

Consolidated annual accounts and directors' report (including non-financial information)

Junta '19
General de Accionistas
Annual Shareholders' Meeting

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2018
Integrated Annual Report
Consolidated Management Report &
Consolidated Financial Statements

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2018

Consolidated Management Report

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CONSOLIDATED MANAGEMENT REPORT 2018

Integrated Annual Report

CELLNEX TELECOM

The accompanying Consolidated Management Report incorporates the Group's Non-Financial Information Statement to comply with the requirements specified in the Non-Financial Information and Diversity Law of December 29, 2018.

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1. INTERVIEW WITH THE PRESIDENT AND CEO

Growing in Europe and deploying the 5G ecosystem

What were the key elements that marked financial year 2018 for the Group?

Marco Patuano (MP): A key aspect in this financial year that we are closing was the reconfiguration of the Group's shareholder structure following the divestment of Abertis and the entry of ConnectT, with a 29.9% stake, as the company's main shareholder. This also had implications for corporate governance. I will come back to this later.

As far as the day-to-day running of the company is concerned, I would underline the solidity of Cellnex and that of the management team which is able to align objectives with results. We have closed a year during which we fulfilled the forecasts we shared with the market at the beginning of the year in terms of revenues, EBITDA and recurrent cash flow, placing us in the upper tier of these forecasts. I also believe that we must again continue to highlight this year the team's ability to strike a balance between managing growth, which continues to be intense in terms of expanding the perimeter - in 2018 we incorporated c.2,500 new sites - while maintaining the focus on like-for-like business management.

Tobias Martinez (TM): Indeed, as the Chairman has pointed out, the dynamics of Cellnex remain marked by both the expanding perimeter and the organic growth components. In terms of organic growth, we continue to display very solid indicators in the region of a 5% increase in the amount of equipment deployed at our sites, and an increase of 3% in customers per site. Furthermore, consolidated data continues to reflect double-digit growth in revenues with c.15% and in EBITDA with c.20%, which indicate how the company's portfolio continues to grow, driven, by the incorporation of new assets in France within the framework of our agreements with Bouygues Telecom or in Spain with the integration of Xarxa Oberta de Catalunya (XOC), for example.

In relation to inorganic growth we might think that 2018 marked a pause in Cellnex's growth operations. Is this correct?

TM: First of all, I would highlight that in 2018, as I said before, the company continued to develop the agreements reached with our customers in terms of integrating sites and new roll-outs; In France, for example, we have commitments to roll out new infrastructures in the next years, in the wake of the agreement with Bouygues Telecom that we announced last December. Also in this regard it is worth pointing out that cumulative investments this past year reached c.600 million; so the company is still expanding its asset base.

Therefore I would not talk about a pause so much as a consolidation of our growth. It is worth remembering that from 2015 until the close of 2018 we have announced or undertaken growth investments to the tune of more than € 3.5 billion.

In relative terms, if we compare 2018 with 2017, it is true that we have announced fewer growth projects, although these are very significant from a strategic point of view, such as the incorporation of the XOC fibre optic network or the new agreement with Bouygues Telecom. This agreement reinforces our strategic relationship with the French operator while it also positions us in a key segment for the future roll-out of 5G, providing the possibility to host data processing capacity in new strategic communications centres that we will deploy in France.

MP: I would add to what the CEO has said that there is an undercurrent in the telecommunications infrastructures sector in Europe which we understand will see continued outsourcing of assets by operators while we will also progressively see greater sharing of certain elements of the communications networks associated with the roll-out of 5G. In this regard, Europe is clearly a market rich with opportunities for operators like Cellnex and we remain attentive to the opportunities that this market can offer us. In fact, one could say that we know how to wait patiently for opportunities to come along.

You have repeatedly mentioned the company's growth strategy. In terms of financing, there is a limit to growth with recourse to debt. What kind of instruments are available to the company to accompany this growth?

TM: First of all, we must underline the liquidity which the company continues to have by combining the undrawn debt with cash and bank funds, which provides us with € 1.5 billion in available liquidity. This clearly provides us some leeway to react quickly to any opportunities that the market can offer.

That said, it is no less true that Cellnex has to keep its accounts well balanced by also taking into consideration certain key aspects such as maintaining its "cross over" rating and foreseeable developments in the interest rate curve. The company uses this set of parameters, available liquidity, maintaining its rating and progression of financial costs to define the most suitable financing strategy at any given time for growth.

MP: Cellnex has taken full advantage of the favourable conditions on the debt markets during the last few years to invest more than €3.5 billion from its own balance sheet without needing to resort to shareholders. We have mentioned on other occasions how this reflects the company's capacity to generate cash flow, which makes it possible to incorporate these new flows resulting from growth to contribute to reducing the ratio of net debt to *EBITDA*. In any case, and beyond our capacity to draw on debt, as the CEO has said, it is important for us to maintain our cross over from the rating agencies, meaning that we would not rule out certain alternatives that the market offers and that could be considered depending on any growth opportunities that may arise. Cellnex has already resorted to scenarios such as working together with other financial partners to undertake certain projects or issuing convertible bonds, and we cannot rule out the possibility that the transformational profile of one or more operations could lead at some stage to a capital increase.

Chairman, you foresaw that one key element in the financial year would be the change in the shareholding structure and consequently in the corporate governance of Cellnex. What would you underline within this process?

MP: Indeed, Cellnex's new shareholder structure is one of the factors that marked financial year 2018. I think we can define the new situation as one of consolidation and stability, following the divestment of Abertis and the entry of ConneCT - with Edizione, Adia and GiC as shareholders.

Here I would like to underscore two messages that are consistent both with the strategy that Cellnex has been following since its flotation in 2015 and with the wishes expressed by the new shareholders. Firstly, Cellnex is an industrial project that has led to the creation of a European telecommunications infrastructure operator with the capacity and the will to build long-term partnerships with its customers in the various markets in which it operates. Secondly, Cellnex is a growth project whose medium and long-term perspectives, and the criteria by which they must be governed, are shared by the Board of Directors and by the company's management team. In this connection I think it is worth pointing out that, as a reference shareholder, ConneCT has explicitly stated its commitment to the company's industrial and growth strategy as well as committing the resources that may be necessary to accompany that strategy.

As regards Corporate Governance, the incorporation of ConneCT has led to a reshuffle in the Board of Directors that has also allowed us to align Cellnex with best practices in good governance.

On the one hand, I would highlight the increase in board members from 10 to 12, which made it possible to adjust the representation of ConneCT in the Board in terms of proportionality, with 4 directors out of 12. Likewise, we have reinforced the independence of the Board itself by incorporating 2 new independent directors, specifically Marisa Guijarro and Anne Bouverot, boosting diversity by reaching a female representation of 33%, thereby anticipating the CNMV's recommendation of 30% by 2020. Finally, another key aspect from the point of view of good governance is the separation of roles between a non-executive chairman and a CEO as the company's top executive.

I should add that the company has a Vice-President elected from among the independent directors and a Coordinating Director who is also independent.

In 2017, Cellnex shares had the highest revaluation on the Ibex35, at 56%. In 2018 the company's shares continued to be among the top-performing stock on the selective index. How do you value this?

TM: It is clear that the valuation is necessarily positive when we are talking about a revaluation of +5% in the financial year with a differential of +20% in relation to the IBEX35. And if we compare the situation to May 2015, when the company went public, the revaluation now exceeds the 75%. We understand that the market continues to factor in both the increase in the company perimeter and the stability, recurrence and visibility of the flows it generated. Once again, I want to remind you that the sales backlog is now over € 18 billion, equivalent to 20 years' turnover, taking the € 900 million income for financial year 2018 as the benchmark.

I also believe that the perception of consolidation and stability of the shareholding structure of the company and of the commitment of the new shareholders to Cellnex's industrial project, to which the president also referred, is quite remarkable.

Investors, analysts and stakeholders in general are paying increasing attention to compliance with ESG (environment, social responsibility, governance) criteria by companies. What is Cellnex's approach to these criteria and how important are they for the company?

MP: Indeed, we can see that the elements comprising the company's best practices in terms of good governance, corporate responsibility (CR) and sustainability are factors that are increasingly appreciated and monitored by investors, analysts and markets. At Cellnex, especially since our IPO, these are factors that we have internalised in our policies and in the day-to-day running of the company. In fact, we are responsible, not because there is a policy that says we are, but to the extent that we act responsibly, taking on board the values and principles of transparency, *savoir faire*, commitment to innovation and talent, and to sustainability tools within the company's industrial project. I would like to recall that, since it became a listed company, Cellnex has been reporting to the market in accordance with the international framework standards for the Integrated Annual Report, which attaches the same importance and relevance to the consolidation and treatment of financial and non-financial information. Along these lines, back in 2017 the company was already ahead of the application of the EU Directive on the integration of such information and went a step further by having the non-financial information chapter audited by an independent external auditor.

It is very important to target the fulfilment of these criteria, which is why we also take on public commitments, which we renew each year, such as Cellnex's adherence to the United Nations Global Compact and its Principles. Likewise, in the framework of our CR, we have identified five of the sustainable development goals (SDGs) to which the company can contribute.

As I said, transparency is also a priority and is part of our CR, a key element in the external monitoring of our progress that is one of the features that qualifies us to enter the various sustainability indices. This is why Cellnex is now part of indexes such as FTSE4GOOD, CDP (Carbon Disclosure Project), Sustainalytics and "Standard Ethics".

TM: I would only add to what the Chairman has said about the progress the company is making in relation to the 2016-2020 CR Master Plan. Three years into the five-year plan, we have initiated 90% of the planned lines of action - compared to the 82% at the close of 2017 and 70% of the actions have already been executed compared to 52% from the previous year. I would perhaps point to two elements marking this financial year 2018. One is the progressive extension of the non-financial reporting perimeter into which France and Switzerland have been incorporated, so that we ensure that 90% of the Group's income also accounts for its execution in non-financial matters. The second is the materiality analysis performed in this financial year to revalidate the goals of the current Master Plan, taking into account the significant change and the growth experienced by the Group since the IPO.

Cellnex is focused on growth in Europe. What would be your vision of the telecommunications market in the European Union in the medium and long term?

MP: We anticipate that the telecommunications market and the sector in Europe will show dynamism in the short and medium term, based essentially on two vectors: on the one hand, the arrival of expected consolidation and concentration which could also be accompanied by operators outsourcing assets; on the other, a second vector involving the roll-out of the networks and infrastructure associated with 5G.

TM: In this connection, I would highlight how we are shaping our value proposal for the 5G ecosystem. We understand that for a neutral telecommunications services and infrastructures operator such as Cellnex, it is important to be able to present ourselves as a strategic partner for our customers by offering them the most integrated solutions possible for rolling out their infrastructures. To this end, we are working in three main axes in which we have been making

decisions over the past two years. On the one hand, know-how in the field of Small Cells and Distributed Antenna Systems (DAS) resulting from our 2016 acquisition of the Italian company CommsCon, which will play a decisive role in the necessary densification of transmission equipment as well as in coverage provided in closed spaces with large footfall. Examples of this are sports stadiums, convention centres, shopping centres, offices, tunnels, stations and transport systems, etc.

A second key axis of our policy will be to ensure fibre optic connectivity to the various telecommunications sites, the so-called *backhauling* fibre, or Fibre To The Antenna (FTTA). This is a key structural element, as this connectivity is vital for managing the large volume of data flows associated with 5G. The acquisition of XOC in July 2018 meets this objective.

A third axis is the network-distributed data processing capacity, also known as Edge Computing, which is the background of operations like the acquisition of Alticom in the Netherlands in 2017, or the agreement signed in December 2018 with Bouygues Telecom to roll out strategic telecoms centres ready to house data processing capacity close to the points at which such data are sent and received. In all these areas we are looking at new opportunities and projects in Europe.

MP: We understand that from Cellnex we have a road map with a clear definition of the priorities that should mark the company's development over the next four or five years: continued growth in Europe and support for the roll-out of 5G.

That is why we are not only preparing ourselves technologically to respond to the challenge, but are also participating directly and actively, or via the associations in which we collaborate, in the processes of defining the regulatory frameworks, contributing our vision to more clearly defining the rules of play that must facilitate compliance with the European road map in terms of 5G.

In this connection, one key milestone in 2018 was the European Parliament's approval of the European Electronic Communications Code (EECC) in which the role of so-called *wholesale only operators* is recognised for the first time). The European Code highlights the role that such operators can play in accelerating the roll-out of 5G by facilitating and strengthening infrastructure-sharing schemes between different operators. This element is undoubtedly committed to efficiency in the use of resources of all kinds and therefore to greater competitiveness of network access operators that can optimise and adapt the application of these resources in what is, and will continue to be, a very demanding investment environment.

2. 2018 CELLNEX: MILESTONES AND MAIN MAGNITUDES

European leader in telecommunications infrastructures

Cellnex was founded in 2015 with the goal of becoming Europe's leading telecommunications infrastructure manager by providing a secure, high-quality service tailored to the needs of its customers. As such, Cellnex conducts its business in three main areas of service: Telecommunications Infrastructure Services, Broadcasting Infrastructure and Other Network Services.

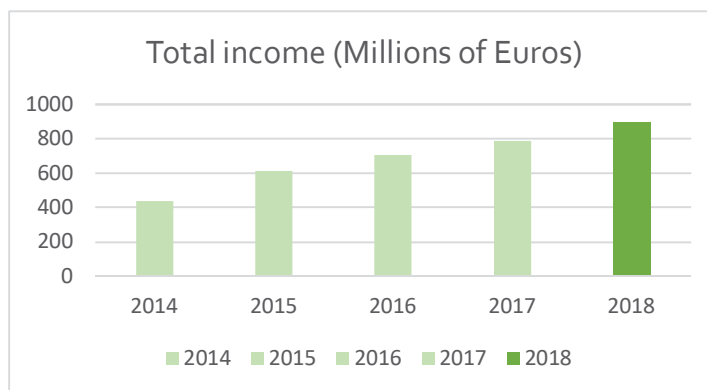
Cellnex's business model focuses on the provision of services to mobile network operators (MNOs), broadcasters and other public and private companies acting as a neutral ⁽¹⁾ infrastructure provider. This business model is based on innovative, efficient, sustainable, independent and quality management to create value for its shareholders, customers, employees and all stakeholders.

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

2018: Growth, consolidation and transformation

Growth

Income from operations for the period ended on 31 December 2018 reached EUR 898 million, which represents a 14% increase over the same period in 2017. This increase was mainly due to the expansion of the above-mentioned telecom infrastructure services for mobile network operators.



Telecom Infrastructure Services' income increased by 24% to EUR 583 million due to both the organic growth achieved and the acquisitions performed in 2017 and 2018. This business segment is characterised by solid growth driven by increasing demand for wireless data communication services, and by the growing interest of mobile network operators (MNO) in developing high quality networks that fulfil their consumers' needs in terms of uninterrupted coverage and availability of wireless bandwidth (based on new Long-Term Evolution "LTE" technologies), in the most efficient way. In recent years the Group consolidated its infrastructure network and long-term strategic relationships with its main customers, the mobile network operators. In addition to its current portfolio Group's Management has

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

GRI: 102-4, 102-6, 102-7, 102-10

identified several potential acquisitions which are currently being analysed following its demanding capital deployment criteria. The Group owns a high-quality asset portfolio, which is made up of selective assets in Spain, Italy, the Netherlands, France, the United Kingdom and Switzerland and performs the subsequent streamlining and optimisation of the tower infrastructure for Telecom Infrastructure Services. Its main added value proposals in this line of business consist of providing services to additional mobile network operators in its towers and therefore streamlining the customer's network. By increasing the ratio of customers to infrastructures, the Group will generate additional income with very little additional costs. This network streamlining may generate significant efficiencies for the Group and for the MNOs.

With regard to the Broadcasting Infrastructure business, income amounted to EUR 233 million, which represents a 2% decrease compared with the same period in 2017.

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

Other Network Services increased its income by 2%, to EUR 82 million. This constitutes a specialised business that generates stable cash flows with attractive potential for growth. Taking into account the critical nature of the services in which the Group collaborates, its customers require in-depth technical know-how that is reflected in the demanding service level agreements. The Group considers that it has a privileged market presence and geographical distribution, established relationships with government agencies and excellent infrastructure for emergencies and public services. The Group's aim is to maintain long-term relationships with its customers maximise the renewal rate of its contracts and expand its business through new contracts. The Group classifies Other Network Services into five groups: (i) connectivity services; (ii) PPDR services; (iii) operation and maintenance; (iv) Smart Cities/IoT ("Internet of Things"); and (v) other services.

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

All of the above has helped boost operating income and operating profit, with the latter also being impacted by the measures to improve efficiency and optimise operating costs.

In line with the increase in revenue, Adjusted EBITDA was 18% higher than the same period in 2017, as a result of the assets acquired during 2018 as well as organic growth, which reflects the Group's capacity to generate cash flows on a continuous basis.

The aforementioned figures reflect the positive evolution of the main Group's financial and business indicators. As a result of the Reorganisation Plan agreed during the first quarter of 2018, in order to adjust the workforce in its Spanish subsidiaries Tradia and Retevisión, which manage the terrestrial television infrastructure network (as detailed in Note 18 b) of the accompanying consolidated financial statements), the financial reporting period ended on 31 December 2018, closed with a EUR 15 million consolidated net loss attributable to shareholders.

Consolidation in Europe

Internationalising via mergers and acquisitions is a basic pillar of the Cellnex strategy.

In 2018, Cellnex continued expanding its presence in Europe, and by the end of the year 56% of Adjusted EBITDA was generated outside Spain.

The six countries (Spain, Italy, France, the Netherlands, United Kingdom and Switzerland) in which the company operates share certain of the Group's main customers and therefore Cellnex can capitalise on commercial synergies.

The Group's business presents significant barriers to entry into its main markets, mainly due to its difficult-to-replicate total asset base of 23,440 sites and 1,592 nodes, which make a total of 25,032 infrastructures.

The main changes in the consolidation perimeter, together with assets purchased during financial year 2018 are as follows:

France

Agreements reached during 2016 and 2017

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

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

Extension of the partnership during 2018

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

These new assets, once all have been built, will contribute an estimated up to EUR 39 million of additional Adjusted EBITDA ⁽¹⁾

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

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

GRI: 102-4, 102-6, 102-7, 102-10

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

Spain

Acquisition of Xarxa Oberta de Catalunya

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

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

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

Other new agreements

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

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

Switzerland

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

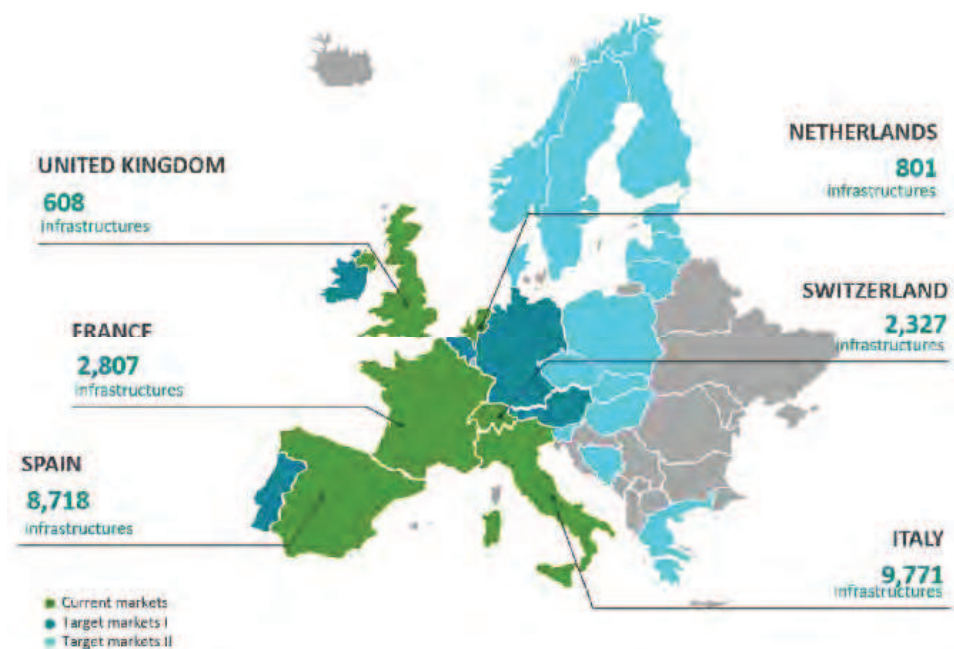
- An additional acquisition of 133 sites in Switzerland for an amount of CHF 39 million (EUR 34 million), which are to be transferred to Swiss Towers on 1 January 2019.
- An extension to the build-to-suit project with Sunrise agreed in the following terms: i) up to 75 additional sites to be build (increasing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

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

GRI: 102-4, 102-6, 102-7, 102-10

⁽¹⁾ Note that Bouygues transactions have a common characteristic "up to" as Bouygues has not the obligation to reach the highest number of sites.

At 31 December 2018, the total number of Cellnex infrastructures acquired and build (sites and nodes) in Europe was as follows:



Leadership, culture and transformation. Towards a new industrial model

Significant milestones in 2018	Main challenges for 2019
Defining the new 2018 Transformation Programmes based on the company's new Industrial Model	Continuing the 2018 Transformation initiatives, and defining and developing the transformational contents for 2019
Amending the Objectives Model to encourage sales in the new Commercial Model	Spreading the Objectives Model to commercial staff in all the countries, with overall reporting provided by them
Updating the methodology for the acquisition and integration of companies, and integration of the businesses in Switzerland and France	Applying the roll-out standard developed in the incorporation and integration of new companies and countries
Incorporating countries into The HUB digital platform	Designing and implementing a Digital Workplace project (with a far greater scope than that of a new corporate intranet) for employees in all countries, combining all the digital resources available to the employee within the same platform, with the principal objective of improving knowledge-sharing and collaboration
Designing the Look & Feel of the new corporate intranet	
Starting to define a corporate culture study	Developing and launching the Culture study, and identifying measures to achieve the desired culture

From the outset, Cellnex has been characterised by promoting activities of a transformational nature, in search of excellence. Thus, each year the company re-evaluates the status of its ongoing initiatives, draws conclusions and lessons learned, and uses them to implement improvements in the various areas.

GRI: 102-4, 102-6, 102-7, 102-10

Along these lines, publishing the new Industrial Model in 2018 meant redefining the company's Transformation Programme to adjust to the levers of the model, which was structured into 16 initiatives grouped into 3 axes: Global Commercial, Global Operational and Global Governance:



The commercial axis consists of two initiatives: the Innovation Model (explained in the section on An innovative and transformational business) and the New Commercial Model, known as the Trinity Project, which is based on the following principles: business segment orientation, support for the Business Lines, new commercial roles for sales efficiency, and effectiveness.

COMMERCIAL MODEL

BUSINESS LINES	COUNTRIES / MARKET SEGMENTS					
	ES	IT	FR	UK	CH	NL
BROADCAST	BROADCAST MNO & OPERATORS GOVERNMENTS ENTERPRISES					
TIS						
UAS/SC						
SMARTACT		(...)	(...)	(...)	(...)	(...)
CONNECTIVITY						
(...)						
OPERATIONAL MODEL						
OPERATIONAL DEVELOPMENT						

The Operational axis comprises the initiatives related to operational excellence, the digital agenda and improving information systems to consolidate and improve IT services.

GRI: 102-6, 102-7, 102-9, 102-10

Finally, the third axis of the Transformation Plan, Governance, has three subprogrammes: Balanced Scorecard (measuring strategic indicators), Revenue Assurance (checking movements for services rendered) and Shared Services (consolidating the relationship model between corporation and countries).

CORPORATIVE SERVICES



At the end of 2018, the overall progress achieved by the Transformation programmes was about 80% of the original planned.

The activities that remained outstanding, as well as those planned for 2019, will be performed during this year, which will also include a series of new lines of action identified with all areas of the company, to define new transformational ideas.

The redesign of the Commercial Area during 2018 also showed up the need to review the Objectives Model of the business commercial agents to align them with the new sales goals. This process, which was rolled out in Spain in 2018, will be spread to the remaining countries with the progressive implementation of the new business model within these countries, to make available integrated reporting on them to assess performance with respect to the commercial objectives set.

The methodology of acquisition and integration of companies was revised and redefined in 2018 to optimise the process of incorporating new companies and countries into the Cellnex universe, allowing the French and Swiss businesses to be integrated. This standard of incorporation and roll-out will help to integrate new businesses more swiftly and efficiently during 2019.

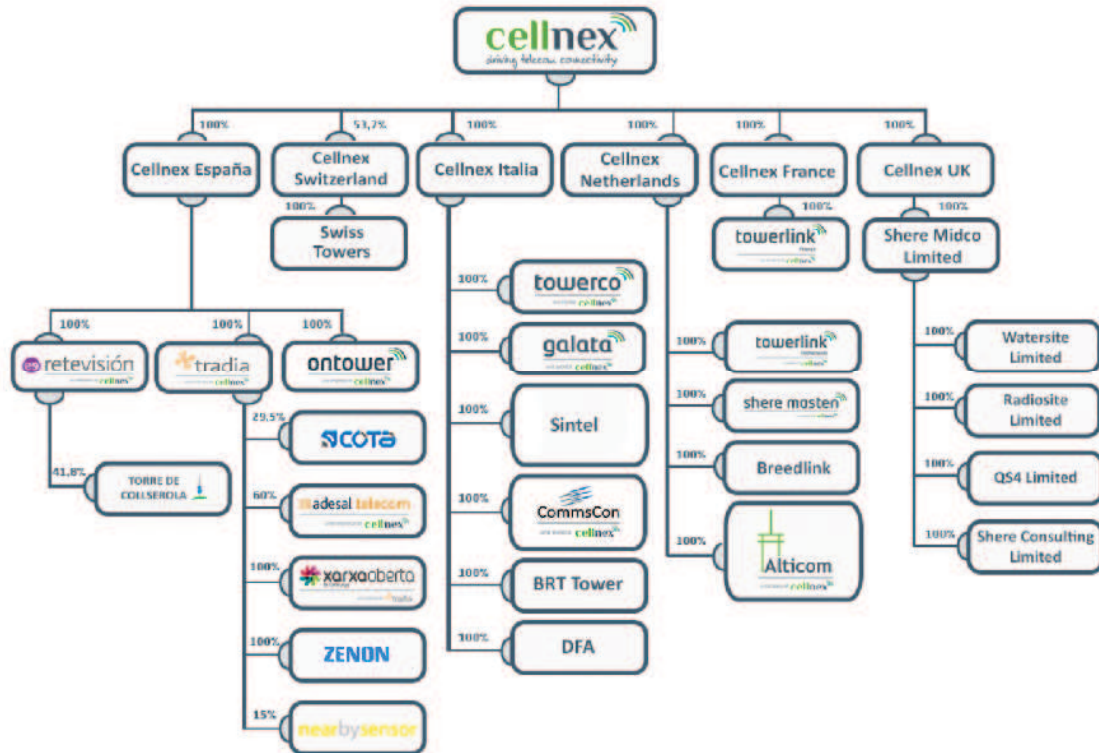
In the digital sphere, 2018 saw the progressive incorporation of countries into The Hub Platform (which brings together various talent and training elements that are available for employees), which will complete its roll-out in 2019 with the incorporation of the Netherlands. At the same time, work has been ongoing to design the new corporate intranet.

At the end of last year, the intranet development project underwent a change in scope, as it was extended to a Digital Work Place, which aims to gather all the digital elements available to employee on the Cellnex intranet. Likewise, as this project is developed, from 2019 up to launch in the countries, we will work to analyse the company's various internal communication channels, as well as the development of a corporate internal communication policy.

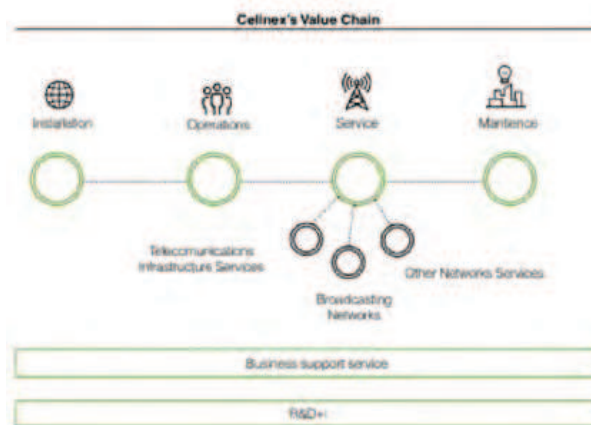
As regards culture, work began to define the scope of a study on corporate culture at the end of 2018 to update the Group culture, in response to significant changes - fundamentally in terms of both the business model and the diversity

of the markets and countries in which it operates-, analyse employee perception and determine lines of action to fill the gaps identified. The study will be launched in 2019 and conclusions drawn, while the measures identified will be implemented.

As of 31 December 2018, the organisational structure of the Cellnex Group is as follows:



Details of the Group's subsidiaries and associated companies as of 31 December 2018, together with the percentages of stakeholding, are shown in Appendices I and II respectively of the accompanying consolidated annual accounts.



GRI: 102-6, 102-7, 102-9, 102-10

View of 2018

<p>Consistent and sustainable organic growth</p> <p>+5% new PoPs year on year +c.20% DAS nodes</p> <p>Continued commercial drive to secure future organic growth</p>	<p>Solid financial performance</p> <p>Revenues +c.15% vs. FY 2017 Adjusted EBITDA +c.20% RLFCF +c.10% Strong backlog of c.€18Bn</p>	<p>IFRS 16⁽¹⁾ a game changer</p> <p>Sector debt increases as leases capitalized</p> <p>Cellnex's MSA avoids capitalization of leases⁽²⁾</p> <p>Credit agencies removing the accounting benefit from selling minority stakes in TowerCos</p>
<p>Becoming our clients' partner of trust</p> <p>Initial agreements create a precedent for a more progressive relationship</p> <p>Increased scope with existing clients</p>	<p>Compelling pipeline of opportunities in Europe</p> <p>Discussions with key European players with a strong industrial rationale</p> <p>Owners of large portfolios of telecom sites considering divestments</p>	<p>2018 financial outlook beaten</p> <p>2019 outlook under IFRS 16, effective from January 1st</p>

⁽¹⁾ Mandatory from January 1st 2019

⁽²⁾ Cellnex's approach validated by all four major auditing firms; for more information please see "Frequently Asked Questions section" of the December 2018 Results (Cellnex webpage).

Market figures: Cellnex on the stock market

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, which brings together the principal companies on the Spanish stock exchange in terms of capitalisation and turnover. This milestone brought with it a broadening of the shareholder base, giving Cellnex higher liquidity and making it more attractive to investors. At present Cellnex has a solid shareholder base and the majority consensus of analysts who follow our company +50% - is a recommendation to buy.

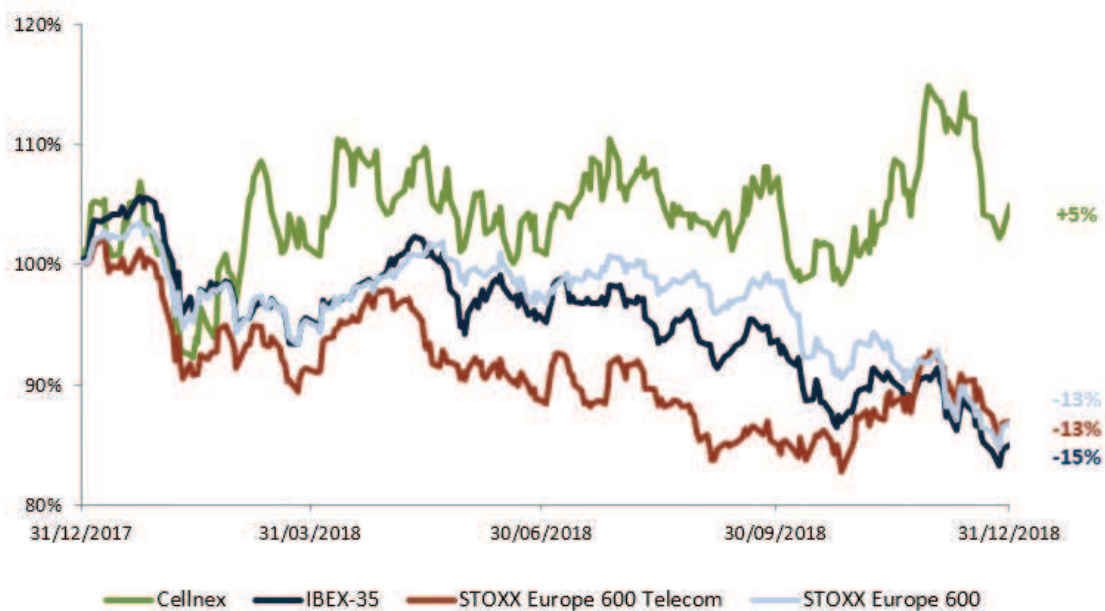
Cellnex's share capital amounts to EUR 57,921 thousand and is divided into 231,683,240 ordinary shares with a nominal value of EUR 0.25 each, of a single class and series, fully subscribed and paid up. Each share carries one vote.

Cellnex's share price experienced a 5% increase during 2018, closing at EUR 22.4 per share. The average volume traded has been approximately 770 thousand shares a day. The IBEX 35, the STOXX Europe 600 and the STOXX Europe 600 Telecom decreased by 15%, 13% and 13% respectively during the same period.

Cellnex's market capitalization stood at EUR 5,187 million at the period ended on 31 December 2018, 60% higher than at start of trading on 7 May 2015, compared to a 23% drop in the IBEX 35 in the same period.

The evolution of Cellnex shares during 2018, compared to the evolution of IBEX 35, STOXX Europe 600 and STOXX Europe 600 Telecom, is as follows:

GRI: 102-7, 102-9



The detail of the main stock market indicators of Cellnex in 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Number of shares	231,683,240	231,683,240
Stock market capitalisation at period/year end (millions of euros)	5,187	4,946
Share price at close (EUR/share)	22.39	21.35
Maximum share price for the period (EUR/share) Date	24.52 29/11/2018	21.77 19/12/2017
Minimum share price for the period (EUR/share) Date	19.7 13/02/2018	13.16 31/01/2017
Average share price for the period (EUR/share)	22.26	17.76
Average daily volume (shares)	769,574	1,087,014

Treasury shares

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

During 2018, Cellnex carried out discretionary purchases of 250,604 treasury shares mainly regarding the Long Term Incentive Plan "2015-2017" (See Note 17 of the accompanying consolidated financial statements), representing 0.11% of the total shares outstanding, of which 54,330 have been transferred to beneficiaries.

The treasury shares transactions carried out during 2018, are disclosed in Note 13.a to the accompanying consolidated financial statements.

Business performance and results

The year ended on 31 December 2018 highlights the strong alignment between the objectives set and the results achieved, given that the Group considers as a key element the integration of this growth into its management processes, ensuring that it can guarantee and deliver quality service to customers.

Alternative Performance Measures

An Alternative Performance Measure (APM) is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

Cellnex believes that there are certain APMs, which are used by the Group's Management in making financial, operational and planning decisions, which provide useful financial information that should be considered in addition to the financial statements prepared in accordance with the accounting regulations that apply (IFRS-EU), in assessing its performance. These APMs are consistent with the main indicators used by the community of analysts and investors in the capital markets.

In this sense, and in accordance with the provisions of the Guide issued by the European Securities and Markets Authority (ESMA), in force since 3 July, 2016, on the transparency of Alternative Performance Measures, Cellnex below provides information concerning those APMs it considers significant: **Adjusted EBITDA; Adjusted EBITDA Margin; Gross and Net Financial Debt; Maintenance, Expansion and M&A CAPEX; and Recurring leveraged free cash flow.**

The definition and determination of the aforementioned APMs are disclosed in the accompanying consolidated financial statements, and therefore, they are validated by the Group auditor (Deloitte)

Adjusted EBITDA

Relates to the "Operating profit" before "Depreciation and amortisation charge" (after IFRS 16 adoption) and after adding back (i) certain non-recurring items (such as cost related to acquisitions, contract renegotiation and redundancy provision) or (ii) certain non-cash items (such as advances to customers, prepaid expenses and LTIP remuneration payable in shares).

The Company uses Adjusted EBITDA as an operating performance indicator as it is considered a measure that best represents the cash generation of its business units and which is widely used as an evaluation metric among analysts, investors, rating agencies and other stakeholders. At the same time, it is important to highlight that Adjusted EBITDA is not a measure adopted in accounting standards and, therefore, should not be considered an alternative to cash flow

as an indicator of liquidity. Adjusted EBITDA does not have a standardised meaning and, therefore, cannot be compared to the Adjusted EBITDA of other companies.

The criteria used to calculate the Adjusted EBITDA is different from the previous year due to the adoption of new accounting standards as detailed in Note 4 of these consolidated financial statements.

The Company presents comparative financial information from previous year as detailed in Note 2.e of these consolidated financial statements.

As at 31 December 2018 and 2017, respectively, the amounts are as follows:

	Thousands of Euros	
	31 December 2018	31 December 2017 restated
Broadcasting infrastructure	232,773	237,258
Telecom Infrastructure Services	582,758	471,585
Other Network Services	82,340	80,500
Operating income	897,871	789,343
Staff costs	(172,650)	(107,354)
Repairs and maintenance	(32,223)	(28,307)
Leases	(11,537)	(11,878)
Utilities	(72,312)	(74,073)
General and other services	(93,773)	(87,487)
Depreciation and amortisation charge	(402,846)	(351,682)
Operating profit	112,530	128,562
Depreciation and amortisation	402,846	351,682
Non-recurring expenses	72,067	17,014
Advances to customers	3,383	2,771
Adjusted operating profit before depreciation and amortisation charge (Adjusted EBITDA)	590,826	500,029

Non-recurring expenses and advances to customers are set out below (see in Note 19.d of the accompanying consolidated financial statements):

	Thousands of Euros	
	31 December 2018	31 December 2017 restated
Costs related to acquisitions ⁽¹⁾	(13,607)	(10,877)
Contract renegotiation ⁽²⁾	-	(3,825)
Prepaid expenses ⁽³⁾	-	(2,312)
Advances to customers ⁽⁴⁾	(3,383)	(2,771)
Redundancy provision ⁽⁵⁾	(56,160)	-
LTIP remuneration payable in shares ⁽⁶⁾	(2,300)	-
Total non-recurring expenses and advances to customers	(75,450)	(19,785)

⁽¹⁾ Mainly includes expenses incurred during acquisition processes (non-recurring item).

⁽²⁾ This relates to the cancellation expenses concerning the renegotiation of certain contracts with services providers. This renegotiations took place in order to achieve significant savings in costs over the coming years (non-recurring item).

⁽³⁾ Prior to the adoption of IFRS 16 this item mainly included prepaid ground rental costs, prepaid energy and agency fees incurred to renegotiate rental contracts and which were taken to the consolidated income statement over the life of the corresponding ground lease contract (non-cash item).

⁽⁴⁾ Includes the amortization of amounts paid for sites to be dismantled and their corresponding dismantling costs. These costs are treated as advances to customers in relation to the subsequent services agreement entered into with the customer (mobile telecommunications operators). These amounts are deferred over the life of the service contract with the operator as they are expected to generate future economic benefits in existing infrastructures (non-cash item).

⁽⁵⁾ Mainly includes the amount recorded as at 31 December 2018 in accordance with the reorganisation plan detailed in Note 18.b of the accompanying consolidated financial statements.

⁽⁶⁾ Corresponds to the LTIP remuneration accrued as of 31 December 2018, which is payable in Cellnex shares (See Note 18.b of the accompanying consolidated financial statements).

Adjusted EBITDA Margin

Corresponds to Adjusted EBITDA divided by total revenues excluding elements pass-through to customers (mostly electricity) from both expenses and revenues.

