2016 Auditor's Report and Annual Accounts

2017

Junta General d'Accionistes

Junta General de Accionistas

Annual Shareholders' Meeting

Note: This document is a translation of a duly approved Spanish language document, and is provided for information purposes only. In the event of any discrepancy between the text of this translation and the text of the original Spanish language document which this translation is intended to reflect, the text of the original Spanish language document shall prevail.

Cellnex Telecom, S.A.

Financial Statements for the year ended 31 December 2016 and Directors' Report, together with Independent Auditor's Report

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

Deloitte.

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Report on the Financial Statements

We have audited the accompanying financial statements of Cellnex Telecom, S.A., which comprise the balance sheet as at 31 December 2016, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

Directors' Responsibility for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the equity, financial position and results of Cellnex Telecom, S.A. in accordance with the regulatory financial reporting framework applicable to the Company in Spain (identified in Note 2.1 to the accompanying financial statements) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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 financial statements.

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

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of Cellnex Telecom, S.A. as at 31 December 2016, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

Report on Other Legal and Regulatory Requirements

The accompanying directors' report for 2016 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2016. Our work as auditors was confined to checking the 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.

DELOITTE, S.L.
Registered in ROAC UNDER NO. S0692

Ana Torrens

16 February 2017

Cellnex Telecom, S.A.

Financial Statements
for the year ended
31 December 2016 and
Directors' Report

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

CONTENTS

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

CELLNEX TELECOM , S.A.

BALANCE SHEET AT 31 DECEMBER 2016

(Thousands of Euros)

ASSETS	Notes	31 December 2016	31 December 2015	LIABILITIES	Notes	31 December 2016	31 December 2015
NON-CURRENT ASSETS				**EQUITY**			
Intangible assets-		**4,718**	**1,216**	**NET EQUITY**	Note 11		
Computer software	Note 6	4,718	1,216	**Capital**		**57,921**	**57,921**
Property, plant and equipment-		**1,710**	**486**	**Share premium**		**338,733**	**338,733**
Plant and other items of property, plant and equipment	Note 7	1,710	486	**Reserves-**		**47,728**	**46,599**
Investments in Group companies and associates-		**2,274,885**	**1,668,280**	Legal and bylaw reserves		11,584	11,584
Equity instruments	Note 8.1	1,920,731	1,314,126	Other reserves		36,144	35,015
Non-current loans to Group companies and associates	Note 17.3	354,154	354,154	**(Treasury shares)**		**(2,694)**	**-**
Non-current investments-	Note 9	**543**	**389**	**Profit for the year**		**29,234**	**21,539**
Equity instruments		210	150	**(Interim dividend)**		**(10,194)**	**(9,267)**
Other financial assets		333	239	**Total equity**		**460,728**	**455,525**
Deferred tax assets	Note 13.6	**425**	**92**				
Total non-current assets		**2,282,281**	**1,670,463**				
				NON-CURRENT LIABILITIES			
				Non-current provisions		**3**	**-**
				Non-current borrowings-	Note 12	**1,676,186**	**968,347**
				Bond issues		1,397,939	592,804
				Bank borrowings		278,247	375,543
				Total non-current liabilities		**1,676,189**	**968,347**
CURRENT ASSETS							
Trade and other receivables-		**2,102**	**2,232**				
Trade receivables		43	171	**CURRENT LIABILITIES**			
Receivables from Group companies and associates	Note 17.3	1,206	170	**Current borrowings-**	Note 12	**17,420**	**7,171**
Sundry receivables		383	115	Bond issues		12,527	6,939
Current tax assets		458	985	Bank borrowings		1,540	(1,021)
Other tax receivables from Public Authorities	Note 13.2	12	791	Other financial liabilities		3,353	1,253
Current investments in Group companies and associates-		**92,937**	**22,850**	**Payables to Group companies and associates-**	Note 17.3	**367,421**	**263,803**
Current loans to Group companies and associates	Note 17.3	93,937	22,850	Current payables to Group companies and associates-		367,421	263,803
Current accruals		**818**	**2,419**	**Trade and other payables-**		**13,133**	**4,058**
Cash and cash equivalents-	Note 10	**156,753**	**940**	Other payables		4,469	1,955
Cash		97,742	926	Staff		1,751	690
Cash equivalents		59,011	14	Other payables to Public Authorities	Note 13.2	6,913	1,413
Total current assets		**252,610**	**28,441**	**Total current liabilities**		**397,974**	**275,032**
TOTAL ASSETS		**2,534,891**	**1,698,904**	**TOTAL EQUITY AND LIABILITIES**		**2,534,891**	**1,698,904**

The accompanying Notes 1 to 20 and Appendix I are an integral part of the balance sheet at 31 December 2016.

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

CELLNEX TELECOM , S.A.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

(Thousands of Euros)

	Notes	2016	2015
ONGOING OPERATIONS:			
Revenue-	Note 15.1	**81,491**	**53,354**
Dividends		70,924	45,500
Interest income		10,567	7,854
Other operating income-	Note 15.2	**4,798**	**2,979**
Non-core and other current operating income		4,798	2,979
Staff costs-	Note 15.3	**(4,851)**	**(2,966)**
Wages, salaries and similar expenses		(4,405)	(2,570)
Employee benefit costs		(446)	(396)
Other operating expenses-	Note 15.4	**(22,559)**	**(16,213)**
Outside services		(20,083)	(16,116)
Taxes other than income tax		(2,476)	(97)
Depreciation and amortisation	Notes 6 and 7	**(903)**	**(50)**
Profit from operations		**57,976**	**37,104**
Finance income-	Note 15.5	**60**	**300**
Borrowings from Group companies and associates		-	115
Borrowings from third parties		60	185
Finance costs-	Note 15.5	**(41,489)**	**(25,152)**
Borrowings from Group companies and associates	Note 17.3	(561)	(543)
Borrowings from third parties		(40,928)	(24,609)
Change in fair value of financial instruments		**(393)**	**-**
Exchange differences		**(22)**	**(6)**
Net financial profit/loss		**(41,844)**	**(24,858)**
Profit before tax		**16.132**	**12,246**
Income tax	Note 13.4	13.102	9,293
Profit for the year		**29.234**	**21,539**

The accompanying Notes 1 to 20 and Appendix I are an integral part of the income statement for 2016.

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

CELLNEX TELECOM , S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016
A) STATEMENT OF RECOGNISED INCOME AND EXPENSE

(Thousands of Euros)

	2016	2015
PROFIT FOR THE YEAR PER INCOME STATEMENT	**29,234**	**21,539**
Income and expense recognised directly in equity	-	-
Transfers to the income statement	-	-
Total recognised income and expense	**29,234**	**21,539**

The accompanying Notes 1 to 20 and Appendix I are an integral part of the statement of recognised income and expense for 2016.

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

CELLNEX TELECOM , S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016
B) STATEMENT OF TOTAL CHANGES IN EQUITY

(Thousands of Euros)

	Capital	Share premium	Reserves	(Treasury shares)	Profit for the year	(Interim dividend)	Total
Total balance 2014	**57,921**	**338,733**	**11,584**	**-**	**35,015**	**-**	**443,253**
Total recognised income and expense	-	-	-	-	21,539	-	21,539
Transactions with shareholders or owners							
Distribution of dividends	-	-	-	-	-	(9,267)	(9,267)
Other changes in equity	-	-	35,015	-	(35,015)	-	-
Total balance 2015	**57,921**	**338,733**	**46,599**	**-**	**21,539**	**(9,267)**	**455,525**
Total recognised income and expense	-	-	-	-	29,234	-	29,234
Transactions with shareholders or owners							
Distribution of dividends	-	-	(10,889)	-	-	(10,194)	(21,083)
Transactions with treasury shares (net)	-	-	(254)	(2,694)	-	-	(2,948)
Other changes in equity	-	-	12,272	-	(21,539)	9,267	-
Total balance 2016	**57,921**	**338,733**	**47,728**	**(2,694)**	**29,234**	**(10,194)**	**460,728**

The accompanying Notes 1 to 20 and Appendix I are an integral part of the statement of total changes in equity for 2016.

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

CELLNEX TELECOM , S.A.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

(Thousands of Euros)

	Notes	2016	2015
CASH FLOWS - OPERATING ACTIVITIES (I)		**50,926**	**33,944**
Profit for the year before tax		**16,132**	**12,246**
Adjustments to profit-		**42,747**	**24,908**
Depreciation and amortisation charge	Notes 6 and 7	903	50
Gains/(losses) on derecognition and disposal of financial instruments		393	-
Finance income		(60)	(300)
Finance costs	Note 15.5	41,489	25,152
Exchange differences		22	6
Changes in working capital-		**25,066**	**(2,118)**
Trade and other receivables		(5,975)	(2,042)
Other current assets and liabilities		3,700	2,514
Trade and other payables		27,341	(2,590)
Other cash flows from operating activities-		**(33,019)**	**(1,092)**
Interest paid		(24,218)	(9,832)
Interest received		49	300
Income tax recovered (paid)		(8,853)	10,683
Other receivables and payables		3	(2,243)
CASH FLOWS - INVESTING ACTIVITIES (II)		**(668,355)**	**(740,170)**
Payments due to investments-		**(668,355)**	**(740,170)**
Group companies and associates	Note 17.3	(664,672)	(739,388)
Property, plant and equipment and intangible assets		(3,529)	(483)
Other financial assets		(154)	(299)
CASH FLOWS - FINANCING ACTIVITIES (III)		**773,442**	**639,880**
Proceeds and payments relating to equity instruments		**(2,948)**	**-**
Acquisition of own equity instruments (net)		(2,948)	-
Proceeds and payments relating to financial liabilities		**797,273**	**647,955**
Proceeds from issue of bank borrowings	Note 12.1	271,731	674,885
Bond issues	Note 12.2	801,804	591,174
Debt issues with Group companies and associates (cash pooling)	Note 17.3	103,738	104,136
Repayment and redemption of bank borrowings	Note 12.1	(380,000)	(722,240)
Dividends paid and returns on other equity instruments-		**(21,083)**	**(8,075)**
Dividends	Note 11.4	(21,083)	(8,075)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III)		**155,813**	**(66,346)**
Cash and cash equivalents at beginning of period		940	67,286
Cash and cash equivalents at end of period		156,753	940

The accompanying Notes 1 to 20 and Appendix I are an integral part of the statement of cash flows for 2016.

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

Cellnex Telecom, S.A.

Notes to financial statements
for the year ended
31 December 2016

1. General information

Cellnex Telecom, S.A. ("the Company") was incorporated in Barcelona on 25 June 2008. Its registered office is at Avenida del Parc Logístic No. 12-20, Barcelona.

On 1 April 2015 it underwent a name change from Abertis Telecom Terrestre, S.A.U. to Cellnex Telecom, S.A.

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

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

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

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

Public Offering and admission of Cellnex shares for trading (IPO)

On 19 March 2015 the Company's Board of Directors, as delegated by the General Shareholders' Meeting of Abertis Infraestructuras, S.A. on the same date, unanimously resolved to apply for admission for official trading on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia and the consequent public offering of shares in the Spanish securities market, a process that was successfully completed, with all the Company's shares listed as of 7 May 2015. A total of 66% of the shares were offered for public sale by Abertis Infraestructuras, S.A., due to exercise by the coordinating banks of the green-shoe option (see Note 11).

The Company is the Parent of a group of subsidiaries, and under current legislation it is required to draw up separate consolidated financial statements. The consolidated financial statements of the Cellnex Group for 2016 were drawn up by the Directors at a Board meeting on 16 February 2017.

The consolidated financial statements for 2015 were approved by the General Shareholders' Meeting of Cellnex Telecom, S.A. on 30 June 2016, and were filed with the Barcelona Companies Register.

The main figures of the consolidated financial statements for 2016, which were drawn up in accordance with Final Provision Eleven of Law 62/2003 of 30 December, under International Financial Reporting Standards adopted by the European Union, are as follows:

	Thousands of euros
	2016
Total assets	2,895,479
Equity (of the Parent)	469,777
Equity (of non-controlling interests)	81,424
Income from consolidated operations	704,585
Profit for the year attributable to the parent	39,817
Profit for the year attributable to non-controlling interests	569

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

2. Basis of presentation

2.1. Regulatory financial reporting framework applicable to the Company

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

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

- Spain's National Charter of Accounts approved by Royal Decree 1514/2007 and sector-specific adaptations, and also Royal Decree 1159/2010 of 17 September amending certain portions of the National Charter of Accounts.

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

- Any other applicable Spanish accounting regulations.

