to the Supreme Court on 12 June 2012. On 14 April 2015 (notified on 8 May 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 CNC has not yet communicated the launch of a procedure for the recalculation of the fine. Based on the opinion of its legal advisors, at 31 December 2015 the group has recorded a provision for a total of EUR 16 million.

On 8 February 2012, the Board of the National Competition Commission (CNC) imposed a fine of EUR 13.7 million on Abertis Telecom, S.A.U. (now Abertis Telecom Satélites, S.A.U.) for having abused its dominant position, pursuant to article 2 of the Competition Act and article 102 of the Treaty on the Functioning of the European Union. The company allegedly abused its dominant position in wholesale

service markets with access to infrastructure and broadcast centres of Abertis Telecom, S.A.U. (now Abertis Telecom Satélites, S.A.U.) for broadcasting DTT signals in Spain, and retail service markets for transmitting and distributing DT signals in Spain by narrowing margins. On 21 March 2012, the Group filed an appeal for judicial review against the decision of the CNC with the National Appellate Court, also requesting a delay of payments with regard to the fine until the court passes a ruling on this matter. This delay was granted on 18 June 2012. 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, an appeal has been filed with the Supreme Court against the judgement of the National Appellate Court on the grounds that it is not only about the recalculation of the amount but also that the Group did not break any competition rules. Therefore, until the appeal before the Supreme Court is resolved, the CNC will not start the process of calculating the fine. With regard to these proceedings, the Company's Directors, based on the opinion of their legal advisors, consider the risk of this fine to be possible and, therefore, have not recognised any provision.

Moreover, and as a result of the spin-off of Abertis Telecom, S.A.U. (now Abertis Telecom Satélites, S.A.U.) on 17 December 2013, Cellnex Telecom, S.A. assumed any rights and obligations that may arise from the aforementioned legal proceedings, as they relate to the spun-off business (terrestrial telecommunications). An agreement has therefore been entered into between Cellnex Telecom, S.A. and Abertis Telecom Satélites, S.A.U. stipulating that if the aforementioned amounts have to be paid, Retevisión-I, S.A.U. will be responsible for paying these fines. At 31 December 2015, Cellnex Telecom, S.A. has provided two guarantees amounting to EUR 36.4 million (EUR 0 million at 31 December 2014) to cover the disputed rulings with the National Competition Commission explained above. As at 31 December 2014 the above mentioned guarantees were provided by Abertis Telecom Satélites, S.A.U.

In relation to the digitalization and expansion of the terrestrial television networks in remote rural areas in Spain during the digital transformation process, the European Commission issued a decision concluding that Retevisión I, S.A.U. and other operators of platforms for transmitting terrestrial and satellite signals had received state aid, in the amount of EUR 260 million, that is contrary to the Treaty on the Functioning of the European Union. The ruling ordered Spain to recover the amount of the aid received. The aid received by Retevisión I, S.A.U. amounted to approximately EUR 40 million, as estimated by the European Commission, since the Spanish authorities failed to specify the exact amount in the return processes. The estimated calculations made by the Spanish government initially lowered this amount to some EUR 10 million. The Kingdom of Spain and the European Union still have to agree on the criteria to be applied in these calculations. In this regard, Retevisión I, S.A.U. appealed to the General Court of the European Union against that decision, which was rejected though a Ruling given on 26 November 2015. However, an appeal will be filed against this ruling before the European Court of Justice, given that there are serious legal grounds for this appeal to be successful and that it can be considered that the tenders called did not involve any state aid contrary to the treaty of the European Union. However, it is difficult to predict the interpretation that the European Court of Justice will adopt when it passes judgement.

The Spanish government, through the Secretary of State for Telecommunications and the Information Society ("SETSI"), has ordered the various regional governments to issue recovery orders based on the calculations made. Recovery procedures have begun in Castilla y León, La Rioja, Aragón, Extremadura, Andalusia, the Balearic Islands, Madrid and Catalonia, all prior to 26 November 2015, and all of these are being opposed on the basis that the amounts claimed are not legally valid given that the proceedings are pending resolution. The only process that has reached the Courts is that in relation to the government of Madrid by which the recovery of the aid received was requested. The Group appealed this decision made by the regional Government of Madrid and obtained a delay of the return as injunctive relief until a ruling is passed on the appeal filed. A provision, however, has been made for this amount. The appeal filed with the European Court of Justice did not hold in abeyance the obligations of returning the aid.

On 1 October 2014, the European Commission passed a ruling declaring that Retevisión I, S.A.U. and other operators of platforms for transmitting terrestrial and satellite signals had received government aid in the amount of EUR 56.4 million to finance the digitalisation and expansion of the terrestrial television

networks in remote areas of Castilla-La Mancha during the digital transformation process and that such government aid was not compatible with European legislation. The decision ordered Spain (through the regional government of Castilla-La Mancha) to recover the aid prior to 2 February 2015. On 29 October 2015, the Government of Castilla la Mancha began an aid recovery procedure amounting to EUR 719,144 and this has been opposed. Regardless of the above, this decision has been appealed to the General Court of the European Union and it is expected to be finalised in the second half of 2016. No amount has been provided for because the group considers that the appeal can succeed and that the sentence that is passed, if it goes against the group's interests, may be challenged on appeal before the European Court of Justice.

**g) Contingent assets**

In December 2014 the Group filed a liability claim for damages incurred due to the shutdown of 9 national DTT channels, as a result of the judgement passed by the Supreme Court rendering the Council of Ministers' Resolution that awarded the licenses for these channels null and void, since such licenses were considered to be granted without regard to the law and as a result of certain aspects related to the liberation of the digital dividend in the National DTT Technical Plan, approved by Royal Decree 805/2014. The damage caused was initially quantified at EUR 143 million, however the final calculation and estimate of such damage will depend on the length of time these channels are shut down and how the national DTT multiplexes are occupied in the end. Therefore, at 31 December 2015, the Group had not recognised any amount in relation to this claim.

**17. Revenue and expenses**

**a) Operating income**

The breakdown of operating income by item for the 2015 and 2014 financial years is as follows:

	<b>Thousands of Euros</b>	
	<b>2015</b>	<b>2014</b>
Services	576,286	413,053
Other operating income	36,419	23,913
Customer advances (Note 9)	(921)	(921)
<b>Operating income</b>	<b>611,784</b>	<b>436,045</b>

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

The total amount, by line of business, of the Group's revenue expected from the service agreements (broadcasting infrastructure and network services and other) and the operating leases (infrastructure rental for mobile telecommunications operators) entered into by the Group and that were in force at 31 December 2015 are as follows (the amounts included in infrastructure rental for mobile telecommunications operators include the renewals until the contract matures and the re-invoicing costs):

Minimum operating lease receipts	Thousands of Euros			
	2015			
	Broadcasting infrastructure	Telecom site rental	Network services and other	Total
Spain	213,053	121,129	64,983	399,165
Italy	-	214,224	-	214,224
	<b>213,053</b>	<b>335,353</b>	<b>64,983</b>	<b>613,389</b>
<b>Less than one year</b>				
Spain	382,508	370,679	122,277	875,464
Italy	-	739,258	-	739,258
	<b>382,508</b>	<b>1,109,937</b>	<b>122,277</b>	<b>1,614,722</b>
<b>Between one and five years</b>				
Spain	27,200	1,458,930	26,457	1,512,587
Italy	-	4,115,928	-	4,115,928
	<b>27,200</b>	<b>5,574,858</b>	<b>26,457</b>	<b>5,628,515</b>
<b>More than five years</b>				
<b>Domestic</b>	622,761	1,950,738	213,717	2,787,216
<b>International</b>	-	5,069,410	-	5,069,410
<b>Total</b>	<b>622,761</b>	<b>7,020,148</b>	<b>213,717</b>	<b>7,856,626</b>

Minimum operating lease receipts	Thousands of Euros			
	2014			
	Broadcasting infrastructure	Telecom site rental	Network services and other	Total
Spain	189,890	110,897	67,433	368,220
Italy	-	21,374	-	21,374
<b>Less than one year</b>	<b>189,890</b>	<b>132,271</b>	<b>67,433</b>	<b>389,594</b>
Spain	333,190	348,395	120,228	801,813
Italy	-	23,110	-	23,110
<b>Between one and five years</b>	<b>333,190</b>	<b>371,505</b>	<b>120,228</b>	<b>824,923</b>
Spain	25,097	1,546,720	41,139	1,612,956
Italy	-	-	-	-
<b>More than five years</b>	<b>25,097</b>	<b>1,546,720</b>	<b>41,139</b>	<b>1,612,956</b>
<b>Domestic</b>	548,177	2,006,012	228,800	2,782,989
<b>International</b>	-	44,484	-	44,484
<b>Total</b>	<b>548,177</b>	<b>2,050,496</b>	<b>228,800</b>	<b>2,827,473</b>

**b) Staff costs**

The detail of staff costs is as follows:

	Thousands of Euros	
	2015	2014
Wages and salaries	67,311	63,267
Social Security contributions	16,164	15,289
Retirement fund and other contingencies and commitments	1,236	1,164
Other employee benefit costs	4,547	4,166
<b>Staff costs</b>	<b>89,258</b>	<b>83,886</b>

In the 2015 financial year, the increase in staff costs is mainly due to the incorporation of staff from the acquired company Galata, S.p.A. (see Note 5).