The criteria used to calculate the Adjusted EBITDA is different from the previous year due to the adoption of new accounting standards as detailed in Note 4 of these consolidated financial statements.

The Company presents comparative financial information from previous year as detailed in Note 2.e of these consolidated financial statements.

According to the above, the Adjusted EBITDA Margin as at 31 December 2018 and 2017 was 68% and 66%, respectively.

Gross financial debt

The Gross Financial Debt corresponds to "Bond issues and other loans", "Loans and credit facilities" and "Lease liabilities", but does not include any debt held by Group companies registered using the equity method of consolidation, "Derivative financial instruments" or "Other financial liabilities".

The criteria used to calculate the Gross financial debt is different from the previous year due to the adoption of new standards as detailed in Note 4 of these consolidated financial statements.

The Company presents comparative financial information from previous year as detailed in Note 2.e of these consolidated financial statements.

According to the above, its value as at 31 December 2018 and 2017, respectively, is as follows:

	Thousands of Euros	
	31 December 2018	31 December 2017 restated
Bond issues and other loans (Note 14)	2,510,176	1,898,619
Loans and credit facilities (Note 14)	585,561	633,189
Lease liabilities (Note 15)	526,337	425,982
Gross financial debt	3,622,074	2,957,790

Net financial debt

Relates to "Gross financial debt" minus "Cash and cash equivalents"

Together with Gross Financial Debt, the Company uses Net Financial Debt as a measure of its solvency and liquidity as it indicates the current cash and equivalents in relation to its total debt liabilities. From the net financial debt, common used metrics are calculated such as the "Annualised Net Debt / Annualised Adjusted EBITDA" which is frequently used by analysts, investors and rating agencies as an indication of financial leverage.

The criteria used to calculate Net financial debt is different from the previous year due to the adoption of new standards as detailed in Note 4 of these consolidated financial statements.

The Company presents comparative financial information from previous year as detailed in Note 2.e of these consolidated financial statements.

The "Net financial debt" at 31 December 2018 and 2017 restated is detailed in Section 1.4. of the accompanying consolidated directors' report for the period ended on 31 December 2018.

Capital expenditures

Maintenance capital expenditures

Corresponds to investments in existing tangible or intangible assets, such as investment in infrastructure, equipment and information technology systems, and are primarily linked to keeping sites in good working order, but which excludes investment in increasing the capacity of sites.

Expansion capital expenditures

Includes site adaptation for new tenants, ground leases (cash advances and land acquisitions), and efficiency measures associated with energy and connectivity, and early site adaptation to increase the capacity of sites. Thus, it corresponds to investments related to business expansion that generates additional adjusted EBITDA.

Expansion capital expenditures (Build to Suit programs)

Includes Build to Suit committed with different MNO's like Bouygues Telecom and Sunrise, at the moment of the closing of the M&A projects or the corresponding new extensions.

M&A capital expenditures

Corresponds to investments in shareholdings of companies as well as significant investments in acquiring portfolios of sites (asset purchases).

The criteria used to calculate the Capital expenditures is the same as the previous year.

Total capital expenditure for the period ended 31 December 2018 and 2017, including property, plant and equipment, intangible assets, advance payments on ground leases and business combinations are summarised as follows:

	Thousands of Euros	
	31 December 2018	31 December 2017
Maintenance capital expenditures	30,653	25,348
Expansion capital expenditures	93,764	88,136
Expansion capital expenditures (Build to Suit programs)	147,341	51,749
M&A capital expenditures	395,305	1,017,454
Total investment	667,063	1,182,687

Recurring leveraged free cash flow

The Company considers that the recurring leveraged free cash flow is one of the most important indicators of its ability to generate stable and growing cash flows which allows it to guarantee the creation of value, sustained over time, for its shareholders.

The criteria used to calculate the recurring leveraged free cash flow is different from the previous year due to the adoption of new standards as detailed in Note 4 of these consolidated financial statements.

The Company presents comparative financial information from previous year as detailed in Note 2.e of these consolidated financial statements.

At 31 December 2018 and 2017 the Recurring Leveraged Free Cash Flow ("RLFCF") was calculated as follows:

	Thousands of Euros	
	31 December 2018	31 December 2017 restated
Adjusted EBTIDA ⁽¹⁾	590,826	500,029
Payments of lease instalments in the ordinary course of business and interest payments ⁽²⁾	(166,493)	(153,001)
Maintenance capital expenditures ⁽³⁾	(30,653)	(25,348)
Changes in current assets/current liabilities ⁽⁴⁾	2,034	10,886
Net payment of interest ⁽⁵⁾	(64,503)	(40,941)
Income tax payment ⁽⁶⁾	(20,219)	(13,349)
Net dividends to non-controlling interests ⁽⁷⁾	(6,274)	(631)
Recurring leveraged free cash flow (RLFCF)	304,718	277,645
Expansion Capex ⁽⁸⁾	(93,764)	(88,136)
Expansion Capex (Build to Suit programs) ⁽⁹⁾	(147,341)	(51,749)
M&A Capex (cash only) ⁽¹⁰⁾	(392,125)	(829,961)
Non-Recurrent Items (cash only) ⁽¹¹⁾	(45,048)	(14,702)
Net Cash Flow from Financing Activities ⁽¹²⁾	553,370	807,280
Other Net Cash Out Flows ⁽¹³⁾	(19,113)	1,945
Net Increase of Cash⁽¹⁴⁾	160,697	102,322

- Adjusted EBITDA: Profit from operations before D&A (after IFRS 16 adoption) and after adding back (i) certain non-recurring items (such as cost related to acquisitions (€14Mn), and redundancy provisions (€56Mn)) or (ii) certain non-cash items (such as LTIP remuneration payable in shares (€2Mn) and advances to customers (€3Mn) which include the amortisation of amounts paid for sites to be dismantled and their corresponding dismantling costs).
- Corresponds to payments of lease instalments in the ordinary course of business (€112Mn) and interest payments on lease liabilities (€54Mn). See Note 15 of the accompanying Consolidated Financial Statements.
- Maintenance capital expenditures: investment in existing tangible or intangible assets, such as investment in infrastructure, equipment and information technology systems, and are primarily linked to keeping sites in good working order, but which excludes investment in increasing the capacity of sites.
- Changes in current assets/current liabilities (see the relevant section in the Consolidated Statement of Cash Flows for the period ended 31 December 2018), following the same methodology used in 2017.
Net payment of interest corresponds to the net of "Interest paid" and "interest received" in the accompanying Consolidated Statement of Cash Flows for the period ended 31 December 2018), following the same methodology used in 2017. The amount corresponds to net interest payments (€65Mn), which do not include "Interest payments on lease liabilities" (€54Mn) (see Note 15 of the accompanying consolidated financial statements).
- Income tax payment (see the relevant section in the accompanying Consolidated Statement of Cash Flows for the period ended 31 December 2018), following the same methodology used in 2017.
- Corresponds to the net of "Dividends to non-controlling interests" and "Dividends received" in the accompanying Consolidated Statement of Cash Flows for the period ended 31 December 2018, following the same methodology used in 2017.
- Expansion capital expenditures: Ground leases (€52Mn), efficiency measures associated with energy and connectivity (€9Mn), and others (including early site adaptation to increase the capacity of sites), following the same

- methodology used in 2017. Ground leases includes €4.0Mn relating to "cash advances to landlords" (See Note 15 of the accompanying Consolidated Financial Statements), with the balance corresponding to land acquisitions. Thus, it corresponds to investments related to business expansion that generates additional adjusted EBITDA.
9. Build to Suit committed with Bouygues Telecom and Sunrise, at the moment of the closing of the M&A project or the corresponding new extensions; following the same methodology used in 2017.
 10. M&A capital expenditures (cash only): Investments in shareholdings of companies as well as significant investments in acquiring portfolios of sites (asset purchases), after integrating into the consolidated balance sheet mainly the "Cash and cash equivalents" of the acquired companies and the contribution of minority shareholders. The amount resulting from: (3)+(8)+(9)+(10) corresponds to "Total Investment" (see caption "Capital Expenditures" in the accompanying Consolidated Financial Statements for the period ended 31 December 2018), minus the "Cash and cash equivalents" of the acquired companies (€-3Mn) and; also corresponds to "Total net cash flow from investing activities" (see the relevant section in the accompanying Consolidated Statement of Cash Flows for the period ended 31 December 2018), after adding the Cash advances to landlords (€-4.0Mn) and others (€+1Mn), following the same methodology used in 2017.
 11. Consists of "non-recurring expenses and advances to customers" that have involved cash movements, which correspond to "Costs related to acquisitions" and "Redundancy provisions".
 12. Corresponds to "Total net cash flow from financing activities", which do not include "Net payment of lease liabilities", "Dividends to non-controlling interests" and "Dividends received" (see the relevant section in the Consolidated Statement of Cash Flows for the period ended 31 December 2018), following the same methodology used in 2017.
 13. Mainly corresponds to "Foreign exchange differences" (see the relevant section in the Consolidated Statement of Cash Flows for the period ended 31 December 2018), payment related to the Long Term Incentive Plan (2015-2017) (see Note 18.b of the accompanying Consolidated Financial Statements) and other items, following the same methodology used in 2017.
 14. "Net (decrease)/increase in cash and cash equivalents from continuing operations" (see the relevant section in the Consolidated Statement of Cash Flow for the period ended 31 December 2018), following the same methodology used in 2017.

Revenues and Results

Income from operations for the year ended on 31 December 2018 reached EUR 898 million, which represents an 14% increase over the same period in 2017. This increase was mainly due to the expansion of the above-mentioned telecom infrastructure services for mobile network operators.

Telecom Infrastructure Services' income increased by 24% to EUR 583 million due to the acquisitions performed during the second half of 2017 and 2018. This business segment is characterised by solid growth driven by increasing demand for wireless data communication services, and by the growing interest of mobile network operators (MNO) in developing high quality networks that fulfil their consumers' needs in terms of uninterrupted coverage and availability of wireless bandwidth (based on new Long-Term Evolution "LTE" technologies), in the most efficient way. In recent years the Group consolidated its infrastructure network and long-term strategic relationships with its main customers, the mobile network operators. In addition to its current portfolio Group's Management has identified several potential acquisitions which are currently being analysed following its demanding capital deployment criteria. The Group owns a high-quality asset portfolio which is made up of selective assets in Spain, Italy, the Netherlands, France, the United Kingdom and Switzerland and performs the subsequent streamlining and optimisation of the tower infrastructure for Telecom Infrastructure Services. Its main added value proposals in this line of business consist of providing services to additional mobile network operators in its towers and therefore streamlining the customer's network. By increasing the ratio of customers to infrastructures, the Group will generate additional income with very little additional costs. This network streamlining may generate significant efficiencies for the Group and for the MNOs.

With regard to the Broadcasting Infrastructure business, income amounted to EUR 233 million which represents a 2% decrease compared with the same period in 2017.

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

Other Network Services increased its income by 2%, to EUR 82 million. This constitutes a specialised business that generates stable cash flows with attractive potential for growth. Taking into account the critical nature of the services in which the Group collaborates, its customers require in-depth technical know-how that is reflected in the demanding service level agreements. The Group considers that it has a privileged market presence and geographical distribution, established relationships with government agencies and excellent infrastructure for emergencies and public services. The Group's aim is to maintain long-term relationships with its customers maximise the renewal rate of its contracts and expand its business through new contracts. In relation to this business segment, during 2018, Cellnex incorporated the XOC, a concessionary company dedicated to the management, maintenance and construction of the fiber optic network of the Generalitat de Catalunya.

All of the above has helped boost operating income and operating profit, with the latter also being impacted by the measures to improve efficiency and optimise operating costs.

In line with the increase in revenue, Adjusted EBITDA was 18% higher than 2017, as a result of the business combinations and assets acquired during the second half of 2017, and during 2018 as well as organic growth which reflects the Group's capacity to generate cash flows on a continuous basis.

Operating profit decreased by 13% compared with 2017 mainly due to the reorganisation plan agreed during the first quarter of 2018 in order to adjust the workforce in its Spanish subsidiaries Tradia and Retevisión, which manage the terrestrial television infrastructure network (as detailed in Note 18 b) of the accompanying consolidated financial statements).

Taking into account these considerations, the consolidated loss attributable to shareholders on 31 December 2018 stood at EUR 20 million.

Consolidated Balance Sheet

Total assets at 31 December 2018 stood at EUR 5,133 million, a 15% increase compared with the year-end December 2017, as a result of the asset purchases made during the 2018 in France, Switzerland and Spain. Around 63% of total assets relates to property, plant and equipment and other intangible assets, in line with the nature of the Group's business related to the management of terrestrial telecommunications infrastructure. The increase in property, plant and equipment is a result of the above-mentioned acquisitions.

Consolidated net equity amounted to EUR 613 million, in line with 2017 year-end 2017. The main impacts during 2018 relates to the consolidated net loss of the year, the final dividend distributed, the acquisition of treasury shares, and the convertible bond issued in January 2018 (as detailed in Note 14 of the accompanying consolidated financial statements).

Consolidated cash flow generation

Net Payment of Interest

The reconciliation of the caption "Net payment of interest" from the consolidated cash flow statement corresponding to the period ended on 31 December 2018 and 2017, with the "net interest expense" in the financial statements is as follows.

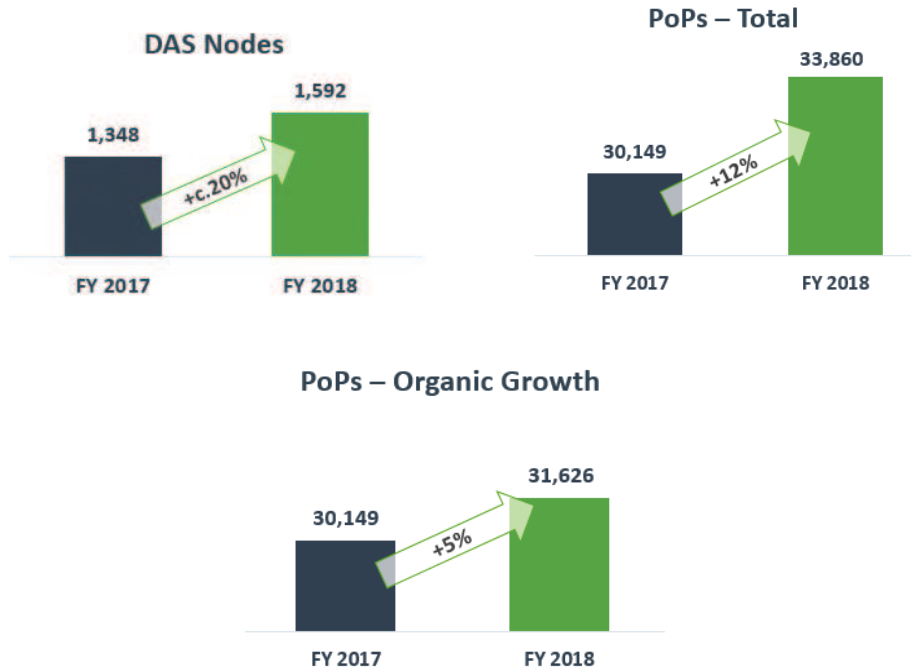
	Thousands of Euros	
	31 December 2018	31 December 2017 restated
Interest Income (Note 19.g)	3,461	1,397
Interest Expense (Note 19.g)	(152,285)	(110,474)
Bond & loan interest accrued not paid	44,582	35,722
Put Options – non-cash	5,676	5,365
Amortised costs – non-cash	15,147	2,119
Interest accrued in prior year paid in current year	(35,538)	(15,987)
Net payment of interest as per the Consolidated Statement of Cashflows	(118,957)	(81,858)

Income Tax Payment

The reconciliation between the payment of income tax according to the consolidated statement of cashflows and the current income tax expense for 2018 and 2017 is as follows:

	Thousands of Euros	
	31 December 2018	31 December 2017
Current tax expense (Note 17.c)	(18,290)	(20,273)
Payment of income tax prior year	(5,975)	(1,303)
Receivable of income tax prior year	1,318	458
Income tax (receivable)/payable	5,739	7,289
Others	(3,011)	481
Payment of income tax as per the Consolidated Statement of Cashflows	(20,219)	(13,349)

Business indicators



DAS: Distributed Antenna System
PoPs: Points of Presence

Information relating to the deferment of payments to suppliers

See Note 16 of the accompanying consolidated financial statements.

Use of financial instruments

See Note 5 of the accompanying consolidated financial statements.

GRI: 102-7, management approach for indirect economic impacts (103-1, 103-2, 103-3), 203-1

Sustained value creation

Creating value in the company

Cellnex's Financial Structure

Cellnex' borrowings are represented by a combination of loans, credit facilities and bonds issues. As at 31 December 2018, the total limit of loans and credit facilities available was EUR 1,606,398 thousand (EUR 1,695,922 thousand as of 31 December 2017), of which EUR 1,287,415 thousand in credit facilities and EUR 318,984 thousand in loans (EUR 1,152,351 thousand in credit facilities and EUR 543,571 thousand in loans as of 31 December 2017).

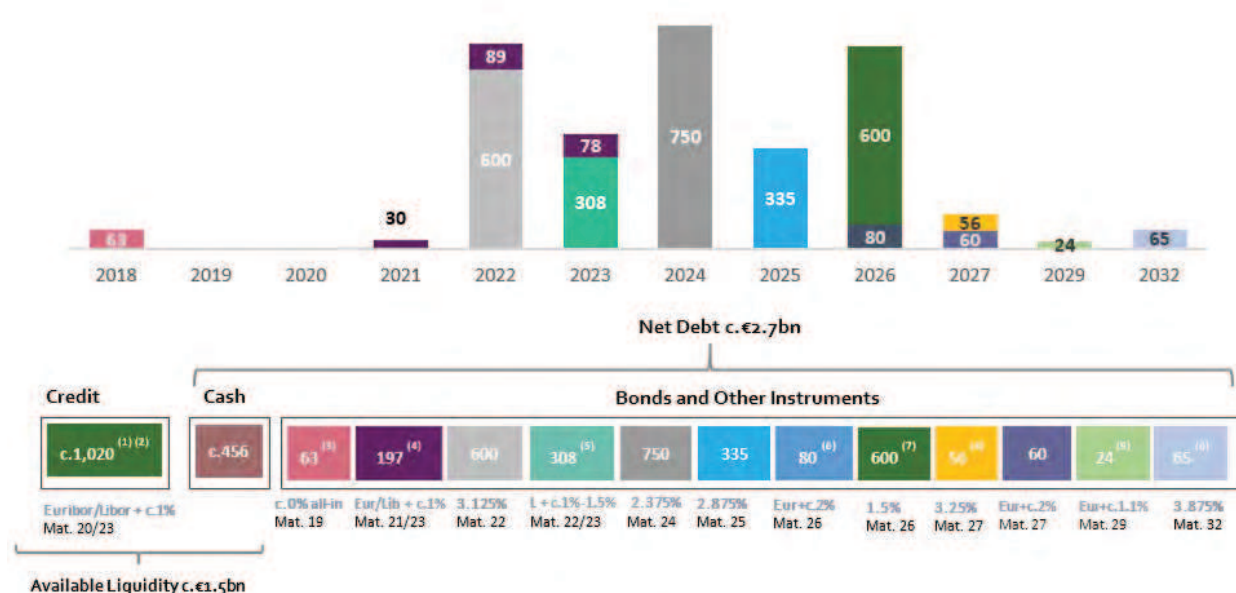
	Thousands of Euros					
	Notional as of 31 December 2018 ^(*)			Notional as of 31 December 2017 ^(*)		
	Limit	Drawn	Undrawn	Limit	Drawn	Undrawn
Bond issues and other loans	2,552,835	2,552,835	-	1,890,000	1,890,000	-
Loans and credit facilities	1,606,398	586,471	1,019,927	1,695,922	635,852	1,060,070
Total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

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

As at 31 December 2018, Cellnex weighted average cost of debt (considering both the drawn and undrawn borrowings) was 1.9%⁽³⁾ (2.0% as at 31 December 2017) and the weighted average cost of debt (considering only the drawn down borrowings) was 2.2% (2.4% as at 31 December 2017).

⁽³⁾ Considering current Euribor rates; cost over full financing period to maturity

The following graph sets forth Cellnex's notional contractual obligations in relation to borrowings as of 31 December 2018 (EUR million):



- (1) RCF Euribor 1M; Credit facilities Euribor 1M and 3M; floor of 0% applies
- (2) Maturity 5 years
- (3) Euro Commercial Paper
- (4) Includes c.€150Mn debt in GBP; natural hedge investment in Cellnex UK Ltd
- (5) EUR169Mn debt in Swiss Francs at corporate level (natural hedge) + EUR139Mn debt in Swiss Francs at local level in Switzerland. No financial covenants or share pledge (Swiss Tower and/or Cellnex Switzerland) in line with all the debt placed at the Parent Company Corporate level
- (6) Private placement
- (7) Convertible bond into Cellnex shares (conversion price at €38 per share)
- (8) Bilateral loan
- (9) EIB

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

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

Liquidity and Capital Resources

Net financial debt

The "Net financial debt" at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	31 December 2018	31 December 2017 restated
Gross financial debt ⁽¹⁾	3,622,074	2,957,790
Cash and cash equivalents (Note 12)	(455,870)	(295,173)
Net financial debt	3,166,204	2,662,617

⁽¹⁾ As defined in Section "Business performance and results" of the accompanying consolidated management report corresponding to the year ended on 31 December 2018.

At 31 December 2018, the net bank financial debt amounted to EUR 3,166 million (EUR 2,663 million in 2017), including a consolidated cash and cash equivalents position of EUR 456 million (EUR 295 million in 2017). The ratio of net financial debt to Adjusted annualised EBITDA amounts to 4.9x ²⁹ (4.6x in 2017 restated).

Net financial debt evolution

Net Debt Evolution (including accrued interest)	Thousands of Euros	
	31 December 2018	31 December 2017 restated
Beginning of Period	2,662,617	1,844,573
Recurring leveraged free cash flow	(304,718)	(277,645)
Expansion Capex	93,764	88,136
Expansion Capex (Build to Suit programs)	147,341	51,749
M&A Capex (cash only)	392,125	829,961
Non-Recurrent Items (cash only)	45,048	14,702
Other Net Cash Out Flows	19,113	(1,945)
Payment of Dividends ⁽¹⁾	24,211	20,000
Treasury Stock ⁽²⁾	5,035	(1,587)
Equity associated with the issuance of convertible bond	(62,480)	-
Net repayment of other borrowings ⁽³⁾	11,220	1,188
Change in Lease Liabilities ⁽⁴⁾	100,355	80,863
Accrued Interest Not Paid and Others (non-cash)	32,573	12,622
End of Period	3,166,204	2,662,617

⁽²⁹⁾ The ratio is calculated as 12-month forward-looking Adjusted EBITDA (see outlook 2019), divided by net debt 2018.

CONSOLIDATED MANAGEMENT REPORT 2018

Integrated Annual Report

CELLNEX TELECOM

1. "Dividends paid" (see the relevant section in the Consolidated Statement of Cash Flows for the period ended 31 December 2018), following the same methodology used in 2017.
2. "Acquisition of treasury shares" (see the relevant section in the Consolidated Statement of Cash Flows for the period ended 31 December 2018), following the same methodology used in 2017.
3. "Net repayment of other borrowings" (see the relevant section in the Consolidated Statement of Cash Flows for the period ended 31 December 2018), following the same methodology used in 2017.
4. Changes in "Lease liabilities" long and short term of the accompanying Consolidated Balance Sheet as of 31 December 2018. See Note 15 of the accompanying Consolidated Financial Statements.

Liquidity availability

The breakdown of the available liquidity at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	31 December 2018	31 December 2017
Available in credit facilities (Note 14)	1,019,927	1,060,070
Cash and cash equivalents (Note 12)	455,870	295,173
Available liquidity	1,475,797	1,355,243

As at 31 December 2018, Cellnex weighted average cost of debt (considering both the drawn and undrawn borrowings) was 1.9% (2.0% as at 31 December 2017)

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

Shareholder remuneration

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

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

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

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

2017-2019 Dividend Policy

The following Dividend Policy shall be applicable:

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

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

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

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

The Cellnex tax contribution

Cellnex's taxation strategy establishes the fundamental guidelines governing the decisions and actions of the Cellnex Group in tax matters. Likewise, the company has established the control and management of tax risks rule, which defines the principles and structure of the control and management framework of these.

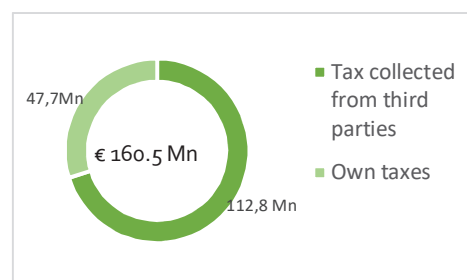
During this financial year, the company has sent out the control and management framework for tax risks to the appropriate areas whose functions and responsibilities make them particularly sensitive in the field of taxation. Likewise, to comply even more effectively with the rules on control and management of tax risks, the company has begun to implement a tool that makes it possible to perform recurrent monitoring of its tax situation in Spain and optimises the management of any risks that may be detected. Cellnex plans to push this forward in Spain at the beginning of 2019 and to start implementing this tool in the remaining jurisdictions in the middle of the year.

The Group acts responsibly in tax matters in its business management and meets its tax obligations in all the countries in which it operates - currently Spain, Italy, the Netherlands, Switzerland France and the UK - applying consistent fiscal criteria in accordance with regulations, administrative doctrine and case law and maintaining appropriate relations with the corresponding tax authorities

Cellnex is also sensitive to and aware of its responsibility in the economic development of the territories in which it operates, helping to create economic value by paying taxes, both on its own account and those collected from third parties. Accordingly, it makes a substantial effort and pays great attention to fulfilling its tax obligations, in accordance with the applicable rules in each territory.

Following OECD methodology on cash basis accounting, **Cellnex's** total tax contribution in 2018 was € 160.5 million (167.6 in FY 2017). Own taxes are those paid for the company and third-party taxes are those collected and aid into the various tax offices on behalf of such third parties, therefore they are not a cost to the company.

Region	Own taxes (Mn) ⁽¹⁾	Tax collected from third parties (Mn) ⁽²⁾	Total (Mn)
Spain	24.1	68.1	92.2
Italy	17.6	30.9	48.5
France	0.3	0.8	1.1
Netherlands	0.8	8.4	9.2
United Kingdom	1.2	1.8	3.0
Switzerland	3.7	2.8	6.5
Total	47.7	112.8	160.5



- (1) Includes taxes that are an effective cost to the company (basically includes payments of income tax, local taxes, miscellaneous taxes and employer's social security contributions).
- (2) (Includes taxes that do not affect the result but are collected by Cellnex on behalf of the tax administration or are paid in for third parties (basically includes net value added tax, deductions from employees and third parties, and employees' Social Security contributions).

Income tax payment

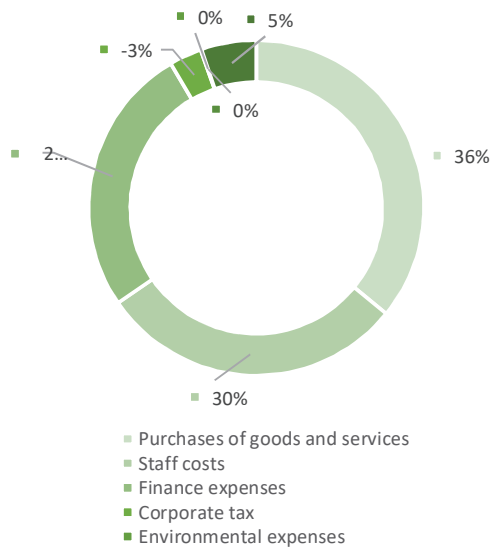
The breakdown of the income tax payment by country for the 2018 financial year is as follows:

Region	Income tax payment (in Thousands Euros)
Spain	1,601
Italy	13,980
France	-
Netherlands	354
United Kingdom	1,069
Switzerland	3,220
Total	20,224

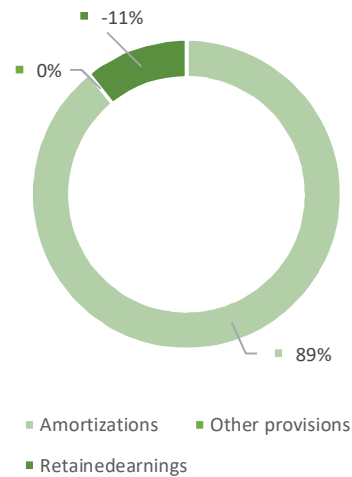
Value generated and distributed

Value generated in 2018 by Cellnex was € 901 million, distributed mainly to suppliers, employees, shareholders and public administration.

Economic value distributed: € 548 million



Economic value withheld: € 354 million



Key Indicators and contribution to Sustainable Development Goals

Cellnex is committed to achieving the Sustainable Development Goals, a UN initiative that aims to eradicate poverty, protect the planet and ensure the prosperity of humanity as part of a new sustainable development agenda. Achieving the SDGs requires the involvement of the entire business sector to contribute through their creativity and innovation to solving the most pressing challenges facing humanity. Through its activity, Cellnex specifically contributes to the following objectives:

<p>1.55x Infrastructure sharing ratio</p>	<p>Checking the carbon footprint of Cellnex Spain, Italy and France</p>	<p>Incorporation of two new independent Directors</p>
<p>92 % and 83% of customers satisfied with the service provided by Cellnex Spain and Italy, respectively</p>	<p>Preparing a Policy governing Respect for Human Rights</p>	<p>Preparing the sponsorship manual aligned with the company's strategic axes</p>
<p>Renewing the agreement with the 3rd sector entities</p>	<p>€ 1.8Mn in R&D+i Investment Projects</p>	

Post balance sheet events

2019 convertible bond

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

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

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

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

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

Strategic challenges

When it was floated in 2015, Cellnex identified four key strategic challenges on which the company aimed to focus, in an attempt to respond to the aim of sustained growth (diversification and internationalisation) and sustainable growth (capability to manage and integrate this growth) to ensure the competitiveness and attractiveness of the project in both the medium and the long term.

Since then, Cellnex has worked to achieve these four key strategic challenges. A series of actions and initiatives were implemented in 2018 to respond to each of these, and are set out in the pages indicated below:

1

Transform the company from a national single-product company into an international and multi-product one through the challenge of adaptation.

- **Management processes:** see section on "Cellnex Team" on pages 74-84
- **Corporate governance:** see section on "Corporate Governance" on pages 54-61
- **Organisational culture:** see section on "Corporate Culture" on page 54-61
- **Reshuffling and strengthening teams** see section on "People management" on pages 74-83
- **Adopting a model for integration of new acquisitions:** see section on "Growth, consolidation and transformation " on pages 7-14

2

Maintain the momentum towards internationalisation. Consolidating positions in Spain and Italy and exploring and specifying opportunities in markets such as the UK, Germany and France; they are the vectors of the inorganic growth of Cellnex Telecom, capitalising on the dynamics of mobile operators' outsourcing networks.

- See section on: "Growth, consolidation and transformation" on pages 7-14

3

Combining growth and consolidation. Conclude new agreements with large and small telecommunications service operators for the provision of mobile broadband connectivity, broadcasting and "Internet of Things" projects. This should translate into sustained growth of the sharing ratio and the number of teams deployed at our network of sites.

- See section on "Business Model" on pages 30-40

4

Investor confidence. The Cellnex IPO in 2015 was also a "pact" with the shareholders regarding the future performance of the company. Fulfilling this commitment means responding to all the challenges that lie ahead and earning the trust of our investors and their confidence in the Cellnex project.

- See section on "Stock figures: Cellnex on the stock market" on pages 16-17

Business outlook

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

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

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

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

Future prospects. The great opportunity of the Digital Single Market

The European Commission has been working on the Digital Single Market Strategy since 2015. The objective is to ensure that Europe's economy, industry and society take full advantage of the new digital era, so that citizens can shop online across borders and companies can sell online across the EU. Within the framework of this strategy, Cellnex plays a very important role in achieving its objectives through the deployment of new locations for telecommunications in rural and urban environments, as well as DAS nodes, which are located at points of high demand concentration. broadband mobile communications.

One of the objectives of this strategy is to prepare mobile networks for the arrival of 5G so that at least one city in each member state of the EU can offer 5G services by 2020, something for which Cellnex is working with the objective of positioning itself as a leader in the market.

Furthermore, at the end of 2018 came into force the new European Code of Electronic Communications, the regulatory framework for electronic communications for the next decade, including the deployment of 5G networks. The main objective of the Code is to encourage investment and innovation in high capacity networks and services throughout the European Union, including rural and remote areas. Among other measures, the Code recognizes the figure of the independent infrastructure operator endowing it with a specific "light" regulation while proposing measures to promote and accelerate the deployment of the 5G network throughout the territory, providing facilities for the physical deployment of the Small Cells and the densification of the network. On the other hand, it also proposes a better management of the radioelectric spectrum, an improvement in the protection of data from smart phone users, a reduction in the price of European calls.

3. LEADING THE MOBILE TELECOMMUNICATIONS INFRASTRUCTURE SECTOR

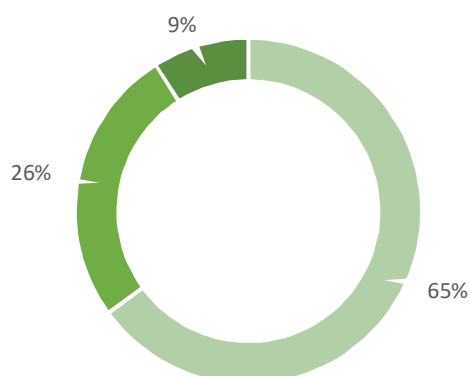
Business model

The Cellnex Group provides infrastructure management services for terrestrial telecommunications to the following markets:

- Telecom Infrastructure Services.
- Broadcasting Infrastructure.
- Network Services and Other.

Contribution in income as of 31 December 2018

■ Telecom Infrastructure Services ■ Broadcasting Infrastructure
■ Network Services and Other



Generally speaking, this balanced set of investments, in terms of both maturity and profitability, and geographic diversification, should contribute to a growing positive contribution from all business sectors. In addition, Cellnex plans to continue identifying new investment opportunities and operational efficiencies that will strengthen its balance sheet and financial position.

Infrastructure services for mobile telecommunications operators

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

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

GRI: 102-2, 102-6, 102-7

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

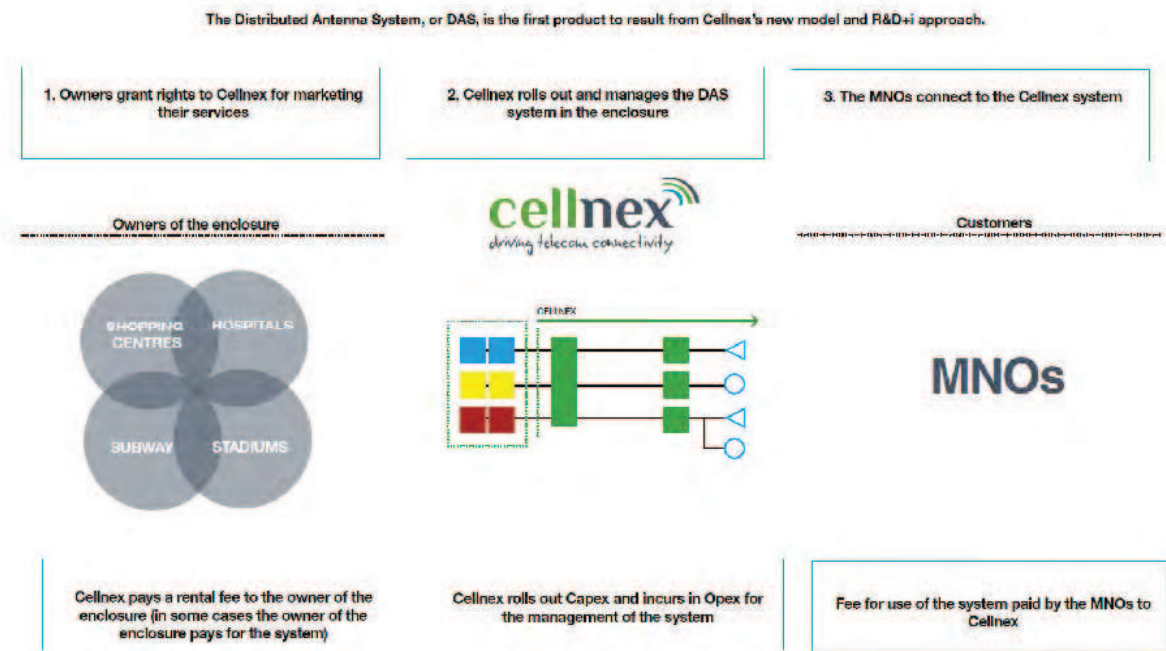
Each new generation of mobile technology has fostered an increase in connection speeds and has enabled more reliable communications, but in the case of this fifth generation there are three main benefits:

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

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

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

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



Improving supervision and telemonitoring systems

A project was performed between 2017 and 2018 to extend the overall supervision of the centres in Spain that incorporate TIS services, both in remote stations with mobile telephony customers and in centres where operators' services are co-located. Almost all the network of sites with TIS services has been supervised with this initiative, enabling a high level of surveillance and improved response times to incidents in Cellnex infrastructures.

Likewise, in addition to extending the supervision of the TIS centres, work has taken place to simplify the systems for remotely controlling new infrastructures and equipment deployed in the Cellnex network centres, improving accessibility for staff and increasing their interactivity with the new equipment and infrastructures.

These projects make it possible to more efficiently resolve incidents, in terms of time and cost, which has a direct impact on the improvement of supervision and remote-control systems and, in turn, on compliance with the agreements struck with customers.

Infrastructure Master Plan 2018-2022

The Infrastructure Master Plan was designed in 2018 with the ultimate goal of providing autonomous management at the main centres of the network and ensuring continuity of service (DTT, radio, data transmission, etc.). Thus, not only does it increase the guarantee of continued service, but also reduces operating and maintenance costs.

The Plan affects some 120 sites covering a broad swathe of the population or housing equipment for security and emergency networks, which are critical in operational terms. Therefore, the actions to be carried out will consist of renewing obsolete infrastructure and equipment and designing and implementing contingency plans.

GRI: 102-2, 102-6, 102-7

Milestones 2018

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

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

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

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

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

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

Specifically in DAS:

Saba and Bamsa awarded Cellnex Telecom a contract through tender to provide mobile (voice and data) coverage to 43 car parks in Spain during 2018 using DAS technology. Cellnex will deploy more than 500 small antennas on the floors of these car parks, improving user experience and preventing the loss of coverage that usually occurs in underground areas.

The advantages associated with this greater connectivity will allow the development and deployment of new "Smart Parking" applications, enabling the use of mobile devices and multi-purpose apps. These include carsharing and map apps for route planning or provide the possibility to exchange products and discounts using the Saba app, and others, as well as facilitating the collection of e-commerce operated by Pudo. It is also scalable and is therefore prepared to respond to future demand for increased data traffic with the future 5G.

Cellnex has equipped the *Gran Teatre del Liceu* of Barcelona with a Smart Wi-Fi system, consisting of fifty Wi-Fi access antennas, located in the main spaces of the Theatre. The wireless signal coverage, which extends to all of the public spaces and facilities of the Liceu, improves the connectivity experience of the spectators, who can use the web portal to access value-added services such as exclusive offers and promotions.

Among the actions for improving connectivity, Cellnex has also equipped the Liceu with DAS technology to boost mobile coverage and provide for the future roll-out of 5G. Users can therefore use the Wi-Fi network or mobile broadband to enjoy full connectivity through their mobile device while at the theatre.