2.2. True and fair image

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

The 2015 financial statements were approved by the General Shareholders' Meeting of Cellnex Telecom, S.A. on 30 June 2016

2.3. Non-mandatory accounting principles applied

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

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

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

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

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

- Recoverable amount of investments in Group companies and associates and loans to Group companies (see Notes 4.4 and 8).

- The criterion of recognition of deferred taxes (see Notes 4.7 and 13).

- Assessment of litigation, commitments and contingent assets and liabilities at year-end (see Notes 4.9 and 16).

2.5. Comparative information

The information in the accompanying notes to the 2016 financial statements is presented for the purposes of comparison with information relating to 2015.

In December 2016, Royal Decree 602/2016 of 2 December was approved amending the Spain's National Charter of Accounts approved by Royal Decree 1514/2007 of 16 November. Said Royal Decree 602/2016 is applicable to financial years beginning on or after 1 January 2016.

The main changes introduced by Royal Decree 602/2016 affecting the Company refer to new disclosures of information in the notes to financial statements among those that are, as significant, the followings: a) the amounts paid in relation to the public liability insurance of the Directors; b) employees with disabilities greater than or equal to 33%; and c) the conclusion, modification or early termination of any contract between a commercial company and any of its partners or Directors or person acting on their behalf, in the case of a transaction outside the ordinary traffic of the company or that is not performed under normal conditions.

In relation to the new information requirements to be included in the notes to financial statements and, according to the Second Additional Provision of the aforementioned Royal Decree, the Company has optionally included in the notes 15.3, 17.1 and 18.3 of the notes to financial statements the corresponding comparative information.

2.6. Correction of errors

No significant errors in the preparation of the accompanying financial statements were detected that required the figures disclosed in the 2015 financial statements to be restated.

2.7. Grouping of items

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

2.8. Going concern

At 31 December 2016 and 2015, the accompanying balance sheet showed a negative working capital of EUR 145,364 thousand and EUR 246,591 thousand respectively. This was due to the credit facilities (cash pooling) signed by the Company with Cellnex Italia, S.r.L., Retevisión-I, S.A.U. and Tradia Telecom, S.A.U. (see Note 17.3), which were classified as current on the accompanying balance sheet as their maturity date is 31 December 2017, and they may be renewed tacitly on an annual basis. The Company's Directors drew up these financial statements on the going-concern principle, with consideration given, as mitigating factors, to the belief that generating cash flows on operations in accordance with the Cellnex Group business plan will be sufficient to fund the operations planned for 2017, and acknowledgement by Cellnex Italia, S.r.L., Retevisión-I, S.A.U. and Tradia Telecom, S.A.U. that they will not enforce these credit facilities.

In addition, the Company holds loans and credit facilities for an overall total of EUR 669,100 and EUR 120,000 thousand, which have not been drawn down at 31 December 2016 and 31 December 2015, respectively (see Note 12).

3. Proposed distribution of profit

The distribution of 2016 profit proposed by the Company's Directors for approval by the General Shareholders' Meeting is as follows:

	Thousands of euros
Basis of distribution:	
Profit for the year	29,234
	29,234
Distribution:	
Interim dividend	10,194
Final Dividend	9,806
Other reserves	9,234
	29,234

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

In 2016 an interim dividend totalling EUR 10,194 thousand was paid out, equivalent to EUR 0.044 gross per share, payable on all the shares that make up the share capital of the Company (EUR 9,267 thousand equivalent to EUR 0.04 gross per share, in 2015).

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

	Thousands of euros
Net profit for the period 01/01/2016 to 31/10/2016	**21,855**
To deduct: Legal reserve Available for interim dividend	 - 21,855
Total interim dividend 2016	**10,194**
Available in lines of credit for Cellnex Telecom, S.A. at 31/10/2016 Available in bank accounts at 31/10/2016 Collections-Payments scheduled up to 31/12/2016	615,000 71,473 (87,618)
Liquidity available prior to payment	**598,855**
Interim dividend	(10,194)
Liquidity available after payment	**588,661**

4. Accounting policies and measurement bases

The main accounting policies and measurement bases used by the Company in drawing up its financial statements for 2016 and 2015, in accordance with Spain's National Charter of Accounts, were as follows:

4.1. Intangible assets

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

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

Research and development costs

Research costs are recognised as they are incurred, whereas development costs incurred in a project are capitalised if the project is feasible from a commercial perspective, if there are sufficient financial resources to complete the project, if the costs incurred can be reliably determined and the generation of future profits is likely. These are recognised at their cost of acquisition.

Amortisation is on a straight-line basis against the estimated useful life for each project.

Computer software

This 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 on a straight-line basis over a useful life of 4 years. Computer software maintenance costs are charged to the income statement in the year in which they are incurred.

4.2. Property, plant and equipment

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

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

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

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

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

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

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

When an asset's carrying amount exceeds its estimated recoverable amount, the carrying amount is immediately reduced to its recoverable amount, and the effect is taken to the income statement for the year (see Note 4.3).

4.3. Impairment of non-financial assets

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

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

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

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

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

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

4.4. Financial assets

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

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

The Company's financial assets are classified as:

a) Loans and receivables

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

This account mainly relates to:

- 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 on initial recognition. This value is reduced, if necessary, by provision for bad debts (impairment loss) whenever there is objective evidence that the amount owed will not be collected in full, with an impact on the income statement for the year.

- Receivables from loans with group companies, associates, or related entities which are measured at their nominal value (which does not differ significantly from their amortised cost using the effective interest method).

At year-end, the necessary valuation adjustments due to impairment are performed if there is objective evidence that the total receivable will not be collected.

b) Equity investments in Group companies and associates

Group companies are deemed to be those related to the Company as a result of control relationship and associates are companies over which the Company exercises significant influence.

These are stated at cost less any accumulated valuation adjustments due to impairment and, if a hedge of a net investment in a foreign operation is designated, adjusted by the part of the hedge that meets the criteria for qualifying as an effective hedge. Nevertheless, when there is an investment prior to its classification as a Group company or associate, the cost of the investment is its carrying amount before it is classified as such. The preceding valuation adjustments recognised directly in equity are maintained until the asset is derecognised.

If there is objective evidence that the carrying amount is not recoverable, the necessary adjustments are made for the difference between the carrying amount and the recoverable amount, the latter being understood as the greater of its fair value less costs to sell and the present value of the cash flows generated by the investment. Unless there is better evidence of the recoverable amount, the estimate of the impairment of the investments takes into account the equity of the investee adjusted by the amount of the unrealised gains at the date of measurement. Valuation adjustments and, as appropriate, their reversal, are recognised on the income statement in the year in which they arise.

The Company derecognises a financial asset when the right to receive the asset's cash flows has expired is sold and substantially all the risks and rewards of ownership have been transferred.

The assets that are designated as hedges are subject to the valuation requirements of hedge accounting (see Note 4.6).

4.5. Financial liabilities

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

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

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

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

4.6. Derivative financial instruments and hedge accounting

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

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

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

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

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

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

a) Cash flow hedge

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

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

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

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

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

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

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

c) Derivatives not recognised as hedges

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

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

d) Fair value and valuation techniques

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

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

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

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

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

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

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

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

At 31 December 2016 and 2015 the Company did not hold any derivative financial instruments.

4.7. Income tax

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

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

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

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

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

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

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

4.8. Employee benefits

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

(i) Post-employment obligations:

Defined-contribution obligations

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

Defined-benefit obligations

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

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

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

(ii) Termination benefits

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

(iii) Obligations arising from plans for termination of employment

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

(iv) Long-term Incentive Plan

The amounts considered by the Company 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 17.1.

4.9. Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation (legal, contractual 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.

The provisions are measured at the present value of the disbursements expected to be necessary to settle the liability. Adjustments to the provision due to its restatement are recognised as borrowing costs as they accrue.

Provisions expiring in one year or less and that do not have a material financial impact are not discounted.

When it is expected that part of the disbursement required to settle the provision will be refunded by a third party, the refund is recognised as a separate asset, provided it is practically bound to be received.

Contingent liabilities are possible obligations arising as a result of past events, the emergence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company.

4.10. Recognition of revenue and expenses

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

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

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

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

Dividends receivable from investees in Spain are recognised at the time the dividends are approved by the respective General Shareholders' Meetings. Dividends receivable from investees not located in Spain are recognised when they are collected, at the exchange rate prevailing at the time.

4.11. Leases

When assets belonging to the company are used in operating leases, the assets are posted on the balance sheet according to their type. Income from leases is recognised using the straight-line method over the term of the lease.

4.12. Cash and cash equivalents

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

4.13. Treasury shares

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

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

4.14. Related party transactions

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

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

4.15. Transactions in currencies other than the euro

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

4.16. Activities affecting the environment

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

5. Financial risk management

5.1. Factors of financial risk

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

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

a) Foreign-exchange risk

Foreign-exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

The foreign-exchange risk on net assets of Company operations in non-euro currencies is managed, mainly, by raising debt in the corresponding currencies and/or through the use of cross-currency and interest-rate swaps.

The strategy of hedging foreign currency risk in Company investments in non-euro currencies must tend towards a full hedge of this risk, and must be implemented over a reasonable period of time depending on the market and the prior evaluation of the effect of the hedge.

b) Interest rate risk

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

Borrowings issued at floating rates expose the Company to cash flow interest rate risk, while fixed-rate borrowings expose it to fair value interest rate risk. Additionally any increase in interest rates would increase the Company's finance costs related to variable-rate indebtedness and increase the costs of refinancing existing indebtedness and the cost of issuing new debt.

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

The Company may use 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 with assumptions that are mainly based on the market conditions at the balance sheet date for unlisted derivative instruments (see Notes 4.6 and 12).

The main financing granted to third parties by the Company in 2016 and 2015 has no interest rate hedging mechanisms.

c) Credit risk

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

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

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

d) Liquidity risk

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

e) Inflation risk

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

5.2. Fair value measurements

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

6. Intangible assets

The changes in this heading on the balance sheets in 2016 and 2015 are as follows:

2016

	Thousands of euros
	Computer software
At 31 December 2015	
Cost	1,252
Accumulated amortisation	(36)
Carrying amount	**1,216**
Carrying amount at beginning of period	1,216
Additions	4,281
Amortisation charge	(779)
Carrying amount at end of period	**4,718**
At 31 December 2016	
Cost	5,533
Accumulated amortisation	(815)
Carrying amount	**4,718**

2015

	Thousands of euros		
	Computer software	Usage rights	Total
At 31 December 2014			
Cost	15	48	63
Accumulated amortisation	-	(48)	(48)
Carrying amount	**15**	**-**	**15**
Carrying amount at beginning of period	15	-	15
Additions	1,237	-	1,237
Disposals	-	(48)	(48)
Amortisation charge	(36)	-	(36)
Derecognition of depreciation	-	48	48
Carrying amount at end of period	**1,216**	**-**	**1,216**
At 31 December 2015			
Cost	1,252	-	1,252
Accumulated amortisation	(36)	-	(36)
Carrying amount	**1,216**	**-**	**1,216**

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

At 31 December 2016 and 2015, no totally amortised intangible assets were in operation.

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

7. Property, plant and equipment

The changes in this heading on the balance sheets in 2016 and 2015 were as follows:

2016

	Thousands of euros			
	Land and buildings	Plant and other items of property, plant and equipment	Property, plant and equipment under construction	Total
At 31 December 2015				
Cost	-	500	-	500
Accumulated amortisation	-	(14)	-	(14)
Carrying amount	**-**	**486**	**-**	**486**
Carrying amount at beginning of period	-	486	-	486
Additions	155	1,168	25	1,348
Amortisation charge	-	(124)	-	(124)
Carrying amount at end of period	**155**	**1,530**	**25**	**1,710**
At 31 December 2016				
Cost	155	1,668	25	1,848
Accumulated amortisation	-	(138)	-	(138)
Carrying amount	**155**	**1,530**	**25**	**1,710**

2015

	Thousands of euros		
	Land and buildings	Plant and other items of property, plant and equipment	Total
At 31 December 2014			
Cost	1	2	3
Accumulated amortisation	(1)	(2)	(3)
Carrying amount	-	-	-
Carrying amount at beginning of period	-	-	-
Additions	-	500	500
Disposals	(1)	(2)	(3)
Amortisation charge	-	(14)	(14)
Derecognition of depreciation	1	2	3
Carrying amount at end of period	-	**486**	**486**
At 31 December 2015			
Cost	-	500	500
Accumulated amortisation	-	(14)	(14)
Carrying amount	-	**486**	**486**

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

At 31 December 2016 and 2015, no totally depreciated PPE were in operation.