The average number of employees at the Group, its subsidiaries and associates in 2015 and 2014, broken down by job category and gender, is as follows:

	2015			2014		
	Male	Female	Total	Male	Female	Total
Chief Executive Officer	1	-	1	1	-	1
Senior Management	5	1	6	4	1	5
Middle management	76	18	94	52	16	68
Other employees	904	209	1,113	882	197	1,079
<b>Average number of employees</b>	<b>986</b>	<b>228</b>	<b>1,214</b>	<b>939</b>	<b>214</b>	<b>1,153</b>

The number of employees at the Cellnex Group at the end of the 2015 and 2014 financial years, broken down by job category and gender, was as follows:

	2015			2014		
	Male	Female	Total	Male	Female	Total
Chief Executive Officer	1	-	1	1	-	1
Senior Management	5	1	6	4	1	5
Middle management	85	20	105	55	16	71
Other employees	914	219	1,133	885	194	1,079
<b>Number of employees at year-end</b>	<b>1,005</b>	<b>240</b>	<b>1,245</b>	<b>945</b>	<b>211</b>	<b>1,156</b>

At 31 December 2015, the Board of Directors of the Parent Company is formed of 9 members, all of which are male.

The increase in the number of employees is due to the change in consolidation scope resulting in the addition of the personnel of Galata, S.p.A. (see Note 5).

**c) Other operating expenses**

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

	Thousands of Euros	
	2015	2014
Repairs and maintenance	27,155	23,410
Leases and fees	142,238	62,527
Utilities	60,193	27,080
Other operating costs	77,164	59,285
<b>Total</b>	<b>306,750</b>	<b>172,302</b>

“Other operating costs” contains certain expenses that are non-recurring or that do not represent a cash flow, as detailed below:

	Thousands of Euros	
	2015	2014
IPO costs and associated expenses <sup>(1)</sup>	12,870	
Tobin Tax – Tax related to the acquisition of	1,396	-
Prepaid energy expenses	2,700	-
Total non-recurring expenses	16,966	-
Total recurring expenses	60,198	59,285
<b>Total general services and other</b>	<b>77,164</b>	<b>59,285</b>

<sup>(1)</sup> IPO expenses and associated expenses incurred as a result of flotation include the acquisition costs for Galata, which in turn relate to the costs for investment banks, legal, accounting and tax advisors and auditors, and bond issue expenses. It is important to remember that the associated costs should be assigned to the IPO process since:

- i. The acquisition of Galata took place in the context of the IPO period
- ii. The acquisition was subject to the criteria of the IPO
- iii. The acquisition required that the financing structure be defined at the level of the Parent Company (quoted company)

Additionally, in the 2015 and 2014 financial years, the accrual of advances to customers amounting to EUR 921 thousand was recognised as a reduction to revenue (EUR 921 thousand in the same period in 2014). See Note 17.a.

*Operating lease commitments*

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

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

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

Minimum operating lease payments	Thousands of Euros	
	2015	2014
Less than one year	70,599	51,455
Between one and five years	131,726	122,950
More than five years	99,298	115,026
<b>Total</b>	<b>301,623</b>	<b>289,431</b>

During the current financial year the Parent Company Directors have reassessed the accounting estimate of the amount of minimum payments for operating leases in order to adapt this to the internal business model and other companies in the industry.

The amounts have been reassessed in order to recognise in the calculation of the minimum future payments for leases the contractual clauses for unilateral cancellation of the agreement upon payment of the corresponding penalty charge or in its absence if the prevailing legislation applicable to each lease allows the unilateral cancellation by the Group. This has involved the re-evaluation of the amounts disclosed in Note 17.c of the consolidated financial statements for the year ended 31 December 2014.

The change in accounting estimate for the minimum payments for operating leases described above has not had any impact on the consolidated balance sheet or the consolidated income statement for the year ended 31 December 2014.

**d) Change in provisions**

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

	Thousands of Euros	
	2015	2014
Allowance for doubtful debts (Note 10)	1,003	8,161
Provision for CNC fine (Note 16)	-	(10,800)
Other non-current provisions (Note 16)	135	(141)
<b>Ending balance</b>	<b>1,138</b>	<b>(2,780)</b>

**e) Net profit from the disposal of fixed assets**

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

	Thousands of Euros							
	2015				2014			
	Cost	Accumulated amortisation	Selling price	Net Result	Cost	Accumulated amortisation	Selling price	Net Result
Italy	-	-	-	-	-	-	-	-
Spain	(1,972)	1,855	-	(117)	(5,991)	5,741	-	(250)
<b>Total</b>	<b>(1,972)</b>	<b>1,855</b>	<b>-</b>	<b>(117)</b>	<b>(5,991)</b>	<b>5,741</b>	<b>-</b>	<b>(250)</b>

**f) Depreciation and amortisation charge**

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

	Thousands of Euros	
	2015	2014
Intangible assets (Note 7)	24,748	5,856
Property, plant and equipment (Note 6)	128,752	85,176
<b>Ending balance</b>	<b>153,500</b>	<b>91,032</b>



**g) Financial result**

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

	Thousands of Euros	
	2015	2014
Finance income and interest from third parties	394	632
Finance income from the Group or associates (Note 20.c)	-	6
Exchange gains	-	1
Other finance income	-	241
<b>Finance income</b>	<b>394</b>	<b>880</b>

	Thousands of Euros	
	2015	2014
Finance costs and interest arising from third parties	7,538	2,347
Finance costs	8,094	-
Finance costs issue of debentures	4,656	-
Finance costs arising from the Group or associates (Note 20.c)	-	4,076
Exchange losses	-	11
Interest cost relating to provisions	1	39
Settlements of derivative financial instruments	2,240	22
Other finance costs	5,332	3,724
<b>Finance costs</b>	<b>27,861</b>	<b>10,219</b>

Loan interest with banks and others have increased as a result of the formalisation of additional financing to fund the purchase of Galata, described in Note 13. Additionally, following the refinancing described in Note 13, the parent company has accrued the coupon at 3.125%.

In addition, the Group took out a long-term loan through its subsidiary, Adesal Telcom, S.L., in the amount of EUR 12,250 thousand (drawn down by EUR 3,673 thousand), accruing interest at market rates and maturing in 2018.

## 18. Environmental information

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

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

At year-end 2015 and 2014, the Group did not recognise any provision for potential environmental risks as it estimated that there were no significant contingencies related to potential lawsuits, indemnities or other items as its operations comply with environmental protection laws and as procedures are in place to foster and ensure compliance.

The Group incurred environmental expenses on civil engineering projects, equipment and environmental permit projects. The acquisition cost of these activities at year-end 2015 amounted to EUR 4,870 thousand

(EUR 4,493 thousand in 2014), with accumulated depreciation and amortisation of EUR 2,017 thousand (EUR 1,799 thousand in 2014).

Expenses incurred to protect and improve the environment recognised directly in the income statement amounted to EUR 736 thousand (EUR 646 thousand in 2014) and related mainly to expenses arising from consultancy services and external waste management.