Cellnex Italy designed a specific DAS system and installed it in Centro di Arese in Milan, Europe's largest shopping centre. The system comprises many active devices (remote units) connected to antennas, constituting radiant equipment. To ensure maximum efficiency of the system, Cellnex Italy provided service and support in all phases of the project to ensure that no user at the centre should ever lose their connection.

The Telecom Infrastructure Services site portfolio at 31 December 2018 is summarised below:

Framework Agreement	Project	Nº of Sites acquired	Beginning of the contract	Initial Terms + Renewals ⁽²⁾
Telefónica	Babel	1,000	2012	10+10+5
Telefónica and Yoigo (Xfera Móviles)	Volta I	1,211	2013	10+10+5 (Telefónica) Until 2030+8 (Yoigo)
Telefónica	Volta II	530	2014	10+10+5
Business combination	TowerCo purchase	321	2014	Until 2038
Telefónica and Yoigo (Xfera Móviles)	Volta III	113	2014	10+10+5 (Telefonica) Until 2030+8 (Yoigo)
Telefónica	Volta Extended I	1,090	2014	10+10+5
Neosky	Neosky	10	2014	10+10+5
Telefónica	Volta Extended II	300	2015	10+10+5
Business combination	Galata purchase	7,377	2015	15+15 (Wind)
Business combination	Protelindo purchase	261	2012	+15 (KPN)
			2016	+12 (T-Mobile)
Bouygues	Asset purchase ⁽³⁾	371	2016	20+5+5
		129	2017	20+5+5
		1,098	2017	15+5+5+5
		1,205	2018	15+5+5+5
Business combination	Shere Group purchase	1,042	2011	+15 (KPN)
			2015	+10 (T-Mobile)
			2015	+15 (Tele2)
Business combination	On Tower Italia purchase	11	2014	9+9 (Wind)
			2015	9+9 (Vodafone)
K2W	Asset purchase	32	2017	Various
Business combination	Swiss Towers purchase	2,239	2017	20+10+10 (Sunrise)

GRI: 102-2, 102-6, 102-7

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				Telecommun ications)
Business combination	Infracapital Alticom subgroup purchase	30	2017	Various
Others Spain	Asset purchase	45	2017	15+10
		36	2018	15+10
		375	2018	20+10
Masmovil Spain	Asset purchase	551	2017	18+3
		85	2018	6+7
Linkem	Asset purchase	426	2018	10+10
Business combination	TMI purchase	3	2018	Various
Business combination	Sintel purchase	15	2018	Various
Business combination	BRT Tower purchase	30	2018	Various
Business combination	DFA purchase	9	2018	Various
Shared with broadcasting business		1,830		
"Build to Suit" and others ⁽¹⁾		270		

⁽¹⁾ "Build to Suit" and others: towers that are built to meet the needs of the customer. It does not include the "BTS" programs committed with Bouygues and Sunrise at the closing of the M&A projects.

⁽²⁾ Renewals: some of these contracts have clauses which prohibit partial cancellation and can therefore only be cancelled for the entire portfolio of sites (typically termed "all or nothing" clauses), and some of them have pre agreed pricing.

⁽³⁾ In accordance with the agreements reached with Bouygues during 2016, 2017 and 2018, at the 2018 year-end Cellnex has committed to acquire and build up to 5,250 sites that will be gradually transferred to Cellnex up until 2024 (see Note 7 of the accompanying consolidated financial statements). Of the proceeding 5,250 sites, a total of 2,803 sites have been transferred to Cellnex as at 31 December 2018 (as detailed in previous table). Note that all Bouygues transactions have a common characteristic "up to" as Bouygues does not have the obligation to reach the highest number of sites.

As at 31 December 2018 the Group also maintains 1,592 antennae nodes with the DAS.

Broadcasting infrastructure

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

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

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

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

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

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

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

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

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

Cellnex Telecom, as an independent agent, has worked together with broadcasters and developers in the implementation of the necessary solutions for these new audiovisual services, since Cellnex meets the conditions that

make it the right partner, given its technological capacity and extensive know-how in OTT platform services and HbbTV.

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

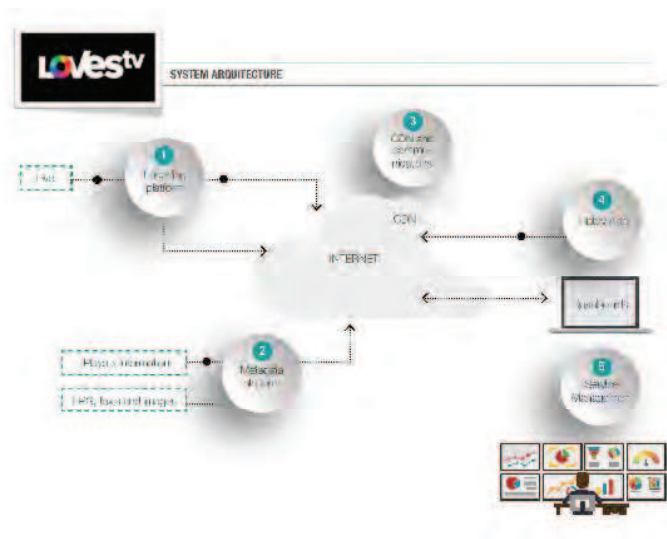
Milestones 2018

LOVEStv

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

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

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



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

Pilot test for Ultra High-Definition

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

- Broadcast over the UHD TDT test channel from Torrespaña (Madrid), Valencina (Seville) and Collserola (Barcelona).
- Demos of TDT broadcast in UHD during the Mobile World Congress.

- Demos of TDT broadcast in UHD during the BIT Broadcast fair.
- First TDT broadcasts of a complete UHD signal with HFR, HDR and WCG in collaboration with RTVE.
- Demo at the 4K Summit in Malaga.

Other network services

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

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

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

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

This activity will continue to grow in the security market through our main customer in the home, people and vehicles sector. In addition to this, the main development is occurring in the water metering and smart city services markets.⁴⁰

Security and Control

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

Extension of the contract with the Regional Government of Valencia (*Generalitat Valenciana*) to extend the services of the Digital Mobile Emergency and Security Communications network (COMDES), for a further four years (2018-2022). Extending the contract provides continuity to the service that Cellnex has been providing since 2007 and covers improving urban coverage, including coastal areas and underground spaces such as the Metro and tunnels, traffic

GRI: 102-2, 102-6

capacity and access for user applications. In total, we estimate that more than 50 municipalities will benefit from an improvement in their current coverage.

Smart communications networks

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

Communications infrastructures - Smart

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

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

An innovative and transformational business

Cellnex's innovation is closely linked to its strategy, and this is embodied in its aim to be the company that generates value for society, customers and shareholders, through innovative, efficient, neutral and high-quality management in delivering service and contributing technological solutions. This commitment to R&D+i represents one of the main challenges for Cellnex in the current global context, characterised by its strong innovative character and being a company that is strongly linked to the digital world and the communication technologies.

In this connection, Cellnex's innovation strategy focuses on the services of the future in each of its business lines:

- Innovation in telecommunications infrastructure services focuses on searching for a new site concept fostering the intensification of infrastructure sharing at all levels (mast, antenna, radio signal, etc.) and diversifying the supply of services, guaranteeing a response to future requirements related to 5G and new network architectures.
- In the Audiovisual Broadcasting Networks business, innovation focuses on maintaining competitiveness and responding to new challenges in the audiovisual sector. Specifically, Cellnex is trying to convert the linear DTT experience into an interactive experience through the Smart TV concept.
- Other network services. In the security field, the priority of innovative activity is to incorporate broadband into their IT systems and study how this will be complemented with Cellnex's tetra solutions, mainly for video-intensive applications. Furthermore, the digital market offers Cellnex the opportunity to expand its services, gaining weight in the value chain and generating a complementary business model. Specifically, Cellnex has detected a great opportunity in Smart sensing solutions and the IoT.

Cellnex has an efficient and consolidated Innovation Model based on streamlined integration processes, as well as on standardising the development of innovative activity comprising two types of project:

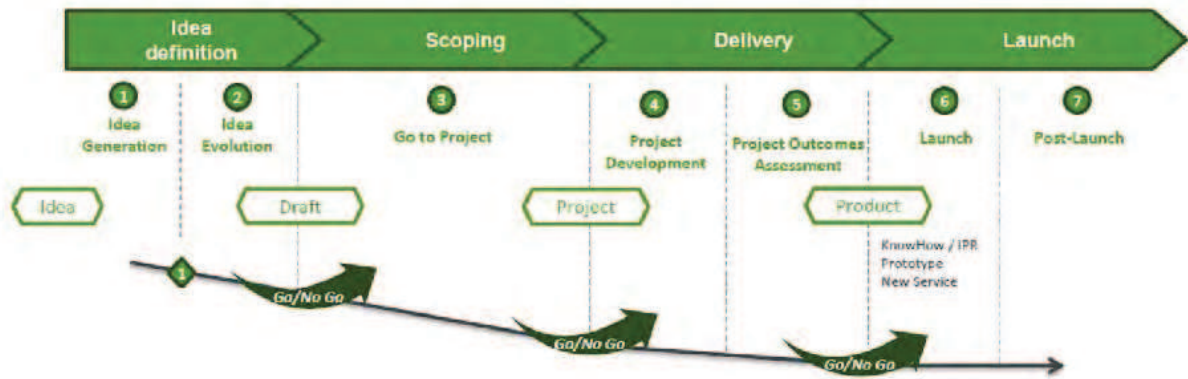
- Technological surveillance based on an evaluation of the current technological context to identify potential opportunities for the company.
- R&D+I activities, consisting mainly of research, development, creating and launching new products and services.

This model also embodies a cross-cutting approach, where working procedures are defined in multidisciplinary teams and enhanced cooperation with the stakeholders that deal with Cellnex. Some examples of these stakeholders are: technology start-ups, universities and key players from other sectors.

It is worth pointing out that the innovation model, based on three pre-defined phases, focuses not only on developing new business and/or products, but also on developing incremental improvements to current services and products. We have seen a significant increase in customer satisfaction in this regard.

The Cellnex Innovation Model fosters a culture of innovation throughout the company that encourages everyone to continue working in line with the vision of cross-cutting integration of innovation and work with multidisciplinary teams, both inside and outside the company.

Cellnex Telecom Innovation Cycle



R&D+I projects

5G projects

- 5G Barcelona
- Fastweb
- 5G-City
- Resisto

5G Barcelona

In this project, Cellnex participates, jointly with the three main mobile operators in Spain, in order to develop a security service and emergency detection of the services of the TETRA network (Trans European Trunked Radio) based on the use of drones. As a pilot test, Cellnex plans to carry out demonstrations during the Mobile World Congress of the innovative services offered for fire detection and real-time image visualization. For this, Cellnex provides through its network of communications towers the necessary infrastructure to be able to process in real time the signals emitted by the drones.

5G-City

This project, funded by the European Commission within the Horizon 2020 programme, aims to design, develop and implement a distributed Cloud, Edge and 5G-Radio platform with a neutral operator capacity to allow owners of information technology (IT) infrastructure and vertical actors to share. The idea behind this project is to deploy three pilots in the cities of Barcelona, Bristol and Lucca focusing on six very specific usage cases related to the roll-out of 5G networks in cities. Cellnex Telecom aims to deploy the network infrastructure in the Barcelona pilot to demonstrate the functionalities and capabilities of a neutral operator acting in an environment with various operators and entities acting as verticals.

Fastweb

Cellnex and Fastweb, one of Italy's principal telecommunications operators, have signed a collaboration agreement to promote the creation of a next-generation mobile network in Italy. As a result of this agreement, Cellnex will make its sites available to Fastweb in the areas where Fastweb has begun testing 5G technology. In particular, access to the infrastructures managed by Cellnex will allow Fastweb to speed up the development of 5G networks in some areas of the cities in which the company is currently testing the new technology, such as Rome, Genoa, Bari and Matera, using dedicated coverage for the implementation of 5G usage cases in the mobility, security and culture areas.

RESISTO

This project is funded by the European Commission within the H2020 programme and aims to protect critical communications services by developing solutions for prevention, detection, mitigation and rapid response to physical attacks, cyber-and hybrid attacks, whether natural or man-made. Within this project, Cellnex leads the work package called "Improving of resilience of future 5G telco Infrastructures" focusing on security scenarios at sea and security of Telco and Broadcast infrastructures.

Telecommunications projects

- FLEXNET
- LEAN
- SolareRF

FLEXNET

This EU project, funded by the Celtic-Plus programme and coordinated by Cellnex, aims to develop SDN (software defined networks) and Network Slicing (multiple virtual networks over a single common physical network) technologies under the paradigm of the generation of wireless communications (5G). The project is oriented towards the surveillance and emergencies area will develop a series of specific applications for border control, security of port areas and location of people, among others. The project is led by Cellnex and involves 16 partners from six countries, including network operators, mobile operators, equipment manufacturers and universities. The design phase took place during 2018, with implementation expected to begin in 2019.

LEAN

A European Celtic-Plus project that aims to use 5G technologies to define an architecture that is sufficiently flexible to be deployed under ultra-low-cost requirements while simultaneously offering access to broadband internet in rural areas in emerging countries. 5G sharing mechanisms will have to face up to the new requirements for providing minimum services over long distances. Cellnex has taken on the role of Spanish coordinator in the consortium as well as playing an active role as the main player in the on-site demonstrations. The definition phase was performed during 2018 while the implementation phase is scheduled to begin in 2019.

SolareRF:

This project is funded by the Basque Government and aims, in a virtual pilot project, to design, develop and validate a prototype RF centre, either isolated or connected to the main electrical grid, which is energy efficient and in which the safety and quality of the power supply is maximised, minimizing cost and environmental impact. The project also aims to design and develop the LCOE (Levelized Cost of Energy) calculation tool. Cellnex is responsible for defining practical cases, analysing the technologies for storing and generating power and playing an active role in analysing the results for the validation of the RF station.

Smart Cities and the Internet of Things (IoT)

- GrowSmarter
- V2X-ARCH
- Senix
- Fira de Barcelona
- Nearby Sensor

GROWSMARTER

GrowSmarter is a European project on the theme of smart cities, co-financed by the EU Horizon 2020 programme. The project aims to encourage European cities to adopt innovative measures and improve the quality of life of their citizens; boosting energy efficiency, the sustainability of urban areas and improving environmental quality. Three Lighthouse cities are taking part in the project: Barcelona, Cologne and Stockholm. Cellnex is taking part as a reference ICT partner for the various actions performed in Barcelona. One outstanding feature is Cellnex's contribution to integrated communications infrastructures for the city of Barcelona, providing IoT connectivity solutions, deploying SmartTowers in 22@ and providing the urban data integration platform service. This platform, based on our SmartBrain product for smart cities, makes it easier to achieve an overarching view of the city, the management of various urban services and the use of information to generate value and improve decision making.

V2X-ARCH

Project in the field of connected vehicles financed by the Spanish Ministry of Energy, Tourism and Digital Agenda that aims to research various technologies and V2X architectures to provide added value to the connected car services by providing a vehicle-infrastructure communications solution. With V2X-ARCH, Cellnex also creates an experimental V2X infrastructure in order to evaluate various use cases related to cooperative driving, emergency warnings, traffic information and content download.

SENIX

Project COMRD16-1-0055 of the RIS3CAT Community "UTILITIES 4.0", co-funded by the ERDF operational program in Catalonia 2014-2020. The project aims to improve the operations of the "Utilities" with the creation of an innovative solution for the optimal monitoring of the critical infrastructures of energy services and water supply. For this, the project explores different technologies to improve the management of the assets of the distribution networks; increase the robustness, flexibility and reliability of distribution networks; improve preventive operations to avoid irregularities that may adversely affect the quality of the services offered; and optimize the response time to any anomaly. Cellnex is an ICT partner of the project, providing communication and data management technologies that help validate the solutions created.

Fira de Barcelona

To continue updating and improving the services and features of one of the most modern exhibition facilities in Europe, Fira de Barcelona has hired Cellnex to deploy a network of temperature and humidity sensors in the Gran Via site that can be monitored in real time to optimise the comfort conditions of exhibitors and visitors through the new Internet of Things platform. Fira will thus be able to continually monitor the air quality and temperature in each area and adapt them remotely, optimising the energy consumption linked to the air conditioning.

Nearby Sensor

Cellnex Telecom is entering the share capital of the Nearby Sensor start-up, with a contribution of € 500,000, equivalent to a 15% stake in the company. Nearby Sensor, set up in 2013 and based in Barcelona, is dedicated to rolling out the Internet of Things (IoT), Edge Computing, and the automation of IT-OT hybrid processes (industrial IoT), which will emerge with the roll-out of 5G.

Security and Emergencies

- Polarys
- Secutil

POLARYS

Cellnex has renewed its contract with POLARYS, a project whose main objective is to increase maritime safety and efficiency in the management of navigation and emergencies, through the development of a novel VDES (VHF Data Exchange System) transceiver and its complementary systems. This system facilitates the real-time exchange of maritime safety information between vessels, and between these and the terrestrial/satellite infrastructures. The contract includes the roll-out of a completely new AIS (Automatic Identification System), which is responsible for sending data from the ship to the coastal bases. The POLARYS project is being developed by a consortium led by Retevisión (Cellnex group) with the participation of the companies Bastet, Egatel, Insitu and Scio and the Cinae and Gradient technology centres. It lasts for four years, extendable by two more years, and receives support and funding from the CDTI (Centre for Technological and Industrial Development).

SECUTIL

Project COMRDI16-1-0060 of the RIS3CAT Community "UTILITIES 4.0", co-funded by the ERDF operational program in Catalonia 20014-2020. The SECUTIL project focuses its activity on the resilience and protection of "Utilities", developing a system that guarantees the integral security of Critical Services Infrastructures. For this, the project addresses different aspects such as the physical protection of infrastructures; functional safety; computer security; and the definition of resilience strategies. Cellnex, as a benchmark for Critical Communications Infrastructure, actively promotes the study of resilience models and the unified management of physical and logical security.

4. GOVERNANCE MODEL

Corporate culture

Vision, mission and values



Corporate governance

In 2017, Cellnex tasked an independent external consultant with evaluating the performance of the Board of Directors. The consultant concluded that within a short time period Cellnex had created a full set of internal regulations that guarantees compliance with legal obligations and the principles and recommendations of corporate governance, although a series of further measures were also proposed. Notwithstanding, the external consultant proposed a series of measures to put into practice. In 2018, Cellnex continued incorporating its corporate governance best practices by implementing all of the recommendations set out in the performance evaluation, in addition to those made in the Code of Good Corporate Governance for Listed Companies approved by the Spanish National Securities Market Commission (CNMV).

Towards the end of 2018, the Board performed a self-assessment of the functioning of the Board and committees using a questionnaire composed of different groups of questions: (i) Board composition; (ii) functioning of the Board;

GRI: 102-18, 102-24, 102-27

(iii) presidency of the Board; (iv) Board Secretariat; (v) Board committees; (vi) performance of the first executive and relationship with senior management; (vii) alignment and commitment of the Board with the strategic objectives; and (viii) overall assessment of the Board. The questionnaire was answered by all the members.

As a global assessment, the board members identify as their strengths, their independence, their professionalism and their climate of confidence. Their dedication, collegial culture and commitment to the success of Cellnex are also appreciated. Notwithstanding the above, some areas for improvement were identified for the coming years, which are specified in an Action Plan to be implemented soon.

The selection policy for directors that the Appointments and Remuneration Committee of the Board of Directors approved in 2016 seeks to ensure an appropriate composition of the Board. According to the policy, Board member selection must take into account factors such as the company's shareholder structure, members' diversity of knowledge, professional experience, background, nationality and gender, as well as their availability to perform the role, specific expertise in particularly relevant areas (financial, legal, telecommunications, etc.), conflicts of interest (actual or potential), and their personal commitment to defending company interests. With regard to gender diversity under this policy, the company must ensure in the shortest possible time and at the latest by the end of 2020 that the least represented gender makes up at least 30% of the total number of members of the Board of Directors.

During FY 2018, it was agreed that the number of directors be extended once again, from 10 to 12 members. This will strengthen the composition of the Board, ensuring a compact, experienced and strategy-oriented Board of Directors comprising four Proprietary directors and seven Independent directors, in addition to the Chief Executive Officer.



Changes in 2018

Changes in the Shareholder structure

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

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

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

On 5 June, 2018, Abertis concluded the process of accelerated placement of shares of Cellnex Telecom, S.A. among qualified investors. The placement consisted of a block of 9,499,013 ordinary shares of the Company, representing

GRI 102-18, 102-24, 102-27, 102-28

4.1% of its issued share capital, at a purchase price of EUR 22.45 per share. As a result of that placement, at that date Abertis held ordinary shares of Cellnex Telecom, representing 29.9% of its issued share capital.

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

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

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

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

On 12 October 2018, Edizione announced through a regulatory information notice the successful closing of such investment and the entry into force of the Shareholders Agreement. Following completion Sintonia holds approximately 60% of Connect's share capital and each of Infinity and Raffles hold approximately 20% of Connect's share capital.

The aforementioned Agreement contains certain shareholders agreements consisting in regulating the appointment of proprietary directors in Cellnex and in establishing strengthened quorums for the adoption of certain agreements in Connect and / or Cellnex. The specific terms of the agreement are available on the CNMV website as well as the Cellnex website.

In accordance to the aforementioned above, the most significant adaptations and changes made to the Group's Corporate Governance in 2018 are as follows:

- **Appointment of Anne Bouverot and María Luisa Guijarro as new Independent directors** of the company, as a commitment to the qualitative and decisive weight of the Independent directors. A prestigious head hunter searched for and validated candidates for these appointments. 44
- **Increase in the proportion of independent directors on the Board of Directors** to almost 60% (from 5 to 7), surpassing the threshold set out in the recommendations for Good Governance of Listed Companies CNMV (at least half of all directors).
- **Increase in female representation on the Board of Directors**, resulting in greater gender diversity on the highest corporate governing body with 30% female representation (4 women) and complying with the CNMV recommendation on Good Corporate Governance for 2020.
- **Appointment of four new Proprietary directors at the proposal of Connect, to replace the representatives of Abertis following the sale of 29.9% of Cellnex from Abertis to Connect.** The new Directors from Connect are: Marco Patuano, Carlo Bertazzo, Elisabetta De Bernardi Di Valserra and John Benedict McCarthy.

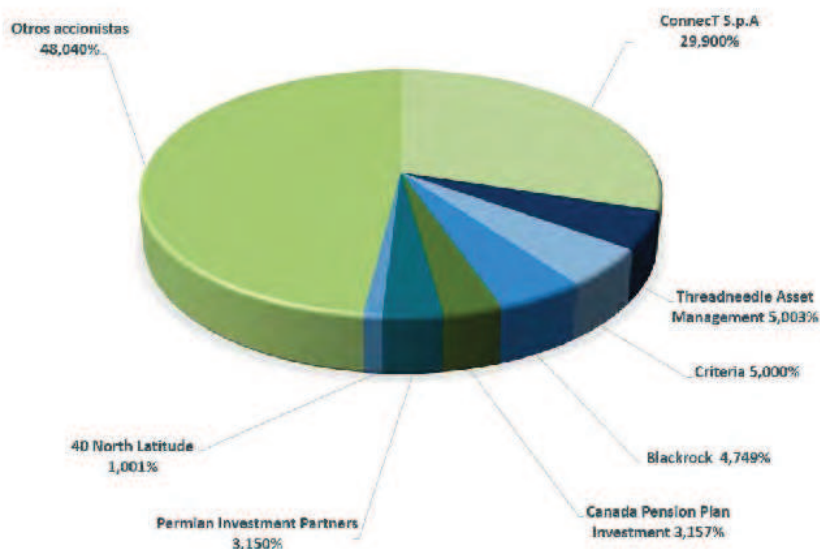
- **Appointment of Marco Patuano** as non-executive chairman and continuation of Tobías Martínez as CEO, thereby separating non-executive and executive roles in the company and fulfilling another CNMV recommendation. In addition, despite separating the positions, with a view to incorporating corporate governance best practices, the Board decided to uphold the position of coordinating director, currently held by the Independent director Giampaolo Zambelletti.
- **Extension of the Appointments and Remuneration Committee** from 4 to 5 members, with 4 Independent directors (including the Chair) and 1 Proprietary.
- **Extension of the Audit and Control Committee** from 3 to 4 members, with 3 Independent directors (including the Chair) and 1 Proprietary.
- **Setting of a maximum number of company boards on which the Company directors may sit** (4 boards).
- **Review of the long-term variable remuneration plan** of the Chief Executive Officer and Senior Management, under which company shares will comprise a minimum part of that remuneration. It is also important to note that it is incumbent on the Appointments and Remuneration Committee to propose the remuneration of the Chief Executive Officer and Senior Management, following a market analysis by a specialist company from which it must take the lower than average remuneration band.
- **Independent third-party validation of the profiles contained in the Succession Plan** proposed by the Appointments and Remuneration Committee.
- **Greater company transparency** by publishing all corporate policies on a common repository in a corporate SharePoint that can be accessed from all regions.

In 2018 the Board and Committees met as often as necessary to properly perform their administrative and supervisory functions, with the attendance of all or a large majority of their members. To be precise, there were 13 Board meetings, 9 CAC meetings and 9 CNR meetings.

Once again, the annual meeting of the Board of Directors and Steering Committee with certain key directors of the Group was held in November 2018 to discuss matters relating to the company's strategy and development.

The 2018 Shareholders Meeting held on 31 May in Madrid was a resounding success with the approval of the Annual Accounts and Management Report for 2017 and a quorum of over 83%.

Shareholder structure



The Cellnex Board of Directors

Independent directors:

- **Bertrand-Boudewijn Kan**, former General Manager and Chairman of the European Telecommunications Group of the Morgan Stanley investment bank. He is currently Chairman of the Board of Directors of Síminn hf., of the Advisory Board of Wadhvani Asset Management and of the Supervisory Board of UWC in the Netherlands.
- **Pierre Blayau**, Chairman of Caisse Central Réassurance and independent director on the Boards of Directors of Fimalac and the Canal + group +). He has previously been CEO of Pont à Mousson, PPR, Moulinex, Geodis, and Executive Director of SNCF. He has also been Executive Director of La Redoute, member of the Board of Directors of FNAC, Independent director of Crédit Lyonnais, and Chairman of the Board of Directors of Areva. Pierre Blayau is a tax inspector at the French Ministry of Finance and studied at the École National d'Administration in Paris and the École Normale Supérieure de Saint-Cloud.
- **Giampaolo Zambelletti**, Chairman of RCS Investimenti and Vice-Chairman of Unidad Editorial. He has been a member of the Boards of Directors of Telecom Italia International (The Netherlands), Auna, S.A. (Spain), Avea (Turkey), Oger Telecom (Dubai), Ojer Telekomunikasyon (Turkey) and Telekom Austria. He is currently a member of the Board of Directors of the Banca Farmafactoring Group in Milan.
- **Peter Shore**, former Chairman of the telecommunications infrastructure operator Arqiva in the United Kingdom, Ucomm, Lonely Planet Publications, HostWorks Group and Airwave. He has also been Managing Director of the Telstra Group in Australia, CEO of Priceline in Australia and New Zealand, and Managing Director of Media/Communications/Partners. He has also been Director of Objectif Telecommunications Limited, Foxtel,

GRI: 102-18, 102-21, 102-22, 102-23, 102-27, diversity and equal opportunity management approach (103-1, 103-2, 103-2), 405-1

SMS Management and Technology, and OnAustralia. He was also a member of the Advisory Board of Siemens Australia.

- **Marieta del Rivero**, has held executive positions in Telefónica, Nokia (Iberia and Corporation), Xfera Móviles, Amena and Nefitel. She is currently Senior Advisor at Ericsson and is a member of the advisory boards of the Made in Mobile technology incubator and the Roca Salvatella digital transformation consultancy. She is the Chair in Spain of the International Women's Forum and the Women Corporate Directors Foundation.
- **Anne Bouverot**, former CEO of Morpho, a biometrics and cybersecurity company (2015-2017) and Managing Director of the GSMA (2011-2015). She previously held various international management positions in telecommunications companies such as France Telecom/Orange (Executive Vice-chair of Mobile Services, 2009-2011), Global One Communications and Equant. She is currently a non-executive director of Capgemini and Edenred in France.
- **María Luisa Gujarró Piñal**, has held positions including Global Director of Marketing and Sponsorship, CEO of Terra España, Director of Marketing and Business Development in Spain and, more recently, member of the Executive Committee in Spain as head of Strategy and Quality.

Proprietary directors:

- **Marco Patuano**, has primarily worked in the Telecom Italia Group (1990-2016). He became CEO of the Group in 2011, participated in the creation and launch of TIM (1995-2001) and spent six years abroad (2002-2008) as CFO of TIM Brazil, General Manager for Latin America and CEO of Telecom Argentina. He has been CEO of Edizione Srl., the holding company of the Benetton family, since January 2017. He is a board member of Atlantia S.p.A., Autogrill S.p.A., AC Milan S.p.A. and Benetton Group Srl.
- **Carlo Bertazzo**, is General Manager of Edizione Srl, the industrial holding company of the Benetton family. He joined Edizione in 1994 and played a key role in the Group's diversification process by managing the acquisitions of Autogrill and Generali Supermercati (1995), Atlantia (2000), a stake in Telecom Italia (2001) and Gemina (2005), currently Aeroporti di Roma and integrated in Atlantia. His role has also entailed developing Edizione's relationships with investors in Italy and worldwide.
- **Elisabetta De Bernardi Di Valserra**, began her career in the investment banking team at Morgan Stanley (2000) where she worked in the Communications & Media team in London, later joining the corporate finance team in Milan, where she remained as Executive Director until 2013. She has been Investment Director at Edizione Srl, the holding company of the Benetton family, since 2015 and is a Board member of Atlantia and Getlink.
- **John Benedict McCarthy**, has been the Global Head of Infrastructure, Real Estate and Infrastructure Department of the Abu Dhabi Investment Authority (ADIA) since May 2013. He is jointly responsible with ADIA's top management for designing and implementing the investment strategy for the infrastructure division, and for overseeing the work of the ADIA infrastructure team. Prior to joining ADIA, John McCarthy was Managing Director and Global Director of RREEF Infrastructure at Deutsche Bank since 2005. He was previously the Global Head of Infrastructure Capital and Structured Capital Markets at ABN Amro Bank.

Executive Director:

- **Tobías Martínez Gimeno**, Chief Executive Officer of Cellnex. He is the executive head of the company. He joined Acesa Telecom (now Cellnex Telecom) in 2000, first as a Director and Managing Director of Tradia and later of

Retevisión. Before joining the Abertis Group he led his own information and telecommunications systems business project for over 10 years.

Non-Executive Secretary:

- **Javier Martí de Vesés**, General Secretary of Cellnex. He is in charge of the company's legal area, covering Legal Advice, regulatory matters and insurance. He is also Secretary of the Board of Directors and Chairman of the Ethics and Compliance Committee. He has worked for the Group since 1998 when he took over Legal Advice of what was then Retevisión, and has since held various different positions in the organisation.

Deputy Non-Executive Secretary:

- **Mary Annabel Gatehouse**, Director for International Corporate Development Advice of Cellnex. In 2014 she took over Legal Affairs management for Europe and North America for Abertis Infraestructuras S.A. From 2007 she was Legal Director and Executive Secretary of TBI plc/Abertis Airports. She trained at international law firm Ashurst, LLP specialising in large-scale infrastructure projects in the London and Madrid offices.

Committees of the Board of Directors

The Cellnex governance bodies are supplemented by the Audit and Control Committee (CAC) and the Appointments and Remuneration Committee (CNR), both composed of non-executive directors, mostly independent. It is also important to note that independent directors chair the Board Committees.

The responsibilities and functioning of the Committee and Control Committee, and Appointments and Remuneration Committee, are set out in the Terms of Reference of the Board of Directors.

GRI: 102-18, 102, 102-21, 102-22, 102-23, 102-27, diversity and equal opportunity management approach (103-1, 103-2, 103-2), 405-1



Marco Patuano
Chairman
Proprietary



Tobías Martínez Gimeno
Chief Executive Officer
Executive



Bertrand Boudewijn Kan
Independent Vice-
chairman
• Chairman

- Audit and Control Committee (CAC)
- Appointments and Remuneration Committee (CNR)



Giampaolo Zambetti
Coordinating director
Independent
• Chairman



Carlo Bertazzo
Proprietary



Pierre Blayau
Independent
•



Anne Bouverot
Independent
•



Elisabetta De Bernardi
Proprietary
•



Marieta del Rivero
Independent
•



María Luisa Guijarro
Independent
•



John Benedict Mc Carthy
Proprietary
•



Peter Shore
Independent
•



Javier Martí de Vesés
Non-Executive Secretary
• Secretary



Mary Annabel Gatehouse
Deputy Non-Executive
Secretary
• Secretary

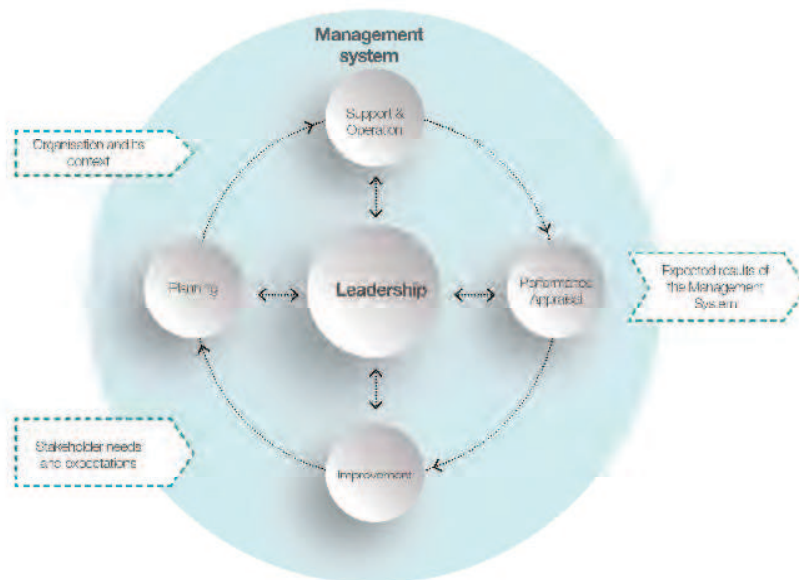
GRI: 102-18, 102-22, 102-23, 405-1

Management Systems

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

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

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



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

- ISO 9001 Standard for a Quality Management System
- ISO 14001 Standard for an Environmental Management System
- OHSAS 18001 Standard of the System Occupational Health and Safety Management
- ISO 27001 Standard for Information Security Management
- Standard ISO 14064-1 Greenhouse gases. Part 1: Specification with guidance, at organisation level, for quantifying and reporting emissions and removal of greenhouse gases.

- Accreditation from the Measurement and Instrumentation Laboratory of the ISO 17025 Standard (CGA-ENAC-LEC) for Tests on Receivers of terrestrial digital television

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

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

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

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

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

Ethics and compliance

The Cellnex Group Ethics and Compliance Committee represents the highest body in charge of complying with the Cellnex Group Code of Ethics and developing its internal regulations. This Committee is the advisory and management body, as well as the executive body, of all matters related to the Cellnex Group's Code of Ethics.

Likewise, the Ethics and Compliance Committee, as the body responsible for criminal compliance, is in charge of identifying the risks, mainly criminal, specific to the Cellnex Group and evaluating, analysing, implementing or improving and monitoring the Crime Prevention and Detection system.

The current composition of the Ethics and Compliance Committee is as follows:

- Javier Martí de Vesés (Chair). Cellnex General Secretary
- Sergi Martínez. Head of Internal Audit and Risk Control Cellnex
- Alberto López. Director of Resources and Transformation Cellnex
- José M^a Miralles. Cellnex Legal Advice Manager

In order to ensure the independence of the Ethics and Compliance Committee of the Cellnex Group, it maintains its functional and organic dependence on the Appointments and Remuneration Committee of the Board of Directors of Cellnex Telecom, S.A.

Following this approach, the Ethics and Compliance Committee regularly reports its activities and initiatives directly to both the Appointments and Remuneration Committee and the Audit Committee. It should be underlined that

GRI: 102-16, 102-34, anti-corruption management approach (103-1, 103-2, 103-3)

compliance management is currently centralised in the corporation. However, the rules provide that Ethics and Compliance Committees may be set up in each of the countries where Cellnex is present should this prove necessary.

Guiding Principles of the Cellnex Group established in the Code of Ethics.

- We embrace the ethical principles of integrity, honesty, and transparency, conducting ourselves at all times on the basis of good faith.
- We comply with all applicable legislation in the countries where the Cellnex Group operates and also with the Cellnex Group's internal regulations.
- Ethical conduct and compliance with regulations are more important than Cellnex Group results.
- Wherever there is a conflict between the applicable legislation and the internal regulations applicable to the Cellnex Group, the former shall prevail.
- We do not allow the personal situations of affected individuals to come into conflict, whether directly or indirectly, with the interests of any company in the Cellnex Group.
- We treat information with the utmost rigour.
- We use and protect the company's assets appropriately, treating people as its most important asset.
- We guarantee equal opportunities and do not discriminate against individuals.
- We guarantee that there will be no reprisals for any query on or report of breaches of the Cellnex Group's Code of Ethics and its operating rules, provided that it is made in good faith.
- We protect the environment.
- We foster political neutrality.

Main responsibilities of Cellnex's Ethics and Compliance Committee.

Compliance with the Code of Ethics and development of internal regulations

The Cellnex Code of Ethics, approved in 2015 by the Board of Directors, is the fundamental rulebook of the Cellnex Group that establishes the enforceable general guidelines for all persons and stakeholders covered by it within the Cellnex Group.

The aims of the Code of Ethics are:

- To establish general guidelines for action and behaviour.
- To define an enforceable ethical reference framework that should govern the work and professional conduct of everyone it covers.

- To create reference standards of conduct for stakeholders in contact with any of the companies in the Cellnex Group (partners, suppliers, customers, shareholders, partners, etc.).

Responding to the Group's Code of Ethics, in 2018 the Ethics and Compliance Committee continued to advance on disseminating and communicating the Group's Code of Ethics through various actions with different scopes according to the geographical area concerned:

- The communications campaign has continued to inform the staff in all countries where the group operates of its Code of Ethics, including Switzerland for the first time in 2018.
- During 2018, the Ethics and Compliance Committee has carried out a training campaign related to the Ethics Code and corruption, to all group's employees, with the exception of the Netherlands, where the integration is pending. Through this campaign, training was given to 74.17% of the staff in Cellnex Spain, 29.85% of the staff in Cellnex Italy, 20% of the staff in Cellnex France and 13.04% of the staff in Cellnex Switzerland.
- Since 2017, all contracts in Cellnex Spain and Cellnex Italy include a clause in the general conditions which provides information on the Code of Ethics. In 2018 this clause was added to contracts in Switzerland, and it is also planned to be implemented in France, the Netherlands and the UK in 2019. Furthermore, the clause was extended in 2018 to require that all suppliers declare knowledge of and full compliance with the content of the Cellnex Group Code and the Corruption Prevention Rule. It is also compulsory for suppliers to inform their employees and, if applicable, their subcontractors of the Code and ensure compliance.
- The Cellnex Group Code of Ethics has created an information channel, called the Ethical Channel and managed by the Ethics and Compliance Committee, to confidentially notify any potentially significant irregularities detected within Cellnex Group companies.

Using the Ethical Channel, all affected individuals and stakeholders can:

- Request clarification about the interpretation of the Code of Ethics, its implementing regulations, and all applicable legislation and internal rules.
- Report any breaches of the Code of Ethics, its implementing regulations, and the applicable legislation and internal rules.