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

8. Investments in Group companies and associates

8.1. Equity instruments

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

At 31 December 2016 and 2015 there were no investees which, with a stake of less than 20%, it may be concluded there was significant influence or, in the case of investees with a stake of more than 20%, it may be concluded there was no significant influence.

The detail of this item is as follows:

2016

Shareholding in Group companies	Thousands of euros
At 31 December 2015	**1,314,126**
Additions-	
Cellnex Netherlands, B.V. (formerly Protelindo Netherlands, B.V.)	112,066
Cellnex France, S.A.S.	80,000
Shere Group Limited	414,539
	606,605
At 31 December 2016	**1,920,731**

2015

Shareholding in Group companies	Thousands of euros
At 31 December 2014	**619,116**
Additions-	
Cellnex Italia, S r.L. (formerly Smartowers Italy, S r.L.)	789,610
	789,610
Disposals-	
TowerCo, S.p.A.	(94,600)
	(94,600)
At 31 December 2015	**1,314,126**

The main additions in 2016 relate to the following transactions:

- On 27 May 2016 the Company reached an agreement to acquire 100% of the share capital of Protelindo Netherlands, BV (which, in turn, owns all the shares of Protelindo Towers, BV), a subsidiary of the Indonesian telecommunications towers group PT Sarana Menara Nusantara for EUR 112 million. As a result of the acquisition, Cellnex directly owns all the shares of Protelindo Netherlands BV and, consequently, all the shares of Protelindo Towers BV.

  On 1 July 2016 Protelindo Netherlands B.V. changed its name to Cellnex Netherlands B.V. On 24 October 2016 Protelindo Towers B.V. changed its name to Towerlink Netherlands B.V.

- On 8 July 2016 Cellnex Telecom, S.A. incorporated the company Cellnex France, S.A.S. with a share capital of EUR 1. Subsequently, on 13 Septermber 2016, Cellnex France, S.A.S. increased its share capital by EUR 19,999 with a share premium of EUR 79,980 thousand, of which, EUR 2 thousand were used to constitute its legal reserve. This increase in share capital, for the amount of EUR 80,000 thousand, was fully subscribed by Cellnex Telecom.

- On 29 September 2016, the Company signed a contract with Arcus Infrastructure Partners and other minority shareholders to purchase 100% of the share capital of Shere Group Limited, owner of 1,004 sites located in the Netherlands and UK for a total of EUR 409 million. The transaction was completed on 15 October 2016, following several administrative authorizations.

Finally, in 2016, the hedge of net investment in foreign operations of certain companies of the Shere Group subgroup has resulted in an increase in the cost of the investment of EUR 5,904 thousand (EUR 0 thousand in 2015). This change was recognised with a balancing entry in the income statement for the year (under “Change in fair value of financial instruments”) because of the exchange rate effect resulting from that part of the hedge considered effective, the impact being offset by the effect of the hedges arranged (see Note 12), also recognised in the same item of the income statement (see Note 15.5).

The main changes in 2015 were as follows:

- On 19 February 2015 Cellnex Telecom, S.A. incorporated the Italian company Smartowers Italy, S.r.L. with a share capital of EUR 10 thousand, with a view to subsequently acquiring Galata, S.p.A. On 9 July 2015 the company name was changed to Cellnex Italia, S.r.L. On 26 March 2015, through Cellnex Italia, S.r.L., Cellnex completed its purchase of 90% of the share capital of the Italian company Galata from Wind Telecomunicazioni, S.p.A. for a total of EUR 693 million.

- On 15 September 2015 the Company incorporated the British company Cellnex UK Limited with a share capital of 1 sterling pound.

- The following restructuring process was carried out in 2015 among companies belonging to the Cellnex Group in which the Company holds a 100% stake:

  - Purchase by Smartowers Italy, S.r.L. of all the shares of TowerCo, S.p.A., to date owned by Cellnex Telecom, S.A., for its carrying amount of EUR 94.6 million.
  - To fund the purchase, Cellnex Telecom, S.A. carried out a shareholders' contribution to Smartowers Italy, S.r.L. in the same amount.
  - Subsequently, on 9 July 2015 the bylaws of Smartowers Italy, S.r.L. were amended, changing the name of the company to Cellnex Italia S.r.L., with registered address in Rome.

8.2. Impairment

As indicated in Note 4.4, an evaluation is carried out at year-end as to whether any of the investments recognised as their carrying amounts present impairment losses or indications of loss.

To this end, as the first step, the recoverable amount estimate method was used, based on the equity value.

Where this method was used and it was clear that the carrying amount was higher, the recoverable amount of the investment was determined on the basis of the present value of the future cash flows generated by the investment, calculated on the basis of an estimate of its share of the cash flows expected to be generated by the investee, or market value (price of similar, recent transactions in the market) less costs associated with the sale.

As the result of the foregoing, in 2016 and 2015 there was no need to recognise any impairment loss.

At 31 December 2016 and 2015, any provision for impairment was recorded.

8.3. Other information

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

9. Current and non-current financial investments

The breakdown of financial investments by categories is as follows:

	Thousands of euros	
	31/12/2016	31/12/2015
	Non-current	Non-current
Investment fund	210	150
Deposits and guarantees	333	239
Total	**543**	**389**

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

In 2016 and 2015 additional contributions were made in the amount of EUR 60 thousand in each financial year.

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

10. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

	Thousands of euros	
	31/12/2016	31/12/2015
Cash	97,742	926
Cash equivalents	59,000	-
Bank interest	11	14
Total	**156,753**	**940**

At 31 December 2016 the Company had fixed-term deposits with two banks, in the total amount of EUR 59,000 thousand. It was created on 30 December 2016, with a 13-day maturity.

11. Net equity

11.1. Capital and treasury shares

Share capital

At 31 December 2016 and 2015, Company share capital was composed of 231,683,240 ordinary registered shares, cumulative and indivisible, each with a nominal value of EUR 0.25, fully subscribed and paid up.

As mentioned in Note 1, on 19 March 2015 the Company's Board of Directors, as delegated by the General Shareholders' Meeting of Abertis Infraestructuras, S.A. on the same date, unanimously resolved to apply for admission for official trading on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia and the consequent public offering of shares in the Spanish securities market, a process that was successfully completed, with all the Company's shares listed as of 7 May 2015. A total of 66% of the shares were offered for public sale by Abertis Infraestructuras, S.A., due to exercise by the coordinating banks of the green-shoe option.

The number of shares in the public offering was set at 139,009,944, with a nominal value of EUR 0.25 each, offered to qualified investors through global collaborating entities. It was also decided to set the volume of the call option (green-shoe option) at 13,900,994 shares, to be conferred by Abertis Infraestructuras, S.A.

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

According to communications issued to the Spanish National Securities Market Commission (CNMV) on the number of company shares, the shareholders with significant direct or indirect stakes in the Company's share capital were as follows at 31 December 2016 and 2015:

	% stake	
	2016	2015
Abertis Infraestructuras, S.A.	34.00%	34.00%
Ameriprise Financial, Inc (1)	-	8.86%
Threadneedle Asset Management Ltd (2)	7.76%	-
Blackrock, Inc (3)	5.54%	6.22%
Criteria Caixa, S.A.U.	5.00%	4.63%
Total	**52.30%**	**53.71%**

(1) At the close of the previous year the holding was held through Threadneedle Asset Management Holdings Limited of 8.63% and Columbia Management Investment Advisors, LLC of 0.23%. During 2016, these shareholder has transferred all voting rights held.

(2) Threadneedle Asset Management Ltd controls 7.762% of the rights to vote across several investment funds and other accounts. None of the above mentioned funds and/or accounts have a shareholding higher than 3%.

(3) Shareholding through Blackrock Advisors, LLC of 3.22% and the rest corresponds to managed collective institutions with a percentage lower than 3%. In addition, there is a total holding of 0.38% through financial instruments connected to shares in the Company. At the yearend 2015, this shareholding was through Blackrock Advisors for 4.38% and the rest relates to managed collective institutions with a percentage lower than 3%.

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

In accordance with the agreements of the Annual General Shareholders' Meeting and in accordance with the terms established in article 297.1(b) of the Spanish Limited Liability Companies Act, to delegate to the company's Board of Directors the power to increase the share capital, in one go or in various successive increases, by up to half of the current share capital at any time within five years of the date on which this decision was adopted. The granting of the power to exclude pre-emptive subscription rights is explicitly set out, in accordance with the provisions of article 506 of said Act (although this power will be limited to capital increases carried out up to an amount equivalent to 20% of the Company's share capital on the date that the decision became effective); and all of these powers may be delegated to any of the Board members.

Furthermore, in accordance with these AGSM ("Annual General Shareholders Meeting") agreements, the following powers were delegated to the Board of Directors of the Company:

i. The power to issue convertible bonds up to an amount of EUR 750 million
ii. The power to purchase treasury shares up to a limit of 10% of the share capital of the Company.

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

Treasury shares

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

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

The liquidity contract lasts for twelve months and can be renewed tacitly at yearly intervals. The number of shares initially subject to the agreement amount to 139,000 shares and the amount transferred to the cash account amounts to 2,000 thousand Euros. As at 31 December 2016 the Company has registered a loss of 190 thousand Euros (0 thousand Euros in 2015) as a result of these operations and this has been taken as a reserve movement in the balance sheet.

As a result of the operations carried out, the balance of treasury shares as at 31 December 2016 represents 0.09% of the share capital of Cellnex Telecom, S.A. (0% as at 31 December 2015.)

The movement in the portfolio of treasury shares in 2016 were as follows:

	Number (Thousands of Shares)	Average price	Purchases /Sales (Thousands of Euros)
At 1 January 2016	-	-	-
Purchases	10,108	14.607	147,654
Sales	(9,911)	14.626	(144,960)
At 31 December 2016	**197**	**13.676**	**2,694**

11.2. Share premium

In 2013, as a result of corporate restructuring due to the contribution of the terrestrial telecommunications business to the Company, its share premium was increased by EUR 338,733 thousand.

At 31 December 2016 and 2015, there were no changes in this heading.

11.3. Reserves

The breakdown of this account is as follows:

	Thousands of euros	
	31/12/2016	31/12/2015
Legal reserve	11,584	11,584
Voluntary reserves	36,144	35,015
	47,728	**46,599**

(1) Liquidity contract in accordance with the CNMV circular 3/2007 of 19 December covering liquidity contracts for the purpose of their acceptance as market practice.

Legal reserve

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

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

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

At 31 December 2016 and 2015, the legal reserve had reached the legally established minimum.

Voluntary reserves

Voluntary reserves are unrestricted.

11.4. Dividends

On 30 June 2016, 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, which amounted to EUR 10,889 thousand.

As explained in Note 3, during the 2016 financial year an interim dividend amounting to EUR 10,194 thousand was distributed, which represents EUR 0.044 gross for each of the shares that make up the share capital of Cellnex Telecom, S.A. (EUR 9,267 thousand at year-end 2015, representing EUR 0.04 gross per share).

12. Current and non-current debt

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

	Thousands of euros	
	Debits and payables	
	31/12/2016	31/12/2015
Bond Issues	1,410,466	599,743
Syndicated financing	152	374,522
Loans and credit facilities	279,635	-
Other financial liabilities	3,353	1,253
Total	**1,693,606**	**975,518**

Set out below is a breakdown, by type of debt and maturity, of debts payable at year-end:

2016

	Thousands of euros							
	Limit	Current	Non-current					Total
			2018	2019	2020	2021	2022 and subsequent years	
Syndicated financing	500,000	152	-	-	-	-	-	152
Bond issues	1,415,000	15,254	-	-	-	-	1,415,000	1,430,254
Accrual of bond arrangement expenses		(2,727)	(2,808)	(2,892)	(2,978)	(3,067)	(5,316)	(19,788)
Loans and credit facilities	447,598	1,556	72,706	125,792	-	80,000	-	280,054
Accrual of loans and credit facilities arrangement expenses		(168)	(68)	(69)	(70)	(44)	-	(419)
Other financial liabilities	-	3,353	-	-	-	-	-	3,353
Total	**2,362,598**	**17,420**	**69,830**	**122,831**	**(3,048)**	**76,889**	**1,409,684**	**1,693,606**

2015

	Thousands of euros							
	Limit	Current	Non-current					Total
			2017	2018	2019	2020	2021 and subsequent years	
Syndicated financing	500,000	193	-	-	-	380,000	-	380,193
Accrual of syndicated debt arrangement expenses		(1,214)	(1,228)	(1,240)	(1,254)	(735)	-	(5,671)
Bonds	600,000	8,094	-	-	-	-	600,000	608,094
Accrual of bond arrangement expenses		(1,155)	(1,194)	(1,234)	(1,276)	(1,319)	(2,173)	(8,351)
Total	**1,100,000**	**5,918**	**(2,422)**	**(2,474)**	**(2,530)**	**377,946**	**597,827**	**974,265**

The Company's bank borrowings are stated at their nominal value, which is not significantly different from their fair value.