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

## 19. Segment reporting

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

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

- Broadcasting Infrastructure activities, which consist of the distribution and transmission of television and FM radio signals, as well as the operation and maintenance of radio broadcasting networks, the provision of connectivity for media content, OTT radio broadcasting services (over-the-top multi-screen services) and other services. The broadcasting infrastructure activities were created in 2001 with the acquisition of Tradia Telecom, S.A.U. and the acquisition of Retevisión-I, S.A.U. in 2003.
- Telecom site rental which consists of providing passive access to its wireless infrastructure for mobile network operators and other wireless and broadband telecommunications network operators through infrastructure hosting and telecommunications equipment co-location. The Group mainly provides wireless operators with access to its communications and broadcasting infrastructure through medium- and long-term contracts for its antennas, which transmit various signals related to wireless data and voice transmission, while the telecommunications operators maintain and operate the necessary equipment.
- Network Services and Other, including connectivity services for telecommunications operators (other than broadcasting operators), radio communication, operation and maintenance services, commercial services, Smart Cities/IoT ("Internet of Things") and other services.

Accordingly, operating income for each of the various lines of service is as follows:

	Thousands of Euros			Total
	2015			
	Broadcasting infrastructure	Telecom site rental	Network services and other	
Services	224,699	266,528	85,059	<b>576,286</b>
Other income	-	36,419	-	<b>36,419</b>
Customer advances	-	(921)	-	<b>(921)</b>
<b>Operating income</b>	<b>224,699</b>	<b>302,02</b>	<b>85,059</b>	<b>611,784</b>

	<b>Thousands of Euros</b>			
	<b>2014</b>			
	Broadcasting infrastructure	Telecom site rental	Network services and other	<b>Total</b>
Services	250,354	85,393	77,306	<b>413,053</b>
Other income	-	22,059	1,854	<b>23,913</b>
Customer advances	-	(921)	-	<b>(921)</b>
<b>Operating income</b>	<b>250,354</b>	<b>106,531</b>	<b>79,160</b>	<b>436,045</b>

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

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

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

	<b>Thousands of Euros</b>		
	<b>2015</b>		
	Spain	Italy	<b>Total</b>
Services	401,899	174,387	<b>576,286</b>
Other income	36,417	2	<b>36,419</b>
Customer advances	(921)	-	<b>(921)</b>
<b>Operating income</b>	<b>437,395</b>	<b>174,389</b>	<b>611,784</b>

	<b>Thousands of Euros</b>		
	<b>2014</b>		
	Spain	Italy	<b>Total</b>
Services	399,792	13,261	<b>413,053</b>
Other income	23,913	-	<b>23,913</b>
Customer advances	(921)	-	<b>(921)</b>
<b>Operating income</b>	<b>422,784</b>	<b>13,261</b>	<b>436,045</b>

The Group has three customers that exceed 10% of its revenue. The total income from these customers in the 2015 financial year amounted to EUR 286,197 thousand. In the 2014 financial year, the Group only had one customer that exceeded 10% of its revenue and the amount ascended to EUR 77,725 thousand.

## 20. Related parties

### a) *Directors and Senior Management*

The remuneration earned by the Parent Company's directors in the 2015 and 2014 financial years was as follows:

- i. The members of the Board of Directors received EUR 520 thousand for exercising the duties in their capacity as directors of Cellnex Telecom, S.A. (EUR 0 thousand in 2014).
- ii. For performing senior management duties, the Chief Executive Officer received EUR 872 thousand, corresponding to fixed and variable remuneration (EUR 621 thousand in 2014).
- iii. The Chief Executive Officer did not obtain any gains on share options in the 2015 financial year since they were exercised in full in 2013.
- iv. In addition, the Chief Executive Officer of Cellnex Telecom, S.A. received, as other benefits, contributions made to cover pensions and other remuneration in kind in the amount of EUR 170 thousand and EUR 5 thousand, respectively (EUR 75 thousand and EUR 32 thousand in 2014).

Cellnex Telecom defines Senior Management as executives that perform management duties and report directly to the Chief Executive Officer. Fixed and variable remuneration for the 2015 financial year for members of Senior Management amounted to EUR 1,377 thousand (EUR 1,484 thousand in 2014). In addition, as a result of exercising options under Plan 2009 and Plan 2010, they obtained gains of EUR 104 thousand in 2014 (no gains in 2015).

In addition, members of Senior Management received, as other benefits, contributions made to cover pensions and other remuneration in kind to the amount of EUR 172 thousand and EUR 128 thousand, respectively. In 2014 they received EUR 196 thousand and EUR 108 thousand, respectively.

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

On 10 April 2015 the Group approved the Long Term Incentive Plan – LTI for certain employees, including the Chief Executive Officer and the members of the Senior Management. This accrues from May 2015 until 31 December 2017 and is payable once the Group’s annual accounts corresponding to the 2017 financial year have been approved. Among the beneficiaries are the CEO, Senior Management and several key employees of the Cellnex Group (up to a maximum of 32 staff). The amount receivable by the beneficiaries is determined by the degree of achievement of two objectives, with a weighting of 50% each:

- The cumulative revaluation of the Cellnex share price calculated between the IPO share price and the average price of the last quarter of 2017, weighted to the volume ('vwap'), following a sliding scale.
- Achievement of certain parameters relating to the results in accordance with the market consensus and with a constant consolidation scope, following a sliding scale.

The cost of the Long Term Incentive Plan for Cellnex if it were to reach the maximum level of achievement of the objectives is estimated at approximately EUR 7.8 million euros.

The Parent Company has taken out an executives and directors civil liability policy for the members of the Board of Directors, the Chief Executive Officer and all the directors of the Cellnex Telecom group at a cost amounting to EUR 67.4 thousand at 31 December 2015.

**b) Other disclosures on Directors**

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

**c) Group companies and associates**

The assets and liabilities held in associates of the Cellnex Group are as follows:

	Thousands of Euros			
	31 December 2015			
	Assets		Liabilities	
	Other commercial assets		Payables	
Consortio de Telecomunicaciones Avanzadas, S.A.		119		1
Torre de Collserola, S.A.		-		178
<b>Total</b>		<b>119</b>		<b>179</b>

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

As a result of the change in shareholding described in Note 12, the Abertis Group companies are no longer considered 'Group Companies', but 'related parties' such that the balances and transactions with these companies as at 31 December 2015 are disclosed in Note 20.d.

The transactions performed by the Group with associates during 2015 relate to services received from Torre Collserola, S.A. for EUR 2,659 thousand euros.

Transactions with Group Companies for the 2014 financial year were as follows:

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

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

Other transactions with Abertis group companies and associates relate to commercial transactions.

**d) Other related parties**

Other related parties, in addition to the Abertis Group companies and associates, include shareholders (and their subsidiaries) of Cellnex Telecom, S.A. that exercise significant influence over it, those with a right to appoint a director and those with a stake above 5%. At 31 December 2015 **Cellnex** does not have any balances and has not carried out any transactions with any related party in addition to that described below.

**2015**

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

	<b>Thousands of Euros</b>			
	<b>31 December 2015</b>			
	Current loans	Other commercial assets	Current borrowings	Payables
Abertis Infraestructuras, S.A.	-	512	-	-
Abertis Autopistas España, S.A.	-	53	-	-
Autopistas Aumar, S.A.C.E.	-	11	-	-
Autopistas C.E.S.A.	-	105	-	39
Autopistas de Catalunya, S.A.	-	6	-	-
Autopistas de León, S.A.C.E.	-	2	-	-
Infraestructures Viàries de Catalunya, S.A.	-	2	-	-
Autopista Vasco Aragonesa, S.A.	-	175	-	-
Hispasat, S.A.	-	91	-	-
Iberpistas, S.A.C.E	-	16	-	-
Túnel de Barcelona i Cadí, S.A.C.G.C.	-	9	-	-
<b>Total</b>	<b>-</b>	<b>982</b>	<b>-</b>	<b>39</b>

The transactions carried out with Abertis Group companies and associates during the 2015 financial year are as follows:

	<b>Thousands of Euros</b>	
	<b>2015</b>	
	Income	Expenses
	Services rendered	Services received
Abertis Infraestructuras, S.A.	-	3,523
Autopistas Aumar, S.A.C.E.	62	-
Autopistas C.E.S.A.	219	156
Autopistas de León, S.A.C.E.	8	-
Autopista Vasco Aragonesa, S.A.	167	-
Hispasat, S.A.	129	14,166
Iberpistas, S.A.C.E	73	41
Infraestructures Viàries de Catalunya, S.A.	24	13
Autopistas de Catalunya, S.A.	41	-
Túnel de Barcelona i Cadí, S.A.C.G.C.	31	7
<b>Total</b>	<b>754</b>	<b>17,906</b>

During 2015 an agreement was signed between Abertis Infraestructuras, S.A. and the Group for the provision of corporate building management services, which are understood to include the lease of the company offices at Parc Logístic de la Zona Franca (Barcelona) and the lease of the company offices at Paseo de la Castellana (Madrid), as well as the supplies related thereto. The Group also has an agreement with Hispasat, S.A., whereby the latter provides capacity lease services for certain satellite transponders over the entire life of the transponders, which is expected to last until 31 December 2022. The Group allocates the leased capacity essentially to the distribution service via satellite for terrestrial television and radio broadcasting.