Such communications and notifications can be made through:

- The Group's intranet.
- E-mail: canaletico@cellnextelecom.com.
- By post addressed to the Ethics and Compliance Committee.
- Other channels established in the internal rules.

An interactive form was created in 2017 to facilitate communications and is available to all employees. It provides an effective and confidential way to send communications and notifications directly to the Committee via e-mail without the need to print them on paper.

During 2018, two notifications were received for breaches of the Cellnex Group Ethical Code through the Group's Ethical Channel, for which the appropriate measures were taken to resolve them through the established procedures. None of the notifications received were related to the violation of human rights.

Likewise, Cellnex offers a Corruption prevention procedure, approved in 2015 by the Board, which aims to develop patterns of behaviour to continue efforts to combat corruption. This procedure also applies to all employees and stakeholders. In this regard, no cases of corruption were detected in the Cellnex group in 2018. Moreover, 100% of the Board of Directors were given anti-corruption training.

Cellnex has a Model for the Prevention of Criminal Offences (MPDD), approved in 2017, which includes the appropriate surveillance and control measures to prevent crimes or significantly minimise their risk. The model has a general and specific protocol and will be reviewed periodically.

Risk management

The Cellnex risk management model is formalised in a risk management policy approved and overseen by the Audit and Control Committee. This model is embodied in a comprehensive risk management system that allows risks to be managed in a logical and structured way while facilitating effective and efficient decision-making. The main stages in risk management include:

- Risk identification: Identifying risks that may prevent Cellnex from attaining its strategic objectives. Cellnex's risk management system includes three types of risks: related to the industry and the business when the Group operates, related to the financial information and related to financial risks.
- Risk analysis: Determining possible positive and/or negative impacts of such events materialising and the likelihood of their occurring.
- Assessing and developing risk action plans: Using the corporate risk map drawn up, the governing bodies of Cellnex will prioritise the treatment of risks based on strategic criteria of risk appetite and risk tolerance levels. Likewise, they will analyse the options available for responding to threats (either minimising the negative impact or maximising potential growth of opportunities).

Monitor and review: Following up and updating the results of the risk management system. We should highlight that Cellnex's risk management policy states that the various areas of the Group are responsible for each of those stages. More specifically, the departments within the organisation are responsible for identifying, assessing and tracking risks and for supervising and implementing control measures to mitigate the possible negative impacts of such risks.

Cellnex's integrated risk management model involves the Steering Committee developing and monitoring a risk map while the Audit and Control Committee oversees its development. In 2018, the Board of Directors examined the Risk Maps of the various countries. When a new company joins the group, there is a prudential period of consolidation from which time the risks are analysed and the Code of Ethics disseminated.

GRI: 102-15, 102-16, 102-34, anti-corruption management approach (103-1, 103-2, 103-3), 205-1, 205-3, 406-1, 407-1, 408-1, 409-1

It is important to note here that in 2018 Cellnex Switzerland adopted the Cellnex Group risk management model and set out a Risk Map and Action Plan using the same typology and methodology as the rest of the Group. Likewise, maintaining the objective of homogenising risk management, in 2019 the risk maps that exist in the different companies of Cellnex Italy and the Netherlands will be merged so that there is a single map of risks by geographical area.

In this regard, we should underline that the management team and the governing bodies of Cellnex are aware that creating value for the organisation is directly linked to managing risks that may jeopardise the sustainability of its strategy.

The main risks that may affect the achievement of the Group's objectives are:

<p>Risks related to the industry and the business in which the Group operates</p>	<ul style="list-style-type: none"> I) Risks related to the environment in which the Group operates and those derived from the specific nature of the Group's businesses II) Risks of increased competition III) Risk related to a substantial portion of the revenue of the Group is derived from a small number of customers IV) Risk of infrastructure sharing V) The expansion or development of the Group's businesses, through acquisitions or other growth opportunities, involve a series of risks and uncertainties that could adversely affect operating results or interrupt operations VI) Operational risks VII) Risks about the conservation of land entitlements where the Group's infrastructures are located VIII) Risks inherent to the businesses acquired and international expansion of the Group IX) Risk associated to significant agreements signed by the Group that can be modified by change of control clauses X) Risk related to the "non-control" of certain subsidiaries XI) Risks related to the execution of Cellnex's acquisition strategy XII) Regulatory and other similar risks XIII) Litigation XIV) Risk related to the shareholding of the Group
<p>Risks related to financial information</p>	<ul style="list-style-type: none"> XV) Risks of financial reporting, fraud and compliance XVI) Expected contracted income (backlog)
<p>Financial risks</p>	<ul style="list-style-type: none"> XV) Exchange rate risks XVI) Interest rate risk XVII) Credit risk XVIII) Liquidity risks XIX) Inflation risk XX) Risk related to the Group's indebtedness

See Annex 2 for detail of risks

^(a) For more information see note 5 of the attached consolidated annual accounts

Cellnex's Corporate Responsibility framework

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

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



With this Master Plan, Cellnex aims to create an instrument bringing together all the company's ethical, environmental and social initiatives. Furthermore, it sets out a long-term vision, establishing commitments in accordance with internationally recognised standards that place it on the same level as the major infrastructure companies operating

in Europe, specifically in the telecommunications sector. This plan also aims to improve two-way dialogue between Cellnex and all stakeholders, especially the company's staff, customers, suppliers and contractors, administrations, shareholders, the community and partners in shared projects.

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

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

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

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

CSR Master Plan 2016-2020 and degree of progress.

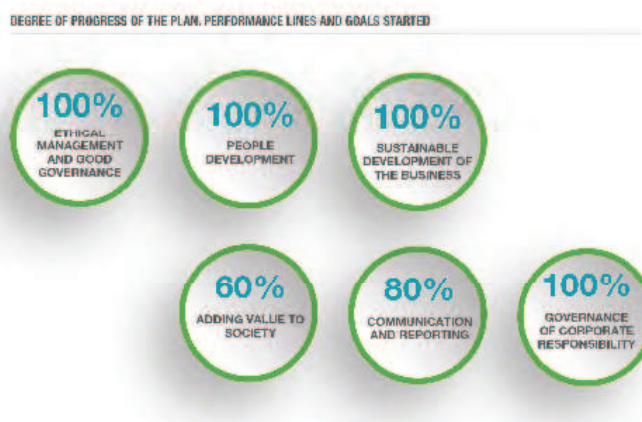
In 2018 great efforts were made to implement the various goals and actions included in the Master Plan. The degree of implementation of these is shown below:

CSR 2016-2020 Master Plan

Action Areas	No. Action lines	No. Lines under development	No. of actions	Attainment of the different actions
Ethical management and good governance	5	100%	21	86%
People development	6	100%	9	78%
Sustainable development of the business	9	100%	17	65%
Adding value to society	5	60%	9	44%
Communication and reporting	10	80%	13	69%
Governance of Corporate Responsibility	3	100%	13	77%
TOTAL	38	90%	82	70%

GRI: 102-11, 102-19, 102-20, 406-1, 407-1, 408-1, 409-1, Human rights assessment management approach (103-1, 103-2, 103-3)

Degree of progress of the Plan. Performance lines and goals started



Main actions implemented in 2018 / Key future actions.

Main actions implemented in 2018	Key future actions
<p>Ethical management and good governance</p> <p>Increasing the proportion of Independent directors (60%) and womens (33%) on the Board of Directors.</p> <p>Separating non-executive and executive roles in the company by appointing Marco Patuano as non-executive chairman.</p>	<p>Continuing to work towards a board of directors whose composition is in accordance with the guidelines of the Code of Good Governance of Listed Companies CNMV (2015).</p> <p>Training plan on the Code of Ethics and Prevention of Corruption in all the countries that make up the group.</p>
<p>People development</p> <p>Renewing the Equality Plan applicable to the Spanish subsidiaries Retevisión and Tradia.</p> <p>Assessing psychosocial risks in Cellnex Spain through Norprevención.</p> <p>Implementing the HR Business Partner programme to bring the People department closer to the business and align its objectives and priorities with the group strategy.</p> <p>Developing the Ignition Project for interns to attract talent and increase workforce diversity.</p> <p>Developing and implementing a national plan to enhance pride in belonging to the company and creating a Group culture.</p>	<p>Continuing to make a firm commitment to equal opportunities and non-discrimination by supporting measures to facilitate the presence of women in the company.</p> <p>Continuing to measure staff satisfaction through work climate surveys.</p>
<p>Sustainable development of the business</p> <p>Implementing the Sustainable Mobility Plan in Barcelona.</p> <p>Approving and formalising the Carbon Management Plan for Cellnex Spain.</p> <p>Incorporating France and Switzerland in the Reporting of CSR, as well as incorporating France in the measuring and verifying the Group's carbon footprint.</p> <p>Making a commitment in Cellnex Netherlands to reduce energy consumption by 6% per year.</p> <p>CDP suppliers - Supply Chain</p> <p>We have carried out communications, security awareness and mobility initiatives.</p> <p>Participating in EMR analysis and research initiatives.</p>	<p>Taking steps to progressively adapt the Cellnex purchasing system to a system that is sustainable with climate change.</p> <p>Adapting the internal processes in the current Integrated Management System (9001-14001-oSHAS) to integrate the requirements of ISO-50001.</p>
<p>Adding value to society</p> <p>Drafting a Human Rights Policy</p> <p>Drafting a sponsorship handbook that responds to the company's strategic priorities</p> <p>Developing and evaluating a pilot project in consortium with third-</p>	<p>Renew the project with entities of the Third Sector in which IoT technology is applied in the field of social housing, extending the scope thereof</p>

CONSOLIDATED MANAGEMENT REPORT 2018

Integrated Annual Report

CELLNEX TELECOM

sector entities that use IoT technology in social housing.	
Communication and reporting	
Having the company's integrated annual report checked by an independent third party in accordance with the highest reporting standards. Drafting a Non-financial Reporting Manual to ensure the consistency of information that is published. Study of materiality update of Cellnex.	Promote and capillarize the internal awareness of the CR strategy and its achievements.
CSR governance	
Preparing an RC Integration Plan for the new companies in the group Drafting an Internal RC Communication Plan to raise awareness of CR within the company.	Defining common Corporate Responsibility requirements for all Group companies. Implement the SA8000 at a corporate level of the Cellnex Group. (Cellnex Italia has been certified in 2018).

5. SUSTAINABLE MANAGEMENT OF THE VALUE CHAIN

Map of Cellnex stakeholders



Stakeholders

People management



(*) Internship contracts are not counted in the final headcount

GRI: 102-8, 102-40, 102-42, 102-43, 102-44

The Cellnex team consists of 1,437 people, distributed geographically in Spain (84%), Italy (9%), France (2%), the Netherlands (2%), the United Kingdom (1%) and Switzerland (2%). This multidisciplinary team is key to a successful business project, which enables Cellnex Telecom to be one of the main telecommunications infrastructure operators in Europe.

The workforce is predominantly male, reflecting the current situation of the sector.

Staff numbers of Cellnex France and Cellnex Switzerland increased considerably as they completed their process of formalising the team.

Specifically, in Cellnex France, the workforce went from 21 to 34, a 62% increase from 2017. Furthermore, Cellnex Switzerland has experienced almost 156% growth compared to the first year.

In 2018, the staff turnover rate in Spain remained constant at 0.08%.

Equality, inclusion and diversity and integration

Significant milestones in 2018	Main challenges for 2019
Renewing the Equality Plan (Retevisión and Tradia): assessing the degree to which equal opportunities have increased at Cellnex	Developing the Equality Plan and meeting the objectives set at four years
Starting the pilot tests on teleworking	Developing and analysing the pilots in order to roll this out to all employees
	Working together with Futureway on inclusion issues to try to incorporate students at risk of social exclusion
	Developing a diversity and inclusion programme

Cellnex welcomes and respects staff diversity in the broadest sense of the term, with equal consideration for gender, race, ethnicity, origin, age, sex, religion, opinion, and any other condition or social circumstance of any employee.

In 2018 the company continued to work on renewing its Equality Plan, applicable to the Spanish subsidiaries Retevisión and Tradia, which began in 2017 with an independent external diagnosis of the extent of equality opportunities in Cellnex. The results were used to devise and launch Cellnex's Second Equality Plan in 2018, which has a duration of four years.

The general objective of this plan is to progressively increase the number of female employees in all positions and responsibilities, guaranteeing equal treatment and opportunities for women and men and preventing sexual harassment and gender discrimination, both indirect and direct.

The specific objectives of the Equality Plan include:

- Following on the targets set in the 2010 Equality Plan.
- Contributing to hiring more women in areas where they are least represented.
- Raising staff awareness of equality through training and communications.
- Fostering the use of conciliatory measures in a more equal fashion.

The actions set out in the new Equality Plan focus on a range of areas that cover almost the entire company and include recruitment, training, awareness-raising and work/life balance.

Moreover, the Monitoring and Evaluation Committee will evaluate the Equality Plan annually to examine compliance with the measures adopted in the Plan, assess whether the measures are appropriate, and to check they are in line with the objectives initially proposed.

In accordance with the Equality Plan, we have begun an analysis of fairness within the Corporation to compare whether pay conditions are equivalent for women and men in each job category. This analysis will be extended to the countries during 2019.

Furthermore, this year Cellnex Spain and Cellnex Italy worked on devising a remote working project to boost employee efficiency, work/life balance and commitment.

To ensure the project is successful, two six-month pilot tests were launched involving 40 volunteer employees in each country. According to the results and lessons learned, which should be finalised by mid-2019, the company will consider whether to extend remote working to all employees, incorporating any improvements identified.

Attracting, recruiting and retaining talent

Significant milestones in 2018	Main challenges for 2019
Launching the Ignición Project, focused on attracting and detecting talent among the young talent pool (interns)	Consolidating and following up the Ignición Project, reinforcing the talent acquisition initiatives, and optimising and standardising recruitment and identification of potential in the countries
Performing <i>on-boarding</i> at the corporate level in Spain, and presenting it in Italy, France and Switzerland	Developing and implementing the <i>recruiting</i> and <i>on-boarding</i> modules and developing this latter in Italy, France and Switzerland
Launching a Talent Review process in Corporation and in Spain	Rolling out the Talent Review process to other countries
Starting to define the development profiles of Cellnex posts, as well as possible professional careers	Completing the project to define posts and professional careers
Defining the Succession Plan for first-line managers	Extending the Succession Plan to the rest of managers
Presenting the Rueda Project, focused on promoting internal mobility opportunities	Developing the Rueda Project, fostering mobility opportunities, creating pools of available talent to assign according to project, fostering employer branding, etc.

As it strives to become a benchmark in recruiting and retaining talent, Cellnex developed a series of initiatives throughout 2018 to publicise its image as an employer, improve the process of identifying and attracting young talent, and retaining and cultivating the talent already present in the company.

Thus, the Ignition Project got underway in 2018 to identify a talent pool of young people (interns) with a view to detecting and retaining talent in the company. Diversity and gender equality are fostered from the selection process onwards under this programme.

To this end, the project sets out a series of actions and objectives split into three areas:

- *Employer Branding*: This aims to position Cellnex as a company in which people want to work and increase the Group's presence in the university sector.
- *Recruitment*: This seeks to optimise the selection process and incorporation of young talent to be trained through their development in the company.

- Identifying potential: The aim is to standardise young talent to identify the best and create a pool of candidates to cover future vacancies in the company

Also in 2018, we implemented the *onboarding* programme, which aims to streamline the adaptation and integration process of new people who join the organisation.

To evaluate talent within the company, we launched a Talent Review process in Spain and throughout the Corporation through which to position employees in quadrants according to their performance and potential (through a matrix known as g-Box). In this way, HIPOs (High Potential) and HIPERs (High Performance) are identified and actions set in train to exploit this potential.

The forthcoming challenges of the Talent Review include developing a Risk Map to analyse the risk of talent flight, and extending the programme to the countries to standardise the processes of detecting and assuring talent throughout the company.

Furthermore, we have defined Succession Plans for the first level of Management, and in 2019 we will seek to extend this to all other levels of management.

Also, Cellnex undertook a Job Assessment Study this year to characterise the different levels of positions within the company plus the skills required to perform each position. As this assessment was underway, we performed a payment diagnosis comparing the current situation of Cellnex positions with the market. The aim was to find out where the company stood and develop new salary structures that to attract and retain talent.

The Rueda Project was presented at the end of 2018 and aims to foster and strengthen various aspects of the human resources area by working on a series of levers:

- Enhancing people mobility
- Providing a pool of freely available people for assignment according to projects
- Having a group of young talents involved in ongoing training that can be assigned to the most sought-after positions according to demand
- Programme for ongoing improvement of people performance, rotating them in their functions to explore new opportunities or enrich their careers
- Formalising a pool of people available for recurrent mobility, with different periodicities according to their availability
- Developing an *Employer Branding* programme
- Creating external networks through long-term relationships that can help attract talent

Training 2018

Significant milestones in 2018	Main challenges for 2019
Development Dialogues launched in the Corporation, Spain and Italy	Extending the Development Dialogues to the remaining countries
Defining the Corporate Master's degree: scope of contents and selection criteria	Determining who will attend the Master's degree in each country and who will teach
Defining the new business profiles in Spain and starting in the countries	Analysing current business profiles and delivering training in countries and business lines

As part of its mission to become a benchmark for talent management, Cellnex has performed various training actions aimed at promoting the professional development of its employees.

Thus, last year we revisited the process for the Development Dialogues (a space for dialogue between co-workers and their managers in relation to individual development of these workers), launched at Corporation and Spain level in 2017, and incorporating Italy during 2018; Likewise, open training sessions were held for employees and new managers [89]. As a continuation of this, we will seek this year to extend the process to France, the Netherlands, Switzerland and the United Kingdom.

As a new initiative that aims to provide ongoing training, we began to define a Corporate Master's degree for employees at the end of 2018, defining its scope and establishing the criteria for selecting candidates. We expect to firm up all the details in 2019 and to begin teaching the contents to selected staff.

The corporate Master's degree will be taught by the EADA Business School. The programme is adapted to Cellnex's needs, starting with the Master's degree offered by the school in open format. The participants will be drawn from the various countries in which Cellnex is present and will last for a year and a half following the attached diagram:

The programme will apply the Learning By doing teaching method, an active learning model by the participant: learning by doing, rather than learning by listening.

In addition, and as a result of redesigning the Commercial Model motivated by the Trinity project, a series of roles were established that are associated with the consultative sales process and account management (i.e. KAM, Product Champion, etc.), which in turn led to defining the profiles associated with each of them. The next steps involve an evaluation of the existing profiles in the countries, in comparison with the skills defined for the roles, to identify gaps and be able to carry out the necessary training actions to enhance the required skills.

Cellnex Spain continues to apply its leadership training that began in 2016 through two types of actions: training for new managers and coaching sessions for managers of various levels to boost their people management skills and increase their alignment with the leadership model. In 2018, this programme continued and was extended to new managers.

We also continued to impart technical training sessions associated with the core knowledge of the Department of each partner as well as cross-cutting training such as project management, languages, office automation, skills and Occupational Risk Prevention. Training is face-to-face, online and blended and provided by external experts and/or internal trainers.

Likewise, we continued the specific pathways aimed at project managers, internal trainers and managers, which were already underway as part of the employee training plan.

In 2018 the staff of Cellnex Spain and Italy received more than 53,315.60 hours of training, of which 5,843 were based on safety training in the workplace.

Region	2016	2017	2018
Corporation	-	-	5,722.03
Spain	43,501	40,452	39,721.57
Italy	2,852	4,372	6,682.00
France	-	-	1,190.00
Total	46,353	44,824	53,315.60

See Annex IV for details.

Remuneration and compensation

Significant milestones in 2018	Main challenges for 2019
Drawing up a remuneration study, internally and as a market comparison, to establish a remuneration policy and wage brackets in line with the telecommunications market	Completing the remuneration policy and defining wage brackets, and roll-out to the rest of the Cellnex countries
Developing an Employee Portal, unifying all elements of employee remuneration, total compensation and social benefits	Adjusting and implementing the Employee Benefits Portal in Spain, and subsequent creation of a global portal for all employees in the rest of the countries

In pursuit of its aim to maximise talent retention, Cellnex has developed various lines of action including an analysis of remuneration and compensation elements to optimise their competitiveness within the telecommunications market.

In this connection, we defined positions and associated profiles for all posts in the company in 2018, in parallel to which we began a remuneration study of each of these, comparing them to each other and creating a benchmark with the market. The goal of this exercise is to establish a series of competitive wage brackets for each of the professional scales and define a standardised remuneration policy to further attract and retain talent.

In parallel, we have created an Employee Benefits Portal to bring together in the same place all the elements of remuneration, compensation and social benefits that Cellnex offers its employees to make it easier to access and freely manage this information. This exercise will continue throughout 2019, until this Portal is implemented and rolled out to all employees of the various Cellnex countries.

The professionals belonging to the Group currently enjoy a range of economic and social benefits that includes life and accident insurance, pension plans and health insurance.

Likewise, all employees of Cellnex Telecom generally have flexible hours, so they can choose when to start their working day, within a margin of hours, provided they work the number of hours established by agreement and contract by the end of the day. Likewise, all Group employees can take the holidays established by the agreement throughout the year by agreeing these in advance with the head of the department. All employees who have requested a reduction in working hours are granted this right.

Management by objectives

In Cellnex Telecom Management by Objectives (MBO) is considered as an incentive to stimulate the contribution and additional creation of value in a systematic way at all levels, ensuring a global alignment of efforts to achieve the group results expected in the market.

This array of objectives rolls out the group's priority strategy in each country and consistently combines crossed objectives among different areas that cover the main projects of the current year to support the business strategy. In 2018 we adapted the variable remuneration system for commercial profiles throughout the organisation to encourage customer acquisition, development and management and coherence with the new Commercial Model.

One goal is to express an objective to be attained during the current year. This objective can be established by the line manager, or can be a functional objective assigned and evaluated by a cross-cutting area (resources, finances, etc.) as detailed in the Cellnex Telecom Relational Model

Each employee has different types of objective within the same period:

- Country Objectives
- Management Objectives
- Individual objectives

Occupational health and safety

Cellnex looks after well-being on its premises, striving to implement the best health and safety measures and ensuring compliance with the relevant rules in all its premises

According to the company's Occupational Risk Prevention Policy, which lays down the guidelines for action in this area, it is incumbent upon Management to integrate and implement Occupational Risk Prevention throughout the organisation. This policy is implemented and developed through the Health and Safety Management System based on process management and continuous improvement to ensure effectiveness and efficiency. Cellnex Spain and all the companies that comprise it have the OHSAS 18001:2007 standard from the certification entity TÜV Rheinland. In 2018, following an intense reorganisation and standardisation process, Cellnex Italy, including Galata, TowerCo and CommsCon, obtained the ISO 45001 certification in Occupational Health and Safety from the certification entity DNV GL, a new international standard that replaces the OHSAS 18001:2007 standard.

In addition, Cellnex has Business Coordination Activities agreements with its customers through which the company defines the audit processes to be made on its customers. These audit processes seek to comply with current regulations concerning occupational hazards; RD171/2004 (the Royal Decree implementing Article 24 of Law 31/1995 of 8 November 1995 on Occupational Risk Prevention, on coordination of business activities) and LPRL 31/1955 (Law on Occupational Risk Prevention).

The company also has its own operational support system (OSS) to perform exhaustive access checks at its centres, which guarantees strict compliance with the Occupational Risk Prevention Policy and with access operations involving customers and contractors.

GRI: 102-41, occupational health and safety management approach (103-1, 103-2, 103-3), 404-2

Cellnex Spain has a **Multi-Plant Health and Safety Committee** which handles prevention issues affecting the company as a whole, comprising 14 members with parity between trade union and Company representatives. It also has two Health and Safety Committees, for the Barcelona and Madrid sites, which handle issues specific to the corporate buildings. In the last year, the Multi-Plant Health and Safety Committee met four times, in keeping with the legal requirement. Furthermore, there is an e-mail and a corporate Intranet application to allow any Cellnex worker to blow the whistle on any situations in which worker safety could be compromised.

Cellnex Spain complies with its prevention obligations under Royal Decree 39/1997 through a Joint Prevention Service, whereas the rest of the company has an External Prevention Service that expert suppliers provide.

Cellnex Italy has eight agreements that cover aspects related to health and safety at work.

In Spain, 91.3% of the workforce is covered by a Health and Safety Committee.

In order to ensure a safe working environment in which all company staff know the health and safety measures in the workplace, the company provides information and training in occupational health and safety for the whole workforce.

We carry out numerous communication campaigns to raise employee awareness about the importance of safety in the workplace. In addition, informative documents are available for employees on working at height and using personal protective equipment (PPE), and informative talks are held to address any queries that arise on the job.

Cellnex has an innovative application for preventing occupational risks - Cosmos Mobile, which gives real-time information on technicians' locations and site status, allowing us to enhance employee safety as well as to maximise on the efficiency and quality of operations. In 2018 we incorporated new modules that provide information on the hazards linked to the various centres and positions, giving workers information about the characteristics of the job to be performed at all times.

In addition, and pursuant to Law 31/1995 on the Prevention of Occupational Risks, this year we performed an assessment of the psychosocial risks to which Cellnex staff are exposed in Spain, with the collaboration of the company Norprevención-Ibersys. After the initial consultation phase via questionnaire (62% response rate) and a quantitative and qualitative analysis of the results, a diagnosis was generated of the current situation of the various risk factors. To comply with this legal obligation, and also as an opportunity for the company to improve, work will be ongoing throughout 2019 to develop the Action Plan to apply the necessary preventive and corrective measures involving multidisciplinary work committees to help plan, prioritise and take part in these.

Mobility Plan

In 2018, the Cellnex Spain Mobility Plan was approved and implemented. Its primary objectives are to reduce accidents *in itinere*, raise awareness on preventing traffic accidents and improve the mobility of workers, partners, providers and customers. The expected outcomes are better health, energy savings, fewer emissions, and higher productivity and competitiveness.

Mobility Plan: actions undertaken and future actions

Actions taken in 2018	Actions to be taken in 2019
Road Safety Training	4x4 Training and Road Safety
<i>In itinere</i> accident awareness campaigns	Online training
14 Compressed Natural Gas vehicles	Road Safety awareness campaigns

Health and Safety Training

In 2018, some 5,937 hours of training were imparted at Cellnex in occupational risk prevention and occupational safety.

Training provided in 2018
Compulsory occupational risk prevention training
Firefighting
Cargo handling
Maintenance operations on carrier wave coupling devices
Self-protection plan
First aid
Preventive resources
Electrical risk
Work at height
Work in telecommunications facilities

Accident rate

Cellnex continually monitors safety at work and strives to minimise risks and reduce incidents and accidents among employees and anyone else on its facilities.

	Spain		Italy	
	Men	Women	Men	Women
Accident frequency rate (AFR)	4,49	0	4,57	0
Accident severity rate	0,096	0	0,17	0
Incidence of occupational diseases	0	0	0	0

	Cellnex Spain		Cellnex Italy	
	Men	Women	Men	Women
Falls on the same level	2	0	0	0
Falls on different level	2	0	0	0
Hit against object	1	0	0	0
Overexertion/ bad posture	3	0	0	0
Traffic accident / itinere	1	0	1	0
Total	6	0	1	0

*The rest of Cellnex regions had no working accidents

Healthy company

This year, Cellnex Spain continued working on its **healthy business model**. This model establishes the requirements of a management system for organisations committed to existing international principles and recommendations on healthy businesses that wish to promote and continuously protect the health, safety and welfare of their workers.

Also in 2018, Cellnex Spain worked towards adhering to the *Luxembourg Declaration*, which it expects to achieve in 2019. This declaration is a consensus document drawn up by the European Network for Workplace Health Promotion (ENWHP) that sets down the basic principles of action and the framework for good management of workers' health. Participant companies undertake to put the principles of health and safety into practice in business strategies and to promote and disseminate them.

We continued making progress in this area in 2018 through various initiatives, including:

- Regular health promotion campaigns:
 - Blood pressure tests, flu prevention and encouraging blood donation.
 - Campaign to prevent glaucoma: the mobile unit of Tres Torres Ophthalmological Institute gave a full eye test to employees at the Parc Logístic Barcelona offices at their request and at the Ophthalmological Institute for staff from Madrid.
- Integrating health surveillance (epidemiology) to design specific campaigns on good posture, nutrition, stress management, cancer prevention, etc.
- Celebrating the World Day for Safety and Health at Work by providing fresh fruit at the vending machines in the Barcelona Parc Logístic to promote healthy eating.
- Corporate medical and physiotherapy service.
- Promoting sports among group partners who work in the central offices

Shareholders

Cellnex works continuously to maintain investor confidence and to meet investor expectations. To this end, since 2015 the Group has had an **Investor Relations Department**, dedicated exclusively to channelling and making available all financial information to shareholders and analysts, as a key tool for publicising the real value and the potential of the company, plus its growth opportunities. The person in charge of this new department is Juan José Gaitán, who in 2017 was recognised by Extel 2017 in the leading European survey among the investment community, and in 2018 ranked second in the category Best IR Professional Telecommunication Services by renowned Institutional Investor Magazine.

In 2018, the **Investor Relations Department**, has contacted more than 325 shareholders and held meetings in 14 different countries. In 2018, 32 brokers actively hedged the shares, issuing investment recommendations on Cellnex.

Customers

Cellnex Telecom applies a customer relations model based on proximity, transparency and the search for constant improvement.

One of the key factors of the business model is continuous customer support throughout the process of providing the service, from commercial to incident management, reporting and possible consultations and complaints during provision, operation and maintenance. That is why the customer's main contact person is the commercial manager, who involves the specialist areas required according to the service phase and characteristics, to provide a suitable response to the customer's needs at all times.

To guarantee a personal and stable customer relationship, we strive to focus our commercial force on market segments by enhancing the role of the account manager who looks after the specialist end-to-end relationship with customers by providing a comprehensive and personalised service geared towards their overall satisfaction.

In 2018, Cellnex Spain, has handled 15 user complaints related to the DTT service. Likewise, in Italy there have been 2 customer complaints received through the suggestion box. All the complaints have been treated according to the Complaint Management Procedure of the external client and the Cellnex Telecom Company. In addition, 3,780 communications related to the DTT service (inquiries, incidents or complaints) have been attended to in the Contact Center.

As part of the effective management of significant events and incidents, there are various business continuity guidelines and plans designed to ensure that critical services can continue to be provided in the event of failure in any system, either by protecting these or by redundancy.

In Spain in 2018, the Control Centres were made into a single Network Operation Centre (NOC) with unified management, which allows us to provide a global vision for customers and to take a specialist technological approach to boost efficiency in detecting and solving incidents and problems across several geographical regions. This model ensures the possibilities of physical redundancy between sites that allows us to deal with contingency situations. As a result, we can guarantee service continuity as well as monitoring and operations, even in extraordinary situations.

The NOC operates and supervises the network 24/7 through two levels of customer service: the first level provides a broad overview to improve the service given to and perceived by customers, while the second level is split into technologies with operators who are highly skilled at each, to ensure efficiency in proactively detecting and solving incidents and problems. The equipment supporting the delivery of core services is controlled remotely from the NOC and, if necessary, can force the manoeuvres necessary for the correct provision of the service. In addition, technical units are available in all provinces of Spain so that a qualified technician can be sent to the site of the fault, when necessary, to provide a solution within the time stated in the service level agreements. Since the company provides its services and operates its network 24/7 in all locations, there is no downtime on any sites.

With the provision of new network services such as Smart Cities and IoT services, Cellnex is seeing a change in the type of its customers. Specifically, the new services entail managing a greater number of customers and players from different sectors that are also geographically disparate. This new scenario involves a change in the customer management model, which requires the implementation of new communication channels in addition to the account manager, web or email. In this new scenario it is particularly important for Cellnex to be present in forums, conferences and events in which Cellnex plays an active role.

Likewise, Cellnex has established a number of communication channels with customers, such as those contained in the service-level agreement (SLA) reports, or the studies of perceived customer satisfaction, the outcome of which feeds into action and improvement plans.

These studies were established with the following specific objectives:

- To have a complete picture of customers' overall perception of the company.
- To learn about the level of customer satisfaction, breaking down and parametrising overall levels of satisfaction into the various values and attributes in the study.
- To produce a map of customer indicators with the services provided by the company for each activity and segmented by business area and type of customer.
- To determine company recommendation and loyalty rates relating to each service, activity, business area and customer type.
- To determine the critical points and strengths and establish an action plan based on the external customer satisfaction study.

Customer satisfaction survey

The customer satisfaction survey in Cellnex Spain is carried out on a biennial basis. The last survey was conducted in 2017 and yielded very positive results, with 92% of Cellnex Telecom customers either satisfied or very satisfied with the company's service. Cellnex utilised the results of the 2017 survey of its most important customers to pinpoint specific initiatives for each in 2018, and devised and implemented individual Action Plans to strengthen the company's relationship with them. This plan is supported by a monitoring and evaluation process geared towards continuous improvements.

Furthermore, Cellnex Italy incorporated the annual customer satisfaction survey as a standard practice. The survey asks customers about their relationship with the company, the sales process, Cellnex project management, its after-sale service, administrative service, general satisfaction, and general satisfaction with other competitors on the market. In 2018, Cellnex Italy obtained 83% customer satisfaction.

Cellnex Netherlands also conducts an annual customer satisfaction survey. The results of this 2018 were broadly satisfactory, with an average score of 8.0, meaning a slight improvement compared to the results of 2017 (7.93).

Zero Outage

The Deutsche Telekom Group renewed Cellnex Telecom's 'Zero Outage Supplier' certification for the second year running through Rainer Anton Offermann, Vice-President of International Network Functions in the Deutsche Telekom Technik GmbH unit. This certification is part of the German company's worldwide programme to select and certify key connectivity service providers in each country with the aim of working jointly as partners in improving the service given to the end customer.

The programme sets the German Group's quality standards for its customers based on the operational excellence, security and stability of the systems, monitoring of critical components and reduction / resolution of incidents with availability 24/7 by its key suppliers.

Cellnex has been working for Deutsche Telekom in Spain since 2015, providing connectivity services to T-Systems. This company of the German Group has been responsible for performing the type-approval and certification process on Cellnex based on the criteria and quality levels set by Deutsche Telekom.

Suppliers

Cellnex has a supplier management model based on cooperation and joint improvement. This model aims to implement more efficient procurement procedures and find technological solutions to bring about improvements, both in internal management and in providing services to customers. It should be underlined that the model is governed by the use of best practices in procurement processes.

For Cellnex it is essential that suppliers should be familiar with our corporate policies and ensure compliance with all of them. They can access our policies on purchasing, quality, the environment, occupational risk prevention, information security, corporate responsibility and R&D + innovation as well as our Code of Ethics on the Cellnex corporate website. Suppliers must comply with these requirements in the course of their work, and must also make available these rules and requirements to all contracted and subcontracted personnel.

In 2017, Cellnex drafted a Procurement Policy, which establishes and promotes a guide for action in the procurement process that goes beyond product and service price and quality to also impact social, ethical, environmental, privacy and continuous improvement aspects in the performance of Cellnex Group suppliers.

Cellnex suppliers perform important maintenance tasks and techniques, and help the company to perform its work with quality and professional rigour. Cellnex strives to generate local value by contracting 92.04% of local suppliers in Spain, 97.69% in Italy, 91.35% in France and 94.00% in Switzerland. Wherever possible, priority is given to purchasing goods and services from local suppliers, meaning from within the same country.

In terms of Occupational Risk Prevention, Cellnex Telecom establishes coordination requirements between the company and its providers of works and services, in order to comply with the obligations established in the Law on Prevention of Occupational Risks and other regulations that complement it. It has specific guidelines for suppliers that access the company's facilities, mainly those involved in supply and maintenance projects, and customer colocation services. Likewise, Cellnex informs suppliers of the environmental requirements for works, with which it must comply

GRI: 102-9, 102-10, 204-1, acquisition practices management approach (103-1, 103-2, 103-3)

to avoid generating negative environmental impacts while performing their work. If these do occur, the necessary corrective measures must be implemented to address them.

In 2018, Cellnex was part of a working group comprising the main telecommunications companies on the **TELCO Training Project** to provide a common training framework for the sector. The project sets the Occupational Risk Prevention training standards that all professionals in the sector must meet. It includes a list of approved training programmes and the deadlines to update theory and practical training actions, to ensure that all sector professionals have the necessary skills to perform their work. By setting out this agreement, the sector aims to systematise the training requirements required of its suppliers, improve safety in the workplace and service quality, and increase confidence and transparency.

Evaluation, selection and monitoring of suppliers

Cellnex's companies apply a procedure for evaluating and selecting suppliers to ensure they are aligned and comply with the corporate policies and ethos.

Cellnex has a system for evaluating, selecting and monitoring suppliers that includes an internal procedure detailing the criteria and phases to be followed to become a Cellnex supplier.

- Initially, suppliers' performance is evaluated using quality and time criteria to obtain a grading by levels according to the result obtained. For suppliers with unsatisfactory results, while there is a desire to continue the business relationship, an action plan is established to correct and adjust their service level to that required by Cellnex. If a supplier does not improve its results and is unable to make the appropriate improvements, commercial relations may be terminated. This evaluation phase covers all countries that have the SAP system for purchases, such as the corporation and Cellnex Spain and Italy, and France and Switzerland as of this year.
- In a second phase, Cellnex Spain, Italy and UK evaluate the performance of suppliers in terms of Corporate Social Responsibility including issues on ethics, the environment and labour relations. The aim of this evaluation is to ensure that the company ethos is upheld across the value chain. In 2018, Cellnex Spain has evaluated 318 suppliers in terms of labor relations and the environment, and found 5 incidents related to labour relations, all of which were minor incidents. Similarly, Cellnex Italy has evaluated 220 suppliers in terms of labor relations, without identifying any incidence. In 2019, it is planned to implement this second phase in Cellnex France.

As part of the company's dissemination and communication of its Code of Ethics, a specific informative clause about this Code is included in the general conditions for orders in Cellnex Spia, Italy, France and Switzerland.

For the first time, and as a commitment to climate change, Cellnex participated in the CDP Supply Chain in which the company's suppliers report data on their emissions and environmental behaviour to control and evaluate their efforts to combat climate change.

GRI: 102-9, 102-10, acquisition practices management approach (103-1, 103-2, 103-3), 204-1, supplier environmental assessment management approach (103-1, 103-2, 103-3), 308-1, supplier social assessment management approach (130-1, 103-2, 103-3), 414-1

Public administration and regulatory bodies

Cellnex Telecom maintains a close relationship with the various public administrations in Spain and throughout Europe.

As an Operator with significant market power (SMP) for the broadcast carrier service of the television signal in Spain, Cellnex is regulated by the National Commission for Markets and Competition (CNMC) in the wholesale access service to its broadcast centres.

Finally, Cellnex's level of internationalisation and the sector's significant level of globalisation means that the European level of administration and regulation is even more relevant. The European Commission and European Parliament, along with the key players in the telecommunications sector, are involved in defining the regulatory framework and creating policies at European level. In this area, Cellnex plays an active role in defending sector positions.

Cellnex's participation in relevant initiatives

Cellnex action and participation in relevant industry associations

In 2018, Cellnex continued to participate in initiatives related to sector activity. Cellnex belongs to the following associations:

Cellnex is a founding partner and active member of:

- Broadcast Networks Europe (BNE): A Europe-wide association of broadcasters and operators, with the objective of developing the broadcasting technology ecosystem.
- EWIA (European Wireless Infrastructure Association): This Association aims to support its members in the development and emergence in Europe of independent telecommunications infrastructure operators and represent the industry's interests in matters of public policy within the European Union.