Company debt is denominated in euros.

At 31 December 2016, the total limit of loans and credit facilities amounts to EUR 947,598 thousands (EUR 500,000 thousands in 2015), of which EUR 867,598 represent credit facilities and EUR 80,000 thousands represent loans (EUR 500,000 thousands and EUR 0 thousands in 2015 respectively).

Of the EUR 867,598 thousand in credit facilities, EUR 267,598 thousand (EUR 0 thousand in 2015) may be used either in euros or in another currency, at the equivalent value. The credit facilities in euros accrue interest at Euribor plus a spread, while the lines drawn down in currencies other than the euro accrue interest indexed to Libor.

The Company holds credit facilities for an overall total of EUR 669,100 and EUR 120,000 thousand, which have not been drawn down at 31 December 2016 and 31 December 2015, respectively.

At 31 December 2016 the average annual cost of all available borrowings would be 2.0% (2.2% in 2015) if entirely drawn down. The average weighted interest rate for 2016 on bond issues and bank borrowings drawn down was 2.5% (1.7% in 2015).

12.1 Syndicated financing

As described in Note 12 of the financial statements for the year 2015, during that financial year, the restructuring of the Company's borrowings took place. This 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.

During the 2015 financial year, Cellnex 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.

As a result of the above, at 31 December 2015, EUR 4.5 million was deducted from "Bank borrowings", corresponding to liabilities that have been derecognised from the 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.

On 1 August 2016, in line with the bond issue of the same date described below, Cellnex agreed to a non-extinctive novation of the syndicated financing with the corresponding banks, through which Cellnex managed to extend the average life of the debt with a revolving credit facility of EUR 500 million maturing in five years plus two one-year extensions each.

As a consequence of this non-extinctive novation, the upfront fees previously capitalised as part of the amortised cost of the debt in the balance sheet, amounting to 5 million Euros, were taken to the consolidated income statement for the year ended 31 December 2016, under interest expense.

At 31 December 2016 the credit facility was not drawn down (EUR 180 million drawn down at the close of 2015).

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

The aim of the financial policy approved by the Company's Board of Directors is to secure financing at a lower cost and longer tenure while diversifying its funding sources. In addition, this encourages access to capital markets and have greater flexibility in contracts that facilitate the continuation of the Group's growth strategy of which the Company is the Parent.

Clauses regarding changes in control

The syndicated loan includes a clause regarding changes in control, whether due to the acquisition of 50% of shares with voting rights or due to obtaining the right to appoint or dismiss the majority of the members of the Company's Board of Directors.

Commitments and restrictions of syndicated financing

At 31 December 2016 and 31 December 2015, the Company has no restrictions regarding the use of capital resources derived from the syndicated financing formalised during the 2015 financial year.

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 Company may select the EURIBOR period to be settled.

The revolving credit facility accrues a EURIBOR interest rate plus a margin of between 40 and 90 basis points. These margins may vary depending on the Group's "net debt: EBDITA" 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.

Submitted guarantees and financial ratios

At 31 December 2016 and 31 December 2015, and as a result of the aforementioned restructuring of the Company's financial debt, the submitted guarantees in earlier syndicated financing were eliminated.

The syndicated financing contract held at 31 December 2016 and 31 December 2015 is not linked to the Company's compliance with financial ratios.

12.2 Bond issues

On 14 May 2015 the Company arranged a Euro Medium Term Note Programme (EMTN). A total of EUR 2,000 million of bonds can be issued on the Irish Stock Exchange under the programme.

Bond issue programme – Euro Medium Term Note Programme (EMTN Programme)

The details of the bond issue are as follows:

Issue date	Duration	Maturity date	Fixed coupon payable per annum	Thousands of Euros	
				Amount of issue	**Amount of issue at 31 December 2016**
27/07/2015	7 years	27/07/2022	3.125%	600,000	600,000
10/08/2016	8 years	16/01/2024	2.375%	750,000	750,000
16/12/2016	16 years	20/12/2032	3.875%	65,000	65,000

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.

On 30 March 2016 Cellnex Telecom was added to the list of corporate bonds eligible for discount at the European Central Bank. This action falls within the Corporate Sector Purchase Programme (CSPP), which on 10 March completed the Asset Purchase Programme (APP) already deployed by the ECB.

Subsequently, on 1 August 2016, 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 750 million maturing in January 2024 and a coupon rate of 2.375%. The closure and payment of this issue was carried out on 10 August 2016.

In addition, on 1 November 2016 the Group released a supplement to the Euro Medium Term Note (EMTN) Programme through the Company. This supplement increases the overall limit of programme by EUR 3,000 million.

On 13 December 2016, in accordance with the Programme described below, Cellnex successfully completed the pricing of a private placement of straight bonds (rated BBB- by Fitch Ratings) aimed at qualified investors for an amount of EUR 65 million maturing in December 2032 and a coupon rate of 3.875%. The closure and payment of this issue was carried out on 16 December 2016.

The bond issues have certain associated costs, customary in this type of transaction, such as arrangement expenses and advisers' fees amounting to EUR 13,196 thousand in relation to the bonds issued in 2016, that the Compamy defers over the life of the bonds and is, thus, taken to income following a financial criterion. In this regard, an amount of 19,788 and 8,351 was deducted from bond issues in the balance sheet as at 31 December 2016 and 31 December 2015 respectively.

The upfront fees accrued in the income statement for the year ended 31 December 2016 in relation to the bond issues amounted to EUR 1,759 thousand (EUR 475 thousand in 2015). In addition, the payment of the amount for the aforementioned bond issue involved the derecognition of the upfront fees associated with the syndicated financing which was fully drawn down at the date of issue of the bonds and the payment of commissions and other costs amounting to EUR 4,983 thousand, which have been recorded under "Financial expenses" in the income statement at 31 December 2016 (EUR 4,656 thousand at 31 December 2015).

Clauses regarding changes in control

The issue of bonds includes a clause regarding changes in control, whether due to the acquisition of 50% of shares with voting rights or due to obtaining the right to appoint or dismiss the majority of the members of the Company's Board of Directors.

In addition, this change in control would have to bring about a reduction in the rating of these bonds, provided that the rating agency states that the reduction of the credit rating is caused by the change in control.

12.3 Loans and credit facilities

During 2016, the Company signed new loans and credit facilities in addition to the syndicated financing detailed above, which did not exist at the close of the previous year.

In the second and final quarters of 2016, the Company entered into two loans amounting to EUR 80,000 thousand with a variable interest at EURIBOR, both with a single maturity set in 2021, which are fully drawn down at 31 December 2016.

At 31 December 2016 and 31 December 2015, the Company maintains credit facilities with a total limit of EUR 367,598 thousand (EUR 0 thousand in 2015) and maturities in excess of one year. Of this amount, at 31 December 2016 the Group maintains EUR 169,100 thousand available for draw down in nominal terms (EUR 0 thousand in 2015).

The revolving credit facilities have maturity dates between 3 and 5 years (including renewals) and accrue interest at Euribor o Libor plus a margin between 80 and 120 basis points as at 31 December 2016

The Company holds credit facilities for an overall total of EUR 367,598 and EUR 0 thousand at 31 December 2016 and 2015, respectively, which have been drawn down in amount of 198,498 thousand Euros at 31 December 2016 (0 thousand Euros at 2015 year-end).

At 31 December 2016, loans and credit facilities accrued interests pending settlement of EUR 557 thousand (EUR 0 thousand at 2015 year-end).

As described in Note 4.6.b the foreign exchange risk on the net investment of operations of group companies denominated in non Euro currencies is managed by means of borrowings denominated in the corresponding foreign currency.

In this regard, at 31 December 2016 the Company maintains borrowings in GBP, which acts as a natural hedge of the net investment in the Shere UK Group. The amount of these borrowings amount to GBP 152,907 thousand with a Euro value of EUR 178,592 thousand, and is held by means of various credit facilities denominated in GBP. These non-derivate financial instruments are assigned as net investment hedges against the net assets of the Shere UK Group. The maturity of these borrowings is between 2019 and 2021.

As described in Note 4.6 section b), hedges of net foreign investments in operations relating to subsidiaries are accounted for as fair value hedges, in relation to the exchange component, that is, as a balancing entry in the income statement (see Note 15.5).

The amount recognised in the income statement under "Change in fair value of financial instruments" (see Note 15.5) for this item was recognised as a net finance expense of EUR 6,297 thousand (EUR 0 thousand in 2015), offset by the respective recognition of the net increase of the investment (see Note 8.1).

At 31 December 2016 and 31 December 2015 the carrying value of the loans and credit facilities does not differ significantly from their fair value.

Clauses regarding changes in control

The loans and credit facilities include a clause regarding changes in control, which could be triggered by the acquisition of 50% of the shares of the Company with voting rights or due to obtaining the right to appoint or dismiss the majority of the members of the Company's Board of Directors.

Loans and credit facilities obligations and restrictions

At 31 December 2016 and 31 December 2015, the Group's aforementioned loan and credit facilities agreements with certain credit institutions include clauses regarding maturity and the obligation of early repayment if certain conditions, which are standard practice in the market, are not met by the borrower. At the date of signing of these consolidated financial statements, none of the grounds for early termination stipulated in these agreements applied to the Group.

12.4 Derivative financial instruments

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

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

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

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

No expenditure on settlements of derivative financial instruments resulted in 2016 (EUR 2,240 thousand in 2015).

As at 31 December 2016 and 2015 the Company had no derivative financial instruments.

12.5 Other financial liabilities

This heading relates to the outstanding balance with suppliers of fixed assets following the acquisition of assets by the Company during the year (see Notes 6 and 7).

12.6 Corporate rating

At 31 December 2016, Cellnex holds a long term "BBB-" (investment grade) with stable outlook according to the international credit rating agency Fitch Ratings Ltd. and a long-term "BB+" with stable outlook according to the international credit rating agency Standard & Poor's Financial Services LLC.

13. Income tax and tax situation

13.1. Tax-related disclosures

Cellnex Telecom, S.A.'s sole shareholder until 7 May 2015, Abertis Infraestructuras, S.A., completed the initial public offering (IPO) of this company on the same date. As a result, all Spanish companies making up the Cellnex Group file consolidated income tax returns, and are at least 75% owned by the Parent of the tax group, Cellnex Telecom, S.A.

During the year ended 31 December 2016, Cellnex Telecom, S.A. has become the head of a new consolidated tax group for the purposes of Value Added Tax (VAT) in Spain.

All taxes for which the Company is liable and in respect of which the statute of limitations has not expired are open for review. Income tax is open for review from 2012 onwards. As a result of the different interpretations that could be afforded to Spanish tax legislation applicable to some transactions, contingent tax liabilities could arise in the future, which are difficult to quantify objectively. Any additional assessments that might be made would not significantly affect the Company's financial statements.

In 2015 a general inspection was carried out on Abertis Infraestructuras, S.A. in relation to consolidated Income Tax between 2010 and 2011, and on the group's Value-Added Tax between July and December 2011. In this regard, it should be mentioned that in 2010 and 2011 Cellnex Telecom, S.A. was a subsidiary of the Abertis tax consolidation group. Likewise, with respect to value-added tax, Adesal Telecom, S.L. formed part of the Abertis Group's VAT group between July and December 2011.

During the year ended 31 December 2016 the scope of the inspection was extended to include the consolidated corporation tax situation for 2012 and 2013 and value added tax for the group of companies for the period February to December 2012 and 2013. In addition, in terms of value added, Adesal Telecom, S.L. and OnTower Telecom Infraestructuras, S.A.U. were included in the Abertis VAT group during the period between February and December 2012. Adesal Telecom, S.L., OnTower Telecom Infraestructuras, S.A.U., Retevisión-I, S.A.U. and Tradia Telecom, S.A.U. were included in the VAT Group for the period between February and December 2013.

At the date of issue for approval of these financial statements, no inspection activities had commenced for any Group company.

13.2. Current balances with public authorities

Details of current balances with public authorities are as follows:

Receivables

	Thousands of euros	
	31/12/2016	31/12/2015
VAT refundable	12	791
Total	**12**	**791**

Payables

	Thousands of euros	
	31/12/2016	31/12/2015
VAT payable	5,606	-
Personal Income tax withholdings	128	208
Social security taxes payable	13	12
Other taxes payable	1,166	1,193
Total	**6,913**	**1,413**

"Other taxes payable" is totally accounted for by the provisional withholding from the Company in respect of capital returns, pursuant to the provisions of Article 128 of Law 27/2014, as a result of the interim dividends distributed to shareholders in 2016 and 2015.