## 2014

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

At 31 December 2014, the main transactions with related party CaixaBank, S.A. were: (i) a loan for EUR 5,264 thousand (see Note 13), (ii) a fixed-term deposit of EUR 70,011 thousand, (iii) and a liability from the measurement of derivative financial instruments of EUR 36 thousand, (iv) a non-recourse factoring agreement

for EUR 45 million (see Note 10). In addition, CaixaBank, S.A. participated in the syndicated loan granted to the Abertis Telecom Terrestre Group by arranging two loans of up to EUR 31,818 thousand and EUR 34,091 thousand, of which EUR 34,091 thousand has been drawn down as at 31 December 2014, and a revolving credit facility of up to EUR 6,818 thousand, of which EUR 4,090 thousand has been drawn down as at 31 December 2014, (v) a credit facility for EUR 500 thousand, undrawn and (vi) a venture capital fund for EUR 90 thousand (see Note 13).

The main transactions carried out by the Group with related parties in 2014 relate to payments to VidaCaixa, S.A Seguros y Reaseguros and SegurCaixa Adeslas, S.A. de Seguros Generales y Reaseguros in the amount of EUR 13,807 thousand and EUR 27 thousand, respectively for termination benefits and contributions to pension plans and life insurance policies, as well as the acquisition of an 8.98% interest in Adesal Telecom, S.L. for EUR 1,167 thousand described in Note 5 and a commitment fee of EUR 58 thousand. The Group carries out all its transactions with related parties on an arm's length basis. Also, given that transfer prices are adequately documented, the Group's Directors consider that there are no significant risks that could give rise to material liabilities in the future.

## 21. Other disclosures

The remuneration of the auditors for 2015 and 2014 is as follows:

	Thousands of Euros					
	2015			2014		
	Audit of financial statements	Tax advisory services	Other services	Audit of financial statements	Tax advisory services	Other services
Deloitte, S.L.	418	-	1,109	248	-	373
Rest of Deloitte	71	-	59	-	-	-
<b>Total</b>	<b>489</b>	<b>-</b>	<b>1,168</b>	<b>248</b>	<b>-</b>	<b>373</b>

## 22. Post balance sheet events

There have been no post balance sheet events since the 31 December 2015 to the date of approval for issue of these consolidated financial statements.

## 23. Explanation added for translation to English

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

Barcelona, 18 February 2016



**APPENDIX I. Subsidiaries included in the scope of consolidation at 31.12.2015**

Company	Registered office	Ownership interest		Company holding the interest	Consolidation method	Activity	Auditor
		Cost (Thousands of Euros)	%				
<b>Direct ownership:</b>							
Retevision-I, S.A.U.	Av, Del Parc Logístic, 12-20 08040 Barcelona	368,938	100%	Cellnex Telecom, S.A.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Tradia Telecom, S.A.U.	Av, Del Parc Logístic, 12-20 08040 Barcelona	127,121	100%	Cellnex Telecom, S.A.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
On Tower Telecom Infraestructuras, S.A.U.	Avda, Parc Logístic 12-20, 08040 Barcelona	28,457	100%	Cellnex Telecom, S.A.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Cellnex Italia, S.r.L. (formerly Smartowers Italy, S.r.L.)	Via Carlo Veneziani 58, 00148 Rome, Italy	789,610	100%	Cellnex Telecom, S.A.	Full consolidation	Holding	Deloitte
Cellnex UK Limited <sup>(1)</sup>	55 Old Broad Street, London, EC2M 1RX, United Kingdom	-	100%	Cellnex Telecom, S.A.	Full consolidation	Holding	-
<b>Indirect ownership interest:</b>							
Towerco, S.p.A.	Via Alberto Bergammini 50, Rome, Italy	94,600	100%	Cellnex Italia, S.r.L.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte Italy, S.p.A
Galata, S.p.A.	Via Carlo Veneziani 56L, 00148 Rome, Italy	693,000	90%	Cellnex Italia, S.r.L.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte Italy, S.p.A
Adesal Telecom, S.L.	Ausias March 20, Valencia	4,464	60.08%	Tradia Telecom, S.A.U.	Full consolidation	Provision of related services for terrestrial telecommunications concessions and operators	Deloitte
Gestora del Espectro, S.L. <sup>(1)</sup>	Av, Del Parc Logístic, 12- 20 08040 Barcelona	3	100%	Retevision-I, S.A.U.	Full consolidation	Development, implementation, management and marketing of terrestrial telecommunications services	-
TowerLink Italia, S.r.L. <sup>(1)</sup>	Via Carlo Veneziani 58, 00148 Rome, Italy	10	100%	Cellnex Italia, S.r.L.	Full consolidation	Terrestrial telecommunications infrastructure operator	-

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

This appendix forms an integral part of Note 2.h. to the 2015 consolidated financial statements with which it should be read.

**Subsidiaries included in the scope of consolidation at 31.12.2014**

Company	Registered office	Ownership interest		Company holding the interest	Consolidation method	Activity	Auditor
		Cost (Thousands of Euros)	%				
<b>Direct ownership:</b>							
Retevision-I, S.A.U.	Av, Del Parc Logístic, 12-20 08040 Barcelona	368,938	100%	Cellnex Telecom, S.A.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Tradia Telecom, S.A.U.	Av, Del Parc Logístic, 12-20 08040 Barcelona	127,121	100%	Cellnex Telecom, S.A.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
On Tower Infraestructuras, S.A.U.	Avda, Parc Logístic 12-20, 08040 Barcelona	28,457	100%	Cellnex Telecom, S.A.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Towerco, S.p.A.	Via Alberto Bergammini 50, Rome, Italy	94,600	100%	Cellnex Telecom, S.A.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte Italy, S.p.A
<b>Indirect ownership interest:</b>							
Adesal Telecom, S.L.	Ausias March 20, Valencia	4,464	60.08%	Tradia Telecom, S.A.U.	Full consolidation	Provision of related services for terrestrial telecommunications concessions and operators	Deloitte
Gestora del Espectro, S.L. <sup>(1)</sup>	Av, Del Parc Logístic, 12-20 08040 Barcelona	3	100%	Retevision-I, S.A.U.	Full consolidation	Development, implementation, management and marketing of terrestrial telecommunications services	-

<sup>(1)</sup> This company has not submitted its financial statements for auditing as it is not required to do so.

This appendix forms an integral part of Note 2.h. to the 2015 consolidated financial statements with which it should be read.

**APPENDIX II. Associates included in the scope of consolidation at 31.12.2015**

Company	Registered office	Ownership interest		Assets	Liabilities	Income	Profit/(loss)	Company holding the interest	Consolidation method	Activity	Auditor
		Cost (Thousands of Euros)	%								
<b>INDIRECT SHAREHOLDINGS</b>											
<b>Through Retevisión and Tradia Telecom</b>											
Torre de Collserola, S.A.	Ctra. de Vallvidrera al Tibidabo, s/n. Barcelona	2,439	41.75%	17,792	11,378	4,608	8	Retevisión-I, S.A.U.	Equity method	Construction and operation of terrestrial telecommunications infrastructure	Deloitte
Consorcio de Telecomunicaciones avanzadas, S.A. (COTA)	C/ Uruguay, parcela 13R, nave 6, Parque Empresarial Magalia, Polígono Industrial Oeste Alcantarilla (Murcia)	304	29.5%	3,440	605	1,823	106	Tradia Telecom, S.A.U.	Equity method	Provision of related services for terrestrial telecommunications concessions and operators	Other auditors

This appendix forms an integral part of Note 2.h. to the consolidated financial statements for 2015 with which it should be read.