Associations

- | | |
|--|---|
| <ul style="list-style-type: none"> - European Broadcasting Union (UER/EBU) - Digital Video Broadcasting (DVB) - TCCA (formerly Tetra MOU association) - DIGITAL - National Federation of Telecommunications Installers (FENITEL) - Spanish Association of Interactive Television Companies (AEDETI) - Broadcast Network Europe (BNE) - The European Wireless Infrastructure Association (EWIA) - European Internet Foundation - HbbTV Association - Association of businessmen and executives of Aragon (ADEA) - Spanish Association for Quality (AEC) - Spanish Association for Investor Relations (AERI) - Association for Management Progress (APD) - Italian Chamber of Commerce and Industry for Spain (CCIS) - Business Confederation of security and services users (CEUSS) | <ul style="list-style-type: none"> - European Telecommunications Standard Institute (ETSI) - European Innovation Partnership on Smart Cities and Communities (EIP-SCC) - SmartCat Challenge - IoT Catalan Alliance - Audiovisual Cluster of Catalonia - RTVE Chair - Global Compact - ENERTIC - Chamber of Commerce of Barcelona - Association of infrastructure, equipment and public services companies (CCIES) - BARCELONA GLOBAL - Institute of Internal Auditors - Spanish Broadcasters' Association - GSMA - AIOTI (European Grouping of the IoT) - Institute of Compliance Officers (IOC) - Foro Conecta Digital - Chamber of Commerce Spain |
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CONSOLIDATED MANAGEMENT REPORT 2018

Integrated Annual Report

CELLNEX TELECOM

Forums

- Digital TV Forum
- International Telecommunications Union (ITU)
- Circle of Technologies Foundation for Defence and Security
- European Conference of Postal and telecommunications Administrations - The Electronic Communications Committee (CEPT-ECC)
- Mobile Infrastructure Panel
- Official Professional Association of Telecommunications Engineers (COIT)
- TowerXchange
- Digi-CONNECT
- Digital Radio Forum
- Hybrid Radio Forum
- CTN178

Foundations

- EURECAT
- i2CAT
- SERES, foundation

Technological Platforms

- Networked & Electronic Media" (NEM)
- e-nem (Spanish audiovisual network technologies platform)
- E-isi (Spanish Satellite Communications Platform)
- e-mov (Spanish Wireless Communications Platform)
- Es. Internet (Spanish industry technological platform)

Universities and Training Centres

- School for New Interactive Technologies - University of Barcelona
- ESADE
- Barcelona Graduate School of Economics
- IESE

Likewise, Cellnex has taken part in the following key international events:

<p>TowerXchange Meetup 2018</p> <p>For the third year running, Cellnex took part in the TowerXchange Meetup 2018, one of the most important international meetings in the telecommunications infrastructure sector. TowerXchange is a think tank that offers conferences, panel debates and talks. The last Meetup brought together more than 250 industry leaders. Each year, as part of its commitment to promoting young talent, TowerXchange awards prizes to 25 young executives considered the most promising Rising Stars in the telecommunications infrastructure sector. In this edition four young people from Cellnex Telecom have been chosen from among the most outstanding: Matteo Felli (Italy), Tobias Schwender (Spain), Mohamed Ba (France) and Maarten Kippers (Netherlands).</p>	<p>Professional Audiovisual Technology Fair</p> <p>This year Cellnex took part once again in the Professional Audiovisual Technology Fair (Bit Broadcast). The event showcased cutting edge audiovisual innovations in 5G; DAS and broadcast solutions; solutions aimed at enhancing viewer interactivity, such as Start Over, which uses an HbbTV application to take the viewer to the start of a streamed broadcast, UHD 4K broadcasts, and new developments in Hybrid DTT and OTT (over-the-top). These developments will allow viewers to play an active role with audiovisual content and give broadcasters a greater insight into the results of their programming.</p>	<p>Mobile World Congress MWC-2018</p> <p>Cellnex Telecom took part once again in this year's Mobile World Congress, the global meeting place for the mobile communication sector, at which the operator has participated in every one of the 12 yearly editions.</p> <p>On this occasion, the company showcased its solution for responding to the high demand for mobile connectivity in high footfall areas (shopping centres, stadiums, metro lines, city centres, etc.), paving the way for the roll-out of 5G in Europe.</p>
<p>Smart Cities for Smart Citizens Congress</p> <p>Cellnex took part in the Smart Cities for Smart Citizens Congress promoted by Valencia Marina, where Francisco Javier Marcos, Head of Innovation, gave a talk entitled 'Towards 5G. Considerations about the future advantages of 5G for people, the possible impact on cities, and the need to rationalise roll-out and share infrastructure, where Cellnex can make significant contributions.'</p>	<p>Innovation Summit</p> <p>Cellnex attended the Innovation Summit organised by the Advanced Leadership Foundation, with presentations by Jesus Verde (Chair of ALF), Jose Luis Bonet (President of the Chamber of Commerce) and Barack Obama (former President of the US), among others.</p>	<p>Ultra HD Forum Italy</p> <p>Cellnex Telecom took part in the Ultra HD Forum in Italy (Milan), along with top experts from the audiovisual sector.</p> <p>Sergi Alsina, (Product Strategy) presented the LOVEStv project, as well as the role of Cellnex as a technological partner in services for private and public broadcasters. He noted that the aim of this is to add to the DTT experience and increase competitiveness in the new online television market.</p>

Significant awards and recognition of Cellnex in 2018

- The LOVEStv platform won the Judge's Grand Prix at the prestigious HbbTV Awards, organised by HbbTV Association and Deutsche TV-Plattform and held in Berlin. The platform was chosen as the best proposal from among the forty-five top-level European projects from various players and operators of the audiovisual sector.
- Tu Economía 2018 award for Best Ibex 35 Value from newspaper *La Razón* for making 2017 an "excellent year" by constantly investing in innovation and infrastructure that have allowed the company to remain "a sector benchmark".
- Honorary mention of the Barcelona Chamber of Commerce (Premi Llotja) for the quality and transparency of information in the markets by Cellnex
- Honorary mention for Cellnex's work with law enforcement bodies, for which we were awarded the White Cross of the Civil Guard, the highest distinction that the Civil Guard grants to civilians, for our public-private partnership on security matters which has great institutional recognition.
- Cellnex excelled in the 'Most Honoured Companies' category and in the 'Small & Midcap' subcategory of the All-Europe Executive Team 2018 Awards, which the investment community gives in recognition of corporate leadership and best practices in investor relations.
- Mention in the 'Ibex 35 Listed' category for the greatest improvement since the previous edition of the 17th AECA Award for Business Transparency 2018, given at the AECA 2018 Awards Ceremony, which acknowledges the quality, accessibility, usability, content and presence of general, financial and sustainability and good corporate governance information on Spanish corporate websites.
- Award for International Growth from financial newspaper *El Economista* at the 'Noche de la Economía' awards, recognising Cellnex as the main European telecommunications operator.
- Recognition of the Cellnex reporting model as a success story at a meeting with executives from various companies (including CaixaBank, Volkswagen-Audi Group, ESADE, IESE, and Desigual), organised by Oracle Spain and tactic Key consulting.
- The GrowSmarter project, which Cellnex is part of, was a finalist in the 'Governance' category of the World Smart City Awards 2018 thanks to the viability, innovation and impact that the project has or will have on the future of our cities.
- Cellnex Italy was recognised as a success story in *Gdweek* magazine having "connected" Europe's biggest shopping mall, located in Milan (Centro di Arese), through a DAS project.

Cellnex's participation in Sustainability Indices

Carbon Disclosure Project (CDP)

Once again Cellnex took part in the Carbon Disclosure Project (CDP), one of the most highly recognised organisations for its work on climate change, which seeks to assess the quality of – and systems for reporting – the information provided by private companies or by the public sector in the sustainability and environment area. In this sense, Cellnex was rated a letter B, maintaining the same score as in previous years.

Furthermore, this year Cellnex joined the CDP Supply Chain programme, which aims to better understand how suppliers are addressing climate change and working to reduce their greenhouse gas emissions. The response rate of the suppliers who were invited to answer the questionnaire in this first CDP Supply Chain campaign was 35%.

United Nations Global Compact

In November 2015 Cellnex Telecom joined the United Nations Global Compact as an expression of its commitment to including the corporate social responsibility concept into its operational strategy and organisational culture. United Nations Global Compact is an international voluntary initiative that includes more than 8,000 companies and institutions across 135 countries. Under this agreement, Cellnex Telecom undertakes to promote and spread corporate sustainability policies and practices based on the 10 key principles promoted by the United Nations, focusing on the areas of human rights, labour standards, environment and combating corruption in business activities. Cellnex's commitment to the United Nations Global Compact is part of its Corporate Responsibility (CR) programme.

FTSE4Good

Cellnex was added to the FTSE4Good sustainability index, which recognises the good practices of listed companies in the environmental, social and corporate governance fields. This year, the company obtained a score of 4.5 out of 5 in corporate governance practices and 3.8 out of 5 in social factors, two of the three main areas of analysis that led the company to be included in that international index. In environmental practices it scored 3.3.

Standard Ethics

Cellnex has taken part in the Standard Ethics sustainability index since 2017, obtaining this year an "EE-", the same rate as last year, which is equivalent to an adequate level for good compliance in governance, sustainability and social responsibility.

Sustainalytics

For the second year running, Cellnex was evaluated by Sustainalytics, an environmental, social and corporate governance (ESG) research and rating company for investors worldwide. This year its average score was 67 points, up from 64 in 2017 and taking the company to 29th position (out of 105) from 38th the previous year. Cellnex scores average for the sector on social and environmental matters but holds a leading position when it comes to governance.

Cellnex's better rating on this index contributed to the company being able to renew a € 500 million 'green' loan that matures in 2023.

Dow Jones Sustainability Index

In 2017, Cellnex participated in the DJSI index for the first time and achieved good results, ranking above the industry average in the three dimensions evaluated: economic, environmental and social.

This year Cellnex was again invited to participate in the Dow Jones Sustainability Index, as one of the few telecommunications operators worldwide. In 2018, the average score of the telecommunications industry leader dropped by 3%, whereas Cellnex improved its total score by 10%, taking it to 57 points. More specifically, in the economic dimension its score was improved by improvements made in Risk Management, Innovation and Network Reliability. With slightly lower social and environmental scores than in 2017, Cellnex will strive to continue working on all areas.

Social contribution

Cellnex works with non-governmental organisations through corporate volunteering actions, donations and joint development of projects. In 2018, Cellnex finalised and approved a Sponsorship Policy that sets out the company's priorities and guidelines on donations and sponsorships.

A social network of caring employees: volunteers

Cellnex Spain set up the Cellnex Volunteers initiative in 2015 as a social network of volunteers who can contribute their ideas, skills, knowledge and time to implement solidarity projects.



The main actions brought to bear in 2018 were:

- Work with the Food Bank on the campaign "Hunger knows no holidays": collecting long-life products such as UHT milk and pasta to tackle the increasingly widespread problem in Spain of energy poverty. Cellnex employees donated 1,109 kilograms of food to this campaign.
- *Recogida de ilusiones* 2018: a solidarity campaign for children and adolescents which involves collecting toys and financial contributions for children's and youth groups most in need during the Christmas holidays. In 2018, employees collected donations totalling € 649 to give to the Juvanteny Foundation which helps teenagers at risk of social exclusion.
- *Tapones para una nueva vida*: a collaboration with the SEUR Foundation to collect bottle tops and deliver these to a recycling plant to help children with health problems.

Donations

Once again this year Cellnex continued to collaborate with non-governmental organisations through its specific budget allocation for Christmas gifts. The Group's 2018 corporate donation was given to Save the Children, Medici Senze Frontiere, the Italian delegation of Doctors without Borders, and LAD Curre & Care, an Italian non-governmental organisation that works with children with cancer and their families.

Contribution to initiatives

For years Cellnex has shown its commitment to society by joining and organising numerous Corporate Responsibility initiatives. Below are the most important initiatives of 2018.

Seres Foundation

The company worked with the Seres Foundation, whose aim is to "Build a healthier, stronger society with competitive businesses that can stand the test of time". The foundation aims to foster and promote strategic business actions that contribute to an overall improvement of social reality. Cellnex has signed an agreement pledging to work with the Seres Foundation, disseminate their joint work, share knowledge on good practices in social matters, and attend meetings with partners and other social entities.

Fair Logistics Foundation

In 2018 Cellnex collaborated with Fair Logistics Foundation, an organisation that works towards equal opportunities for groups at risk of exclusion from society and the labour market. Through this collaboration, Cellnex takes on the

foundation's commitment to responsible consumption and the development of social logistics by importing fair trade and social economy products.

AMPANS

Cellnex contributes to the AMPANS foundation by buying the company's Christmas gift hampers from them. The AMPANS Foundation promotes education, quality of life and employment for people with an intellectual disability, mental illness and other groups at risk of exclusion, by creating and managing centres, services, programmes, support and business activities that pursue excellence.

WWF Earth Hour 2018

For the third year running, Cellnex joined the WWF 2018 Earth Hour campaign and turned the lights off in its Madrid and Barcelona headquarters (and this year also the Esplandiú and Barcelona offices) from 8.30pm to 9.30pm on 24 March. In doing so Cellnex hopes to show its concern about the effects that climate change is having on the planet's people, nature and economy, in addition to its public commitment to reduce CO₂ emissions.

Installation of forest water connections

Since 2008, Cellnex has been investing in forest water connections at its centres for firefighters to use in the event of an emergency. To date Cellnex has installed water connections in 23 of its centres in Spain, with a total investment of € 153,425 (€ 6,973.86 per connection).

Citizen Sustainability Board

In 2018, Cellnex participated in a workshop to design the work plan of the 'Barcelona Network + Sustainable' which aims to pinpoint the joint short- and medium-term measures required to overcome the challenges that this initiative focuses on.

Barcelona Climate Plan

Participation in co-producing the Barcelona Climate Plan with Barcelona City Council, which sets down all ongoing and planned actions related to climate change in the city. Cellnex draws up proposals within the company and takes part in the debate on the proposals submitted by all participants.

TV3 Telethon

Cellnex has been taking part in the TV3 Telethon for more than 10 years. The Telethon Foundation aims to foster and promote biomedical research into and social awareness of diseases for which no cure has been found. In 2018, Cellnex donated € 9,000. The money raised is used to research new methods of prevention, diagnosis and treatment for people with cancer.

Collaboration with the BEST Foundation

Cellnex made a commitment to the Barcelona Engineering and Economic Studies project this year as a sponsor company of the BEST Foundation. This new inter-university degree offered by the Polytechnic University of Catalonia (UPC), Pompeu Fabra University (UPF), Barcelona Global, and FemCat aims to train highly skilled engineers to address the challenges of a continuously changing society and equip professionals who are interested in business leadership. Cellnex will sponsor two students in a four-year commitment with an annual contribution of € 10,000 each.

IESE

Cellnex has been an IESE sponsor company since 2017 and is involved in various projects run by the Public Sector-Private Sector Centre of the Business School. In 2018, Cellnex contributed to the scholarship fund and young teacher training.

In addition, Cellnex worked with IESE on the I-WiL Index (Women in Leadership) research study, which examines female leadership and equal opportunities in 34 OECD countries, comparing the current situation (2018) to 2006. By supporting projects such as this, Cellnex hopes to highlight the importance of diversity and gender equality at work and to raise awareness among society at large.

Third Social Sector Board

As part of the m4Social Project, Cellnex Telecom signed a collaboration agreement in December 2017 with the Third Social Sector Board to carry out a social housing project involving the use of sensorisation and connectivity technologies linked to the Internet of Things (IoT). In 2018, following various definition and planning meetings and a design thinking day, Cellnex sensorised the six social houses under the project. Over the course of the year we collected and monitored data, primarily regarding consumption, energy efficiency, temperature and other indicators used to upkeep these 'connected' households. This data is stored on an IoT platform that Cellnex provides which allows the housing authorities to anticipate abnormal situations or risks, optimise resource use, and make decisions on possible actions according to the parameters obtained. It also enables them to learn a new management methodology, which in addition optimises and renders their operations more efficient.

It is worth noting that in 2018, the m4Social Project was selected and included in the Special Dossier on the SDGs of the Global Compact Network Spain as a good practice.

Environment

Responsible environmental management

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

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

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

1. Putting environmental management of Cellnex in Spain at the same level as the rest of the companies in the Cellnex group;
2. Promoting energy efficiency, increasing the use of renewable energy as much as possible and fostering the implementation of efficiency measures at the company's premises;
3. Committing to sustainable mobility;
4. Developing a carbon management framework in Spain to include the strategic perspectives to be worked on and focused on a set of actions, framed in different lines of management, that must be approved, funded and implemented to achieve the carbon management objectives established;
5. Minimising the risks and fostering the business opportunities derived from climate change identified in relation to Cellnex Telecom's activity in Spain;
6. Progressively reducing the carbon footprint in Spain, Italy and France;
7. Protecting and respecting the ecosystems affected by Cellnex's activity;
8. Promoting a sustainable culture within the Cellnex organisation; measuring and communicating environmental performance and reporting this on an annual basis in international organisations (CDP, GRI, DJSI, UNGC, FTSE, etc.).

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

Monitoring and managing the main risks, opportunities and environmental impacts

Within the environmental management system already implemented and certified, Cellnex Spain periodically updates the identification and evaluation of its environmental aspects, risks and opportunities related to the company's activity and its derived environmental impacts, as well as the significance criteria.

GRI: energy management approach (103-1, 103-2, 103-3)

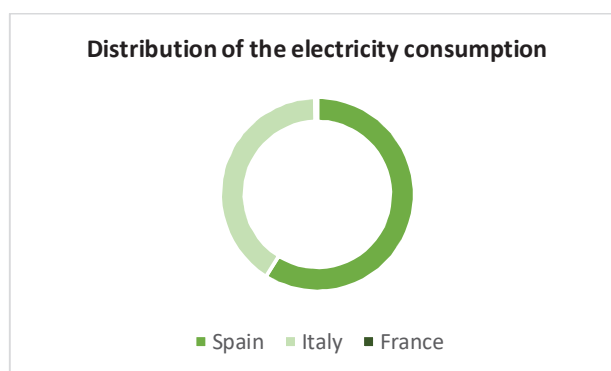
The most significant impacts are extracted from these evaluations, to which end a monitoring system is established and actions are planned to mitigate them. Efficiency and management actions are performed according to the type of impact and are related to energy and biodiversity respectively.

Energy

Cellnex monitors the organisation's energy consumption to achieve maximum efficiency and the lowest possible impact on the environment and hence on society.

Most of Cellnex's electricity consumption comes from its sites and, to a lesser extent, its offices. In 2018, the company's total electricity consumption was 460.972.053 kWh.

Region	Electricity consumption (kWh)
Spain + corporate	271.783.261
Italy	187.247.230
France	1.941.562



Cellnex is committed to using renewable energies, as borne out by Cellnex Netherlands practice of buying 100% green energy and Cellnex UK's target to follow suit in 2019.

Cellnex Spain has photovoltaic power generation facilities for electricity use on its own sites, which generated 62,014 kWh in 2018, thereby contributing to reducing 24,19 t CO₂ of the company's carbon footprint.

Progression of fuel consumption by Cellnex

Diesel consumption per country [kWh]	2016	2017	2018
Spain	9,497,843	8,968,860	2,117,063
Italy	3,480,186	3,494,767	2,531,411
Total	12,978,029	12,463,627	4,648,474

In addition, the fuel consumed by the company's vehicle fleet and emergency generators on sites was 7.693.453kWh in 2018. Natural gas is used only at the Cellnex headquarters in Barcelona and in 2018 amounted to 11.061 kWh.

GRI: 302-1, 302-2, 302, 302-4

Energy efficiency

Throughout 2018, Cellnex continued working to achieve more efficient procedures and perform initiatives to reduce energy consumption. This objective focuses primarily on improving equipment and implementing technologies that increase efficiency, applied in two different approaches: products and services provided by the company and Cellnex's own offices and centres.

One of the main energy efficiency measures that we have implemented on sites is a type of cooling system that consumes less energy by using external air to chill water for more efficient air conditioning than traditional systems. The free cooling system has already been installed on numerous sites in Spain, Italy and the Netherlands. In Italy the goal is to install this system in 1,000 sites by 2020 - equivalent to 30% of all sites in the country where it has the potential to be installed.

In addition, in Cellnex Spain, measures have been taken to reduce energy consumption, such as the renewal of uninterrupted power supply systems (UPS) by more efficient ones, the replacement of luminaires and the modification of tariffs, which without reducing consumption have managed to reduce the associated cost.

On the other hand, Cellnex France has opted for a fleet of 100% hybrid vehicles minimising the damage to the environment and to human health.

In Cellnex Spain, during 2018, the above energy-efficiency projects enabled savings of 781 MW, which equals to 306 of CO₂-eq.

It is worth noting that HIVOS (a Dutch non-profit organisation for human development) named Alticom, a Cellnex Netherlands subsidiary, one of the most sustainable Data Centre providers in the country because of its energy efficiency measures in 2014, 2015 and again in 2018.

Other relevant projects that entailed energy savings in 2018 were:

- Installing wall and ceiling fans in On Tower centres with compact air conditioning.
- Implementing several specific energy-saving projects in Collserola Tower, including: installing a solar filter on all glass surfaces to improve closures; replacing the lighting system (fluorescent) with LED lighting; installing heat monitoring and control systems and recorders for automatic temperature activation and recording equipment energy consumption, and moving transformers to rooms that do not require air conditioning.
- Replacing separator transformers with passive protection without losses for transient and permanent voltage in some Cellnex centres.

Carbon footprint

As part of the Environmental Policy, an initial diagnosis and an analysis of risks and opportunities related to climate change in the company's activities was performed in 2017. The results of this first phase were used to draft the Cellnex Spain Carbon Management Plan in 2017, which aims to reduce greenhouse gas emissions of the company and sets out individual measures and priorities in tackling climate change. This plan was approved in 2018.

Once again this year, Cellnex measured and obtained independent third-party confirmation of its carbon footprint, to ascertain the company's impact on climate change and to identify the baseline for managing and reducing its

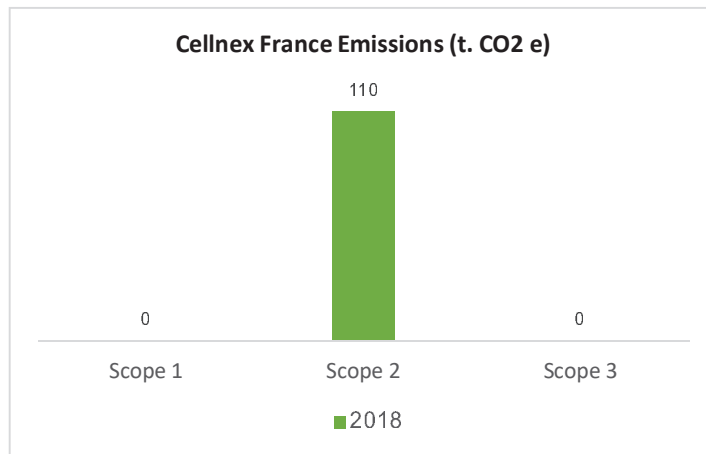
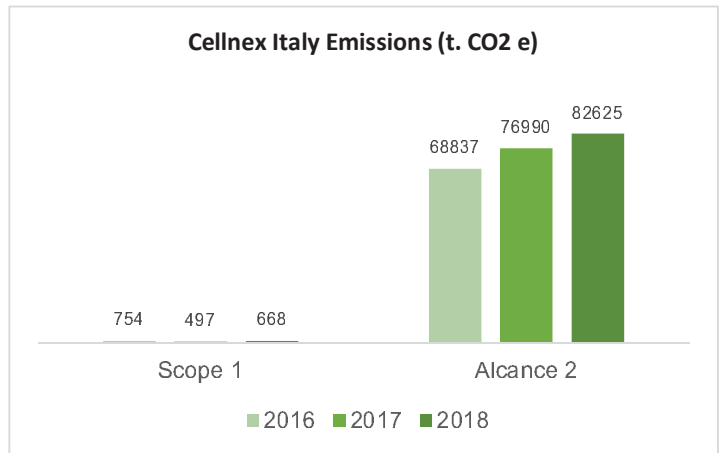
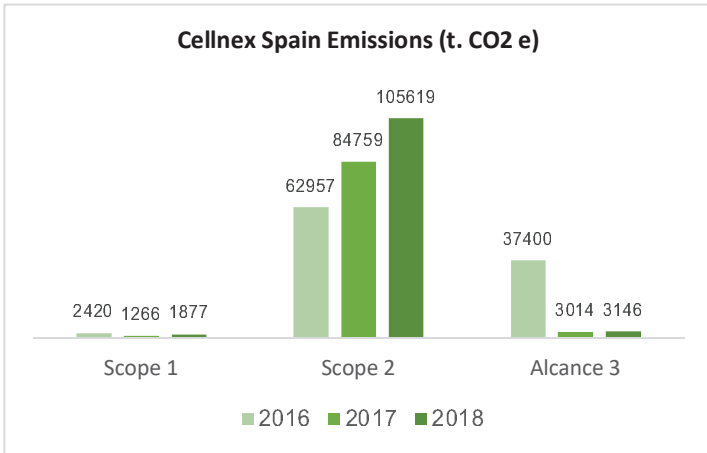
GRI: 305-5 Energy management approach (103-1, 103-2, 103-3)

emissions. This year, for the first time and as part of the country integration programme for the various countries, in addition to calculating the carbon footprint of Spain and Italy, we also calculated that of Cellnex France.

In 2018, the GHG emissions from Cellnex Spain, Italy and France were calculated according to the financial control approach. The company reported all GHG emissions attributable to the operations it controls. Cellnex Spain: Tradia, Retevisión, Ontower and Cellnex corporate; Cellnex Italy: Galata and TowerCo; Cellnex France: Towerlink.

The operational scope is based on the following criteria:

- Scope 1: covers GHG emissions that are directly under Cellnex control.
- Scope 2: covers indirect GHG emissions associated with the electricity consumption of Cellnex's own facilities.
- Scope 3: this takes into account indirect GHG emissions resulting from the organisation's activities but which are generated in sources owned or controlled by another organisation. To calculate scope 3 emissions, the following categories defined in the 'Corporate Accounting and Reporting Standard (scope 3)' were taken into account:
 - a) Purchase of goods and services: emissions from water and paper consumption.
 - b) Third-party upstream transport and distribution: from road, plane and/or sea travel by third parties paid by Cellnex.
 - c) Waste generation: emissions linked to managing waste fractions with a contribution of over 1%.
 - d) Corporate travel: linked to related air travel, taking into account the characteristics of flights taken by Cellnex staff.
 - e) End-of-life of products sold: waste management at the end of the useful life of products that account for at least 1% of the total, provided that the sum of those excluded does not exceed 5% of the total.



- (1) In Cellnex Italy, scope 3 emissions were not calculated.
- (2) For the calculation of GHG emissions, it has not been possible to include the emissions derived from the leakage of refrigerant gases in scope 1 due to lack of information related to the air conditioning equipment, although an attempt will be made to obtain the information for the calculation of next year's carbon footprint. For the calculation of GHG emissions of scope 2, emissions derived from electricity consumption have been considered.
- (3) In Cellnex France, scope 1 and 3 emissions were not calculated.

As part of its efforts to manage greenhouse gas emissions, in 2018 Cellnex in Spain offset 1,877 tCO₂ by purchasing 1,877 VER (Verified Emissions Reductions) credits on the voluntary market from the Mariposas Project in Chile, with the Verified Carbon Standard (VCS), to achieve neutrality in Scope 1 carbon footprint emissions.



From a communication and awareness-raising point of view, the company has released several communications of its actions:

- Publication of the company's carbon footprint report on the Cellnex corporate website.

GRI: emissions management approach (103-1, 103-2, 103-3), 305-1, 305-2, 305-3, 305-5

- Registration in the Footprint Registry of the Spanish Climate Change Office under the Ministry of Agriculture, Food and Environment.
- Joining the Catalan Generalitat's Voluntary Agreements Programme for reducing greenhouse gas (GHG) emissions. This tool is promoted by the Catalan Office for Climate Change (OCCC) for companies seeking a voluntary commitment to reduce their GHG emissions beyond what regulations stipulate.
- Publication of the withdrawal of the carbon credits from the project selected in the Markit Environmental Registry or equivalent as a guarantee of the compensation made.



In addition, Cellnex Spain has drawn up Sustainability Guidebook as a tool for integrating measures in this area for all countries, which will help measure our positioning on the market with regard to other companies in the sector.

Biodiversity

By assessing and monitoring the aspects and impacts of Cellnex Spain, the organisation has identified the Effect on Biodiversity – the environmental impact associated with the loss of biodiversity of living beings and natural species – as one of its significant aspects.

Cellnex manages its facilities so as to minimise any type of environmental impact of its activities that affects biodiversity. It takes into account not only the work of the company itself but also its providers, since their maintenance work and services can have the greatest environmental impact. Cellnex works with its suppliers to ensure they are environmentally responsible and use best practices, for instance by correctly managing waste and protecting biodiversity.

To ensure a proper management of these impacts, it is essential to have a diagnosis of the presence of Cellnex's activity in areas with greater vulnerability. Specifically, in Spain 58.18% of the sites are within protected areas, while in Italy this figure is 20%.

To control the company's impact on birds, Cellnex Spain uses signage to **identify centres with bird nesting** to establish whether a centre does in fact cause such an effect and to remind staff of the preventive measures to be taken into account.

Furthermore, as a key preventive measure to protect the environment, every year Cellnex notifies its employees of the start of the forest fire prevention campaign, when use of machinery that may cause a fire is restricted on company facilities.

DaMA programme

Cellnex uses the DaMA (environmental data server) tool to display geographical data and identify declared natural protection sites in the country, information that is also found in the GESEM database. The server also provides access to environmental data relating to Cellnex Spain's sites.

Electromagnetic emissions

Cellnex Telecom complies with the rules associated with electromagnetic emissions for the general public and its workers. It conducts periodic measurements at technical centres with a permanent staff presence, pursuant to Royal

GRI: biodiversity management approach (103-1, 103-2, 103-3), 304-1, 304-2

Decree 299/2016. As regards the general public, it ensures compliance with Royal Decree 1066/2001 at all sites in Spain. The regulatory framework in Italy is stricter and Cellnex Italy works to ensure compliance.

Cellnex works with expert groups in researching the impact of electromagnetic fields and takes part in activities related to assessing, managing and communicating the possible health risks of exposure. Specifically, Cellnex works with a subdivision in a department of DigitalES, the Spanish Association for Digitisation, formed mainly by telecommunications operators and Cellnex, which carries out activities related to radio emissions. This work involves examining issues of legal compliance and proposals for improvement, based on the recommendations of the International Electrotechnical Commission (IEC), in addition to studying 5G emissions.

On the other hand, the former Federal Councillor Doris Leuthard, head of the Department of the Environment, Transport, Energy and Communications (DETEC) in Switzerland, has decided in autumn 2018 to set up a working group to discuss mobile communications and radiation. In particular, the group will analyse the needs and risks of setting up 5G networks and draw up a report with recommendations by mid-2019. As new independent player and with his forward-looking infrastructure model, Cellnex Switzerland is part of the group and is helping to shape the future development of the mobile network. As a member, Cellnex can, through its knowledge and experience, make a significant contribution to the established working group.

In addition, Cellnex is working with epidemiology research groups from ISGlobal (Barcelona Biomedical Research Park) by providing information on emission sources (television, radio, etc.).

Information security management

Significant milestones in 2018	Main challenges for 2019
Review the catalogue of Information Security threats	Define a Comprehensive Security Model (physical and IT) to allow an optimal response to hybrid threats
Implement risk mitigation measures in terms of confidentiality, integrity and availability of information	
Review procedure for managing critical incidents in Cellnex Spain and check their effectiveness	
Conduct awareness campaigns to reinforce good information security practices	

The telecommunications sector needs to be protected from a wide variety of different types of threats to provide a stable and high-quality service to its customers. For this reason, Cellnex has been placing special emphasis on the area of security, whether physical or IT, performing a large number of activities aimed at avoiding and mitigating any possible threat that may affect its service.

Thus, throughout 2018 Cellnex has been preparing to develop a Comprehensive Security Plan that covers all aspects of corporate security regardless of the type of threat, whether physical, IT, or hybrid. A series of actions were rolled out in 2018 to achieve this goal:

- Revise and refine the catalogue of information security threats to define more precise controls to mitigate the possibility of their occurring, and their impact if they do arise
- Implement measures to mitigate risks in terms of confidentiality, integrity and availability of information. These were included in the Information Security Master Plan, which covered nine security programmes implemented

throughout 2018, which were identified within the Action Plan associated with the Map of Information Security Risks.

- Review the Cellnex Spain critical incident management procedure and test its functioning and effectiveness by performing cybersecurity exercises.
- Roll out awareness campaigns aimed at all Cellnex employees to reinforce messages concerning good Information Security practices

As a result of these actions, in 2018 there were no data leaks, theft or loss in Spain or Italy, nor were any complaints received in relation to information security and data protection. The new Comprehensive Security Plan will continue to be developed in 2019, and will combine physical and IT security to offer an optimal response to hybrid threats (occurring simultaneously through logical channels and physical actions).




Cellnex has an information security policy that reflects the company's commitment in this area, the necessary steps to be taken to identify and protect information assets, as well as to ensure compliance with applicable rules and regulations. Likewise, since 2011 the company has had an Information Security Management System based on ISO standard 27001.

As part of this Management System, we have an information map to identify and assess risks in order to apply the most appropriate risk treatment strategy in each case, as well as to draw up action plans for mitigation, when deemed necessary, in terms of data confidentiality, integrity and availability.

With regard to the personal data managed by the company, with the entry into force of the new General Data Protection Regulation (GDPR) on 25 May, the Group has made several changes to ensure full compliance. One of the main changes under the GDPR was that it became compulsory to appoint a Data Protection Officer (DPO). In Cellnex these duties will be performed by José María Miralles, the company's Director of Legal Affairs, who will periodically report to the Ethics and Compliance Committee on the status of GDPR implementation and compliance in the companies of the Group. Because the company fully complied with the previous European regulation and already had a mature and robust system, it has adapted quickly and effectively.

Security Master Plan programmes

Security Master Plan program

Program	Objective of the program
 - Board Information	- Preventing data leaks and protecting the information used by Cellnex Board.
 - Mobility	- Establishing security controls and applying them in a homogeneous way to different technologies of mobile/portable devices.
 - Access control	- Classifying the information and implementing security measures in order to handle it (encryption, remote access, data storage policy, etc.).
 - Training and awareness	- Reinforcing cybersecurity messages as part of the annual Cybersecurity Awareness campaign established by Cellnex.
 - Legal compliance	- Legal impact analysis and implementation for new applicable Laws & Regulations over Cellnex systems.
 - Corporate Governance	- Continuous improvement of processes and IT infrastructure to ensure IT security in Cellnex facing existing and new threats.
 - Technology Security	
 - International	- Defining and developing a Common Cybersecurity Framework (Policies & IT Infrastructure) for Cellnex Corporation and Business Units.
 - Business Continuity	- Continuous improvement of Business Continuity Processes (Business Impact Analysis, Disaster Recovery Plans, etc.)

6. BASES FOR THE PREPARATION OF THE REPORT

This document represents the Consolidated Management Report for 2018 which includes the information that complies with the provisions of Article 262 of the Capital Companies Law, establishing the content of the management report drafted in tandem with the annual accounts of the company. Likewise, this report has incorporated best practices in corporate transparency during the 2018 period, applying the international framework of the Integrated Annual Report, presenting financial and non-financial, management, corporate governance and strategic information for the company.

As a sign of Cellnex's commitment to transparency and responding to the applicable regulations in this regard, this report has been prepared in accordance with the provisions of Royal Decree Law 18/2017, which transposes Directive 2014/95/EU into Spanish law with regard to the dissemination of non-financial information and diversity.

Likewise, in order to ensure the credibility of the information and generate trust with its stakeholders, this report has been verified by an independent third party, as presented in the Verification Report in Annex 5.

Structure and content of the report

The structure of the Report follows the guidelines of the International Integrated Reporting Council, Directive 2015/95/EU on non-financial information, the CMNV guide for the preparation of management reports of listed companies and was prepared in accordance with GRI Standards in their Essential option and the AA1000 AccountAbility Principles standard (the principle of inclusivity, the principle of materiality, and the principle of responsiveness).

Following the guidelines laid down by those standards, the content of this report was defined on the basis of a materiality study, which was used to identify the relevant internal issues for the company, expectations and concerns of Cellnex stakeholders and relevant Corporate Responsibility issues in the sector.

Reporting scope

Regarding Non-financial information scope, the report covers four of the six countries in which Cellnex operates, which account for more than 92% of the revenues. Cellnex Spain (Cellnex Telecom, S.A., Retevisión, S.A.U, On Tower Telecom Infraestructuras, S.A.U and Tradia Telecom, S.A.U.); Cellnex Italy (Cellnex Italia, S.r.L., TowerCo, S.p.A and Galata, S.p.A. and Comsocon Italia, SrL), excluding the company Sirtel, S.r.L.; Cellnex France (companies) and Cellnex Switzerland (companies). It is supplemented with the information presented in the Cellnex Consolidated Annual Accounts for the financial year ended 31 December 2017 and the 2017 Annual Corporate Governance Report, all publicly available on the company website. However, the information reported regarding total staff and taxes refers to the entire Cellnex Group, unless otherwise stated.

The GRI contents that Cellnex has addressed in this report are detailed in the GRI table presented in the Annex, with the scope of information reported by each of them as shown in the table, depending on whether it applies specifically to Cellnex Spain, Cellnex Italy, Cellnex France, Cellnex Switzerland or to the Cellnex Group

Also appended to the end of this document is the independent limited assurance report issued by Deloitte S.L. in relation to the review of CSR indicators in their adaptation to the GRI Essential Option standards reported in this document.

This review process was conducted in accordance with ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards

GRI: 102-42, 102-43, 102-44, 102-46, 102-49, 102-54

Board (IAASB) of the International Federation of Accountants (IFAC) for limited assurance reports. We have also applied the AA100 Assurance Standard which provides moderate assurance in applying the principles set down in AA1000 APS and in drawing up sustainability performance indicators (type 2 moderate assurance).

Determining the content of the report

The Materiality Study helped to identify the key issues that the company intends to address, since they entail creating value and a contribution to society by the company. After obtaining the results of the study, Cellnex carried out a transparency and accountability exercise, by publishing this Integrated Report.

The study was conducted in accordance with the AccountAbility AA1000 standard and was structured into the following phases:

1. initial phase identifying relevant issues;
2. prioritising issues on the basis of the analysis results;
3. assessment and validation of the issues identified by the main stakeholders of Cellnex Group;
4. detailed examination of the material issues identified.

Material issues identified

Ethical management and good governance	1. Corporate governance
	2. Ethics and regulatory compliance
	3. Transparency and reporting
	4. Human Rights
	5. Management of risks and opportunities (business, environmental, societal, etc.)
Responsible and sustainable management	6. Energy
Responsibility to employees	7. Training, professional development and retention of talent
	8. Employee health and safety
	9. Hiring head of employees
Commitment to customers	10. Service security (technology disruption)
	11. Data privacy
Commitment to innovation and value creation	12. Economic performance (direct economic value generated)
	13. Resource rationalisation (sharing infrastructure)

Calculation methodology for CO₂ emissions

The reference used to calculate the CO₂ emissions that Cellnex generates in Spain was the emission factors listed in *Carbon Footprint Registry, carbon dioxide offsetting and absorption projects*, published by the Spanish Ministry of Agriculture, Fisheries and Food in July 2017. In some cases we also used the emission factors provided by DEFRA, the 'Practical Guide to calculate greenhouse gas emissions' by the Catalan Office for Climate Change (OCCC) of the Generalitat of Catalonia, the Environmental Paper Network Calculator version 3.2, and Ecoinvent database version 3.3.