13.3. *Reconciliation between net accounting income and taxable income*

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

2016

	Thousands of euros		
	Increases	Decreases	Total
Net accounting income for the period			29,234
Income tax for the period			(13,102)
Permanent differences:			
Donations	16	-	16
Dividends	-	(70,924)	(70,924)
Temporary differences:			
Arising in the year	1,366	3	1,363
Taxable income	**1,382**	**(70,927)**	**(53,413)**

2015

	Thousands of euros		
	Increases	Decreases	Total
Net accounting income for the period			21,539
Income tax for the period			(9,293)
Permanent differences:			
Donations	40	-	40
Dividends	-	(45,500)	(45,500)
Temporary differences:			
Arising in the year	229	-	229
Taxable income	**269**	**(45,500)**	**(32,985)**

13.4. *Reconciliation between net accounting income and income tax expense*

The standard income tax rate for 2016 is 25% (28% for 2015).

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

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

	Thousands of Euros	
	2016	2015
Profit before tax	16,132	12,246
Theoretical tax	(4,033)	(3,429)
Impact on tax expense from (permanent differences):		
Donations	(4)	(11)
Dividends	17,731	12,740
Income tax expense for the year	**13,694**	**9,300**
Changes in tax rates	-	(7)
Other tax effects	(592)	-
Other tax effects	**(592)**	**(7)**
Income tax expense	**13,102**	**9,293**

In 2016 and 2015, dividends from companies in the consolidated tax group that were eliminated for the purposes of determining consolidated taxable income were considered permanent differences.

13.5. *Breakdown of income tax expense*

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

	Thousands of Euros	
	2016	2015
Current tax	13,353	9,231
Deferred tax	341	69
Tax from prior years/other	(592)	(7)
Income tax expense	**13,102**	**9,293**

The item "Tax from previous years/other" includes the amount settled in accordance with the Company's final tax return for the year 2015.

In 2015, the impact of changes in the tax rates approved in Corporate Income Tax Law 27/2014 of 27 November gave rise to a greater income tax expense for the year of EUR 7 thousand.

Tax withholdings and prepayments totalled EUR 12 thousand (EUR 36 thousand in 2015).

13.6. *Deferred taxes*

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

	Thousands of Euros	
	31/12/2016	31/12/2015
	Deferred tax assets	Deferred tax assets
At 1 January	**92**	**30**
Debits/(credits) in income statement	341	69
Changes in tax rates	-	(7)
Other tax effects	(8)	-
At 31 December	**425**	**92**

	Thousands of Euros	
	31/12/2016	31/12/2015
(Debits)/credits in income statement		
Deferred tax assets	341	69
Changes in tax rates	-	(7)
Other tax effects	(8)	-
Total debit to deferred tax expense	**333**	**62**

The breakdown of the deferred taxes is as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015
Deferred tax assets:		
Employee benefit obligations	425	74
Investment sale	-	18
Total deferred tax assets	**425**	**92**

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

Deferred tax assets include the temporary differences recognised at year-end. At 31 December 2016 and 2015, the Company did not have any unused tax credits or deductions unrecognised.

Expected schedule for reversal the deferred tax assets and liabilities

In most cases, the use of the Company's deferred tax assets and liabilities is conditional upon the future performance of the business activities, the tax regulations of the country in which it operates, and the strategic decisions to which it may be subject. Under the assumption used, it is estimated that the deferred tax assets and liabilities recognised in the balance sheet at 31 December 2016 and 2015 will be used as follows:

	Thousands of Euros		
	31/12/2016		
	Less than one year	More than one year	Total
Deferred tax assets	-	425	425
Total	**-**	**425**	**425**

	Thousands of Euros		
	31/12/2015		
	Less than one year	More than one year	Total
Deferred tax assets	18	74	92
Total	**18**	**74**	**92**

14. Foreign currency balances and transactions

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

	Thousands of euros	
	2016	2015
Equity instruments	145,791	-
Accounts receivable	108	26
Loans received	178,592	-
Services received	3,032	122

The breakdown of the exchange differences recognised in 2016, by type of financial instrument, is as follows:

	Thousands of euros	
	Transactions settled during the year	
	2016	2015
Other payables	22	6
Total	**22**	**6**

15. Revenue and expenses

14.1. Revenue

Revenue in 2016 and 2015 was as follows:

	Thousands of euros	
	2016	2015
Dividends (Note 17.3)	70,924	45,500
Interest income (Note 17.3)	10,567	7,854
Total	**81,491**	**53,354**

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

15.2. Other operating income

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

15.3. Staff costs

The detail of staff costs is as follows:

	Thousands of euros	
	2016	2015
Wages and salaries	4,405	2,570
Social Security contributions	126	111
Other employee benefit costs	320	285
Staff costs	**4,851**	**2,966**

The average number of employees at the Company at the end of the 2016 and 2015, broken down by job category and gender, is as follows:

	2016			2015		
	Male	Female	Total	Male	Female	Total
Chief Executive Officer	1	-	1	1	-	1
Senior management	3	-	3	3	-	3
Other executives, senior and middle management	3	3	6	2	3	5
Other employees	-	1	1	-	-	-
	7	**4**	**11**	**6**	**3**	**9**

The number of employees at the Company in 2016 and 2015, broken down by job category and gender, was as follows:

	2016			2015		
	Male	Female	Total	Male	Female	Total
Chief Executive Officer	1	-	1	1	-	1
Senior management	3	-	3	3	-	3
Other executives, senior and middle management	3	4	7	2	3	5
	7	**4**	**11**	**6**	**3**	**9**

The average number of employees at the Group with a level of disability of 33% or above in 2016 and 2015 was zero.

At year-end 2016 and 2015 the Board was composed of nine male Directors.

15.4. Other operating expenses

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

	Thousands of euros	
	2016	2015
Leases and royalties	2,063	1,159
Independent professional services	14,512	13,100
Advertising, publicity and public relations	1,228	1,755
Other external services	2,280	102
Total external services	**20,083**	**16,116**

15.5. Net financial profit/loss

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

	Thousands of euros			
	2016		2015	
	Income	Expense	Income	Expense
Finance income and interest from third parties	60	-	185	-
Finance income and interest from Group and Associates (Note 17.3)	-	-	115	-
Finance expenses and interest from third parties	-	40,928	-	24,609
Finance expenses and interest from Group and Associates (Note 17.3)	-	561	-	543
Change in fair value of financial instruments	7,585	7,978	-	-
Exchange differences	3	25	1	7
	7,648	**49,492**	**301**	**25,159**
Financial Profit/loss		**(41,844)**		**(24,858)**

The change in fair value of financial instruments for 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Gain/(Loss) on hedges	(393)	-
	(393)	**-**

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

16. Commitments and obligations

16.1. Contingent liabilities

At 31 December 2016 the Company had guarantees with third parties amounting to EUR 36.7 million (EUR 36.4 million in 2015).

16.2. Purchase commitments

At 31 December 2016 the Company had signed contracts for the purchase of property, plant and equipment and intangible assets in the respective amounts of EUR 801 thousand and EUR 362 thousand (EUR 33 thousand and EUR 1,263 thousand in 2015, respectively).

16.3. Operating lease commitments

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

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

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

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

Minimum operating lease payments	Thousands of euros	
	2016	2015
Within one year	2,448	1,437
1 to 5 years	8,029	7,185
More than 5 years	2,852	-
Total	**13,329**	**8,622**

The Company's main operating lease is as follows:

On 20 July 2015 a contract was signed between Parc Logístic de la Zona Franca, S.A. and the Company for the provision of corporate building management services, which included the lease of the company offices at Parc Logístic de la Zona Franca, Barcelona, for a period of 6 years. The rent paid in 2016 was EUR 1.660 thousand (EUR 687 thousand in 2015).

16.4. Employee benefit obligations

A Long-term Incentive Plan was drawn up in 2015 for various beneficiaries, and approved by the then Sole Shareholder (Abertis Infraestructuras, S.A.) on 10 April 2015. The aim of the Plan is to maintain key personnel and incentivise long-term value creation for the shareholder. The Long-term Incentive Plan commenced in May 2015 and runs until 31 December 2017.

In accordance with the description in Note 17.1, on the basis of the best possible estimate of the commitment to the plan and in due consideration of all information available, at 31 December 2016 the Company had made a provision for this item amounting to EUR 1.606 thousand (EUR 0 thousand in 2015).

15.5. Other contingencies

Following the spin-off of Abertis Telecom, S.A.U. (now Abertis Telecom Satélites, S.A.U.) on 17 December 2013, the Company undertakes any rights and obligations arising from the judicial proceedings set out below. An agreement was therefore entered into between the Company and Abertis Telecom Satélites, S.A.U. stipulating that if the amounts stipulated below have to be paid, Retevisión-I, S.A.U. will be responsible for paying these fines. At 31 December 2016 Cellnex Telecom, S.A. had furnished two guarantees amounting to EUR 36.4 million (EUR 36.4 million at 31 December 2015) to cover the judicial reviews with Spain's National Competition Commission as explained below.

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 the appeal was resolved, upholding the appeal and annulling the decision of the CNC with regard to the amount of the fine, ordering the current CNC to recalculate that amount in accordance with the provisions of law 16/89. The CNMC has issued its decision recalculating the aforementioned amount, reducing it to 18.7 million Euros and this decision was appealed against to the National High Court on 29 September 2016. Based on the opinion of its legal advisers, at 31 December 2016 Retevisión-I, S.A.U. has recorded a provision for a total of EUR 16 million (EUR 16 million at the close of 2015).

On 8 February 2012, the Board of the Spain's 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 Law and Article 102 of the Treaty on the Functioning of the European Union, in wholesale service markets with access to sites and broadcasting 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, Abertis Telecom, S.A.U. (now Abertis Telecom Satélites, S.A.U.) filed an appeal for judicial review against the decision of the CNC with the National Court, also requesting suspension of payment of the fine until the court ruled on the issue. The suspension was granted on 18 June 2012. On 20 February 2015, the National Court partially upheld the appeal, ordering the CNMC to recalculate the fine on the grounds that the criteria adopted by the CNC at the time were not appropriate. Notwithstanding the above, a motion to vacate the National Court ruling was submitted at the Supreme Court on the grounds that not only should the fine be recalculated, but that the Group had not infringed any competition rules. The CNMC will therefore not proceed to calculate the fine until the Supreme Court has passed judgment on the appeal. With regard to these proceedings, on the basis of the opinion of their legal advisors, the Company's Directors consider the risk of this fine to be possible and have therefore not recognised any provision.

17. Related party transactions

17.1. Directors and senior management

Remuneration received by the Company's directors in 2016 and 2015 was as follows:

i. Members of the Board of Directors accrued EUR 870 thousand for exercising the functions as directors of Cellnex Telecom, S.A. (EUR 520 thousand in 2015).

ii. For performing senior management duties, the CEO accrued EUR 900 thousand, corresponding to fixed and variable remuneration (EUR 709 thousand in 2015).

iii. The CEO did not obtain any gains on share options in 2016 and 2015, since they were exercised in full in 2013.

iv. In addition, the CEO of Cellnex Telecom, S.A. accrued by way of other benefits contributions to cover pensions and other remuneration in kind in the respective amounts of EUR 150 thousand and EUR 13 thousand (EUR 150 thousand and EUR 0 thousand in 2015, respectively).

Cellnex Telecom, S.A. defines Senior Management as directors that perform management duties and report directly to the CEO. Fixed and variable remuneration for 2016 for members of senior management amounted to EUR 741 thousand (EUR 648 thousand in 2015).

In addition, members of Senior Management accrued by way of other benefits contributions to cover pensions and other remuneration in kind in the respective amounts of EUR 55 thousand and EUR 65 thousand (EUR 59 thousand and EUR 57 thousand in 2015).

The Long-Term Incentive Plan was approved on 10 April 2015, with the aim of maintaining key personnel and incentivising long-term value creation for the shareholder. The incentive accrues between May 2015 and 31 December 2017, and is payable when the 2017 Group financial statements have been approved. The beneficiaries are the CEO, Senior Management and a number of key employees in the Cellnex Group. 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 to the Company of the Long-Term Incentive Plan, in the event both targets are met in full, for all affected employees including members of Senior Management, is currently estimated as EUR 4.3 million.

The Company has taken out directors' and officers' public liability insurance for the members of the Board of Directors, the CEO and all the directors of the Cellnex Telecom Group, at a cost of EUR 111.1 thousand to 31 December 2016 (EUR 67.4 thousand to 31 December 2015).