**Associates included in the scope of consolidation at 31.12.2014**

Company	Registered office	Ownership interest		Assets	Liabilities	Income	Profit/(loss)	Company holding the interest	Consolidation method	Activity	Auditor
		Cost (Thousands of Euros)	%								
<b>INDIRECT SHAREHOLDINGS</b>											
<b>Through Retevisión and Tradia Telecom</b>											
Torre de Collserola, S.A.	Ctra. de Vallvidrera al Tibidabo, s/n. Barcelona	2,439	41.75%	18,630	12,223	4,562	32	Retevisión-I, S.A.U.	Equity method	Construction and operation of terrestrial telecommunications infrastructure	Deloitte
Consortio de Telecomunicaciones avanzadas, S.A. (COTA)	C/ Uruguay, parcela 13R, nave 6, Parque Empresarial Magalia, Polígono Industrial Oeste, Alcantarilla (Murcia)	304	29.5%	3,406	676	2,054	101	Tradia Telecom, S.A.U.	Equity method	Provision of related services for terrestrial telecommunications concessions and operators	Other auditors

This appendix forms an integral part of Note 2.h. to the 2015 consolidated financial statements with which it should be read.

## Cellnex Telecom, S.A. and Subsidiaries

Consolidated Directors' Report for the year ended 31 December 2015.

### 1. Information required under article 262 of the Spanish Limited Liability Companies Act

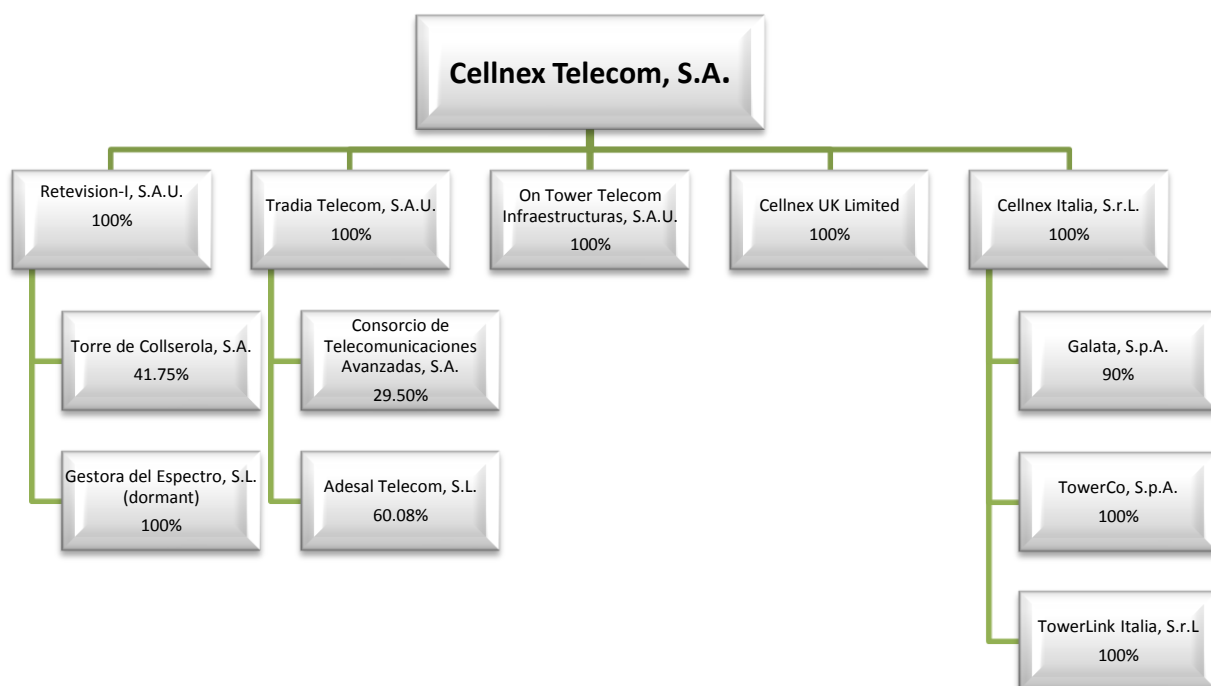
The Cellnex Group provides services related to infrastructure management for terrestrial telecommunications to the following markets:

- i. Infrastructure rental for mobile telecommunications operators (Telecom Site Rental)
- ii. Broadcasting Infrastructure and
- iii. Network Services and Other

mainly through its subsidiaries Retevisión-I, S.A.U., Tradia Telecom, S.A.U., On Tower Telecom Infraestructuras, S.A.U and the Italian companies Towerco, S.p.A. and Galata, S.p.A.

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

The organisational structure of the Cellnex group at 31 December 2015 is as follows:



On 7 July 2015 the Group carried out an internal restructuring of the Italian companies with the following transactions:

- Acquisition by Smartowers, S.r.L. of 100% of the shares of TowerCo, S.p.A., until then owned by Cellnex Telecom, S.A., for its carrying amount of EUR 94.6 million.

- To finance that acquisition, Cellnex Telecom, S.A. made a contribution from shareholders to Smartowers, S.r.L. for the same amount.
- Subsequently, on 9 July 2015 the bylaws of Smartowers, S.r.L. were amended, so from that date it became Cellnex Italia S.r.L., with its registered office in Rome.

This group restructuring has had no effect on the consolidated financial statements of the Cellnex group at 31 December 2015.

### **Significant events in 2015**

**Cellnex** is the leading independent and neutral<sup>1</sup> infrastructure provider for mobile telecommunications operators in Spain and Italy. In addition, **Cellnex** is the main broadcasting infrastructure provider in Spain with an 87% share of the national and regional market. The Group's business presents significant barriers to entry into its main markets, mainly due to its difficult-to-replicate asset base of 15,119 telecommunications towers located throughout Spain and Italy.

On 19 March 2015 the Board of Directors of the Parent Company, pursuant to the authority conferred to it at the General Shareholders' Meeting of Abertis Infraestructuras, S.A. on the same date, unanimously agreed to request admission to officially trade on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia and on the subsequent initial public offering of shares on the Spanish Securities Market, a process that was successfully completed. As a result, 100% of the shares of the Parent Company have been listed on the market since 7 May 2015, of which a total of 66% were subject to the initial public offering by Abertis Infraestructuras, S.A. including the exercising of the over-allotment option (green-shoe) by the coordinating banks.

#### ***Infrastructure rental business for mobile telecommunications operators***

As explained in Note 5 of the accompanying condensed consolidated financial statements, 90% of the shares of the Italian company Galata, a company with 7,377 mobile phone towers located in Italy, were acquired from Wind Telecomunicazioni. The transaction was completed on 26 March 2015, for EUR 693 million through the Italian company Smartowers, S.r.L. Additionally, and at the same time as the completion of the acquisition of Galata, contracts were signed with **Wind** for an agreement to render services relating to the lease and maintenance of the mobile telephone towers to **Wind**, an agreement between shareholders and a put option contract between Smartowers and **Wind** ("Put Option") for the remaining 10%.

This acquisition has consolidated the Group's position as a key player in the process to streamline the use of tower infrastructures for site rental in Spain and Italy. The Group now has a unique portfolio of assets, which have enabled new business opportunities to be developed through the sharing of the infrastructure necessary in the roll out of fourth generation mobile telephones, involving the decommissioning of duplicate infrastructure.