For Cellnex Italy, the latest emission factors published by the *Istituto Superiore per la Protezione e la Ricerca Ambientale (ISPRA)* in 2016 were used.

In the case of Cellnex France, in the calculating of the carbon footprint, the emission factors are those published in the public database of emission factors called Base Carbone administered by the French Environment & Energy Management Agency (ADEME).

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ANNEXES

Annex 1. Other public documents

At the date of issue of the accompanying consolidated financial statements, information of a public nature is available, which must be read in conjunction with this Consolidated directors' report for the year ended on 31 December 2018, and which is detailed below on a non-exhaustive illustrative basis:

- Universal Registration Document (<https://www.cellnextelecom.com/en/investor-relations/emisiones-y-opas/>)
- Prospectus Offer of Sale and Admission to Negotiate Shares of Cellnex Telecom, S.A.U (<https://www.cellnextelecom.com/en/investor-relations/7838-2/>).
- Supplement to the informative prospectus for the sale and admission to trading of shares of Cellnex Telecom, S.A.U. (<https://www.cellnextelecom.com/en/investor-relations/7838-2/>).
- Euro Medium Term Note Program (EMTN) Base Prospectus (<https://www.cellnextelecom.com/en/investor-relations/emisiones-y-opas/>).
- Euro-Commercial Paper Programme (<https://www.cellnextelecom.com/en/investor-relations/emisiones-y-opas/>).
- Ratings Rating Agencies (<https://www.cellnextelecom.com/en/rating-eng/>).
- Report of the Board of Directors on Convertible Bonds (<https://www.cellnextelecom.com/en/investor-relations/emisiones-y-opas/>).
- Auditor's Report on Convertible Bonds (<https://www.cellnextelecom.com/en/investor-relations/emisiones-y-opas/>).
- Corporate Policies (<https://www.cellnextelecom.com/>).
- Press releases (<https://www.cellnextelecom.com/en/press-room/news/>).
- Relevant Facts (<https://cellnextelecom.com/en/investor-relations/relevant-facts/>).

Annex 2. Risks

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

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

Risk related to the industry and the business where the Group operates

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

The Group's business includes the provision of services through its three different segments: (i) Telecom Infrastructure Services, (ii) Broadcasting Infrastructure and (iii) Other Network Services. Any factor adversely affecting the demand for such services could potentially have a material adverse impact on its business, prospects, results of operations, financial condition and cash flows.

Through the Telecom Infrastructure Services segment, the main business activity, the Group facilitates access to the spectrum (owned by its customers), by means of providing access to telecom through its connectivity services as well as the related passive and active infrastructure to external MNOs, typically under mid- and long-term contracts. Therefore, the Telecom Infrastructure Services segment is highly dependent on the demand for such infrastructures and a decrease in such demand may adversely affect the Group's business.

In the Broadcasting Infrastructure activity, the demand for the Group's communications depends on the coverage needs from its customers, which, in turn, depend on the demand for TV and radio broadcast by their customers.

Likewise, for the Other Network Services segment, the demand for connectivity, public protection and disaster relief ("PPDR") networks, operation and maintenance ("O&M"), Smart City and Internet of Things ("IoT") services depends on the demand from public administrations as well as entities operating in the private and public sectors.

The willingness of the Group's customers to use the Group's communications infrastructures, contract its services, or renew or extend existing contracts on its communications infrastructures on the same terms, can be affected by numerous factors, including, among others:

- increased use of network sharing, roaming or resale arrangements by MNOs;
- mergers or consolidations among the Group's customers such as MNOs;
- the ability and willingness of MNOs to maintain or increase capital expenditures on network infrastructure;
- the financial condition of the Group's customers, including the availability or cost of capital;
- governmental licensing of spectrum or restrictions on or revocations of spectrum licenses;
- changes in electromagnetic emissions' regulations;
- changes in demand for TV and radio services and consumption habits (channels, etc.) by end consumers, including the level of multimedia content consumption;
- significant increases in the attrition rate of customers or decreases in overall demand for broadcast space and services, caused by, among others, the adoption of new digital patterns by customers and the obsolescence of the products and services rendered by the Group's companies;
- a decrease in consumer demand for wireless telecom and broadcasting services due to economic, political and market/regulatory conditions, disruptions of financial and credit markets or other factors, including inflation,

zoning, environmental, health or other existing government regulations or changes in the application and enforcement thereof, as well as taxes/customs duties levied on the Group's services;

- the evolution of the advertising business' revenue in the media sector, and especially, TV, internet and radio;
- changes in connectivity to the internet;
- an increase in demand for private networks;
- the evolution of public internet;
- changes in the data traffic demand worldwide as well as changes in data transmission prices and speed;
- the availability or capacity of the Group's infrastructure or associated land interests where the infrastructure is located;
- the location of the Group's wireless infrastructure;
- changes in, or the success or failure of, the Group's customers' business models;
- delays or changes in the deployment of next generation wireless technologies or the failure by the Group to anticipate the development of new wireless technologies;
- technological advances and development of alternative technologies that the Groups does not currently use, such as the development of satellite-delivered and optical fibre-delivered radio and video services and internet TV;
- the existence of alternative providers of the Group's services or, alternatively, the self-provision of services by the Group's customers;
- the willingness of the Group's current or future customers to make contractual arrangements with the Group under the current terms and conditions; and
- the Group's customers' desire to renegotiate its agreements with them or to adversely amend current contractual arrangements (especially those relating to broadcasting services and other network services).

As a result of these factors the Group's customers may scale back their need or demand for its services which could materially and adversely affect the degree of utilization of the capacity of the Group's communications infrastructures and its network and connectivity development services, which could have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

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

ii) Risk of increasing competition

The Group may experience at any time increased competition in certain areas of activity from established and new competitors. The industry is competitive and customers have access to alternatives in telecom infrastructure services and other network services, whereas for broadcasting TV the alternatives are more limited. Where the Group acts as a provider of services, competitive pricing from competitors could affect the rates and services income. In addition, competition in infrastructure services could also increase the cost of acquisition of assets and limit the Group's ability to grow its business. Moreover, the Group may not be able to renew existing services agreements or enter into new services agreements. The higher prices for assets, combined with the competitive pricing pressure on services agreements, could make more difficult for the Group to achieve targeted returns on investments.

Increasing competition for the acquisition of infrastructure assets or companies in the context of the Group's business expansion, which could make the acquisition of high quality assets significantly more costly. Some competitors are larger than the Group and may have greater financial resources (such as KKR or MS Infrastructure Fund), while other competitors may apply investment criteria with lower return on investment requirements. Additionally, some of the

Group's customers have set up their own infrastructure companies (such as Telxius Telecom, S.A. or Infrastrutture Wireless Italiane S.p.A.).

Besides, if the Group is unable to compete effectively with its competitors or anticipate or respond to customer needs, the Group could lose existing and potential customers, which could reduce its operating margins and have a material adverse effect on the Group's business, prospects, results of operations, financial conditions and cash flows.

- iii) Risk related to a substantial portion of the revenue of the Group is derived from a small number of customers

In the Telecom Infrastructure Services segment its main clients are telecom operators (mostly MNOs); in the Broadcasting Infrastructure segment its main clients are media broadcasters (TV channels and radio stations); and in the Other Network Services segment its main clients are (i) a small number of public administrations, at national, regional and/or local levels, (ii) safety and emergency response organizations, (iii) companies operating in the utility sector, and (iv) certain telecom operators. The ongoing consolidation process in the telecom and broadcasting sectors may result in a decrease in the number of MNOs or media broadcasting operators in the future, which could potentially have a negative impact on the main segments of the Group.

The Group's reliance on a small group of customers may adversely affect the development of the its business. As such, the loss of one or more of any of the Group's main customers, resulting from, amongst others, a merger, bankruptcy, insolvency, network sharing, loss of licenses, roaming, joint development, resale agreements or contract early termination may have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

Likewise, even though most of the Group's business relationships have been long-lasting to-date, the Group cannot guarantee that contracts with its major customers will not be terminated or that these customers will renew their contracts with the Group in the same terms or at all. Further, the Group is exposed to constant renegotiation and renewal processes of its contracts with its customers (especially those related to Broadcasting Infrastructure and Other Network Services due to the contracts relating to such segments generally having shorter maturity periods), which may result in the current contractual arrangements being adversely amended, which could in turn affect the total value of its contracts. In particular, contracts entered into by the Group generally provide that certain expenses are passed through to the Group's customers, such as energy costs, and the Group cannot guarantee that such contracts are renewed in the same terms, which may result in the current contractual arrangements being adversely amended, which could in turn affect the total value of its contracts. In particular, contracts entered into by the Group generally provide that certain expenses are passed through to the Group's customers (such as energy costs). The Group cannot guarantee that the pass through mechanism will protect 100% of the energy cost borne, which may have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows. In addition, Cellnex could potentially be exposed to fines if Cellnex were to be held to be engaged in an electricity resale business simply because energy costs are included in the charges for which it bills its customers.

In the ordinary course of its business, the Group experiences disputes with its customers, generally regarding the interpretation of terms in the Group's commercial agreements. It is possible that such disputes could lead to a termination of the Group's contracts with customers or a material modification of the terms of those agreements, either of which could have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows. If the Group is forced to resolve any of these disputes through litigation, its relationship with the relevant customer could be terminated or damaged, which could lead to decreased revenue or increased costs, resulting in a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

Additionally, in relation to Telecom Infrastructure Services, the Group currently differentiates from its competitors through the neutrality of its position in the market. The loss or weakening of such neutral position as a result of one customer becoming a reference or controlling shareholder of the Company could lead to the termination of contracts or to a loss of customers; and hence, to a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

iv) Risk of infrastructure sharing

While the Group believes the neutral operator model presents certain advantages and there is a growing trend of externalization of the provision of wireless communications infrastructure, extensive sharing of site infrastructure, roaming or resale arrangements among wireless service providers as an alternative to using the Group's services may slow down entering into new service agreements. Moreover, if MNOs utilize shared equipment (either active or passive) rather than deploy new equipment, it may result in the decommissioning of equipment on certain existing infrastructure because parts of the customers' networks may become redundant.

Any potential merger, integration or consolidation of the Group's customers would likely result in duplicate or overlapping networks, which may result in the termination or non-renewal of customer contracts (for example where they are co-customers on an infrastructure) and in the loss of commercial opportunities resulting in a lower number of potential customers for the Group. These two scenarios could materially and adversely affect revenues from the Group's wireless infrastructure and its commercial prospects.

In addition, customer -consolidation may result in a reduction in their total future capital expenditures because their expansion plans may be similar. Both MNOs' and broadcasters' consolidation could decrease the demand for the Group wireless infrastructure, which in turn could have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

Finally, the framework agreements with anchor customers may include agreements by which the parties agree further acquisitions or construction of infrastructures over a defined period or acquisition or construction of a maximum number of infrastructures. Such framework agreements may or may not be implemented, either in whole or in part, due to a potential integration or consolidation of the Group's customers. Moreover, customers could decide not to pursue such agreements due to a change in their business strategy. If these circumstances occurred, there is no guarantee that the Group may have enough contractual protection in order to be compensated for such changes, which in turn could have a material adverse effect for the Group.

v) The expansion or development of Group business, including through acquisitions or other growth opportunities, involve a number of risks and uncertainties that could adversely affect operating results or disrupt operations

It is an integral part of the Group's strategy to continue driving growth through the acquisition of assets, entities or minority interests, joint ventures, mergers and other arrangements in the countries where the Group currently operates or elsewhere, which could require, among other matters, to obtain additional indebtedness, the issuance of shares to finance such acquisitions or other growth opportunities. The Group's growth strategy is linked, among other factors, to the capacity to successfully decommission and build new infrastructures. In the ordinary course of the business, the Group reviews, analyses and evaluates various potential transactions, assets, interests, activities or potential arrangements that the Group believes may add value to the business or the services it provides. Failure to timely identify growth opportunities may adversely affect the expansion or development of the Group business.

In certain occasions sellers of infrastructure assets may be reluctant to enter into joint venture, mergers, disposal or other arrangements with the Group due to, among other reasons, the accounting impact of the transaction in their

financial statements. Therefore the Group is not only exposed to the accounting impact of a transaction on itself but also to that of its prospective clients.

Moreover, the Group's ability to grow its portfolio of assets in a particular market or jurisdiction could be limited by anti-trust or similar legislation. Even if compliant with anti-trust legislation, the Group may not be able to consummate such transactions, undertake such activities or implement new services successfully due to disruptions in its activities, increased risk of operations or due to the loss of its neutral position as a result of an MNO having obtained either (i) more than 50% of the voting rights or (ii) the right to appoint or dismiss the majority of the members of the board. Any of previously-mentioned events could negatively impact the Group's business and its prospects. In particular, sellers of infrastructure assets may be reluctant to enter into new joint ventures, mergers, disposals or other arrangements with the Group due to, among other reasons, the accounting impact of the transaction in their financial statements.

The Group is subject to a series of risks and uncertainties, including failing to obtain the expected returns and financial objectives, increased costs, assumed liabilities, the diversion of managerial attention due to acquisitions and potential structural changes such as mergers or consolidations of its competitors.

Any international expansion initiative is subject to additional risks such as the laws, regulations and complex business practices. Furthermore, there are additional risks associated with doing business internationally, including changes in a specific country's or region's political or economic conditions, inflation or currency devaluation, expropriation or governmental regulation restricting foreign ownership or requiring reversion or divestiture, increases in the cost of labour (as a result of unionisation or otherwise), power and other goods and services required for the Group's operations and changes in consumer price indexes in foreign countries.

Achieving the benefits of new acquisitions depends in part on the timely and efficient integration of the acquired business' operations, communications, infrastructure portfolios and personnel. Integration may be difficult and unpredictable for many reasons, including, among other things, differing systems and processes, cultural differences, customary business practices and conflicting policies, procedures and operations. In addition, integrating businesses may significantly burden management and internal resources, including the potential loss or unavailability of key personnel.

The potential acquisition of minority interests in other companies that manage telecom infrastructure or similar companies or the entry by the Group into joint ventures or other arrangements where it does not have control over the investment vehicle, could result in not achieving the expected rate of return on the relevant investment. Such event may occur because the interests of other shareholders are not the same as the Group's, because the underlying business does not perform as expected, because of an impairment in the value of such investment or for other reasons.

As a result, the Group's foreign operations and expansion initiatives may not succeed as expected and may materially and adversely affect its business, prospects, results of operations, financial condition and cash flows.

vi) Operational risks

The sector where the Group develops its activities is characterized by rapid technological changes and it is essential to be able to offer the products and services demanded by the market and to select the appropriate investments.

The development and implementation of new technologies designed to enhance the efficiency of wireless networks or new technologies developing alternative network solutions (either broadcasting infrastructure or alternative technologies to the network services provided), or changes in the Group customers' business models, could reduce

the need for infrastructure-based wireless services, reduce the need for broadcasting or network services, decrease demand for the Group's infrastructure space or reduce rates or other fees obtained in the past. In this regard, the Group faces the risk that its customers may not adopt the technologies the Group invests in. For example, as communication technologies continue to develop, competitors may be able to offer wireless telecom infrastructure products and services that are, or that are perceived to be, substantially similar to or better than those offered by the Group, or offer technologies that provide similar functionality with competitive prices and with comparable or superior quality.

The Group cannot be certain that existing, proposed or as yet undeveloped technologies (including, for example, "Small Cells", DAS, 5G or wide spectrum radio) will not become dominant in the future and render the technologies and infrastructure the Group currently uses obsolete. Should the Group's competitors develop and commercialize new technologies designed to improve and enhance the range and effectiveness of wireless telecom networks, it could significantly decrease demand for existing infrastructure. The Group's business and growth prospects could be jeopardized if it was not able to promptly identify and adapt to shifting technological solutions and/or if it failed to acquire or develop the necessary capabilities and expertise to meet the clients' changing needs. The development and implementation of new services with a significant technological component is also subject to inherent risks that the Group may not be able to overcome.

In addition, customers of the Group's services may reduce the budgets they may have allocated to telecom infrastructure, broadcasting infrastructure or other services, as the industry constantly invests in the development and implementation of new technologies or because of changes in their business model. Examples of these technologies include spectrally efficient technologies, which could reduce the Group's customers' network capacity needs and as a result could reduce the demand for infrastructure-based wireless services.

Moreover, certain Small Cell-based complementary network technologies, in which the Group is actively working, could shift a portion of its customers' investments away from the traditional infrastructure-based networks, which may reduce the need for MNOs to add more equipment at communication infrastructures. Moreover, the emergence of alternative technologies could reduce the need for infrastructure-based broadcast or network services. For example, the growth in the delivery of wireless communications, radio and video services by direct broadcast satellites could materially and adversely affect demand for the Group's infrastructure services. Further, a customer may decide to no longer outsource infrastructures or otherwise change its business model, which would result in a decrease in the Group's revenue.

In the Broadcasting Infrastructure activity, digital terrestrial television ("DTT") is the method most widely used to transmit TV signals in Europe but an eventual unexpected increase in Spain of the use of alternative distribution platforms (such as satellite, cable or internet protocol television ["IPTV"]) or the growth and deployment of Wi-Fi network could reduce the Group's current business volume. In the Other Network Services activity the Group uses, among other technologies, terrestrial trunked radio ("TETRA") services technology or radio links to deliver its services, and the use of alternative technologies could reduce its revenues and limit potential future growth. The development and implementation of any of these and similar technologies, as well as of new products and technologies, may render some of the products and services offered by the Group obsolete which could have a material adverse effect on its business, prospects, results of operations, financial condition and cash flows.

vii) Risks related to maintaining the rights over land where the Group's infrastructures are located.

The Group's real property interests relating to its infrastructures consist primarily of ownership interests, fee interests, easements, licenses and rights-of-way. A loss of these interests at a particular infrastructure may interfere with the Group's ability to operate infrastructures and generate revenues. In the context of acquisitions, the Group may not always have the ability to access, analyse and verify all information regarding titles and other issues prior to

completing an acquisition of infrastructures and the absence of title or other issues can affect the Group's rights to access and operate an infrastructure.

The Group owns the majority of its telecommunications infrastructures it operates; however, the vast majority of the land and rooftops where these infrastructures are located is operated and managed via lease contracts, sub-lease contracts or other types of contracts with third parties (with the exception of the UK, where the group owns a large amount of the land where its sites are located). Thus, for various reasons, land owners could decide not to renew, or to adversely amend the terms of, the ground lease contracts with the Group. In particular, the increasing presence of ground lease aggregators may negatively affect the Group's ability to renew those contracts under commercially acceptable terms. For instance, the Group could lose its rights over the land, the land could be transferred to third parties or reversion of assets may be mandatory at the end of the relevant concession period. The Group also has long-term rights to use third party infrastructures and the non-compliance with its obligations would lead to the loss of the right to use these infrastructures. Lastly, in the future the Group must revert back to the corresponding government authorities certain assets under the terms of certain concession agreements.

The Group's inability to protect its rights to use the land where its infrastructures are located may have a material adverse effect on its business, prospects, results of operations, financial condition and cash flows.

Likewise, and in line with the Group's industry peers that operate telecom or broadcasting infrastructure, the Group may not always have all the necessary licenses and permits of its infrastructure assets. The lack of necessary licenses, property titles and permits could give rise to monetary fines and, as an interim measure, the authorities could order that the affected equipment or infrastructures be sealed-off or even decommissioned until the required authorization or license is obtained. Criminal liability could also arise in certain circumstances.

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

viii) Risks inherent in the businesses acquired and the Group's international expansion.

Despite actively pursuing the internationalization of the Group's business as a mean of risk exposure diversification, the Group still concentrates its activities mainly in two markets: Spain and Italy, whose economies are showing signs of stagnation after a period of economic and financial strength. The Group cannot assure, that this past performance strength will happen again or that other countries where it operates will not experience further difficulties in the future.

The Group's customers in Spain and Italy represent a significant portion of its revenues, especially exposing the Group to risks specific to these countries. Adverse economic conditions may have a negative impact on demand for the services provided and on the customers' ability to meet their payment obligations. In periods of recession, such as the one experienced by Spain and Italy in previous years, the demand for the Group's services also tends to decline, adversely affecting its results of operations. The challenging economic conditions in Spain and Italy in previous years have negatively affected the financial condition of the Group's clients, and have impacted demand for wireless communication and wireless infrastructure as well as the revenues generated by advertising in the media, and have adversely affected all of the Group's lines of activity.

Likewise, as the Group is now present in new countries, it is directly exposed to each of such countries political and economic situations, and may be adversely affected by their potential instability. The Group is unable to predict how

the economic and political cycle in such locations will develop in the short-term or the coming years or whether there will be a deterioration in political stability.

In addition, the financial situation and political instability, geopolitical tensions in the Middle East, trade tensions between USA and China, growth of anti-EU political parties as well as emerging political forces in member states of the EU with alternative economic policies and priorities, concerns about independence movements within the EU and Spain, and military and terrorist actions in Europe and elsewhere in the world could affect the economic situation in the EU and elsewhere, and could have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

Because of the Group's growing presence in the United Kingdom, the Group faces the risk of political and economy uncertainty derived from the United Kingdom's decision to leave the EU. The timing of, and process for, the negotiations and the resulting terms of the United Kingdom's future economic, trading and legal relationships are uncertain.

Due to the Group's growing presence in other European countries, it is also increasing its exposure to other global economic and political events. Changes in the international financial markets' conditions pose a challenge to the Group ability to adapt to them as they may have an impact on its business. Growing public debt, reduced growth rates and any measures of monetary policy that may be implemented in the future in the credit markets all could affect the Group's business. A change in any of these factors could affect the Group's ability to access the capital markets and the terms and conditions under which it can access such capital, which could have a material adverse effect on the Group business, prospects, results of operations, financial condition and cash flows.

In addition to the abovementioned risks related to carrying out the Group activities internationally, it may be exposed to the following risks:

- changes to existing or new tax laws or international tax treaties, methodologies impacting the Group's international operations, or fees directed specifically at the ownership and operation of communications infrastructures or its international acquisitions, which may be applied or enforced retroactively; also in the interpretation of the changes in the benefits derived from royalties (i.e. Patent Box) or local taxes
- tax authorities could interpret the laws in a different way than Cellnex (for example the interpretation of scope of RETT⁽¹³⁾ – Real Estate Transfer Tax);
- laws or regulations that tax or otherwise restrict repatriation of earnings or other funds or otherwise limit distributions of capital;
- changes in a specific country's or region's political or economic conditions, including changes in the government, political goals, inflation, deflation or currency devaluation;
- changes in governmental priorities, including subsidies offered by one or more jurisdictions; expropriation or governmental regulation restricting foreign ownership or requiring reversion or divestiture;
- material infrastructure security issues;
- increases in the cost of labor (as a result of unionization or otherwise), power and other goods and services required for the Group's operations;
- price setting or other similar laws for the sharing of active and passive infrastructure;
- uncertain rulings or results from legal or judicial systems, including inconsistencies among and within laws, regulations and decrees, and judicial application thereof, which may occasionally be enforced retroactively, and delays in the judicial process;
- changes in consumer price indexes in foreign countries; and

⁽¹³⁾ – RETT (Real Estate Transfer Tax) is a tax levied on the transfer of legal or beneficiary title to real estate assets. This tax is calculated on the gain between the fair value of the real estate asset transferred and the transaction price.

- force majeure events affecting any or several countries in which the Group carries out its activities.

ix) *Risk associated with significant agreements signed by the Group that could be modified due to change of control clauses*

Material contracts entered into by Group companies could be modified or terminated if a change of control clause is triggered. A change of control clause may be triggered if a third party, either alone or in conjunction with others, obtains "control" (which is generally defined as having (i) more than 50% of shares with voting rights or (ii) the right to appoint or dismiss the majority of the members of the board of directors) of the relevant Group company. A change of control clause may be capable of being triggered at Parent Company level or at the level of the relevant subsidiary that has entered into the contract. In certain contracts, the definition of control, and therefore of a change of control, makes specific reference to the applicable law of the relevant country.

With regards to the material contracts entered into by Group companies with anchor customers, the triggering of a change of control provision is generally limited to events where the acquiring company is a competitor of the anchor customer. In such circumstances, the anchor customer may be granted an option to buy back assets (generally the infrastructures where they are being serviced). In addition, such buy back option may also be granted in the event that a competitor of the anchor customer acquires a significant portion of the shares or obtains voting or governance rights which can be exercised in a way that can negatively affect the anchor customer's interests. Finally, buy back options may also be exercised in case of an explicit breach by a Group company of its contractual obligations under the services agreements with its customers.

Additionally, both the bonds issued under the EMTN Program and the Convertible Bonds and bank financing contracts of the Group include certain change of control clauses which could trigger an early repayment under the respective debt arrangement.

If a change of control clause included in any of the Group's material contracts is triggered, it may materially and adversely affect the Group's business, prospects, results of operations, financial condition and cash flows.

x) *Risk related to the non-control of certain subsidiaries*

Although Cellnex has full control and a 100% stake in the vast majority of its subsidiaries, Cellnex has made and may continue to make equity investments, which may include minority investments, in certain strategic assets managed by or together with third parties, including governmental entities and private entities.

Investments in assets over which Cellnex has partial, joint or no control are subject to the risk that the other holders of interest in the assets (making use their minority rights), who may have different business or investment strategies than Cellnex or with whom it may have a disagreement or dispute, may have the ability to independently make or block business, financial or management decisions, such as the decision to distribute dividends or the appointment of members of management, which may be crucial to the success of the project or Cellnex's investment in the project, or otherwise implement initiatives which may be contrary to its interests, creating impasses on decisions and affecting its ability to implement the foreseen strategy. Additionally, the approval of other shareholders or partners may be required to sell, pledge, transfer, assign or otherwise convey Cellnex's interest in such assets. Alternatively, other shareholders may have rights of first refusal or rights of first offer in the event of a proposed sale or transfer of Cellnex's interests in such assets. These restrictions may limit the price or interest level for Cellnex's interests in such assets, in the event it wants to dispose such interests.

Other holders of interest in the Group's assets may become insolvent or file for bankruptcy at any time, or fail to fund their share of any capital contribution that might be required. Finally, they may be unable, or unwilling, to fulfil their obligations under the relevant shareholder or joint investment agreements or may experience financial or other

difficulties that may adversely affect Cellnex's investment in a particular joint venture. This may result in litigation or arbitration procedures generating costs and diverting Cellnex's management team from their other managerial tasks. In certain of Cellnex's joint ventures, it may also be reliant on the particular expertise of other holders of interest and, as a result, any failure to perform Cellnex's obligations in a diligent manner could also adversely affect the joint venture. If any of the foregoing were to occur, Cellnex's business, prospects, results of operations, financial condition and cash flows could be materially and adversely affected.

xi) Risks related to execution of Cellnex's acquisition strategy

Cellnex' strategy includes the aim to strengthen and expand its operations, among others, through acquisitions. This strategy of growth exposes Cellnex to operational challenges and risks, such as the need to identify potential acquisition opportunities on favourable terms. It also may expose Cellnex to other risks such as the diversion of management's attention from existing business or the potential impairment of acquired intangible assets, including goodwill, as well as the acquisition of liabilities or other claims from acquired businesses.

Prior to entering into an acquisition agreement, Cellnex generally performs a due diligence exercise on the potential changes to existing or new tax laws or international tax treaties, methodologies impacting the Group's international operations, or fees directed specifically at the ownership and operation of communications infrastructures or its international acquisitions, which may be applied the acquisition. To the extent Cellnex or other third parties underestimated or failed to identify risks and liabilities associated with an acquisition, it may incur, directly or indirectly, in unexpected liabilities, such as defects in title, an inability to obtain permits enabling Cellnex to use the underlying infrastructure as intended, environmental, structural or operational defects or liabilities requiring remediation. Failure to identify any defects, liabilities or risks could result in Cellnex having acquired assets which are not consistent with its investment strategy which are difficult to integrate with the rest of the portfolio or which fail to perform in accordance with expectations, and/or adversely affect Cellnex's reputation, which, in turn, could have a material adverse effect on its business, prospects, results of operations, financial condition and cash flows.

Generally, if Cellnex cannot identify, implement or integrate attractive acquisition opportunities on favourable terms or at all, it could adversely impact its ability to execute its growth strategy.

xii) Regulatory and other similar risks

Risks related to changes in tax and legal regulations and socio-political changes are also significant given that the Group carries out an activity subject to government regulations, as well as to the regulatory framework in the European Union (the "EU"). These changes in tax and legal regulations could be applied or enforced retroactively. The main rules applicable to the Group and its customers include the availability and granting of licences for the use of the spectrum, the rates for its use and the commercial framework for the sale of terrestrial radio broadcasting assets and the obligations imposed on the Group by the Spanish competition authorities in relation to its broadcasting infrastructure activities.

Moreover, environmental and health regulation imposes additional costs and may affect the Group's results of operations. In the countries in which the Group operates, it is subject to environmental laws and regulations, as well as to the EU laws and regulations, concerning issues such as damage caused by air emissions, noise emissions and electro-magnetic radiation. These laws are increasingly stringent and may in the future create substantial environmental compliance liabilities and costs.

Public perception of possible health risks associated with cellular and other wireless communications technologies could affect the growth of wireless companies, which could in turn slow down the Group's growth. In particular, negative public perception of these health risks could undermine the market acceptance of wireless communications

services, increase opposition to the development and expansion of telecom infrastructures and lead to price increases of the infrastructure services where the infrastructures are located. The potential connection between radio frequency emissions and certain negative health or environmental effects has been the subject of substantial study by the scientific community in recent years and numerous health-related lawsuits have been filed against wireless carriers and wireless device manufacturers. If a scientific study or court decision in the jurisdictions in which the Group operates or elsewhere resulted in a finding that radio frequency emissions pose health risks to consumers, it could negatively impact the Group's customers and the market for wireless services, which could materially and adversely affect the Group's business, prospects, financial condition, results of operations and cash flows. The Group insurance coverage may not be sufficient to cover all or a substantial portion of any liability it may have.

The Group's services are affected by the current electromagnetic emission rules applicable in terms of limiting the emissions coming from equipment of the Group's customers hosted by the Group. Despite the fact that the ratio emitting equipment is held by us, the Group's customers are liable for the emissions of their own equipment. In the event that such rules were amended against the Group's interest, they could limit its growth capacity and may adversely affect its business, prospects, results of operations, financial condition and cash flows.

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

xiii) Litigation

The Group is subject to the risk of legal claims and proceedings and regulatory enforcement actions in the ordinary course of business and otherwise. The results of legal and regulatory proceedings cannot be predicted with certainty. The Group cannot guarantee that the results of current or future legal or regulatory proceedings or actions will not materially harm the Group's business, prospects, financial condition, results of operations or cash flows, nor can it guarantee that it will not incur losses in connection with current or future legal or regulatory proceedings or actions that exceed any provisions that it may have set aside in respect of such proceedings or actions or that exceed any available insurance coverage, which may have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

xiv) Risk related to the shareholding of the Group

Connect S.p.A. ("Connect"), which owns 29.9% of Cellnex's share capital, is the current largest shareholder of the Company, as of the date of approval for issue of these consolidated financial statements. Connect has a significant influence over those matters requiring shareholders' approval, including the appointment and dismissal of the members of the Board of Directors, the payment of dividends, changes in the issued share capital of the Company and the adoption of certain amendments to the bylaws. In addition, Connect has appointed four out of twelve of Cellnex's directors, including the non-executive Chairman. There can be no assurance that the current largest significant shareholder, or any other current or future significant shareholder, will act in a manner that is in the Company's best interests, which could adversely affect the Group's business, prospects results of operations, financial condition and cash flows, or in the interests of other shareholders of the Company.

Risk related to the financial information

xv) Financial information, fraud and compliance risks

The Group's operations are also subject to anti-bribery and anti-corruption laws and regulations that govern and affect where and how its business may be conducted. The Group has established certain systems to monitor

compliance with applicable laws and regulations and provides training to its employees to facilitate compliance with such laws and regulations.

The Cellnex Group has a code of conduct (the "Ethics' Code") approved by the Board of Directors. The corporation prepares an Ethics' Code Framework which is then adapted in each country. This Ethics' Code is communicated to all employees.

The Group has created a corporate compliance function to improve compliance with the Group's Ethics' Code, implemented through specific regulations for each country and the establishment of whistle-blowing channels and the supervision of oversight and control measures to prevent criminal acts. The main values and principles included in the Ethics' Code are: integrity, honesty, transparency, loyalty, commitment to and defence of Group interests, and responsibility in all actions. The Ethics' Code includes among its fundamental principles the commitment to strictly comply with the obligation of the Group to offer reliable financial information prepared in accordance with applicable regulations, and the responsibility of its employees and management to ensure this is so, both by correctly carrying out of their functions and by notifying the governing bodies of any circumstance which might affect that undertaking.

To mitigate risks relating to financial reporting and to ensure the reliability of such information, the Group has established an Internal Control over Financial Reporting System ("ICFRS"). The Group has a corporate risk control unit that is responsible for carrying out tests to verify compliance with the policies, manuals and procedures defined for the ICFRS, and for validating the effectiveness of controls in place to mitigate the risks related to these processes.

However, there can be no assurance that any policies and procedures established by the Group will be followed at all times or effectively detect and prevent all violations of the applicable laws and regulations in every jurisdiction in which one or more of the Group employees, consultants, agents, commercial partners, contractors, sub-contractors or joint venture partners are located. As a result, the Group could be subject to penalties and reputational damage if its employees, agents, suppliers or business partners take actions in violation of the compliance systems as well as violate any anti-corruption or anti-bribery laws. Violations of such laws may also lead to other consequences such as the early termination of the financing contracts, which, together with the above, could materially and adversely affect the Group business, prospects, financial conditions, results of operations and/or cash flows.

xvi) Expected contracted revenue (backlog)

Expected contracted revenues from the service agreements (backlog) represents management's estimate of the amount of contracted revenues that the Group expects will result in future revenue from certain existing contracts. This amount is based on a number of assumptions and estimates, including assumptions related to the performance of a number of the existing contracts at a particular date but does not include adjustments for inflation.

One of the main assumptions for calculating backlog is the automatic renewal of contracts for services with the Group's anchor customers. Such contracts have renewable terms including, in some cases, 'all or nothing' clauses that only allow the renewal of the entire portfolio of the relevant project (not the renewal of a portion thereof) on terms that are generally pre-agreed and may result in an increase or a decrease in price, within certain parameters. In some instances, the contracts for services may be cancelled under certain circumstances by the customer at short notice without penalty.

The Group's definition of backlog may not necessarily be the same as that used by other companies engaged in similar activities. As a result, the amount of the Group backlog may not be comparable to the backlog reported by such other companies. The realization of the Group backlog estimates is further affected by the performance under its contracts. The ability to execute the Group's backlog is dependent on its ability to meet the clients' operational needs, and if the Group was unable to meet such needs, the ability to execute its backlog could be adversely affected,

which could materially affect the Group's business, prospects, financial condition, results of operations and cash flows. There can be no assurance that the revenue projected in the Group's backlog will be realized or, if realized, will result in profit. Contracts for services are occasionally modified by mutual consent. Because of potential changes in the scope or schedule of services the Group provides to its clients, the Group cannot predict with certainty when or if its backlog will be realized. Even where a project proceeds as scheduled, it is possible that the client may default and fail to pay amounts owed to the Group. Delays, payment defaults or cancellations could reduce the amount of backlog currently estimated, and consequently, could inhibit the conversion of that backlog into revenues, which would in turn materially affect the Group business, prospects, financial condition, results of operations and cash flows.

Financial risks

xvii) Foreign currency risk

As the Group reporting currency is the euro, fluctuations in the value of other currencies in which borrowings are instrumented and transactions are carried out with respect to the euro may have an effect in future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

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

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

xviii) Interest rate risk

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

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

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

The Group can use derivative financial instruments to manage its financial risk, arising mainly from changes in interest rates. These derivative financial instruments are classified as cash flow hedges and recognised at fair value (both initially and subsequently). The required valuations were determined by analysing discounted cash flows using assumptions mainly based on the market conditions at the reporting date for unlisted derivative instruments (see Note 14 of the accompanying consolidated financial statements).

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

xix) Credit risk

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

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

The Group is sensitive to changes in the creditworthiness and financial strength of its main customers due to the importance of these key customers to the overall revenues. The long-term nature of certain Group contracts with customers and the historically high renewal ratio of these contracts helps to mitigate this risk.

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

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

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

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

xx) Liquidity risk

The Group carries out a prudent management of liquidity risk, which involves maintaining cash and having access to a sufficient amount of financing through established credit facilities as well as the ability to settle market positions. Given the dynamic nature of the Group's businesses, the policy of the Group is to maintain flexibility in funding sources through the availability of committed credit facilities. Due to this policy the Group has available liquidity c. EUR 1,500 million, considering cash and available credit lines, as at the date of approval for issue of these consolidated financial statements, and has no immediate debt maturities (the maturities of the Group's financial obligations are detailed in Note 14).

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

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

xxi) Inflation risk

Despite a long period of historically low inflation, there is no assurance that inflation may not increase as a result of among others, the monetary policies of the European Central Bank. A significant portion of the Group's operating costs could rise as a result of higher inflation. Further, most of the Group's infrastructure services contracts are indexed to inflation. As a consequence, its results of operations could be affected by inflation and/or deflation.

xxii) Risk related to Group indebtedness

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

- Placing the Group at a possible competitive disadvantage to less leveraged competitors and competitors that may have better access to capital resources, including with respect to acquisitions and forcing the Group to forego certain business opportunities;
- Requiring the dedication of a substantial portion of cash flow from operations to service the debt, thereby reducing the amount of cash flow available for other purposes, including, among others, capital expenditures and dividends;
- Requiring the Group to issue debt or equity securities or to sell some of its core assets, possibly not on the best terms, to meet payment obligations;
- Accepting financial covenants in the financing contracts such as: debt limitation, minimum cash restriction, or pledge of assets;
- A potential downgrade from a rating agency, which can make obtaining new financing more difficult and expensive; and
- Requiring the Group to early repay the outstanding debt in the event that the relevant change of control clause is triggered.

The financing contracts of the Group do not have financial covenants or limitations on the distribution and payment of dividends. As at 31 December 2018, all the loans and credit facilities of the Parent Company and its subsidiaries are unsecured and unsubordinated, have no guarantees or shares pledged, rank pari passu with the rest of the Group's unsecured and unsubordinated borrowings, and do not require the Parent Company's nor its subsidiaries to comply with any financial ratio. However, it should be noted that the Group has a cross default clause in certain contracts.

A comprehensive list of risks to which the Group is exposed can be found in the public information released as at the date of the approval for issue of these consolidated financial statements.