17.2. Other disclosures concerning Directors

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

17.3. Group companies and associates

The financial assets and liabilities held by the Company with Cellnex Group companies and associates at year-end 2016 and 2015, with the exception of equity instruments (see Note 8), are as follows:

2016

	Thousands of euros			
	Financial assets			Financial liabilities
	Non-current loans	Current loans	Receivables	Current borrowings
Adesal Telecom, S.L.	-	590	-	-
Cellnex France, S.A.S.	-	71,719	79	-
Cellnex Italia, S r.L.	-	-	41	74
Cellnex UK	-	-	64	-
Galata, S.p.A.	-	-	5	-
On Tower Telecom Infraestructuras, S.A.U.	354,154	15,678	9	1,315
Radiosite Limited	-	-	3	-
Retevisión-I, S.A.U.	-	3,906	696	237,018
Shere Masten, BV	-	-	5	-
TowerCo, S.p.A.	-	-	5	-
Tradia Telecom, S.A.U.	-	1,044	299	55,088
Total	**354,154**	**92,937**	**1,206**	**367,421**

2015

	Thousands of euros			
	Financial assets			Financial liabilities
	Non-current loans	Current loans	Receivables	Current borrowings
Cellnex Italia, S r.L.	-	-	85	21,004
Galata, S.p.A.	-	-	17	-
On Tower Telecom Infraestructuras, S.A.U.	354,154	22,422	1	1,302
Retevisión-I, S.A.U.	-	413	35	206,852
TowerCo, S.p.A.	-	-	17	-
Tradia Telecom, S.A.U.	-	15	15	34,645
Total	**354,154**	**22,850**	**170**	**263,803**

"Non-current loans to Group companies and associates" include a credit facility signed by the Company with On Tower Telecom Infraestructuras, S.A.U. signed on 17 December 2013, which was renegotiated in 2015, increasing the limit to EUR 500 million and extending the repayment date to 31 December 2018, and may be tacitly renewed on a two-year basis. The balance drawn down on the facility at 31 December 2016 was EUR 354,154 thousand (EUR 354,154 thousand at 31 December 2015). Interest accrued and not collected in the amount of EUR 2,540 thousand at 31 December 2016 (EUR 2,674 thousand at 31 December 2015) was also posted on the accompanying balance sheet under "Current investments in Group companies and associates".

"Current investments in Group companies and associates" also includes a credit facility secured by the Company with Cellnex France, S.A.S. signed on 29 September 2016 with a limit of EUR 30 million, repayable at six months from the drawdown date, tacitly renewable on a same period basis, along with the interest accrued and not collected on the facility. This facility was renegotiated in 2016, increasing the limit to EUR 110 million. The balance drawn down on the facility at the 2016 year-end was EUR 71,664 thousand, and interest accrued and not collected totalled EUR 55 thousand.

In addition, this caption also includes a credit facility secured by the Company with On Tower Telecom Infraestructuras, S.A.U. which was renegotiated in 2015, increasing the limit to EUR 60 million and extending the repayment date to 31 December 2017, and tacitly renewable on a yearly basis. The balance drawn down on the facility at the 2016 year-end was EUR 12,036 thousand (EUR 19,729 thousand at 31 December 2015), and interest accrued and not collected totalled EUR 13 thousand (EUR 19 thousand at 31 December 2015).

Finally, at the 2016 year-end, this heading contain a current balance receivables with the Group companies in respect of consolidated tax payments that amounts to EUR 6,629 thousand (EUR 428 thousand in 2015)

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

a) The amount drawn down on the credit facility signed by the Company with Cellnex Italia, S.r.L. on 23 June 2015, to a limit of EUR 30 million, repayable at one year from the drawdown date, tacitly renewable on a yearly basis, at the market interest rate. This facility was renegotiated in 2015, increasing the limit to EUR 70 million. In addition, this facility was renegotiated in 2016, increasing the limit to EUR 150 million. At 31 December 2016 the drawdown on this facility stood at EUR 74 million (EUR 21 million in 2015), and interest accrued and not paid totalled EUR 0 thousand (EUR 4 thousand in 2015).

b) The amount drawn down on the credit facility signed by the Company with Retevisión-I, S.A.U. on 17 December 2013, to a limit of EUR 300 million, repayable on 31 December 2017 and tacitly renewable on a yearly basis, at the market interest rate. At 31 December 2016 the drawdown on this facility stood at EUR 237,018 thousand (EUR 206,800 thousand at 31 December 2015).

c) Interest accrued and not paid to Retevisión-I, S.A.U. in respect of the amounts used on the credit facility described, EUR 0 thousand (EUR 52 thousand at 31 December 2015).

d) The amount drawn down on the credit facility signed by the Company on 17 December 2013 and amended on 1 July 2014 with Tradia Telecom, S.A.U., to a limit of EUR 60 million, repayable on 31 December 2017 and tacitly renewable on a yearly basis. At 31 December 2016 the drawdown on this facility stood at EUR 54,955 thousand (EUR 34,435 thousand at year-end 2015).

e) Interest accrued and not paid to Tradia Telecom, S.A.U. in respect of the amounts used on the credit facility described, EUR 0 thousand (EUR 5 thousand at 31 December 2015).

f) Current balance payables with the Group companies in respect of consolidated tax payments that amounts to EUR 1,448 thousand (EUR 1,506 thousand in 2015).

The borrowings with Group companies and associates described above have short repayment dates.

The Company's transactions with Cellnex Group companies and associates in 2016 and 2015 are as follows:

2016

	Thousands of euros				
	Income			Expenses	
	Dividends	Services rendered	Accrued interest	Services received	Accrued interest
Cellnex France, S.A.S.	-	7	78	-	-
Cellnex Italia, S r.L.	-	41	-	-	97
Cellnex UK Limited	-	-	-	320	-
Galata, S.p.A.	-	5	-	-	-
On Tower Telecom Infraestructuras, S.A.U.	-	256	10.489	-	-
Radiosite Limited	-	3	-	-	-
Retevisión-I, S.A.U.	56.924	3.145	-	-	392
Shere Masten BV	-	5	-	-	-
TowerCo, S.p.A.	-	5	-	-	-
Tradia Telecom, S.A.U.	14.000	1.130	-	-	72
Total	**70.924**	**4.597**	**10.567**	**320**	**561**

2015

	Thousands of euros			
	Income			Expenses
	Dividends	Services rendered	Accrued interest	Accrued interest
Cellnex Italia, S.r.L.	-	85	-	21
Galata, S.p.A.	-	17	-	-
On Tower Telecom Infraestructuras, S.A.U.	-	227	7,872	1
Retevisión-I, S.A.U.	45,500	1,983	90	483
TowerCo, S.p.A.	-	17	-	10
Tradia Telecom, S.A.U.	-	603	7	28
Total	**45,500**	**2,932**	**7,969**	**543**

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

17.4. Other related parties

Other related parties, in addition to the Group companies and associates indicated in Note 17.3 above and as defined in Spain's National Charter of Accounts, include shareholders (and their subsidiaries) of Cellnex Telecom, S.A. that exercise significant influence over it, those with the right to appoint a director or those with a stake of more than 5%.

In addition to the dividends paid to shareholders, the breakdown of balances and transactions carried out with significant shareholders during 2016 and 2015 and at the reporting dates is as follows:

Loans and credit facilities received

At 31 December 2016, guarantees with the related party CaixaBank, S.A. were granted with a limit of EUR 1,000 thousand, which at year-end were drawn down in the amount of EUR 338 thousand.

At 31 December 2016, the main transactions with related party CaixaBank, S.A. were: (i) this company participated in the syndicated loan by arranging a revolving credit facility of up to EUR 41,667 thousand, which is undrawn at 31 December 2016, (ii) a credit facility for EUR 150,000 thousand, not available at 2016 year-end (iii) a venture capital fund for EUR 210 thousand (see Note 9) and (iv) current account balances amounting to EUR 35,718 thousand.

Financing and retirement obligations

The main transactions carried out by the Group with related parties in 2016 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 138 thousand and EUR 18 thousand, respectively for termination benefits and contributions to pension plans and life insurance policies.

Services rendered and received

The transactions carried out with Abertis Group companies and associates during the 2016 and 2015 financial years are as follows:

2016

	Thousands of Euros	
	Income	Expenses
	Services rendered	Services received
Abertis Autopistas España, S.A.	201	-
Abertis Infraestructuras, S.A.	-	58
Autopistas, concesionaria española, S.A.	-	21
Infraestructures Viàries de Catalunya, S.A.	-	13
Total	**201**	**92**

2015

	Thousands of Euros	
	Income	Expenses
	Services rendered	Services received
Abertis Autopistas España, S.A.	47	-
Autopistas, concesionaria española, S.A.	-	21
Infraestructures Viàries de Catalunya, S.A.	-	13
Total	**47**	**34**

During 2016, the Company recognised a structuring fee of EUR 975 thousand with the related party Criteria Caixa, S.A.U. as an outstanding payment at 31 December 2016.

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

Other

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

2016

	Thousands of euros	
	Assets	Liabilities
	Account receivables	Account payables
Abertis Autopistas España, S.A.	117	-
Abertis Infraestructuras, S.A.	-	14
Autopistas, concesionaria española, S.A.	-	21
Infraestructures Viàries de Catalunya, S.A.	-	13
Total	**117**	**48**

2015

	Thousands of euros		
	Assets	Liabilities	
	Account receivables	Current debts	Account payables
Abertis Infraestructuras, S.A.	119	15	15
Autopistas, concesionaria española, S.A.	52	-	-
Total	**171**	**15**	**15**

18. Other information

18.1. Audit fees

In 2016 and 2015 the fees for financial audit and other services provided by the auditor of the Company's financial statements, Deloitte, S.L., or by companies related to these auditors as a result of control, common ownership or common management, were as follows:

Services rendered by the auditors and related companies	Thousands of euros	
	2016	2015
Audit services	370	259
Other professional services	349	1,023
Total professional services	**719**	**1,282**

18.2 Information on deferral of payment to suppliers.

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

	Thousands of euros	
	2016	2015
Total payments in the year	15,303	16,361
Total payments outstanding	892	561
Average payment period to suppliers (days)	45 days	42 days
Ratio of transactions paid (days)	46 days	43 days
Ratio of transactions outstanding (days)	26 days	35 days

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

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

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

18.3 Modification or termination of contracts

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

19. Events after the reporting period

On 10 January 2017, the On Tower Telecom Infraestructuras, S.A.U. (a sole-shareholder company wholly owned by Cellnex) increased its share capital by EUR 36,725 thousand with a share premium of EUR 330,529 thousand. This increase in share capital, for the amount of EUR 367,254 thousand, was subscribed by Cellnex by the offsetting of part of the credit rights deriving from a long-term credit facility agreement granted to the company on 17 December 2013.

Additionally, on 11 January 2017, the Cellnex France, S.A.S. (a sole-shareholder company wholly owned by Cellnex) increased its share capital by EUR 1,980 thousand with a share premium of EUR 69,309 thousand. This increase in share capital, for the amount of EUR 71,289 thousand, was subscribed by Cellnex by the offsetting of part of the credit rights deriving from a short-term credit facility agreement granted to the company on 29 September 2016.

On 12 January 2017 Cellnex successfully completed the pricing of a bond issuance, aimed at qualified investors for an amount of Euro 335 million, maturing in April 2025 and with a coupon of 2.875%.

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20. Explanation added for translation to English

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

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

Appendix I to the Notes to the 2016 financial statements
(Thousands of Euros)

Direct Ownership Interests

						Equity				
Company	Registered office	Activity	% direct ownership interest	Net value of ownership interest	Auditor	Share Capital	Share premium and reserves (after deducting interim dividends)	Operating profit	Profit for the year	Dividends received
2016:										
Retevisión I, S.A.U.(*)	Avenida del Parc Logístic n 12-20, 08040 Barcelona	Terrestrial telecommunications infrastructure operator	100%	368,938	Deloitte	81,270	269,974	73,730	57,659	56,924
Tradia Telecom, S.A.U. (*)	Avenida del Parc Logístic n 12-20, 08040 Barcelona	Terrestrial telecommunications infrastructure operator	100%	127,121	Deloitte	131,488	9,655	18,069	17,859	14,000
On Tower Telecom Infraestructuras, S.A.U.(*)	Avenida del Parc Logístic n 12-20, 08040 Barcelona	Terrestrial telecommunications infrastructure operator	100%	28,457	Deloitte	30,000	(6,179)	8,865	(1,381)	-
Cellnex Italia, S.r.L. (antes Smartowers Italy, S.r.L.) (*)	Via Carlo Veneziani 58, 00148 Roma (Italia)	Holding	100%	789,610	Deloitte	789,610	(213)	(904)	7,356	-
Cellnex UK Limited (**)	55 Old Broad Street, London, EC2M 1RX, Reino Unido	Holding	100%	-	-	-	-	-	-	-
Cellnex Netherlands, BV (antes Protelindo Netherlands, BV) (*)	Dr. Lelykade 22, Unit 9, 2583CM's - Gravenhage	Holding	100%	112,066	Deloitte	-	64,509	13	13	-
Cellnex France, S.A.S. (*)	30 Rue Godot de Mauroy, 75009 Paris	Holding	100%	80,000	Deloitte	20	79,980	(387)	(555)	-
Shere Group Limited (*)	River Court, Albert Dr, Woking GU21 5RP, Reino Unido	Holding	100%	414,539	Deloitte	157,495	30,360	1	(13)	-
Total ownership interest				**1,920,731**						**70,924**

(*) Audited financial statements at 31 December 2016.