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<sup>1</sup> Neutral: without mobile telephone operators as shareholders

The infrastructure portfolio as at 31 December 2015 and 2014 is summarised below:

Framework Agreement	Project	No. of towers acquired	Cost in millions of euros	Purchase Date
Broadcasting business and network services		1,579	-	-
Shared with broadcasting business		1,768	-	Prior to 2012
Telefónica	Babel	1,000	90	2012
Telefónica and Yoigo (Xfera Móviles)	Volta I	1,211	113	30.12.2013
Telefónica	Volta II	530	58	10.1.2014
Telefónica and Yoigo (Xfera Móviles)	Volta III	113	12	30.6.2014
Telefónica	Volta Extended I	1,090	154	12.11.2014
Neosky	Neosky	10	-	30.12.2014
Business acquisition	TowerCo purchase	321	95	27.5.2014
	Dismantled towers	(129)		
<b>At 31 December 2014</b>		<b>7,493</b>		
Telefónica	Volta Extended II	300	44	26.1.2015
Business acquisition	Galata purchase	7,377	693	26.3.2015
	Dismantled towers	(80)		
	"Build to Suit" & others <sup>1</sup>	29	1	2015
<b>At 31 December 2015</b>		<b>15,119</b>		

<sup>1</sup> Build to suit – towers that are built to meet the needs of the customer

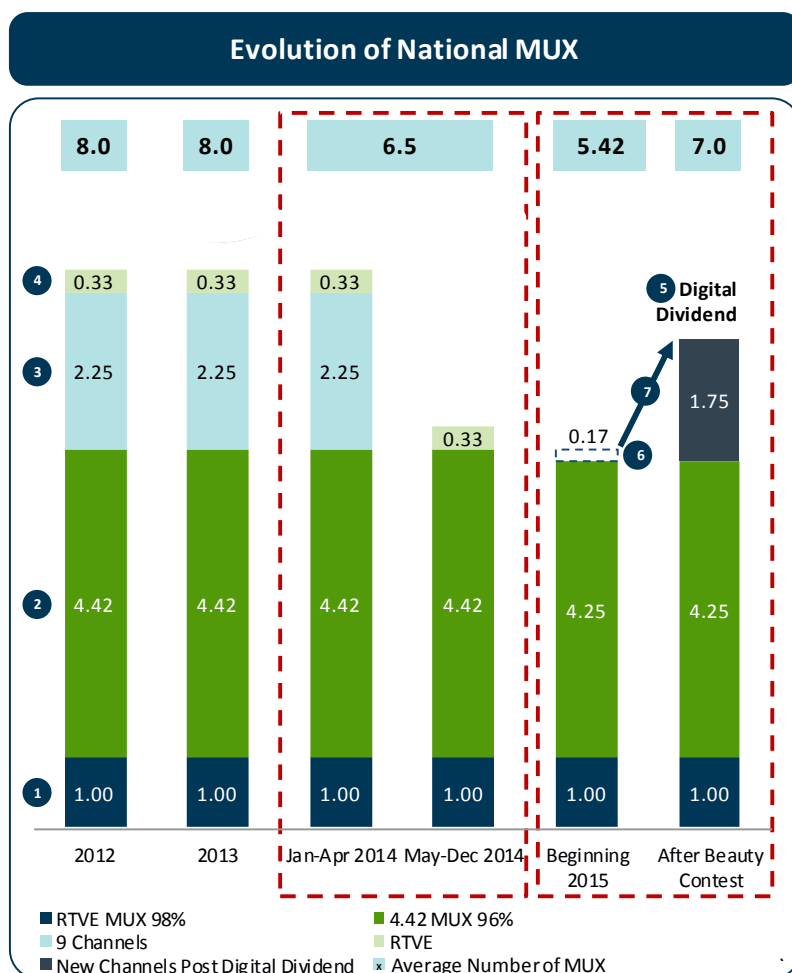
### **Broadcasting infrastructure business**

In 2014 Royal Decree 805/2014, of 19 September, was passed, approving the National Digital Terrestrial Television Technical Plan and regulating certain aspects of the release of the digital dividend, reducing to seven the national multiplexes for digital terrestrial television. This process of freeing up the 800MHz band was successfully completed on 31 March 2015.

Due to certain irregularities in the public tender process aimed at assigning channels to private operators, nine channels were shut down on 6 May 2014 (2.25 national multiplexes – MUX). In addition in January 2015, due to the Audiovisual Act, Televisión Española (TVE) reduced the use of its second multiplex by 0.33 as part of the process of reassigning the spectrum to private radio broadcasters.

The Spanish Government, through order 677/2015 of 16 April 2015, has modified the initial assignment of the capacity of the state coverage digital multiplex RGE2 for RTVE, establishing it as half of the capacity of the RGE2 multiplex, when before it had been two-thirds of the capacity. Through the resolution dated 17 April 2015, the Government also called a public tender for the allocation of 6 new licences for DTT channels, three in high definition and another three in standard quality. On 16 October 2015 the Cabinet approved the awarding of the six new DTT channels, with Atresmedia, Mediaset and Real Madrid TV being awarded the HD channels, and Secuoya, 13TV and Kiss TV being awarded the standard definition channels. Cellnex has signed contracts to broadcast these channels with all the winning broadcast bidders. These channels occupy the capacity pending allocation, which is 1.75 MUX (1.58 MUX plus a sixth of MUX from the aforementioned reduction of the RTVE capacity), therefore completing the planned 7 national MUX. During 2016 income is expected to be recovered until achieving the 7 national MUX.

The following chart shows the development of the national MUX:



1. RTVE MUX with 98% coverage
2. 4.42 MUX for national TV with 96% national coverage
3. Switch off of 9 channels in May 2014 with the loss of 2.25 MUX
4. Cancellation of 0.33 MUX by RTVE on 1 January 2015
5. Digital dividend carried out in 2015 to reassign 800 Mhz used for DTT to mobile telephony. (Permanent loss of 1 MUX)
6. Reduced capacity of the RGE 2 multiplex of RTVE – 0.17 MUX
7. Recovery of 1.75 MUX to reach 7 MUX of national DTT

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

### Network services and other

During 2015, the Group signed a contract with the Valencian Regional Government for the expansion of the COMDES network, the TETRA network of emergency services for the Autonomous Region of Valencia. It has also signed a contract with Ferrocarrils de la Generalitat de Catalunya for the expansion of the TETRA network for railways on the Martorell-Igualada-Manresa line. Regarding connectivity services, Cellnex has consolidated its position as a wholesale supplier of connectivity both in back-haul for mobile networks as well as for corporate services for the main operators.

With regard to quality control, the Group companies *Revisión-I, S.A.U.*, *Tradia Telecom, S.A.U.* and *On Tower Telecom Infraestructuras, S.A.U.* renewed their ISO 9001 Quality, ISO 14001 Environmental Management, OSHAS 18001 Occupational Health and Safety, UNE 166002 Research, Development and Innovation, ISO 17025 Competence of Testing and Calibration Laboratories, and ISO 27001 Information Security certificates, underscoring their continued commitment to quality.



## Activity and consolidated results

	Thousands of Euros	
	2015	2014
Broadcasting infrastructure	224,699	250,354
Telecom site rental	302,026	106,531
Network services and other	85,059	79,160
<b>Operating income</b>	<b>611,784</b>	<b>436,045</b>
Staff costs	(89,258)	(83,886)
Repairs and maintenance	(27,155)	(23,410)
Leases and royalties	(142,238)	(62,527)
Utilities	(60,193)	(27,080)
General and other services	(76,143)	(62,315)
Depreciation and amortisation charge	(153,500)	(91,032)
<b>Operating profit</b>	<b>63,297</b>	<b>85,795</b>
Depreciation and amortisation	153,500	91,032
Non-recurring expenses <sup>2</sup>	16,966	-
Customer advances	921	921
<b>Adjusted operating profit before depreciation and amortisation charge (adjusted EBITDA<sup>1</sup>)</b>	<b>234,684</b>	<b>177,748</b>

<sup>1-</sup> Adjusted EBITDA – calculated as the recurring operating profit before depreciation and amortisation and excluding impacts not involving cash transactions, such as the amounts corresponding to advances and non-recurring expenses.