Annex 3. GRI table

Indicators		2018 Report	Perimeter of contents
GENERAL INDICATORS			
COMPANY PROFILE			
102-1	Name of the organisation	Cellnex Telecom, S.A.	Cellnex group
102-2	Activities, brands, products and services	37-8	Cellnex group
102-3	Location of headquarters	Juan Esplandiú, 28007 Madrid	Cellnex group
102-4	Location of operations	7-1	Cellnex group
102-5	Ownership and legal form	Cellnex Telecom, S.A.	Cellnex group
102-6	Markets served	7-14, 39-48	Cellnex group
102-7	Size of the organisation	7-27, 33-34, 39-44	Cellnex group
102-8	Information about employees and other workers	73	Cellnex group
102-9	Organisational structure, value chain, supply chain	12-15, 86-87	Cellnex group
102-10	Significant changes in the organisation and its supply chain	7-14, 86-87	Cellnex group
102-11	Precautionary principle or approach	Cellnex has environmental liability insurance in compliance with current legislation and has a provision of 60,000 euros 68, 70, 72	Cellnex group
102-12	External initiatives	91, 92	Cellnex group
102-13	Membership of associations	88, 89	Cellnex group
STRATEGY			
102-14	Declaration of senior executives responsible for decision-making	3-6	Cellnex group
102-15	Main impacts, risks and opportunities	66-68	Cellnex group

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ETHICS AND INTEGRITY			
102-16	Values, principles, standards, and norms of behavior	Error! Bookmark not defined. - 64	Cellnex group
GOVERNANCE			
102-18	Governance structure	54-61	Cellnex group
102-19	Delegation of authority	68-70 Section C of the 2018 Annual Corporate Governance Report (Annex 1)	Cellnex group
102-20	Executive responsibility for economic, environmental and social matters	68-70 CSR Policy, available at: https://www.cellnextelecom.com/politica-de-rc/ Section C of the 2018 Annual Corporate Governance Report (Annex 1)	Cellnex group
102-21	Consultation with stakeholders on economic, environmental and social matters	Section C of the 2018 Annual Corporate Governance Report (Annex 1)	Cellnex group
102-22	Composition of the highest governing body and its committees	58-61	Cellnex group
102-23	Chair of the highest governing body	58-61	Cellnex group
102-24	Appointment and selection of the highest governing body	54-55	Cellnex group
102-25	Conflicts of interest	Section D of the 2018 Annual Corporate Governance Report (Annex 1)	Cellnex group
102-26	Role of highest governance body in setting purpose, values, and strategy	Section C of the 2018 Annual Corporate Governance Report (Annex 1)	Cellnex group
102-27	Collective knowledge of the highest governing body	54-60	Cellnex group
102-28	Evaluation of the performance of the highest governance body	55-57	Cellnex group
102-29	Identification and management of economic, environmental and social impacts	Section C of the 2018 Annual Corporate Governance Report (Annex 1)	Cellnex group
102-30	Effectiveness of risk management processes	Section C of the 2018 Annual Corporate Governance Report (Annex 1)	Cellnex group
102-31	Review of economic, environmental, and social topics	Section C of the 2018 Annual Corporate Governance Report (Annex 1)	Cellnex group
102-32	Highest governance body's role in sustainability reporting	Section C of the 2018 Annual Corporate Governance Report (Annex 1)	Cellnex group
102-33	Communicating critical concerns	Section C of the 2018 Annual Corporate Governance Report (Annex 1)	Cellnex group
102-34	Nature and total number of critical concerns	63-66	Cellnex group

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102-35	Remuneration policies	Section C of the 2018 Annual Corporate Governance Report (Annex 1)	Cellnex group
102-36	Process for determining remuneration	Section C of the 2018 Annual Corporate Governance Report (Annex 1)	Cellnex group
102-37	Stakeholders' involvement in remuneration	Section A of the 2018 Annual Report on Directors' Remuneration	Cellnex group
102-38	Annual total compensation ratio	The salary of the best paid person without including the CEO is 42.68 times higher than the average Cellnex group salary. In 2017 the calculation was made without including the ILP in the CEO's salary. The ratio in 2017 including ILP would be 44.02.	Cellnex group
102-39	Ratio of the percentage increase in total annual compensation	The ratio of the percentage increase of the best pay person in total annual compensation is 1.55.	Cellnex group

STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups	73	Cellnex group
102-41	Collective bargaining agreements	80-81	Spain
102-42	Identifying and selecting stakeholders	73, 104-10671	Cellnex group
102-43	Approach to stakeholder engagement	73, 104-106	Cellnex group
102-44	Key topics and concerns raised	73, 104-106	Cellnex group
REPORTING PRACTICES			
102-45	Entities included in the consolidated financial statements	Consolidated Annual Accounts	Cellnex group
102-46	Defining report content and topic Boundaries	104-106	Cellnex group
102-47	List of material topics	105-106	Cellnex group
102-48	Restatements of information	There have been no restatements of information from previous reports.	Cellnex group
102-49	Changes in reporting	The information in this report refers to Cellnex Spain and Italy, France and Switzerland, with the exception of the template breakdown information which also includes data from Cellnex Netherlands and UK. See the section 'Bases for the preparation of the report'. 104-106	Cellnex group
102-50	Period covered by the report	Financial Year 2018	Cellnex group
102-51	Date of the last report	2017	Cellnex group
102-52	Reporting cycle	Annual	Cellnex group
102-53	Contact person for queries regarding the report	106 (cellnex@cellnextelecom.com)	Cellnex group

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102-54	Claims of reporting in accordance with the GRI Standards	104	Cellnex group
102-55	GRI content index	Annex 4 GRI table	Cellnex group
102-56	External assurance	Annex 7 Independent Limited Assurance Report on Corporate Social Responsibility Indicators	Cellnex group

MANAGEMENT APPROACH			
103-1 ⁽¹⁾	Explanation of the material topic and its Boundary	105-106	Cellnex group
103-2 ⁽²⁾	The management approach and its components	105-106	Cellnex group
103-3 ⁽³⁾	Evaluation of the management approach	105-106	Cellnex group
ECONOMIC STANDARDS			
MARKET PRESENCE			
201-1	Direct economic value generated and distributed	33, 34	Cellnex group
MARKET PRESENCE			
202-2	Proportion of senior executives hired from the local community	A 100% of Cellnex Spain management comes from the local community.	Spain, Italy, France and Swiss
INDIRECT ECONOMIC IMPACTS			
203-1	Investments in infrastructure and supported services	21-27	Cellnex group
PROCUREMENT PRACTICES			
204-1	Proportion of procurement from local suppliers	86-87	Spain / Italy/ France/ Switzerland
ANTI-CORRUPTION			
205-2	Communication and training about anti-corruption policies and procedures	64-65 The money laundering issue is addressed in the Cellnex Corruption Prevention Procedure. 63	Cellnex group
205-3	Confirmed incidents of corruption and actions taken	66	Cellnex group
UNFAIR COMPETITION			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	In FY 2018, Cellnex received no complaints for anti-competitive or monopolistic practices, nor have the market or competition supervisory authorities initiated procedures ex officio. Likewise, it received no final judgments or any other type of sanction for such practices. See note 18.c) Consolidate Financial Statements.	Cellnex Group

ENERGY			
302-1	Energy consumption in the organisation	97	Spain / Italy/France

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302-2	Energy consumption outside the organisation	97 Cellnex considers all the energy consumed in its operating facilities as internal consumption	Spain / Italy/France
302-3	Energy intensity	97	Cellnex Group
302-4	Reduction of energy consumption	97	Cellnex Group
BIODIVERSITY			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	101	Spain / Italy
304-2	Significant impacts of activities, products and services on biodiversity	101	Spain / Italy

EMISSIONS			
305-1	Direct GHG emissions (scope 1)	100	Spain / Italy/France
305-2	Indirect GHG emissions when generating energy (scope 2)	100	Spain / Italy/France
305-3	Other indirect GHG emissions (scope 3)	100	Spain / Italy/France
305-5	Reduction of GHG emissions	98-100	Spain / Italy/France
ENVIRONMENTAL COMPLIANCE			
307-1	Non-compliance with environmental laws and regulations	There were no environmental complaints in 2018	Cellnex group
SUPPLIER ENVIRONMENTAL ASSESSMENT			
308-1	New suppliers that were screened using environmental criteria	87	Spain / Italy/ France/ Switzerland

EMPLOYMENT			
401-1	New employee hires and employee turnover	Annex 6. KPIs Tables	Spain / France/ Italy/ Switzerland
WORKER -COMPANY RELATIONS			

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402-1	Minimum notice periods regarding operational changes	Cellnex Spain: 2 weeks, following the established pre-notification periods. Cellnex Italia follows the periods established by the agreement of the Telecommunications Collective. Cellnex France: varies between 1 and 3 months, depending on the case. Switzerland: there is no minimum period required by law or by the company.	Spain / Italy/ France/ Switzerland
OCCUPATIONAL HEALTH AND SAFETY			
403-1	Worker representation on formal worker-company health and safety committees	Pg. 79-80.	Spain / Italy/ France/ Switzerland
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Annex 6. KPIs Tables 82	Spain / Italy/ France/ Switzerland
TRAINING AND TEACHING			
404-1	Average hours of training per year per employee	Annex 6. KPIs Tables 78	Spain / Italy/France
404-2	Programmes to improve employee skills and transition assistance programmes	78, 80	Spain / Italy/France
DIVERSITY AND EQUAL OPPORTUNITY			
405-1	Diversity of governing bodies and employees	During 2018, Cellnex has employed 10 people with different capacities. Annex 6. KPIs Tables 57-61	Cellnex Group
405-2	Ratio of basic salary and remuneration of women to men	Annex 6. KPIs Tables	Cellnex Group
406-1	Incidents of discrimination and corrective actions taken	66, 70 These indicators are not material because of the type of operations we carry out. However, we have developed a human rights policy and comply with the legislation in force in each country where we operate.	Cellnex group
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	66, 70 These indicators are not material because of the type of operations we carry out. However, we have developed a human rights policy and comply with the legislation in force in each country where we operate.	Cellnex group
408-1	Operations and suppliers with significant risk of using child labour	66, 70 These indicators are not material because of the type of operations we carry out. However, we have developed a human rights policy and comply with the legislation in force in each country where we operate.	Cellnex group
409-1	Operations and suppliers at significant risk for incidents of child labour	66, 70 These indicators are not material because of the type of operations we carry out. However, we have developed a human rights policy and comply with the legislation in force in each country where we operate.	Cellnex group
412-2	Employee training on human rights policies or procedures	Cellnex Italy has dedicated 584 hours in human rights training	Cellnex group

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SUPPLIER ENVIRONMENTAL ASSESSMENT			
414-1	New suppliers that were screened using social criteria	87	Spain / Italy/ France/ Switzerland
PUBLIC POLICY			
415-1	Political contributions	Only financial contributions have been made in Cellnex France, to an entity dedicated to the lobbying activity (Boury Tallon), worth € 66,000.	Cellnex group
CUSTOMER PRIVACY			
416-1	Assessment of the health and safety impacts of product and service categories	102	Cellnex group
CUSTOMER PRIVACY			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	102-103	Spain / Italy
SOCIOECONOMIC COMPLIANCE			
419-1	Non-compliance with laws and regulations in the social and economic area	During the financial year of 2018, a ruling has been issued, which has become final, rejecting Cellnex's contentious appeal against the sanction (Bellaterra-Sabadell Center) in the form of a fine imposed by the State Aviation Safety Agency for infractions typified in Law 21/2003, of July 7, on Air Safety.	Cellnex group

Whenever the management approach of a material aspect of Cellnex is described in this document, it is indicated in the footnote with reference to the indicators GRI 103-1, 103-2, 103-3.

GRI: 102-55

Annex 4. Non-financial Information Table

Legal content	¿Is it material? YES/NO	Standard used (GRI or Other)	Observations
Current and foreseeable effects of the company's activities on the environment and, where appropriate:	Yes	GRI 102-15 Key impacts, risks and opportunities	
	Yes	GRI 102-29 Identifying and managing economic, environmental, and social impacts	
	Yes	GRI 102-31 Review of economic, environmental, and social topics	
Health and safety	Yes	GRI 102-15 Key impacts, risks and opportunities	
	Yes	GRI 102-29 Identifying and managing economic, environmental, and social impacts	
Environmental evaluation or certification procedures	Yes	GRI 102-15 Key impacts, risks and opportunities	
Resources dedicated to the prevention of environmental risks	Yes	GRI 102-15 Key impacts, risks and opportunities	
Application of the precautionary principle	Yes	GRI 102-11 Precautionary Principle or approach	
Amount of provisions	Yes		
Guarantees for environmental risks	Yes		
Measures to prevent, reduce or repair carbon emissions that seriously affect the environment, taking into account any form of air pollution specific to an activity, including noise and light pollution	No	GRI 103-2 The management approach and its components GRI 305 – Direct GHG emissions	
	No	GRI 302-4 Reduction of energy consumption	
	No	GRI 305-5 Reduction of GHG emissions	
Prevention, recycling, reuse, other forms of recovery and waste disposal	No	N/A	
Actions to fight food waste	No	N/A	
Water consumption and supply according to local constraints	No	N/A	
	No	N/A	
Consumption of raw materials and the measures adopted to improve the efficiency of their use	No	N/A	
	No	N/A	
Consumption, direct and indirect, of energy	Yes	GRI 302-1 Energy consumption within the organization	
	Yes	GRI 302-2 Energy consumption outside of the organization	
	Yes	GRI 302-3 Energy intensity	
Measures taken to improve energy efficiency	Yes	GRI 102-2 Activities, brands, products, and services (with vision to GRI 302 Energy)	
	Yes	GRI 302-4 Reduction of energy consumption	
Use of renewable energies	Yes	GRI 302-1 Energy consumption within the organization (energy from renewable sources)	
Important elements of greenhouse gas emissions generated as a result of the activities of the company, including the use of the goods and services it produces	Yes	GRI 305-1 Direct (Scope 1) GHG emissions	
	Yes	GRI 305-2 Energy indirect (Scope 2) GHG emissions	
	Yes	GRI 305-3 Other indirect (Scope 3) GHG emissions	
	Yes	GRI 305-4 GHG emissions intensity	
The measures adopted to adapt to the consequences of Climate Change	Yes	GRI 103-2 The management approach and its components (with vision to GRI 300)	

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	Yes	GRI 305-5 Reduction of GHG emissions	
	Yes	GRI 102-15 Key impacts, risks, and opportunities	
Reduction goals established voluntarily in the medium and long term to reduce GHG emissions and means implemented for this purpose.	No	GRI 103-2 The management approach and its components (with vision to GRI 305-5 reduction of emissions GEI)	
Measures taken to preserve or restore biodiversity	No	GRI 103-2 The management approach and its components (with vision to GRI 304 Biodiversity)	
	No	GRI 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	
Impacts caused by activities or operations in protected areas	No	GRI 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	
	No	GRI 304-2 Significant impacts of activities, products, and services on biodiversity	
Total number and distribution of employees by sex, age, country and professional category	Yes	GRI 102-8 Information on employees and other workers	
	Yes	GRI 405-1. b) The percentage of employees by employment category for each of the following diversity categories: sex and age group (indicate total number in addition to the percentage).	
Total number and distribution of work contract modalities	Yes	GRI 102-8 Information on employees and other workers	
Annual average of permanent, temporary and part-time contracts by sex, age and professional category	Yes	GRI 102-8 Information on employees and other workers	
Number of dismissals by sex, age and professional classification	Yes	GRI 401-1.b) Total number and turnover rate of personnel during the period concerning to this report, by age group, sex and region (only regarding dismissals)	
Average remunerations and their evolution disaggregated by sex, age and professional classification or equal value	Yes	Annex 6. KPI Tables	
	Yes	Annex 6. KPI Tables	
Wage gap	Yes	GRI 405-2 Ratio of basic salary and remuneration of women to men	
Remuneration of equal jobs or the average in society	Yes	GRI 405-2 Ratio of basic salary and remuneration of women to men	
The average remuneration of directors and executives, including variable remuneration, allowances, compensation, payment to long-term savings forecast systems and any other perception disaggregated by sex	Yes	GRI 102-35 Remuneration policies	

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Implementation of labor disconnection measures	Yes	We have not developed a global policy on labor disconnection measures. However, we respect local legislation and collective agreements in this area.	
Employees with disabilities	Yes	GRI 405-1. b) Percentage of employees per employee category in each of the following diversity categories (iii. vulnerable groups).	
Organization of working time	Yes	GRI 102-8. c) Total number of employees by employment contract (permanent and temporary), by gender.	
Absenteeism hours	Yes	GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities (a)	
Measures designed to facilitate the enjoyment of conciliation and encourage joint responsibility of these by both parents.	Yes	Pg. 74-75	
Health and Safety working conditions	Yes	GRI 103-2 The management approach and its components (with vision to the GRI 403 Health and Safety)	
Work accidents (frequency and seriousness) disaggregated by sex	Yes	GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities (a)	
Occupational diseases (frequency and seriousness) disaggregated by sex	Yes	GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities (a)	
Organization of social dialogue, including procedures for informing and consulting staff and negotiating with them	No	GRI 102-43 Approach to stakeholder engagement (concerning unions and collective bargaining)	
	No	GRI 402-1 Minimum notice periods regarding operational changes	
	No	GRI 403-1 Workers representation in formal joint management-worker health and safety committees	
Percentage of employees covered by collective agreement by country	Yes	GRI 102-41 Collective bargaining agreements	
Balance of collective agreements, particularly in the field of health and safety at work	Yes	GRI 403-1 Worker representation on formal worker-company health and safety committees	
Policies implemented in the field of training	Yes	GRI 103-2 The management approach and its components (with vision to the GRI 404- Training and education)	
	Yes	GRI 404-2 Programs for upgrading employee skills and transition assistance programs	
Training hours by professional categories	Yes	GRI 404-1 Average hours of training per year per employee	
Universal accessibility for people with disabilities	Yes	GRI 103-2 The management approach and its components (with vision to the GRI 405 diversity and equal opportunity and GRI 406-1 Non-discrimination)	
Measures taken to promote equal treatment and opportunities between men and women	Yes	GRI 103-2 The management approach and its components (with vision to the GRI 405 diversity and equal opportunity)	

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Equality plans	Yes	GRI 103-2 The management approach and its components (with vision to the GRI 405 diversity and equal opportunity and GRI 406 Non-discrimination)	
Measures taken to promote employment	Yes	GRI 103-2 The management approach and its components (with vision to the GRI 401 Employment)	
Protocols against sexual and gender-based harassment	Yes	GRI 103-2 The management approach and its components (with vision to the GRI 405 diversity and equal opportunity and GRI 406 Non-discrimination)	
The integration and universal accessibility of people with disabilities	Yes	GRI 103-2 The management approach and its components (with vision to the GRI 405 diversity and equal opportunity and GRI 406 Non-discrimination)	
Policy against all types of discrimination and, where appropriate, management of diversity	Yes	GRI 103-2 The management approach and its components (with vision to the GRI 405 diversity and equal opportunity and GRI 406 Non-discrimination)	
Application of due diligence procedures in human rights	Yes	GRI 103-2 The management approach and its components (with vision to the GRI 412 Human Rights Assessment)	
Prevention of the risks of violation of human rights and, where appropriate, measures to mitigate, manage and repair possible abuses committed	Yes	GRI 103-2 The management approach and its components (with vision to the GRI 412 Human Rights Assessment)	
Complaints about cases of human rights violations	Yes	GRI 102-17 Mechanisms for advice and concerns about ethics (complaints received and resolution)	
	Yes	GRI 103-2 The management approach and its components (with vision to the GRI 412 Human Rights Assessment)	
Promotion and compliance with the provisions of the fundamental OIT conventions related to respect for freedom of association and the right to collective bargaining, the elimination of discrimination in employment and occupation, the elimination of forced or compulsory labor and the effective abolition of child labor	Yes	GRI 103-2 The management approach and its components (with vision to the GRI 406 Non-discrimination; and 412 Human Rights Assessment)	
Measures taken to prevent corruption and bribery	Yes	GRI 103-2 The management approach and its components (with vision to the GRI 205-2 Communication and training about anti-corruption policies and procedures.	
Measures to combat money laundering	Yes	GRI 103-2 The management approach and its components (with vision to the GRI 205 Anti-corruption)	
Contributions to foundations and non-profit entities	Yes	GRI 103-2 The management approach and its components (with vision to the GRI 205 Anti-corruption)	
	Yes	GRI 201-1 Direct economic value generated and distributed (Community Investments)	
	Yes	GRI 415 – Public Policy	
Impact of the activity of society on employment and local development	Yes	GRI 204-1 Proportion of spending on local suppliers	
Impact of society's activity on local populations and territory	Yes	GRI 203-2 Significant indirect economic impacts	

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	Yes	GRI 413-1 Operations with local community engagement, impact assessments, and development programs	
	Yes	GRI 413-2 Operations with significant actual and potential negative impacts on local communities	
Relationships maintained with the actors of the local communities and the modalities of dialogue with these	Yes	GRI 102-43 Approach to stakeholder engagement	
	No	GRI 413-1 Operations with local community engagement, impact assessments, and development programs	
Association or sponsorship actions	Yes	GRI 102-13 Membership of associations	
	Yes	GRI 201-1 Direct economic value generated and distributed	
Inclusion in the purchasing policy of social issues, gender equality and environmental issues	Yes	GRI 103-3 Evaluation of the management approach (with vision to the GRI 308 and GRI 414)	
Consideration in relations with suppliers and subcontractors of their social and environmental responsibility	Yes	GRI 103-3 Evaluation of the management approach (with vision to the GRI 308 and GRI 414)	
	Yes	GRI 308-1 New suppliers that were screened using environmental criteria	
	No	GRI 308-2 Negative environmental impacts in the supply chain and actions taken	
	Yes	GRI 414-1 New suppliers that were screened using social criteria	
	No	GRI 414-2 Negative social impacts in the supply chain and actions taken	
Supervision systems and audits and their results	Yes	GRI: 103 The management approach and its components (procurement practices)	
Measures for the health and safety of consumers	Yes	GRI 103-2 The management approach and its components (with vision to the GRI 416 Customer Health Safety)	
	Yes	GRI 416-1 Assessment of the health and safety impacts of product and service categories	
	No	GRI 417-1 Requirements for product and service information and labelling	
Claims systems, complaints received and resolution of them	Yes	GRI 102-17 Mechanisms for advice and concerns about ethics	
	Yes	GRI 103-2 The management approach and its components (with vision to the GRI 416 Customer Health Safety)	
	Yes	GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	
Benefits obtained by country	Yes	This information is provided in the Consolidates Annual Accounts	
Taxes on paid benefits	Yes	Pg. 34	
Public subsidies received	Yes	There hasn't been significant financial assistance received from government	

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Description of the diversity policy applied in relation to the board of directors, of management and of the specialized commissions that are constituted within it (age, gender, disability, training, professional experience).	Yes	GRI 103-2 The management approach and its components (with vision to the GRI 405-1 Diversity of governance bodies and employees)	
Description of the diversity policy applied in relation to the board of directors, of management and of the specialized commissions that are constituted within it (age, gender, disability, training, professional experience).	Yes	GRI 102-24. b) Nominating and selecting the highest governance body and include if and how: ii. Diversity is taken into account.	
Goals	Yes	GRI 103-2 The management approach and its components (with vision to the GRI 405-1 Diversity of governance bodies and employees)	
Measures adopted and the ways in which they have been applied (in particular, the procedures to include in the Council a number of women that allows achieving a balanced presence of both genders)	Yes	GRI 103-2 The management approach and its components (with vision to GRI 405-1 Diversity of governance bodies and employees)	
Results obtained	Yes	GRI 405-1. a) The percentage of people in the governing bodies of the organization for each of the following diversity categories: sex, age group: under 30, between 30 and 50, over 50, other indicators of diversity, when it applies (as minority groups or vulnerable groups).	
Measures agreed by the Appointments Committee regarding these issues	Yes	GRI 103-2 The management approach and its components (with vision to GRI 405-1 Diversity of governance bodies and employees)	
Any other information that is significant	Yes	GRI 102-47 List of material topics	

Annex 5 KPI tables

GRI 405-1 Diversity of governance bodies and employees

<u>GRI 405-1</u>		Spain				France	
		Board of Directors	Top management	Senior Management/Directors/Managers	Coordinators/The rest of the staff	Senior Management/Directors/Managers	Coordinators/The rest of the staff
Under 30 years old	Women	0	0	0	20	0	3
	Men	0	0	0	30	0	2
	Minority groups	0	0	0	0	0	0
30-45 years old	Women	1	0	10	141	1	7
	Men	0	1	33	414	0	8
	Minority groups	0	0	1	1	0	0
46-55 years old	Women	3	0	14	72	0	2
	Men	3	3	47	355	1	2
	Minority groups	0	0	0	3	0	0
More than 55 years old	Women	0	0	0	10	1	0
	Men	5	4	7	51	1	2
	Minority groups	0	0	0	0	0	0

<u>GRI 405-1</u>		Italy		Switzerland	
		Senior Management/Directors/Managers	Coordinators/The rest of the staff	Senior Management/Directors/Managers	Coordinators/The rest of the staff
Under 30 years old	Women	0	1	0	2
	Men	0	5	0	2
	Minority groups	0	1	0	0
30-45 years old	Women	2	23	0	2
	Men	3	33	0	6
	Minority groups	1	3	0	0
46-55 years old	Women	0	14	0	1
	Men	5	32	3	4
	Minority groups	0	0	0	0
More than 55 years old	Women	0	3	0	0
	Men	2	11	1	2
	Minority groups	0	0	0	0

GRI 102-8 Information on employees and other workers (Total number of employees by employment contract and type (permanent or temporary, and full-time or part-time), by gender and region):

		Spain					
		Top management		Senior Management/Directors/Managers		Coordinators/The rest of the staff	
		Women	Men	Women	Men	Women	Men
Fix	Full-time	0	8	24	86	239	839
	Part-time	0	0	0	0	0	0
Temporary	Full-time	0	0	0	1	4	11
	Part-time	0	0	0	0	0	0

		France			
		Senior Management/Directors/Managers		Coordinators/The rest of the staff	
		Women	Men	Women	Men
Fix	Full-time	2	2	12	13
	Part-time	0	0	0	0
Temporary	Full-time	0	0	0	1
	Part-time	0	0	0	0

		Italy			
		Senior Management/Directors/Managers		Coordinators/The rest of the staff	
		Women	Men	Women	Men
Fix	Full-time	2	10	40	79
	Part-time	0	0	1	1
Temporary	Full-time	0	0	0	1
	Part-time	0	0	0	0

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<u>GRI 102-8</u>		Switzerland			
		Senior Management/Directors/Managers		Coordinators/The rest of the staff	
		Women	Men	Women	Men
Fix	Full-time	0	4	5	14
	Part-time	0	0	0	0
Temporary	Full-time	0	0	0	0
	Part-time	0	0	0	0

		Senior Management	Managers/Directors	Coordinators & Others
Men	Fix	100.00%	77.86%	75.08%
	Temporary	0.00%	0.76%	1.03%
	Part-time	0.00%	0.00%	1.11%
Women	Fix	0.00%	21.37%	23.57%
	Temporary	0.00%	0.00%	0.32%
	Part-time	0.00%	0.00%	0.40%

	<30	30-45	46-55	>55	Total
Fix	3.65%	49.11%	39.31%	6.65%	98.71%
Temporary	1.00%	0.14%	0.00%	0.14%	1.29%
Part-time	0.00%	0.07%	0.07%	0.00%	0.14%

GRI 102-41 Collective bargaining agreements

País	Empleados cubiertos por convenio colectivo	% empleados cubiertos por convenio colectivo
España	1,107	91.34%
Italia	134	100%
Francia	30	100%
Suiza	23	0%
Total (cobertura informe, sin HOL ni UK)	1,294	92%

GRI 401-1 Total number and rate of employee turnover during the reporting period, by age group, gender and region (only relative to layoffs):

GRI 401-1		Spain			France	
		Top management	Senior Management/Directors/Managers	Coordinators/The rest of the staff	Senior Management/Directors/Managers	Coordinators/The rest of the staff
Under 30 years old	Women	0	0	1	0	0
	Men	0	0	0	0	1
	Minority groups	0	0	0	0	0
30-45 years old	Women	0	0	0	0	0
	Men	0	0	0	0	0
	Minority groups	0	0	0	0	0
46-55 years old	Women	0	0	0	0	0
	Men	0	0	0	0	3
	Minority groups	0	0	0	0	0
More than 55 years old	Women	1	0	7	0	0
	Men	0	6	78	0	0
	Minority groups	0	0	0	0	0

GRI 401-1		Italy		Switzerland	
		Senior Management/Directors/Managers	Coordinators/The rest of the staff	Senior Management/Directors/Managers	Coordinators/The rest of the staff
Under 30 years old	Women	0	0	0	0
	Men	0	0	0	0
	Minority groups	0	0	0	0
30-45 years old	Women	0	0	0	0
	Men	0	0	0	0
	Minority groups	0	0	0	0
46-55 years old	Women	0	0	0	0
	Men	0	0	1	0
	Minority groups	0	0	0	0
More than 55 years old	Women	0	0	0	0
	Men	0	0	0	0
	Minority groups	0	0	0	0

Average remunerations and their evolution disaggregated by sex, age and professional classification or equal value (Euros):

Spain		Women	Men
Base salary	Board of directors ⁽¹⁾	77,000.00	118,000.00
	CEO	-	700,000.00
	Top Management	-	277,142.86
	Senior Management/Directors/Managers	80,485.33	84,470.29
	Coordinators/The rest of the staff	40,242.84	42,312.90
Base salary + Other kind of incentives	Board of directors	-	-
	CEO	-	2,67,400.00
	Top Management	-	403,857.14
	Senior Management/Directors/Managers	97,644.00	105,148.12
	Coordinators/The rest of the staff	44,434.73	45,964.91

⁽¹⁾ Data on salaries accrued and therefore in proportion to the date of incorporation. The remuneration of the members of the Board of Directors is equitable and does not differentiate by gender.

		France		Italy		Switzerland	
		Women	Men	Women	Men	Women	Men
Base Salary	Senior Management/Directors/Managers	89,000.00	121,500.00	85,000.00	112,599.99	-	202,296.50
	Coordinators/The rest of the staff	48,076.92	66,546.15	36,157.71	45,978.15	113,400.00	136,428.57
Base Salary + Other types of incentives	Senior Management/Directors/Managers	103,400.00	159,300.00	99,487.50	142,871.98	-	248,505.80
	Coordinators/The rest of the staff	52,250.00	74,162.12	37,905.86	48,960.83	127,240.00	152,785.71

Salary by age	Spain	Italy	France	Switzerland
<30	31,059.00	28,778.00	54,725.00	111,925.00
30-45	46,097.00	46,603.00	61,780.00	154,188.00
46-55	59,582.00	61,458.00	75,370.00	188,440.00
>55	83,928.00	70,743.00	129,313.00	193,500.00

Wage development

The development of salaries from 2017 to 2018 was 9.16%.

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405-2 Ratio of basic salary and remuneration of women to men Gender Gap

	2016	2017	Gender Gap
Spain	-	-	3.68%
France	-	-	30.29%
Italy	-	-	23.17%
Switzerland	-	-	16.72%
Cellnex group	74,981	80,557	6.29%

*The gender gap has only been calculated for 2018. In 2016 and 2017, the average salary of all Cellnex workers is indicated. Weighted average by professional category, including Directors, Managers and Heads of Unit in the same category (middle management). Non-indicative data in countries where teams are small and still under development (mainly France and Switzerland).

	España	Francia	Italia	Suiza
Ratio of the difference between the lowest salary and minimum inter-professional salary	1.81	1.56	1.09	1.37

GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities. Absenteeism hours by region:

	Spain	France	Italy	Switzerland
Absenteeism hours	70,387.50	968.34	4,288.00	392.00

GRI 305-1, 305-2, 305-3 GHG emissions Cellnex Spai GRI 405-1 Diversidad en órganos de gobierno y empleados

<u>GRI 405-1</u>		España				Francia	
		Consejo	Alta dirección	Directores/ Gerentes	Coordinadores /Resto de personal	Directores/ Gerentes	Coordinadores /Resto de personal
Menor de 30 años	Mujeres	0	0	0	20	0	3
	Hombres	0	0	0	30	0	2
	Grupos Minoritarios	0	0	0	0	0	0
30-45 años	Mujeres	1	0	10	141	1	7
	Hombres	0	1	33	414	0	8
	Grupos Minoritarios	0	0	1	1	0	0
46-55 años	Mujeres	3	0	14	72	0	2
	Hombres	3	3	47	355	1	2
	Grupos Minoritarios	0	0	0	3	0	0
Más de 55 años	Mujeres	0	0	0	10	1	0
	Hombres	5	4	7	51	1	2
	Grupos Minoritarios	0	0	0	0	0	0

<u>GRI 405-1</u>	Italia	Suiza
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		Directores/Gerentes	Coordinadores/Resto de personal	Directores/Managers	Coordinadores/Resto de personal
Menor de 30 años	Mujeres	0	1	0	2
	Hombres	0	5	0	2
	Grupos Minoritarios	0	1	0	0
30-45 años	Mujeres	2	23	0	2
	Hombres	3	33	0	6
	Grupos Minoritarios	1	3	0	0
46-55 años	Mujeres	0	14	0	1
	Hombres	5	32	3	4
	Grupos Minoritarios	0	0	0	0
Más de 55 años	Mujeres	0	3	0	0
	Hombres	2	11	1	2
	Grupos Minoritarios	0	0	0	0

GRI 102-8 Información sobre empleados y otros trabajadores (El número total de empleados por contrato laboral (permanente o temporal, a jornada completa o media jornada) y por sexo y región):

GRI 102-8		España					
		Alta dirección		Directores/ Gerentes		Coordinadores/Resto de personal	
		Mujeres	Hombres	Mujeres	Hombres	Mujeres	Hombres
Fijo	Jornada completa	0	8	24	86	239	839
	Jornada parcial	0	0	0	0	0	0
Temporal	Jornada completa	0	0	0	1	4	11
	Jornada parcial	0	0	0	0	0	0

GRI 102-8		Francia					
		Alta dirección		Directores/ Gerentes		Coordinadores/Resto de personal	
		Mujeres	Hombres	Mujeres	Hombres	Mujeres	Hombres
Fijo	Jornada completa	0	0	2	2	12	13
	Jornada parcial	0	0	0	0	0	0
Temporal	Jornada completa	0	0	0	0	0	1
	Jornada parcial	0	0	0	0	0	0

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<i>GRI 102-8</i>		Italia					
		Alta dirección		Directores/ Gerentes		Coordinadores/Resto de personal	
		Mujeres	Hombres	Mujeres	Hombres	Mujeres	Hombres
Fijo	Jornada completa	0	0	2	10	40	79
	Jornada parcial	0	0	0	0	1	1
Temporal	Jornada completa	0	0	0	0	0	1
	Jornada parcial	0	0	0	0	0	0

<i>GRI 102-8</i>		Suiza					
		Alta dirección		Directores/ Gerentes		Coordinadores/Resto de personal	
		Mujeres	Hombres	Mujeres	Hombres	Mujeres	Hombres
Fijo	Jornada completa	0	0	0	4	5	14
	Jornada parcial	0	0	0	0	0	0
Temporal	Jornada completa	0	0	0	0	0	0
	Jornada parcial	0	0	0	0	0	0

averafgen, Italy and France (tCO2 eq.)

Emisiones Cellnex España	2016	2017	2018
Scope 1	2,420	1,266	1,877
Scope 2	62,957	84,759	105,619
Scope 3	37,400	3,014	3,146

The difference between the emissions of scope 2 and 3 reported in Cellnex Spain in 2016 and 2017 is due to a change of criteria in the calculation of GHG emissions that has changed from an operational to a financial approach.

Emisiones Cellnex Francia	2016	2017	2018
Scope 2	-	-	110

Emisiones Cellnex Italia	2016	2017	2018
Scope 1	754	497	668
Scope 2	68,837	76,990	82,625

GRI 404-1 Average hours of training per year per employee disaggregated by sex and professional classification

Training hours	Spain		Corporation	
	Men	Women	Men	Women
Top Management	0	0	157,98	1.00
Senior Management/Directors/Managers	1,528.60	525.20	1,117.18	327.42
Coordinators/The rest of the staff	33,729.74	3,938.03	2,237.48	1,880.96
Total	35,258.34	4,463.23	3,512.64	2,209.38

Training hours	France		Italy	
	Men	Women	Men	Women
Top Management	-	-	-	-
Senior Management/Directors/Managers	30.00	60.00	646.00	180.00
Coordinators/The rest of the staff	657.00	443.00	4,222.00	1,636.00
Total	687.00	503.00	4,866.00	1,816.00

Annex 6. Independent Limited Assurance Report on Corporate Social Responsibility Indicators

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

INDEPENDENT LIMITED ASSURANCE REPORT

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

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the 2018 Consolidated Management Report (CMR), which contains the Consolidated Non-Financial Information Statement (NFIS) for the year ended 31 December 2018 of Cellnex Telecom, S.A. and subsidiaries ("Cellnex" or "the Group").

The Consolidated Management Report includes information, additional to that required by current Spanish corporate legislation relating to non-financial reporting and by the Global Reporting Initiative Standards for sustainability reporting in their core option ("GRI standards"), that was not the subject matter of our verification. In this regard, our work was limited solely to verification of the information identified in the "GRI Table" and the table of "Non-financial Information Table" in the Appendices to the CMR.

Responsibilities of the Directors

The preparation and content of the Cellnex Telecom CMR is the responsibility of the Board of Directors of Cellnex. The CMR was prepared in accordance with GRI standards in their core option, and with the standards established in the AA1000AP Assurance Standard issued by AccountAbility. The NFIS included in the CMR was prepared in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI standards, as well as other criteria described as indicated for each matter in the table of "Non-financial Information Table" in the Appendices to the CMR.

These responsibilities of the Board of Directors also include the design, implementation and maintenance of such internal control as is determined to be necessary to enable the CMR and the NFIS to be free from material misstatement, whether due to fraud or error.

The directors of Cellnex are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the CMR and the NFIS is obtained.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement team consisted of professionals who are experts in reviews of non-financial information and, specifically, in information about economic, social and environmental performance.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed.

We conducted our review in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information, currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines published by the Spanish Institute of Certified Public Accountants on attestation engagements on regarding non-financial information statements. Also, we have applied AccountAbility's AA1000 Assurance Standard (2008) (AA1000AS) to provide moderate assurance on the application of the principles established in standard AA100AP and on the sustainability performance indicators (type 2 moderate assurance).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement and, consequently, the level of assurance provided is also substantially lower.

Our work consisted in requesting information from management and the various units of Cellnex that participated in the preparation of the CMR, which includes the NFIS, reviewing the processes used to compile and validate the information presented in the CMR, and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Cellnex personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external verification.
- Analysis of the scope, relevance and completeness of the contents included in the CMR based on the materiality analysis performed by Cellnex and described in the "Bases for the preparation of the report" section of chapter 6 of the CMR, also taking into account the contents required under current Spanish corporate legislation.
- Analysis of the processes used to compile and validate the data presented in the 2018 CMR.
- Review of the information relating to risks and the policies and management approaches applied in relation to the material matters described in the "Bases for the preparation of the report" section of chapter 6 of the CMR.
- Verification, by means of sample-based review tests, of the information relating to the contents identified in the "GRI Table" and the table of "Non-financial Information Table" in the Appendices to the CMR, and the appropriate compilation thereof based on the data furnished by Cellnex's information sources.
- Obtainment of a representation letter from the directors and management.

Conclusion

Based on the procedures performed and the evidence obtained no matter has come to our attention that causes us to believe that:

- A) The NFIS included in the 2018 CMR of Cellnex was not prepared, in all material respects, including the adequacy of the contents revised detailed in the "GRI Table", in accordance with GRI standards in their core version.
- B) Cellnex's NFIS for the year ended 31 December 2018 was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and in keeping with the criteria of the selected GRI standards, as well as other criteria described as indicated for each matter in the table of "Non-financial Information Table" in the Appendices to the CMR.
- C) Cellnex did not apply in the preparation of the CMR the principles of inclusivity, materiality and responsiveness as described in the Appendices to the IAR, in accordance with AA1000 APS (2008), namely:
 - Inclusivity: Cellnex has developed a stakeholder participation process, enabling stakeholders to be considered in the development of a responsible approach.
 - Materiality: the materiality determination process is geared towards identifying and understanding the issues that are material or significant for Cellnex and its stakeholders.