(**) Unaudited financial statements at 31 December 2016.

This appendix forms an integral part of Note 8 to the 2016 financial statements, with which it should be read.

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

Appendix I to the Notes to the 2016 financial statements
(Thousands of Euros)

Indirect Ownership Interests

Company	Registered office	Activity	% direct ownership interest	Company holding the interest	Auditor	Equity		Operating profit	Profit for the year
						Share Capital	Share premium and reserves (after deducting interim dividends)		
2016:									
Consorcio de Telecomunicaciones Avanzadas, S.A.(*)	c/Uruguay, parcela 13R, nave 6, Parque Empresarial Magalia, Alcantarilla (Murcia)	Provision of related services for terrestrial telecommunications concessions and operators	29.50%	Tradia Telecom, S.A.U.	Áreas Auditores	1,000	1,742	250	200
Torre de Collserola, S.A.(*)	Ctra. Vallvidrera a Tibidabo, s/n Barcelona	Construction and operation of terrestrial telecommunications infrastructure	41.75%	Retevisión-I, S.A.U.	Deloitte	5,520	918	11	(11)
Adesal Telecom, S.L.(*)	c/Ausías March 20, Valencia	Provision of related services for terrestrial telecommunications concessions and operators	60.08%	Tradia Telecom, S.A.U.	Deloitte	3,228	4,763	2,911	2,575
Gestora del Espectro, S.L (**)	Avda. Parc Logístic, 12-20. 08040	Development, implementation, Management and marketing of terrestrial telecommunication services	100%	Retevisión I, S.A.U.	-	3	(1)	-	-
TowerCo, S.p.A. (*)	Via Alberto Bergamini 50, Roma, Italia	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S r.L.	Deloitte	20,100	14,958	10,084	7,012
Galata, S.p.A. (*)	Via Carlo Veneziani 56L, 00148 Roma (Italia)	Terrestrial telecommunications infrastructure operator	90%	Cellnex Italia, S r.L.	Deloitte	1,000	266,481	20,112	13,326

(*) Audited financial statements at 31 December 2016.

(**) Unaudited financial statements at 31 December 2016.

This appendix forms an integral part of Note 8 to the 2016 financial statements, with which it should be read.

Company	Registered office	Activity	% direct ownership interest	Company holding the interest	Auditor	Equity		Operating profit	Profit for the year
						Share Capital	Share premium and reserves (after deducting interim dividends)		
2016:									
Towerlink Italia, S.r.L. (**)	Via Carlo Veneziani 58, Roma, Italia	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S r.L.	-	10	-	-	-
Commscon Italia, Sr.L. (*)	Via Carducci 32, 20123 Milano	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S.r.L	Deloitte	100	2,148	126	76
Sirtel, S.r.L. (**)	Via Carlo Veneziani 58, 00148 Roma, Italia	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S r.L.	-	40	110	-	-
Towerlink Netherlands, BV (antes Protelindo Towers, BV) (*)	Dr. Lelykade 22, Unit 9, 2583CM's - Gravenhage	Terrestrial telecommunications infrastructure operator	100%	Cellnex Netherlands, BV	Deloitte	-	63,634	3,171	2,749
Shere Midco Ltd (*)	River Court, Albert Dr, Woking GU21 5RP, Reino Unido	Holding	100%	Shere Group Limited	Deloitte	179,766	(76)	(12)	(10)
Shere Group Netherlands BV (*)	Leeghwaterstraat 21, 2811 DT Reeuwijk, Países Bajos	Holding	100%	Shere Midco Ltd	Deloitte	18	200,641	-	(1,737)
Shere Masten BV (*)	Leeghwaterstraat 21, 2811 DT Reeuwijk, Países Bajos	Terrestrial telecommunications infrastructure operator	100%	Shere Group Netherlands BV	Deloitte	18	188,985	3,856	3,294
Watersite Holding Limited (*)	River Court, Albert Dr, Woking GU21 5RP, Reino Unido	Terrestrial telecommunications infrastructure operator	100%	Shere Midco Ltd	Deloitte	28,379	(3,516)	382	185
Radiosite Limited (*)	River Court, Albert Dr, Woking GU21 5RP, Reino Unido	Terrestrial telecommunications infrastructure operator	100%	Shere Midco Ltd	Deloitte	30,457	15,625	819	(160)
QS4 Limited (*)	River Court, Albert Dr, Woking GU21 5RP, Reino Unido	Terrestrial telecommunications infrastructure operator	100%	Shere Midco Ltd	Deloitte	1,888	2,784	51	45
Shere Consulting Limited (*)	River Court, Albert Dr, Woking GU21 5RP, Reino Unido	Terrestrial telecommunications infrastructure operator	100%	Shere Midco Ltd	Deloitte	2,482	(2,053)	(235)	(235)
Total									

(*) Audited financial statements at 31 December 2016.

(**) Unaudited financial statements at 31 December 2016.

This appendix forms an integral part of Note 8 to the 2016 financial statements, with which it should be read.

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

Appendix I to the Notes to the 2016 financial statements
(Thousands of Euros)

Direct Ownership Interests

Company	Registered office	Activity	% direct ownership interest	Net value of ownership interest	Auditor	Equity		Operating profit	Profit for the year	Dividends received
						Share capital	Share premium and reserves (after deducting interim dividends)			
2015:										
Retevisión I, S.A.U.(*)	Avenida del Parc Logístic n 12-20, 08040 Barcelona	Terrestrial telecommunications infrastructure operator	100%	368,938	Deloitte, S.L.	81,270	324,987	52,405	39,409	45,500
Tradia Telecom, S.A.U. (*)	Avenida del Parc Logístic n 12-20, 08040 Barcelona	Terrestrial telecommunications infrastructure operator	100%	127,121	Deloitte, S.L.	131,488	8,582	19,771	15,073	-
On Tower Telecom Infraestructuras, S.A.U.(*)	Avenida del Parc Logístic n 12-20, 08040 Barcelona	Terrestrial telecommunications infrastructure operator	100%	28,457	Deloitte, S.L.	30,000	(8,282)	10,955	2,103	-
Cellnex Italia, S.r.L. (formerly Smartowers Italy, S.r.L.) (*)	Via Carlo Veneziani 58, 00148 Rome (Italy)	Holding	100%	789,610	Deloitte Italy S.p.A	789,610	-	(291)	(213)	-
Cellnex UK Limited (**)	55 Old Broad Street, London EC2M 1RX, United Kingdom	Holding	100%	-	-	-	-	-	-	-
Total ownership interest				**1,314,126**						

(*) Audited financial statements at 31 December 2016.

(**) Unaudited financial statements at 31 December 2016.

This appendix forms an integral part of Note 8 to the 2016 financial statements, with which it should be read.

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

Appendix I to the Notes to the 2016 financial statements
(Thousands of Euros)

Indirect Ownership Interests

Company	Registered office	Activity	% indirect ownership interest	Company holding the indirect interest	Auditor	Equity		Operating profit	Profit for the year
						Share capital	Share premium and reserves (after deducting interim dividends)		
2015:									
Consorcio de Telecomunicaciones Avanzadas, S.A.(*)	c/Uruguay, parcela 13R, nave 6, Parque Empresarial Magalia, Alcantarilla (Murcia)	Provision of related services for telecommunications concessions and operators	29.50%	Tradia Telecom, S.A.U.	Áreas Auditores, S.L.	1,000	1,730	132	106
Torre de Collserola, S.A.(*)	Ctra. Vallvidrera a Tibidabo, s/n Barcelona	Construction and operation of telecommunications infrastructure	41.75%	Retevisión-I, S.A.U.	Deloitte, S.L.	5,520	886	110	8
Adesal Telecom, S.L.(*)	c/Ausías March 20, Valencia	Provision of related services for telecommunications concessions and operators	60.08%	Tradia Telecom, S.A.U.	Deloitte, S.L.	3,228	8,072	2,463	1,692
Gestora del Espectro, S.L. (**)	Avda. Parc Logístic, 12-20. 08040	Development, implementation, management and marketing of telecommunications services	100%	Retevisión I, S.A.U.	-	3	(1)	-	-
TowerCo, S.p.A. (*)	Via Alberto Bergamini 50, Rome, Italy	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S r.L.	Deloitte Italy S.p.A	20,100	8,620	9,393	6,325
Galata, S.p.A. (*)	Via Carlo Veneziani 56L, 00148 Rome (Italy)	Terrestrial telecommunications infrastructure operator	90%	Cellnex Italia, S r.L.	Deloitte Italy S.p.A	1,000	267,772	(871)	(1,291)
Towerlink Italia, S.r.L. (**)	Via Carlo Veneziani 58, Rome, Italy	Terrestrial telecommunications infrastructure operator	100%	Cellnex Italia, S r.L.	-	10	-	-	-
Total									

(*) Audited financial statements at 31 December 2016.

(**) Unaudited financial statements at 31 December 2016.

This appendix forms an integral part of Note 8 to the 2016 financial statements, with which it should be read.

Cellnex Telecom, S.A.

Directors' Report
for the year ended
31 December 2016

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

1.1 Situation of the Company

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

- Telecom Infrastructure Services
- Broadcasting Infrastructure
- Other Network Services

1.2 Significant events in 2016

The Group continues to be the leading neutral[2] Telecom Infrastructure Services provider for mobile network operators in Spain and Italy, during 2016 the Group has expanded Telecom Infrastructure Services to new countries: France, the Netherlands and the UK. In addition, the Group is the main Broadcasting Infrastructure provider in Spain with a majority share in the national and regional markets. The Group's business presents significant barriers to entry into its main markets, mainly due to its difficult-to-replicate total asset base of 16,828 sites and 1,072 nodes, which make a total of 17,900 infrastructures.

On 20 June 2016, the IBEX 35 Technical Advisory Committee approved Cellnex Telecom's (CLNX: SM) inclusion in the benchmark index of Spain's stock exchange, the IBEX 35**.**

Telecom Infrastructure Services

The most significant events during the 2016 financial year were as follows:

i) ***Commscon Italy, S..r.L.***

The acquisition of 100% of the share capital of the Italian company Commscon Italia, S.r.l. ("Commscon") was completed in the second quarter of 2016, through its Italian subsidiary Cellnex Italia, S.r.L. This acquisition confirms the Group's commitment to developing and rolling out 'small cells' and accelerating its strategic positioning within the sector.

ii) ***Cellnex Netherlands subgroup (formerly Protelindo Netherlands subgroup)***

In the second quarter of 2016 Cellnex Telecom reached an agreement to acquire 100% of the share capital of Protelindo Netherlands, B.V. (which, in turn, owns all the shares of Protelindo Towers, B.V.), a subsidiary of the Indonesian telecommunications towers group PT Sarana Menara Nusantara. This acquisition reinforced the

[2] Neutral: without mobile network operator as controlling shareholder

Group's international growth strategy: to acquire an initial portfolio of telecom infrastructures which allows for subsequent market consolidation. Cellnex is thus entering the Dutch market, which has a strong presence of independent telecom infrastructure operators and is highly dynamic in the context of networks based on Small Cells and DAS (Distributed Antennas Systems).

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

In addition in the third quarter of 2016 the Group created the subsidiary Cellnex France, S.A.S. ("Cellnex France") and subsequently signed an agreement with Bouygues Telecom, S.A. for the acquisition of 230 telecom infrastructures for a total consideration of approximately EUR 80 million (see Note 8.1 of the accompanying financial statements). In the final quarter of 2016 Cellnex and Bouygues Telecom closed the second phase of the agreement with the acquisition of 270 additional telecom infrastructures for a total consideration of EUR 67 million.