<sup>2-</sup> See breakdown below

	Thousands of Euros	
	2015	2014
<b>Non-recurring expenses breakdown</b>		
IPO expenses and associated costs <sup>(1)</sup>	12,870	-
Tobin Tax – Tax related to the acquisition of Galata	1,396	-
Prepaid energy expenses taken to results	2,700	-
Total non-recurring expenses	16,966	-
Customer advances	921	921
<b>Total non-recurring expenses that do not represent cash flows</b>	<b>17,887</b>	<b>921</b>

- (1) IPO expenses and associated expenses incurred as a result of flotation include the acquisition costs for Galata, which in turn relate to the costs for investment banks, legal, accounting and tax advisors and auditors, and bond issue expenses. It is important to remember that the associated costs should be assigned to the IPO process since:
- The acquisition of Galata took place in the context of the IPO period
  - The acquisition was subject to the criteria of the IPO
  - The acquisition required that the financing structure be defined at the level of the Parent Company (quoted company)

<b>Business indicators</b>	<b>2015</b>	<b>2014</b>
<b>Total number of sites</b>	<b>15,119</b>	<b>7,493</b>
Site rental <sup>1</sup>	13,578	5,914
<b>Tenancy ratio – total<sup>3</sup></b>	<b>1.53</b>	<b>1.81</b>
Tenancy ratio – Spain	1.89	1.77
Tenancy ratio – Italy	1.25	2.39
<b>Customers and income</b>		
Income per site (thousands euros) <sup>2</sup>	26	23
% Site Rental Income <sup>1</sup>	49%	24%

- (1) Site Rental – Infrastructure rental for mobile telecommunications operators
- (2) The Group calculates income per tower using the total annual Site Rental income divided by the average number of towers held during the year with the impact of the acquisitions during the period.
- (3) The tenancy ratio relates to the average number of tenants in each site. It is obtained by dividing the number of tenants by the average number of sites in the year.

Income from operations for the 2015 financial year reached EUR 612 million, an increase of 40% over 2014. This increase was clearly affected by the expansion of the above-mentioned infrastructure rental business for mobile telecommunications operators. The number of infrastructures reached 15,119 at 31 December 2015, compared to 7,493 at 31 December 2014.

With regard to the broadcasting infrastructure business, income amounted to EUR 225 million, a 10% decline due to fewer billings as a result of the shutdown of 9 national DTT channels and the 0.17 MUX reduction of the RGE2 of RTVE, partially offset by the simulcasts carried out for the radio broadcasters linked to the freeing up of the digital dividend band.

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

The infrastructure rental business for mobile telecommunications operators (Site Rental) increased its income by 184% to EUR 302 million due to the aforementioned acquisitions. This is a business with solid growth driven by strong material demand for wireless data communication services, and the growing interest of mobile network operators (MNO) as a result of developing top quality networks that fulfil consumers' needs in terms of uninterrupted coverage and availability of wireless bandwidth (based on new long term evolution technologies), with the most efficient management possible. In recent years, the Group consolidated its infrastructure network and long-term strategic relationship with its main customers, telecommunications operators among others, through the agreements entered into with Telefónica and Yoigo in Spain and with Wind Telecomunicazioni in Italy for the acquisition and management of a portion of their network of infrastructure for mobile telecommunications. In addition to its current portfolio, Group managers have identified a portfolio of possible acquisitions that it is currently analysing by applying demanding criteria of capital employment.

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

This network streamlining may generate significant efficiencies for the Group and for the mobile network operators (MNO).

The network services business has slightly increased its income by 8% to reach EUR 85 million, most notably through the expansion projects for the COMDES network, the emergency services TETRA network in the Valencia community, the rail network for the Barcelona Metro and Ferrocarrils de la Generalitat de Catalunya, and “Internet of Things” (IoT) and Smart Cities projects for Barcelona City Council.

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

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

In line with the increase in revenue, adjusted EBITDA was 32% higher than in 2014, also as a result of the assets acquired during 2015 and 2014, which reflects the Group’s capacity to generate cash flows on a continuous basis. The consolidated income statement for the year ended 31 December 2015 does not yet include the full impact of all the investments made during 2015, although the costs associated with the acquisition of Galata, S.p.A. have been recorded for a total amount of EUR 8,378 thousand.

Operating profit was down 26% compared with 2014 due to the inclusion of the depreciation and amortisation relating to **Galata** and **Towerco**. **Towerco** was acquired in May 2014, meaning that the 2014 figures did not include the full twelve months of the depreciation and amortisation.

The financial loss for the year included the effect of the financing for the purchase of **Galata** and the issue of bonds (see Note 13), with an adverse impact of EUR 18 million. With regards to this investment, EUR 7 million corresponds to the non-recurring impact of bond issues described in note 13 of the accompanying consolidated financial statements.

In addition, the income tax expense was positively affected by EUR 20.5 million due to the adjustment of deferred taxes in Italy as described in Note 15.c.

Taking into account these considerations, the consolidated profit attributable to Parent Company for the year ended 31 December 2015 stood at EUR 47 million.

### **Consolidated balance sheet**

Total assets at 31 December 2015 stood at EUR 2,026 million, a 64% increase compared with the year end December 2014, as a result of the investments made during the 2015. Around 75% of total assets relates to property, plant and equipment and other intangible assets, in line with the nature of the Group’s business related to the management of terrestrial telecommunications infrastructure. The increase in property, plant and equipment and other intangible assets is a result of the above-mentioned acquisitions.

Total capital expenditure for the year ended 31 December 2015, including property, plant and equipment and intangible assets and taking into account the businesses acquired at the cost of investment, are summarised as follows

	Thousands of Euros	
	2015	2014
Maintenance investment <sup>(a)</sup>	17,880	13,211
Organic growth <sup>(b)</sup>	30,432	21,546
Inorganic growth <sup>(c)</sup>	739,478	319,399
<b>Total investment</b>	<b>787,790</b>	<b>354,156</b>

- (a) Maintenance investment: investment in existing assets primarily related to the maintenance of the sites, but excluding those investments that entail an increase in the capacity of said sites.
- (b) Organic growth: investment related to the expansion of our business and that generates additional income, including build-to-suit, investment in dismantling, the adaptation of mobile telephony infrastructures, the acquisition of land and urban and broadcasting telecommunication infrastructures.
- (c) Inorganic growth: includes investments in shareholdings of companies as well as investments in acquiring portfolios of sites (asset purchases).

#### Reconciliation of investments in the year with the accompanying financial statements

	Thousands of Euros	
	2015	2014
Additions of tangible fixed assets (Note 6)	90,098	255,426
Additions of intangible fixed assets (Note 7)	4,692	2,963
Business combinations (Note 5)	693,000	95,767
<b>Total investment</b>	<b>787,790</b>	<b>354,156</b>

#### Reconciliation with the accompanying Consolidated Statement of Cash Flows

	Thousands of Euros	
	2015	2014
Total investment	787,790	354,156
Less unpaid additions	(33,325)	(81,969)
Plus additions from prior year paid in current year	79,029	1,319
Business combinations	(693,000)	(95,767)
<b>Purchases of property, plant and equipment – Consolidated Statement of Cash Flows</b>	<b>140,494</b>	<b>177,739</b>

Total acquisition price	693,000
Cash and cash equivalents	(24,330)
<b>Cash outflow in the acquisition (Note 5)</b>	<b>668,670</b>

Consolidated net equity amounted to EUR 537 million, a 7% increase on year-end 2014. Apart from the profit generated during the year, consolidated equity was mainly affected by the accounting for non-controlling interests in the company Galata and the Put Option described in Note 5.

## **Main risks and uncertainties**

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

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

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

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

*ii) Financial risks*

The Group is exposed to certain financial risks, such as liquidity risk, cash flow interest rate risk, and risks related to customer accounts receivable (especially government agencies).

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

*iii) Operational risks:*

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

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

Lastly, the Group will implement a code of ethics and a whistleblowing channel in each country where the Group operates.

iv) *Regulatory risks:*

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

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

### Liquidity and capital resources

The ability of the Group to generate stable and growing cash flows allows it to guarantee the creation of value, sustained over time, for its shareholders. At 31 December 2015 and 2014 the Recurring Leveraged Free Cash Flow was calculated as follows:

**Recurring leveraged free cash flow**

	<b>Thousands of Euros</b>	
	<b>2015</b>	<b>2014</b>
Adjusted EBTIDA <sup>(1)</sup>	234,684	177,748
Maintenance investment <sup>(2)</sup>	(17,880)	(13,211)
Recurring operating cash flow	216,804	164,537
Changes in current assets/current liabilities <sup>(3)</sup>	962	31,013
Net payment of interest <sup>(4)</sup>	(9,799)	(6,781)
Income tax payment <sup>(5)</sup>	(13,913)	(37,493)
<b>Recurring leveraged free cash flow</b>	<b>194,054</b>	<b>151,276</b>

(1) See definition in the "Activity and consolidated results" section of this Directors' Report.