This transaction represents the beginning of a long-term cooperation with one of France's leading mobile operators. In addition to the acquisition of the portfolio of telecom infrastructures, Cellnex signed a 20-year contract to provide services to Bouygues Telecom.

iv) ***Shere Group subgroup***

In the third quarter of 2016 the Group signed a contract with Arcus Infrastructure Partners and other minority shareholders to purchase 100% of the share capital of Shere Group Limited, owner of 1,004 sites located in the Netherlands and UK. This acquisition represented the second portfolio of telecom infrastructures in the Netherlands and allows the strengthening of the relationship with current customers and also validates the Company's growth strategy based on the acquisition of an initial portfolio allowing for subsequent market consolidation. Additionally, the Group took its first step into the UK market with the objective to continue identifying and executing new growth opportunities.

On 14 December, Cellnex Italia signed an agreement with Linkem, the Italian operator with the highest market growth rates in broadband internet connections and the leader in fixed wireless services, to provide access to its portfolio of approximately 8,000 sites for the roll-out of Linkem's LTE network.

In addition to the aforementioned, the acquisition of Galata, carried out during 2015, consolidated the Group's position as a key player in the process to streamline the use of telecom infrastructures in Europe. 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 duplicated infrastructure.

Broadcasting Infrastructure

The Royal Decree 805/2014, of 19 September 2014, approved the National Digital Terrestrial Television Technical Plan and regulated certain aspects of the release of the digital dividend, reducing the national multiplexes for digital terrestrial television to seven. 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, due to the Audiovisual Act, Radio Televisión Española (RTVE) reduced the use of its second multiplex by 0.33 as part of the process of reassigning the spectrum to private radio broadcasters in 2015.

The Spanish Government, through order 677/2015 of 16 April 2015, modified the initial assignment of the capacity of the state 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. Furthermore, through the resolution of 17 April 2015, the Government agreed to call a public tender to assign 6 new licenses. These tenders were for the capacity pending assignment, namely 1.75 MUX (1.58 MUX plus a sixth of MUX from the reduction in capacity for RTVE discussed above) as a result of which the 7 planned national MUX will have been completed. During the last quarter of 2015, the 6 licenses were awarded and the corresponding income has started to be recovered during the second quarter of 2016.

The Group awarded Broadcasting contracts on a regular basis, and in 2016 it was awarded for the RTVE contact. In relation to this award, the DTT services have been extended until 2020 (with an option for an additional three years) and FM broadcast services until 2021 (with an option for an additional two years).

On 14 December 2016 the European Parliament and the Council of the European Union reached a political agreement on the decision to use the UHF Spectrum Band proposed by the European Commission, which will be obligatory for all member states of the European Union, once formally approved by the Council and the plenary of Parliament during the first quarter of 2017. It is a balanced decision since it guarantees that terrestrial TV will have priority of use of the spectrum in the Sub700 MHz band at least until 2030. Similarly, it assigns the 700 MHz band to the mobile services, with a target of 30 June 2020 but recognizing that some member states may need until 30 June 2022, facilitating the deployment of the new 5G networks, with a realistic timetable both for the new 5G technology to be available to a widespread customer base and to migrate current users of the 700 MHz band to the Sub700 MHz band, and it also facilitates member states to offset the migration costs of consumers and the Broadcast sector related to reassignment of the spectrum.

As always, the Group continues to research and implement better techniques, both in the provision of digital terrestrial television (DTT) services, and in the on-line distribution of audiovisual content.

Other Network Services

During 2016 the Group signed a new contract for Phase IV of the expansion of the TETRA network for railways on the Llobregat to Anoia line for the customer “Ferrocarrils de la Generalitat de Catalunya”, which will provide service to the freight railway lines of the port of Barcelona and the Manresa industrial zone.

Furthermore, also with regard to the TETRA network for railways, Cellnex has been awarded the Operation and Maintenance contract for Line 9 of the Barcelona Metro for the next two years and the operations and maintenance service for the Barcelona-Vallés line run by Ferrocarrils de la Generalitat de Catalunya for the next 15 months. In addition, in 2016 the contract for the full service for the TETRA network for the Police Department of the Jerez Town Council was signed for the next four years.

During the second quarter of 2016 a contract was also signed to extend the licenses of the Barcelona Wi-Fi network in order to expand this service to include city buses and the Group continues with a high activity in the management and operations of the infrastructures and telecommunications networks of the Barcelona Town Council.

Also within the security and emergency category, in 2016 the Spanish Global Maritime Distress and Safety System (GMDSS), which Cellnex is currently providing to the Spanish Merchant Navy Administration has been renewed for a further year.

Another noteworthy service is the sale of a fleet management solution for 397 ENAGAS vehicles. Finally, as regards connectivity services, Cellnex’s levels of activity as a wholesale supplier of connectivity for the main operators remain high.
In the third quarter of 2016 Cellnex implemented a communications service in three of the Balearia ferries operating on the Ibiza-Formentera maritime line, which will allow its customers to enjoy secure, free and quality internet and will also allow passengers to purchase tickets inside the ferry.

During the last quarter of 2016, Cellnex was awarded a contract to develop and operate the CityOS for the City of Barcelona for the next 30 months. This is an innovative operating system, that is part of the smart cities project, that makes the collection and analysis of information through all the services of the city more efficient, in order to help anticipate the needs and improve customer service. The ability to analyse data through CityOS will increase the efficiency and effectiveness of city services, making it possible to improve predictability and anticipate emergencies, provide real-time decision support and improve the quality of life of citizens, as well as the control they have over their data.

1.3 Activity and main risks and uncertainties

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

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

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

The Group attempts 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.

i) Foreign currency risk

Foreign-exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

The foreign-exchange risk on net assets of Company operations in non-euro currencies is managed, mainly, by raising debt in the corresponding currencies and/or through the use of cross-currency and interest-rate swaps.

The strategy of hedging foreign currency risk in Company investments in non-euro currencies must tend towards a full hedge of this risk, and must be implemented over a reasonable period of time depending on the market and the prior evaluation of the effect of the hedge.

ii) Interest rate risk

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

Borrowings issued at floating rates expose the Company to cash flow interest rate risk, while fixed-rate borrowings expose the Company to fair value interest rate risk. Additionally any increase in interest rates would increase Company finance costs relating to variable-rate indebtedness and increase the costs of refinancing existing indebtedness and issuing new debt.

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

The Company can use derivative financial instruments to manage its financial risk, arising mainly from changes in interest rates. These derivative financial instruments are classified as cash flow hedges and recognised at fair value (both initially and subsequently). The required valuations were determined by analysing discounted cash flows using assumptions mainly based on the market conditions at the reporting date for unlisted derivative instruments (see Notes 4.6 and 12 of the accompanying financial statements).

The main financing granted from third parties by the Company in 2016 and 2015 is not covered by interest rate hedging mechanisms.

iii) Credit risk

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

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

iv) Liquidity risk

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

v) Inflation risk

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

1.4 Information relating to the deferred of payments to suppliers

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

1.5 Use of financial instruments

In the year ended 31 December 2016, Cellnex Telecom, S.A. abided by the policy for use of financial instruments described in Note 5 to the accompanying financial statements.

1.6 Research and Development activities

The Company has not carried out any research and development activities.

1.7 Corporate Responsibility Master Plan

In 2016 the Group commenced the roll out of the five pillars on which the Corporate Responsibility Master Plan 2016-2020 is built. This policy, approved by the Board of Directors, can be accessed on the Cellnex Telecom web page. https://www.cellnextelecom.com/en/politica-de-rc/.

The following figures illustrate the degree of performance and progress: 76% of the actions plans that form the backbone of the Master Plan are already under way and 24% of the 96 indicators established have already been achieved.

One of the key aspects in the process of rolling out the Corporate Responsibility Master Plan is measuring compliance based on objective criteria. In 2016 the company implemented the Enablon platform as specialised "software" for collecting data uniformly and for the whole Group, which are then reported using indicators from the Global Reporting Initiative (GRI).

Following this same approach of ensuring objective compliance, and based on the information reported to the Carbon Disclosure Project (CDP), which is one of the major global sustainability indices, it is noteworthy that Cellnex Telecom has been ranked as the best Spanish company to join the index in 2016. Also during the year, the company performed an internal "shadow rating" analysis to compare its progress against some of the major global sustainability indexes, including the Dow Jones Sustainability Index. In this way, Cellnex has identified where its strengths and weaknesses lie, and thus where to implement improvement measures.

1.8 Employees

In 2016 the Group implemented a “talent management” model aligned with the Group's business strategy. With the Corporative Mission as a premise, a skills and leadership model has been defined aimed at capturing every employee's contribution in achieving the results of the Group. In addition, an integral talent management tool (the Hub) has been implemented to assist in the evaluation and development of the Group's employees, in the firm belief that the company's success lies in the motivation and enthusiasm of its staff. This methodology allows the Group to develop talent indicators along with improvement and development indicators minimizing the subjectivity of the employee's evaluation and enabling comparisons of the changes over time.

Furthermore, the 70/20/10 learning and development model has been implemented, which is a learning model where each employee is responsible for their own development and the corresponding line manager is responsible for supporting this, whereas the company's responsibility is to facilitate the means for it to happen. As a result, almost 100% of the employees already have an Individual Development Plan.

Our program for managers, project managers and trainers is an example of a tailored development program implemented in 2016.

1.9 Other Information

Shareholder remuneration

During the 2016 financial year an interim dividend amounting to EUR 10,194 thousand was distributed, which represents EUR 0.044 gross for each of the shares that make up the share capital of Cellnex Telecom, S.A. (EUR 9,267 thousand at year-end 2015, representing EUR 0.04 gross per share).

Therefore, the Board of Directors of Cellnex Telecom, S.A. adopted a resolution to propose to the Annual General Meeting of Shareholders a final dividend of EUR 0.0423 gross per share against 2016 profit.

Thus, the maximum total dividend charged to 2016 profit will be EUR 20,000 thousand.

Business outlook

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

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

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

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

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

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

Treasury shares

During the 2016 financial year Cellnex Telecom, S.A. has operated with treasury shares, maintaining a final balance of 197,000 shares at an average price of 13.673 Euros, and which represent 0.09% of the share capital.

The acquisition of treasury shares has been carried out by means of a liquidity contract[3] signed by Cellnex on 31 May 2016 with Santander Investment Bolsa, Sociedad de Valores, S.A.U.. in order to manage its portfolio of treasury shares.

Environment

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.

Cellnex Telecom has an environmental policy based on respect for the environment and the protection and conservation of biodiversity, through the efficient use of resources and promoting preventive actions.

Thus, in addition to basing its activity on sustainability and responsibility principles, Cellnex has defined Sustainable Business Development as one of the basic pillars of the CR Master Plan.

The goals defined in the Plan under the Sustainable Business Development pillar are:

- Maintaining a level of integrated environmental management throughout the Cellnex Group;
- Promoting energy efficiency, increasing the use of renewable energy and implementing efficiency measures at the company premises;
- Opting for sustainable mobility;
- Implementing a Zero Waste culture;
- Reduce progressively its carbon footprint;
- Protecting and respecting the ecosystems affected by Cellnex's activity;
- Participating in the analysis of ERM in Spain;
- Promoting a sustainable culture within the Cellnex organisation;
- Measuring and communicating environmental performance, as well as reporting it annually in international organizations (CDP, GRI, DJSI, UNGC or FDTE).

With regard to quality control, the Group companies Retevisión-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.

Post balance sheet events

On 10 January 2017, the On Tower Telecom Infraestructuras, S.A.U. (a sole-shareholder company wholly owned by Cellnex) increased its share capital by EUR 36,725 thousand with a share premium of EUR 330,529 thousand. This increase in share capital, for the amount of EUR 367,254 thousand, was subscribed by Cellnex by the offsetting of part of the credit rights deriving from a long-term credit facility agreement granted to the company on 17 December 2013

Additionally, on 11 January 2017, the Cellnex France, S.A.S. (a sole-shareholder company wholly owned by Cellnex) increased its share capital by EUR 1,980 thousand with a share premium of EUR 69,309 thousand. This increase in share capital, for the amount of EUR 71,289 thousand, was subscribed by Cellnex by the offsetting of part of the credit rights deriving from a short-term credit facility agreement granted to the company on 29 September 2016.

On 12 January 2017 Cellnex successfully completed the pricing of a bond issuance, aimed at qualified investors for an amount of EUR 335 million, maturing in April 2025 and with a coupon of 2.875%.

Barcelona, 16 February 2017

[3] Liquidity contract in accordance with the CNMV circular 3/2007 of 19 December covering liquidity contracts and the effects of their acceptance as market practice.

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 55 pages numbered 1 to 55, both inclusive.

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Barcelona, 16 February 2017