(2) Maintenance investment: investment in existing assets primarily related to the maintenance of the sites, but excluding those investments that entail an increase in the capacity of said sites.

(3) Changes in current assets/current liabilities – see the relevant section in the Consolidated Statement of Cash Flows for the year ended 31 December 2015.

(4) Net payment of interest corresponds to the net of "Interest payments" and "Interest received" in the accompanying Consolidated Statement of Cash Flows for the year ended 31 December 2015.

(5) Income tax payment – see the relevant section in the accompanying Consolidated Statement of Cash Flows for the year ended 31 December 2015.

The reconciliation between the payment of income tax according to the consolidated statement of cashflows and the current income tax expense for 2015 and 2014 is as follows:

	<b>Thousands of Euros</b>	
	<b>2015</b>	<b>2014</b>
<b>Current tax expense (Note 15.c)</b>	<b>(11,956)</b>	<b>(35,364)</b>
Payment of income tax prior year	(4,690)	(5,147)
Receipt of income tax prior year	611	-
Advance Group Relief Abertis Infraestructuras, S.A.	2,319	-
Income tax (receivable)/payable	(196)	4,646
Others	-	(1,628)
<b>Payment of income tax as per the consolidated Statement of cashflows</b>	<b>(13,913)</b>	<b>(37,493)</b>

Bank borrowings and bond issues are broken down as follows:

	<b>Thousands of Euros</b>	
	<b>31/12/2015</b>	<b>31/12/2014</b>
Bank borrowings (Note 13)	378,195	421,436
Bond issues (Note 13)	599,742	-
<b>Bank borrowings and bond issues</b>	<b>977,937</b>	<b>421,436</b>
Cash and equivalents (Note 11)	(51,000)	(90,891)
<b>Net bank borrowings and bond issues</b>	<b>926,937</b>	<b>330,545</b>

Gross bank borrowings and bond issues at 31 December 2015 amounted to EUR 978 million, representing 182% of equity and 48% of liabilities and net equity, percentages which have increased with regard to 2014 due to the financing obtained for the acquisitions performed during the year.

Net bank borrowing and bond issues amounted to EUR 927 million, including a consolidated cash and cash equivalents position of EUR 51 million. The ratio of net bank borrowings and bond issues to adjusted annualised EBITDA amounts to 3.7x.

At the close of the year ending on 31 December 2015 a total of EUR 44.5 million corresponding to factoring contracts had been drawn down.

### **Information relating to the deferred of payments to suppliers**

See Note 14.

### **Use of financial instruments**

During the year ended 31 December 2015, the Group followed the financial instrument use policy described in Note 4 of the consolidated report to the consolidated 2014 annual accounts.

## **R&D activities**

During 2015 the Cellnex Telecom group continued to invest in research and development, carrying out various R&D projects both in Spain and abroad. Internationally, within the field of Smart Cities, the launch of the European H2020 GrowSmarter project, in which the cities of Stockholm, Cologne and Barcelona participate in a consortium of 39 partners with a budget of EUR 33,000 thousand and aid from the Commission estimated at EUR 25,000 thousand, is particularly noteworthy. This project aims to act as a “torchbearer” for other cities in the area of mobility and energy efficiency and Cellnex is taking on the role of the leading technology partner in the area of ICT. The iCity project (with the participation of Barcelona, London, Bologna and Genoa), COMPOSE (about the Internet of Things) led by IBM Israel, ACORN (research and development in the field of SDR, or Software Defined Radio, applied to IoT), the MACICO project (led by EADS and aiming to provide solutions for interoperability between TETRA-TETRA and TETRA-TETRAPOL systems for security and emergency forces) have also been continued.

In the audiovisual industry, of particular note are: TVRING, within the field of broadcasting and related to hybrid television through broadcasting and the Internet; Globality, which has European and Brazilian partners and intends to boost the European standard for Hybrid TV in Brazil.

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

Over the course of the year four European proposals and six national proposals have been submitted and are awaiting assessment, mainly in the fields of IoT, connected cars, maritime security and broadcast-broadband convergence.

## **Corporate Responsibility Master Plan**

Coinciding with its floatation on the stock exchange in May 2015 and the subsequent splitting from Abertis Infraestructuras, S.A., the Group began a process of internal and external analysis with its stakeholders to specify the lines of priority and areas for action in the field of corporate responsibility. This analysis, and the diagnosis of priorities, culminated in the definition of the Corporate Responsibility Master Plan. This process updated the analysis on the material aspects, value chain and stakeholders that specifically define the framework of a telecommunications infrastructure operator like Cellnex Telecom, S.A.

There are two main areas: sustainability from the perspective of the optimisation and efficiency of the resources employed, which is also part of the value proposal of Cellnex's business model; and open innovation, as covered in the previous section on R&D+i activities. The innovation area is of fundamental importance for a company operating in a highly dynamic technological environment, and involves providing internal talent and capabilities for collaborative projects with universities and other companies and institutions, contributing to a knowledge transfer flow to foster areas of convergence between cutting-edge research and applied innovation.

To enhance the actions taken in the corporate responsibility field, the company will publish an Integrated Annual Report in which it will set out the main initiatives and indicators in this area. To that end, Cellnex has compiled information on the various indicators that reflect its performance on environmental, social and economic matters, provided by the people responsible for management and reporting in the various units and departments involved. Furthermore, traceability and comparability has been ensured by setting the correspondence between these and the Global Reporting Initiative (GRI) index and indicators.



## **Shareholder remuneration**

The Board of Directors of Cellnex Telecom, S.A. adopted a resolution to propose to the shareholders at the Annual General Meeting the distribution of a final dividend of EUR 0.047 gross per share against 2015 profit.

The maximum total dividend charged to 2015 profit will therefore be EUR 20.156 thousand.

## **Business outlook**

For 2016, having promoted the internationalisation and diversification of the Group's activity with the purchase of Galata, S.p.A., this year the Group will continue to analyse investment and growth opportunities that comply with the strict security and profitability requirements that the Group applies to its investment portfolio, with a particular focus on opportunities to acquire tower infrastructures for site rentals as well as Spanish and international companies that operate in this sector.

In this regard, the Group is actively seeking new acquisitions throughout Europe with important mobile telephone operators.

### ***Infrastructure rental business for mobile telecommunications operators***

The Group intends to consolidate the acquisitions made in the year ended 31 December 2015:

Income and adjusted EBITDA from the acquisition of Galata during the year ended 31 December 2015 amounted to EUR 151 million and EUR 47 million (excluding the intercompany charge for the transfer of know-how) respectively, which include the months since its acquisition. On an annual basis this represents EUR 201 million in income and EUR 63 million in estimated adjusted EBITDA.

### ***Broadcasting infrastructure business***

Following the shutdown of nine digital terrestrial television (DTT) channels during 2014 and the reduction in the use of 0.50 of the second MUX used by Televisión Española (TVE) as part of the reassignment of the spectrum to private broadcasters in 2015, on 17 April 2015 the Spanish Council of Ministers approved the tender call for six new open DTT licences, three in high definition and another three in standard quality that will occupy 1.75 MUX until reaching 7 National MUX as set forth in Royal Decree 805/2014.

On 16 October 2015 the Spanish Council of Ministers approved the awarding of the six new DTT channels, with Atresmedia, Mediaset and Real Madrid TV being awarded the HD channels, and Secuoya, 13TV and Kiss TV being awarded the standard definition channels. The group has signed contracts with all the winning broadcaster bidders and plans to start billing in 2016.

### ***Network services and other***

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

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

No new risks or uncertainties are expected other than those noted above that are inherent to the business or those indicated in the accompanying consolidated financial statements for the year ended 31 December 2015.

Nonetheless, the Group has strived and will continue to strive to optimise its management so as to have greater control over operating costs and investments, bearing in mind the new scenario and economic outlook for 2016.

### **Treasury shares**

During the year ended 31 December 2015 no transactions were performed with treasury shares.

### **Other matters**

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

### **Post balance sheet events**

There have been no post-balance sheet events between the close of the year ended 31 December 2015 and the date of authorisation for issue of these consolidated financial statements.

Barcelona, 18 February 2016

## 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 53 pages numbered 1 to 53, both inclusive.