- Responsiveness: Cellnex responds, through specific actions and commitments, to the material issues identified.

Additional information

Pursuant to the provisions of the AA1000AS 2008 Standard, we presented to management of Cellnex our recommendations relating to the areas for improvement in management and non-financial information and, specifically, to the application of the principles of inclusivity, materiality and responsiveness. Following is a summary of the most significant observations and recommendations, which do not modify the conclusions expressed in this report.

Inclusivity and materiality

In 2018, Cellnex has updated its materiality study, following the standards established in the AA1000, supported by various analyses and consultations with certain stakeholders. In order to improve, it would be advisable to continue deepening the consultations with the rest of the stakeholders involved in the current business value chain.

Responsiveness

In 2018, Cellnex has continued to make progress in achieving the objectives defined in its 2016-2020 Corporate Social Responsibility Master Plan, which constitutes the reference framework for the objectives and actions and programs for each of the Plan's axes in the business units in Spain. As a result of the Group's international expansion in Italy, France, the United Kingdom, the Netherlands and Switzerland, it would be convenient to extend and adapt the Plan to all business units in order to ensure compliance with the Corporate Social Responsibility policy in an integral manner.

Cellnex has continued working in the integration of new businesses to the perimeter of non-financial information reporting. In 2019, it would be advisable to include new indicators that provide information, not only of the corporate responsibility actions developed, but also of the actual impact of these actions on business.

DELOITTE, S.L.

21 February 2019



Annex 7. Corporate Carbon Footprint Certification

Certificate

Standard **UNE-ISO 14064-1:2012 Greenhouse gases. Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals.**

Certificate Registr. No. 00/160069

Certificate Owner: TÜV Rheinland Ibérica Inspection, Certification & Testing S.A. certify:
CELLNEX TELECOM, S.A.
C/ Juan Esplandiú, 11-13
28007 Madrid
Spain

Scope: Independent infrastructure operator for wireless telecommunication in Europe.

Audit date: An audit was performed, Report No. 00/160069. Proof has been furnished that the requirements according to UNE-ISO 14064-1:2012 are fulfilled.

Validated inventory: 2018

First validated inventory: 2018

The certificate is valid from 2019-02-08 until 2020-02-07.

2019-02-08 TÜV Rheinland Ibérica Inspection, Certification & Testing S.A.
Garrotxa, 10-12 – E-08820 El Prat de Llobregat

Certificate

Standard **UNE-ISO 14064-3:2012. Greenhouse gases.
Part 3: Specification with guidance for the
validation and verification of declarations on
greenhouse gases.**

Certificate Registr. No. 00/160069

Certificate Owner: TÜV Rheinland Ibérica Inspection, Certification & Testing S.A.
certify:
CELLNEX TELECOM, S.A.
C/ Juan Esplandiú, 11-13
28007 Madrid
Spain

Scope: Independent infrastructure operator for wireless
telecommunication in Europe.

An audit was performed, Report No. 00/160069.
Proof has been furnished that the requirements
according to UNE-ISO 14064-3:2012 are fulfilled.

Audit date: Audit was performed from 2019-01-14 until 2019-01-15.

Validated inventory: 2018

First validated
inventory: 2018

The certificate is valid from 2019-02-08 until 2020-02-07.



2019-02-08 TÜV Rheinland Ibérica Inspection, Certification & Testing S.A.
Garrotxa, 10-12 – E-08820 El Prat de Llobregat

Annex 8. ANNUAL GOVERNANCE REPORT

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.

ANNEX I TEMPLATE

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

ISSUER IDENTIFICATION

YEAR- END DATE

2018

Tax Identification No.

[C.I.F.] A-64907306

Company Name:

CELLNEX TELECOM, S.A.

Registered Office:

JUAN ESPLANDIÚ STREET 11-13, 28007 MADRID

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

A CAPITAL STRUCTURE

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

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

Remarks

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

Yes No

Class	Number of shares	Par value	Number of votes	Associated rights

Remarks

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

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

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

Remarks

Breakdown of the indirect holding

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

Remarks

State the most significant shareholder structure changes during the year:

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

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

Most significant movements

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

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

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

Breakdown of the indirect holding:

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

Remarks

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

Name of related Party	Nature of relationship	Brief description

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

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

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

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

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

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

Remarks

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

Yes

No

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

Remarks

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

Yes

No

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

Remarks

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

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

Yes

No

Name of individual or company

Remarks

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

At the close of the year:

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

Remarks

(*) through:

Name of direct shareholder	Number of direct shares
Total:	

Remarks

Explain any significant changes during the year:

Explain significant changes

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

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

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

1. Modalities: Acquisition may be by way of sale, exchange, donation, allocation or dation in payment, and in general, any other form of acquisition for valuable consideration of outstanding and fully paid shares permitted by Law.
2. Maximum number of shares acquirable: Up to the legal limit of ten percent (10%) of the share capital or higher as permitted by Law.
3. Maximum and minimum prices: The price or consideration will range from a minimum equivalent to their nominal value and a maximum equivalent to the higher of (i) 110% of the share price of the shares of the Company in the Continuous Market at the time of acquisition or, if the acquisition is executed outside the working hours of the Continuous Market, the closing price of the last trading session before the acquisition; and (ii) the one that results from increasing by a 10% the maximum stock exchange price of the three months before the acquisition takes place.
4. Duration of authorization: The period of validity of the authorization shall be five years from the date of this agreement.

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

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

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

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

A.11 Estimated working capital:

	%
Estimated working capital	51.75

Remarks

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

Yes No

Description of restrictions

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

Yes No

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

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

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

Yes No

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

List each type of share

B GENERAL SHAREHOLDERS' MEETING

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

Yes No

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

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

Description of differences

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

Yes

No

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

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

Describe the differences

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

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

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

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

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

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

Yes No

Points on agenda not approved	% votes against (*)

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

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

Yes No

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

Remarks

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

Yes No

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

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

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

C.1 Board of Directors

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

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

Remarks

C.1.2 Please complete the following table on directors:

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

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

Total number of directors	12
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State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

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

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

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

EXECUTIVE DIRECTORS

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

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Total number of executive directors	1
Percentage of Board	8.33%

Remarks

PROPRIETARY DIRECTORS

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

		<p>GSMA he chaired the Regulatory Group and he was member of the Strategy Group and the Finance Group. Till 2016 he was also a director of Fondazione Telecom Italia, Fondazione Bocconi and the European Institute of Oncology and has worked with various universities in Italy and the USA.</p> <p>In January 2017 he became CEO of Edizione S.r.l., the Benetton family holding company. Is director of Atlantia S.p.A., Autogrill S.p.A., AC Milan S.p.A., Benetton Group Srl and the other companies forming part of the Edizione Group: Sintonia, Connect, Schema 33, Edizione Property.</p> <p>He graduated in business economics at Università Bocconi, Milan, and did post-graduate studies in Europe and the United States.</p>
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MR CARLO BERTAZZO	CONNECT S.p.A.	<p>Is the General Manager of Edizione Srl, the Benetton family holding company. He is also Director of other companies forming part of the Edizione Group: Sintonia (CEO), Connect, Schema 33. In addition he is board member of Abertis Infraestructuras, Atlantia and Aeroporti di Roma. He has been in Edizione since 1994 and has played a key role in the diversification process of the Group over the years, managing the acquisitions of Autogrill and Generali Supermercati (1995), Atlantia (2000), a stake in Telecom Italia (2001) and Gemina (2005), now called Aeroporti di Roma, merged into Atlantia. He also contributed in the development of the partnerships that Edizione over time built with Italian and</p>
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		<p>international investors.</p> <p>He has had an active role in the management of the investments of Edizione, covering also an operating position as the CEO of the listed company Gemina (2011-2013), and being a board member of several companies including TIM and Telecom Italia Media. He also ran the key disposals of the Group, such as the sale of Generale Supermercati to Carrefour (2000) and of World Duty Free to Dufry (2015). Previously to joining Edizione, he had worked in the financial sector (Banca Commerciale Italiana, now Banca Intesa) and in the investment department of the Agnelli family holding company.</p> <p>He holds a degree in Business and Administration <i>Magna cum Laude</i> from Ca' Foscari</p>
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		University in Venice.
MS ELISABETTA DE BERNARDI DI VALSERRA	CONNECT S.p.A.	<p>Is the Investment Director in Edizione Srl since 2015. She is also Director of other companies forming part of the Edizione Group: Connect (CEO), Sintonia. In addition she is Board Member of Atlantia and Getlink.</p> <p>She started her career in Morgan Stanley (2000) in the investment banking team, where she worked in the <i>Communications & Media</i> team in London and then in the corporate finance team in Milan, where she remained until 2013 as Executive Director.</p> <p>In Morgan Stanley, she advised on several transactions, including M&A, equity and debt transactions. Between 2013 and 2015, she has been a partner of Space Holding, launching and placing on the</p>

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

		<p>managing its existing portfolio of infrastructure investments, as well as working with team members to originate and execute on new transactions. He is also Director of other companies forming part of the ADIA Group: Gatwick Airport, Open Grid Europe, Global Infrastructure Investors Association. In addition he is Director of Abu Dhabi Power Company, Ploytech Pty and Emirates Water and Electricity Company.</p> <p>Previously, he served as a Managing Director and Global Head of RREEF Infrastructure at Deutsche Bank since 2005. Prior to that, he was Global Head of Infrastructure Capital and Structured Capital Markets at ABN Amro Bank. Mr. McCarthy began his career in the infrastructure sector in 1990</p>
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		<p>at BZW in Australia, where he rose to Head of Infrastructure.</p> <p>He holds a Post Graduate degree in Finance and a Bachelor of Economics, both from Monash University in Melbourne, Australia.</p>
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Total number of proprietary directors	4
Percentage of the Board	33.33

Remarks

INDEPENDENT DIRECTORS

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

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

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

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

Number of independent directors	7
Percentage of the Board	58.33

Remarks

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

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

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

OTHER EXTERNAL DIRECTORS

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

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

Total number of other external directors	
Percentage of the Board	

Remarks

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

Name of director	Date of change	Previous Status	Current status

Remarks

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

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

Remarks

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

Yes

No

Partial policies

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

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

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

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

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

3. Conditions to be met by candidates.

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

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

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

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

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

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

5. Help from External advisors.

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

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

6. Special reference to gender diversity.

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

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

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

7. Verification of compliance with this Policy.

On an annual basis, the Appointments and Remuneration Committee shall check compliance with this board member Selection Policy and report its conclusions to the Board of Directors.

Specific measures adopted by the board of directors and the nominations and remuneration committee to achieve a balanced and diverse presence of directors.

- C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:

Explanation of means
The measures involved hiring a prestigious headhunter to select the candidates, preferably women, with the aim of achieving a balanced presence.

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

Explanation of means

- C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

As a result of the Board restructuring in 2018, including the increase in the number of members, the number of female directors is now higher than 30%.

- C.1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name of shareholder	Reason

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes No

Name of shareholder	Explanation

- C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name of director	Brief description
MR TOBÍAS MARTÍNEZ GIMENO	The CEO, who has all the delegable powers of representation, management and disposition, except those that cannot be delegated by law or the Company By-laws.

- C.1.10 Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Name of director	Name of group member	Position	Does the director have executive powers?
MR TOBÍAS MARTINEZ GIMENO	TRADIA TELECOM, S.A.U.	JOINT AND SEVERAL DIRECTOR	YES
MR TOBÍAS MARTINEZ GIMENO	RETEVISION I, S.A.U.	JOINT AND SEVERAL DIRECTOR	YES
MR TOBÍAS MARTINEZ GIMENO	ON TOWER TELECOM INFRAESTRUCTURAS, S.A.U.	JOINT AND SEVERAL DIRECTOR	YES
MR TOBÍAS MARTINEZ GIMENO	CELLNEX TELECOM ESPAÑA, S.L.U.	JOINT AND SEVERAL DIRECTOR	YES

Remarks

- C.1.11 List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Position
MS ANNE BOUVEROT	CAPGEMINI	DIRECTOR
MS ANNE BOUVEROT	EDENRED	DIRECTOR
MR CARLO BERTAZZO	ATLANTIA S.p.A.	DIRECTOR
BERTRAND BOUDEWIJN KAN	SÍMINN HF	PRESIDENT
MS ELISABETTA DE BERNARDI DI VALSERRA	ATLANTIA S.p.A.	DIRECTOR
MS ELISABETTA DE BERNARDI DI VALSERRA	GETLINK SE	DIRECTOR

Remarks

- C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes

No

Explanation of the rules and identification of the document where this is regulated
<p>On 28 June 2018, the Board of Directors of Cellnex Telecom, S.A. resolved to amend the Board Regulations, whereby, among other resolutions, it completed the second paragraph of its article 26, which stated that "The directors must show proper dedication and will adopt the measures required for the sound management and control of the Company in the performance of their duties", with the following wording: "For this purpose, the directors of the Company may not sit on more than four boards of other listed companies other than the Company. For purposes of this rule, all the boards of companies that are part of the same group will be counted as a single board and the following will not be counted: (i) boards of holding companies or companies that may constitute vehicles or supplements for the professional exercise of the director, his or her spouse or person with a similar sentimental relationship or their closest family members, (ii) boards on which the director sits as a proprietary director at the proposal of the Company or any company pertaining to its group, and (iii) the boards of companies whose purpose is supplementary or accessory to another activity that, for the Company director may entail an activity related to leisure, assistance or aid to third parties or of any other kind that does not imply true dedication to a commercial business."</p>

- C.1.13 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousand euros)	4,062
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Amount of vested pension interests for current members (thousand euros)	650
Amount of vested pension interests for former members (thousand euros)	0

Remarks

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name	Position
MR LLUÍS DEULOFEU FUGUET	Deputy CEO
MR JOSE MANUEL AISA MANCHO	Finance and Corporate Development Manager
MR ANTONI BRUNET MAURI	Public Affairs and Corporate Manager
MS MARIA ROSA PIÑOL RAURICH	Resource and Transformation Manager (until 31/07/2018)
MR ALBERTO LOPEZ PRIOR	Resource and Transformation Manager (since 01/08/2018)
MR JAVIER MARTI DE VESES ESTADES	General and Corporate Secretary
MR ALEXANDRE MESTRE MOLINS	Business and Sales Development Manager
MR DANIEL FERNÁNDEZ CAPO	Global Operations Manager

Total senior management remuneration (thousand euros)	5,779
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The difference in relation the amount that appears in the annual accounts is because in the ACGR we also add the remuneration of the internal auditor.

C.1.15 State whether the Board rules were amended during the year:

Yes

No

Description of amendment

The amendments to the Regulations were aimed at including some recommendations stated in the Code of Good Governance and materialise the proposals made by the external consultant that carried out the annual Board performance assessment for 2017. They basically consist of:

- Regulating the functions of the coordinating director.
- Limiting the number of boards on which the director can sit (4).
- Detailing the ACC's functions with respect to the external auditor under the terms set out in the Code of Good Governance.
- Limiting the cases in which an independent director's removal can be proposed to those envisaged in the Code of Good Governance.
- Providing the directors with the possibility of proposing other items on the agenda that were initially not envisaged.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

The procedures for the selection, appointment, re-election, assessment and removal of directors are

detailed in Sections 18 to 21 of the Board of Directors' Regulations.

NOTE OF CLARTIFICATION AP. D.2.

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of changes
<p>As a result of the assessment made by an external advisor for 2017, the following actions were carried out in 2018:</p> <ul style="list-style-type: none"> - Women joined the Board. - The Board of Director's Regulations were amended to include the proposals made by the external advisor. - A new organisational chart was approved, depending on the internal audit of the Audit and Control Committee.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas
<p>At the end of 2018, the Board self-assessed its performance through a complete questionnaire comprising several blocks of questions: (i) Board composition; (ii) Board functioning; (iii) Board Chairperson; (iv) Board Secretary; (v) Board Committees; (vi) assessment of the chief executive and relationship with the senior management; (vii) the Board's alignment and</p>

commitment to the strategic objectives; and (viii) overall assessment of the Board. The questionnaire was answered by all the directors.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

The assessment by the external consultant was made in 2017. No business relationships have taken place with that consultant.

C.1.19 State the situations in which directors are required to resign.

1. Directors will resign their positions when they have completed the period for which they were appointed and when decided on by the General Meeting under the powers legally or statutorily vested therein.

2. Directors will have to make their positions available to the Board of Directors and, if considered appropriate, formalise the corresponding resignation in the following cases:

- a) When they cease to hold the executive posts linked to their appointment as a director. As regards independent directors, when they complete twelve (12) years in the position.
- b) When they find themselves in a situation of conflict of interests or a prohibited situation as provided for by law.
- c) When they have been prosecuted for an allegedly criminal act or are subject to a disciplinary measure due to (gross) misconduct brought by the supervisory authorities.
- d) When their continued membership of the Board could put the Company's interests in jeopardy and when the reasons for their appointment no longer exist. This last circumstance will be understood as occurring with regard to a director representing substantial shareholders when the full shareholding of which s/he is the owner or whose interests s/he represents have been disposed of and also when the reduction of their shareholding requires the consequent reduction of the directors representing substantial shareholders.

3. Executive directors must make their positions available to the Board once they have reached seventy years of age and the latter must decide whether they will continue exercising their executive or managerial functions or remain simply as a director.

4. In the event that, due to resignation or for any other reason, a director were to cease in his or her office prior to the end of his or her mandate, the reasons therefor shall be explained in a letter sent to all the members of the Board. Without prejudice to the timely communication of the cessation as a relevant event, the Board will give account of the cessation in the Annual Corporate Governance Report.

5. The Board of Directors may only propose the cessation of an independent director before the end of the statutory period when there is just cause, as appreciated by the Board following a report by the Appointments and Remuneration Committee. In particular, just cause will be deemed to exist when the director goes on to hold new offices or undertakes new duties that prevent him or her from devoting the necessary time to the tasks inherent in the role of director, fails to perform the duties inherent to his or her office or is involved in any of the circumstances that might cause him or her to lose his or her status of independent director, in accordance with the provisions of the applicable legislation. Such removal may also be proposed as a result of public offerings of acquisition, mergers or other

similar corporate transactions that entail a change in the structure of the share capital of the Company, when such changes in the structure of the Board are brought about by the criterion of proportionality.

C.1.20 Are qualified majorities other than those established by law required for any specific decision?

Yes No

If so, please describe any differences.

Description of differences

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.

Yes No

Description of requirements

C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

Yes No

	Age limit
Chairman	N.A.
CEO	70
Directors	N.A.

Remarks

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law:

Yes No

Additional requirements and/or maximum number of term limits	

C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. If so, please briefly describe the rules.

Section 23(a) of the Bylaws state that any director may confer representation to another director in writing, by fax, email or any other similar method. Nonexecutive directors may only confer representation to another non-executive director.

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	13
Number of Board meetings without the chairman	

Remarks

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	
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Remarks

Please specify the number of meetings held by each committee of the Board during the year:

Number of meetings held by the Executive Committee	
Number of meetings held by the Audit Committee	9
Number of Meetings held by the Appointments and Remuneration Committee	9
Number of meetings held by the Appointments Committee	
Number of meetings held by the Remuneration Committee	
Number of meetings held by the _____ Committee	

Remarks

C.1.26 State the number of meetings held by the Board of Directors during the year in which all of its directors were present. For the purposes of this section, proxies given with specific instructions should be considered as attendance

Number of meetings when all directors attended	13
% of attendance over total votes during the year	97.90
Number of meetings in situ or representations made with specific instructions of all directors	10
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	97.90

Remarks

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

Yes No

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

Name	Position
MR JOSÉ MANUEL AISA MANCHO	Corporate Finance & M&A Manager
MR TOBIÁS MARTÍNEZ GIMENO	CEO
MR JAVIER MARTÍ DE VESES ESTADES	General and Corporate Secretary

Remarks

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

In accordance with section 39.3 of the Board Regulations, the Board of Directors shall procure to definitively drawn up the annual accounts in a way that the auditor cannot oppose exceptions. However, when the Board considers that it shall maintain its approach, it shall explain publicly the content and scope of the discrepancy. The duties of the Audit and Control Committee (section 15.2(c) of the Board Regulations) include supervising the process of preparing and presenting the compulsory financial information as well as the integrity thereof.

The Audit and Control Committee holds regular meetings with the Company's external auditors to avoid discrepancies in the criteria to be followed in preparing the annual financial statements.

C.1.29 Is the secretary of the Board also a director?

Yes No

If the secretary is not a director, please complete the following table:

Name of the secretary	Representative

MR JAVIER MARTÍ DE VESES ESTADES	
Remarks	

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

One of the duties of the Audit and Control Committee (section 15(b) of the Board Regulations) is to propose to the Board of Directors, so that it may submit them to the General Shareholder's Meeting, the proposals for selection, appointment, re-election and replacement of the external accounts auditor or auditing firm, the contracting terms, the scope of their professional mandate and, as the case may be, the revocation or non-renewal thereof, all in accordance with the current legislation, as well as to regularly collect from them information about the audit plan and its implementation, and to preserve its independence in the exercise of its duties.

Another function (section 15.2(d) of the same Regulations), is to establish the appropriate relations with the external accounts auditors or auditing firms in order to receive information on issues that may jeopardize the independence of the same, to be studied by the Committee, and any other information relative to the auditing of the accounts, as well as any other notifications envisaged in the legislation and regulations concerning the auditing of accounts. In all cases, they must receive on an annual basis from the external accounts auditors or auditing firms written confirmation of their independence with regard to the company or any organisations directly or indirectly related to the same, in addition to information regarding any additional services of any kind provided to and the pertinent fees received from these organisations by said auditors or auditing firms, or by persons or organisations related to the same in accordance with the provisions established in the applicable legislation on account auditing.

Additionally, another function of the Audit and Control Committee (section 15.2 ap. e) of the Board Regulations) is to issue annually, prior to the issuance of the auditors' report on the annual accounts, a report which shall express an opinion on the independence of the auditors or audit companies. This report shall contain, in any event, a valuation of the additional services provided referred to in the previous section, individually considered and as a whole, which are different from the legal audit and details in relation with the independent regime or the audit governing regulations.

In accordance with legal requirements, the Company's annual financial statements detail the fees paid to the Company's external auditor for all audit and non-audit services rendered.

The Company's governing bodies pay particular attention to ensuring the independence of financial analysts, investment banks and rating agencies.

In 2018, the Audit and Control Committee duly complied with the Board of Director's Regulations regarding the external auditors aimed at maintaining their independence, as stated in the preceding paragraphs.

C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

Yes

No

Outgoing auditor	Incoming auditor

Remarks

If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes

No

Explanation of disagreements

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

Yes

No

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	601	165	766
Amount invoiced for non-audit services/Amount for audit work (in %)	73.65	27.59	54.17

Remarks

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

Yes

No

Explanation of reasons

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group.

Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	6	6

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	100.00	100.00

Remarks

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

Yes

No

Explanation of procedure
<p>Pursuant to section 22 of the Board of Directors' Regulation, the agenda of Board meetings will clearly indicate any points regarding which the Board of Directors must take adopt decision or a resolution so that the directors may examine or gather, in advance, the information required for the adoption thereof. All information referring to the proposals to be presented to directors will be available to them forty-eight (48) hours in advance.</p> <p>The advance information sent to directors during the financial year 2018 was generally sent to the directors one week in advance of the meetings.</p>

C.1.36 State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

Yes

No

Explain the rules
<p>Directors must tender their resignation to the Board and, if the Board of Directors considers it appropriate, formally resign (section 21 of the Board Regulations) in the following cases:</p> <ul style="list-style-type: none"> - When they find themselves in a situation of conflict of interests or a prohibited situation as provided for by law; - When they are prosecuted for an alleged criminal act or are subject to disciplinary proceedings for serious or very serious misconduct instituted by the supervisory authorities;

- When their continued presence on the Board may jeopardize the Company's interests or when the reasons for which they were appointed cease to exist. The above circumstance shall be deemed to occur in the case of proprietary directors when the total shareholding they own or whose interests they represent is disposed of or when the reduction of such shareholding requires a reduction in the number of relevant proprietary directors.

C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

Yes

No

Name of director	Criminal charge	Remarks

State whether the Board of Directors has examined the case. If so, explain in detail the decision taken as to whether the director in question should continue in his or her post or, if applicable, describe any actions taken by the Board up to the date of this report, or which it intends to take.

Yes

No

Decision/Action taken	Explanation

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

Debentures and other loans

The terms and conditions of the bonds include a clause on change of control (at the option of the bondholders), which implies an early redemption.

Regarding the bonds issued under the EMTN Programme, the put option can only be activated if a change of control takes place and the credit rating is lowered due to a change of control (as defined in the terms and conditions of the EMTN Programme). Regarding the convertible bonds, the put option can only be activated if a change of control takes place or if an event which triggers the offer takes place (as defined in the terms and conditions of the convertible bonds).

In both clauses, a change of control is defined as the acquisition of over 50% of the voting rights of the parent company or the right to appoint or remove all or most of the Board members of the parent company.

Loans and credit policies

The syndicated financing includes a clause on early termination due to a change of control. Regarding the syndicated financing arranged by Cellnex Telecom, S.A., the triggering event is at the parent company level and, for the syndicated

financing formalised through Cellnex Switzerland, the triggering event is at the level of that company and its subsidiary, Swiss Towers. In both cases, the change of control event is activated when a third party, on its own or with others, acquires 50% of the shares with voting rights or obtains the right to appoint or remove most of the Board members of the relevant company.

Acquisition of infrastructure

Regarding the Group's infrastructure acquired by the mobile telecommunications operators, the agreements signed with the sellers include the change of control events which establish that, if the seller's competitor becomes a controlling shareholder at the relevant company (where the control is defined as (i) more than 50% of the shares with voting rights or (ii) the right to appoint or remove most of the Board members), the seller is entitled to repurchase that infrastructure. Moreover, that repurchase right can also be granted if the seller's competitor acquires a significant part of the shares or obtains voting or governing rights which can be exercised in a way that can negatively affect the seller's interests. The change of control events can be activated by both Cellnex Telecom and at Group company level.

C.1.39 Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of beneficiaries 2	
Type of beneficiary CEO and Senior Management	Description of agreement

The executives have signed agreements with the company that contain compensation clauses.

In general terms, the contracts' compensation clause provides for the payment of compensation to the executive in the event of unfair dismissal. The compensation is the greatest of the following amounts:

- a) compensation equivalent to one year's salary, taking into consideration the annual gross fixed remuneration in cash received at the time the employment relationship is terminated, as well as the annual gross variable remuneration received by the executive in the 12 months immediately before the effective cessation of the provision of their services; or b) the compensation established by current employment legislation.

In the case of the Chief Executive Officer and other members of senior management, the compensation clause in the contracts provides for the payment of compensation in favour of the executive in the event of (i) unfair dismissal or (ii) unilateral termination of the contract by the manager due to serious breach by the company of the obligations set out in the contract, substantial modification of their duties without consent, change in control of the company in the sense provided for in Section 42 of the Commercial Code and similar circumstances.

For the Chief Executive Officer the compensation would consist of two years' fixed and variable remuneration.

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses	YES	

	YES	NO
Are these clauses notified to the General Shareholders' Meeting?		X

Remarks
After a report from the Nominations and Remuneration Committee, the Board approved the essential conditions for Senior Management.

C.2 Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

EXECUTIVE COMMITTEE

Name	Post	Category

% of executive directors	
% of proprietary directors	
% of independent directors	
% of external directors	

Remarks

Explain the duties exercised by this committee, other than those that have already been described in Section C.1.10, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

AUDIT COMMITTEE

Name	Post	Category
MR LEONARD PETER SHORE	MEMBER	INDEPENDENT
MR BERTRAND BOUDEWIJN KAN PETER SHORE	PRESIDENT	INDEPENDENT
MS ELISABETTA DE BERNARDI DI VALSERRA	MEMBER	PROPRIETARY
MS ANNE BOUVEROT	MEMBER	INDEPENDENT

% of proprietary directors	25.00
% of independent directors	75.00
% of external directors	

Remarks

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

NOTE OF CLARIFICATION AP. C.2.1.

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Name of directors with experience	MR BERTRAND BOUDEWIJN KAN MS ELISABETTA DE BERNARDI DI VALSERRA
Date of appointment of the chairperson	16/02/2017

Remarks

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Post	Category
MR GIAMPAOLO ZAMBELETTI ROSSI	CHAIRMAN	INDEPENDENT
MR PIERRE BLAYAU	MEMBER	INDEPENDENT
MR JOHN BENEDICT MCCARTHY	MEMBER	PROPRIETARY
MS MARIETA DEL RIVERO BERMEJO	MEMBER	INDEPENDENT
MS MARÍA LUISA GUIJARRO PIÑAL	MEMBER	INDEPENDENT

% of proprietary directors	20%
% of independent directors	80%
% of external directors	
Remarks	

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

NOTE OF CLARIFICATION AP. C.2.1.

APPOINTMENTS COMMITTEE

Name	Post	Category

% of proprietary directors	
% of independent directors	
% of external directors	

Remarks

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

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REMUNERATION COMMITTEE

Name	Post	Category

% of proprietary directors	
% of independent directors	
% of external directors	

Remarks

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

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COMMITTEE

Name	Post	Category

% of executive directors	
% of proprietary directors	
% of independent directors	
% of other external directors	

Remarks

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

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C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors			
	Year t	Year t-1	Year t-2	Year t-3
	2018 Number %	2017 Number %	2016 Number %	2015 Number %
Executive committee				
Audit committee	2 - 50.00%	0.00%	0.00%	0.00%
Appointments and remuneration committee	2 - 40.00%	1 - 25.00%	0.00%	0.00%
Appointments committee				
Remuneration committee				
_____ committee				

Remarks

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

The Board Committees do not have their own regulations and their functioning is regulated by the Board of Directors' Regulations, which are available on the company's website.

Each of these committees has drawn up an activity report for 2018, which is available on the company's website.

D RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure for approval of related-party and intragroup transactions.

Pursuant to Section 4 of the Board of Directors' Regulations, the board will have the authority to approve operations which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto, except when these fulfil the three following conditions:

- 1) They are carried out by virtue of contracts, the conditions of which are standardized and apply in masse to most customers.
- 2) They go through at market prices, generally set by the person supplying the goods or services.
- 3) Their amount is no more than 1% of the group's annual revenues.

Furthermore, section 33 of the mentioned regulations establishes that:

The Board of Directors formally reserves the right to know about any important transaction by the company with a significant shareholder.

With regard to ordinary transactions, the general authorization for the line of operations and their conditions of execution will suffice.

D.2 Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
ABERTRIS INFRAESTRUC TURAS, S.A.	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	3,533
CONNECT	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	3,706
BLACKROCK, INC.	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	1,453
THREADNEEDLE ASSET MANAGEMENT LTD	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	1,211
CRITERIA CAIXA, S.A.U.	CELLNEX TELECOM, S.A.	CONTRACTUAL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	1,453

Remarks

D.3 Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name of director or manager	Name of the related party	Relationship	Type of transaction	Amount (thousand euros)

Remarks

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)

Remarks
At 31 December 2018 and 31 December 2017, the Cellnex Group did not maintain any assets or liabilities of a large amount with associates.
Moreover, no transactions of a large amount were made with associates in 2018 and 2017.

D.5 State the amount of any transactions conducted with other related parties that have not been reported in the previous sections.

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
Atlantia	Agreement whereby the Group can locate certain assets to provide telecoms infrastructure services to Italian toll roads under concession to Atlantia until 2038.	(1,847)
Hispasat, S.A.	Leasing of certain satellite transponder capacity	(7,057)

Remarks
In addition to the contracts stated above, no transactions of a large amount were made with related parties in the year ending 31 December 2018 and 2017.

D.6 Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

In accordance with the Board of Directors' Regulations, directors and executives must report any conflicts of interest and abstain from participating or influencing the decision-making process on matters affected by the conflict. Directors (section 27 c) of the Board Regulations) must abstain from participating in discussions and votes regarding resolutions or decisions in which they or a related person has a direct or indirect conflict of interest. Resolutions or decisions that affect their status as directors, such as their appointment to or removal from positions in the governing body or other similar decisions, shall be excluded from the aforementioned obligation to abstain.

Additionally, Directors (section 27 (e) of the same Regulations) must adopt the necessary measures to avoid situations in which their interests, whether for their own account or for others, may conflict with the company's interests and their duties towards the company. The foregoing excludes the cases in which the company has provided its consent, pursuant to the terms set forth in section 230 of the Spanish Limited Liability Companies Law.

Directors (section 28 of the same Regulations) must advise the Board of Directors of any direct or indirect conflict that they or people related to them might have with the Company's interests. The director concerned will refrain from taking part in resolutions or decisions related to the operation to which the conflict refers. The votes of the directors affected by the conflict and who must abstain, will be deducted for the purposes of calculating the majority of votes needed. In particular, the duty to avoid conflicts of interest obliges directors to refrain from:

- a) Carrying out transactions with the company, except when these are ordinary operations, carried out under standard conditions for customers, and are of little importance, understood as those operations whose information is not required to convey a faithful image of the entity's assets, financial situation and results.
- b) Using the company's name or their status of director to unduly influence the conduct of private operations.
- c) Using the company's assets, including its confidential information, for private purposes.
- d) Taking advantage of the company's business opportunities.
- e) Obtaining benefits or payments associated with the performance of their position from third parties other than the company or its Group, unless they are acts of mere courtesy.
- f) Carrying out activities, for their own account or for others, that cause them to be in effective competition, whether real or potential, with the company or which, in any other way, cause a permanent conflict with the company's interests.

In July 2016 Cellnex's Board of Directors approved a new Internal Code of Conduct (ICC) adapted to the requirements of the European Regulation on market abuse. With regard to conflicts of interest, the ICC establishes:

Principles of action

In any situation involving a "Conflict of Interest" (being a clash between the interests of the Company and the personal interests of the Affected Person), Affected Persons shall act in accordance with the following principles:

(i) Independence.
They must act at all times with loyalty to the Company, irrespective of their own interests or those of third parties.

(ii) Abstention.
They must refrain from intervening or influencing in the taking of decisions concerning matters affected by the conflict.

(iii) Confidentiality.
They shall refrain from accessing confidential information which may have a bearing on the aforesaid conflict.

Notification of Conflicts of Interest
Affected Persons shall notify the General Secretary's Office of any possible Conflicts of Interest to which they are subject by their family relationships, their personal holdings, their activities outside the Company, or on any other grounds.
It shall be considered that there is no Conflict of Interests owing to family relationships when said relationship is beyond the fourth degree of consanguinity or the second degree of affinity.

It shall be considered that there is a possible Conflict of Interests derived from personal holdings when said holdings arise in relation to a company in which the Affected Person holds a management post or has a significant stake (which is understood to mean a total stake, direct or indirect, in excess of twenty per cent of its total issued share capital).

Affected Persons must ensure that the information is kept up to date, reporting any modification to or termination of previously communicated situations, as well as the emergence of any new possible Conflicts of Interest.

Communications must be issued without delay once the current or possible situation of Conflict of Interest is recognised, prior to taking any decision which may be affected by the possible Conflict of Interest.

Members of the Board of Directors
Members of the Board of Directors In addition to the foregoing, the members of the Company's Board of Directors shall be subject to the provisions of the applicable corporate regulations and internal Company's rules.

D.7 Is there more than one company in the group listed in Spain?

Yes

No

Identify the other companies that are listed in Spain and their relationship to the company:

Identity and relationship with other listed group companies

State if the respective areas of activity and business relationships between the listed companies have been defined publicly and precisely, as well as between the subsidiary and other members of the group;

Yes

No

Describe the business relationship between the parent and subsidiary listed companies as well as between the subsidiary and other members of the group

Identify measures taken to resolve potential conflicts of interest between the listed subsidiary and the other group companies:

Measures taken to resolve potential conflicts of interest

E RISK MANAGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

The Risk Management System works in a comprehensive and continuous way, consolidating by subsidiary / geographical area and by support area at corporate level.

The risk management model implemented has been approved and is monitored by the Audit and Control Committee, and is applicable to all business and corporate units in countries where the Cellnex Group operates.

To identify the risks, defined guidelines approved by the Audit and Control Committee are in place. Each corporate area is responsible for identifying, assessing and monitoring the inherent and residual risks, and supervising and implementing control measures to mitigate such risks.

The risk map is approved and reviewed by the Audit and Control Committee, which informs the Board of Directors and is cross-checked and implemented by the Management Committee.

E.2 Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

The following bodies are responsible for defining, executing and monitoring the risk management system:

- The Board of Directors: the highest body responsible for defining the risk control strategy and policy.
- The Audit and Control Committee: Designated as such by the Board of Directors, its role is to monitor the effectiveness of the risk management model and the information supplied to third parties regarding the system, making sure that the risk management system is able to identify, manage, prioritize, control, monitor and provide complete information on risks.
- Risk Control: is responsible for preparing and updating risk management policies, setting out mechanisms and methodologies to identify and assess risks, updating risk mapping, implementing a system for monitoring and Communications to the highest level of company governance and review the controls that mitigate the identified risks.
- Senior Management Committee: Is responsible for risk management included in the implementation of the defined risk policies, the approval

of risk maps, the assigning of responsibilities, the implementation of control activities and action plans as well as the monitoring of existing risks in its area of responsibility.

- Managers: Each area manager is responsible for identifying their risks and informing the Risk Control in a timely fashion. Likewise, he or she is responsible for identifying and implementing control activities aimed at mitigating risks.

E.3 State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives

The main risks which may prevent the company from achieving its targets are:

- Strategic elements, such as mergers between telecommunications operators, emergence of new competitors, restrictions on growth in regulated markets.
- Compliance following changes in fiscal, legal or environmental law or being subject to litigation or other judicial processes.
- Financial as a result of customers defaulting on payments, access to financing, fluctuations in the stock market price.
- Operatives derived from the integration and optimization of acquisitions, increase in exposure of information systems, emergence of alternative technologies, capacity to attract and retain qualified personnel.

E.4 State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.

The levels of tolerance are defined in the risk assessment matrix.

For the identified risks each person responsible will evaluate the possible impact of such risks should these occur and classify them as low, medium, large or critical depending on their economic impact, implications for the organisation and impact on reputation. Following this the possibility of the risk actually occurring will be evaluated. This possibility is classified as unlikely, possible, probable and almost certain. The combination of impact and probability leads to risk prioritization.

E.5 State which risks, including tax compliance risks, have materialised during the year.

The main risks which materialised during the year were as follows:

- Regulatory changes. The CNMC (Spanish Competition Commission) initiated public consultation to review the wholesale market for the television broadcast carrier service. The proposed obligations to be imposed on Cellnex are similar to those at present, so no relevant changes are expected. The consultation has been answered but no decision has yet been made.
- Some Group clients wished to renegotiate their agreements or amend the current contractual agreements in a negative way. Some clients suggested the possibility of renegotiating their current contracts downwards. We answered that this was not possible since the current prices conform to the regulatory framework and to market prices.

- Advertising revenue performance in the media sector, especially TV, Internet and radio. Conflict with the CNMC due to potential abuse of a dominant position by the large television groups, to the detriment of the other television companies. This has not yet been resolved but it should not have an impact on Cellnex.
- Increase in competition in the acquisition of assets and companies within the context of the Group's business expansion.

E.6 Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.

The risk management model establishes the response and supervision plans for the main risks based on their assessment.
The risk maps and the risks considered to be a priority are reviewed by the Audit and Control Committee, which, in turn, informs the Board of Directors and notifies it if there are changes to any of the risks not defined as a priority. All the areas also carry out their own risk management.

To reduce exposure to risks such as the risks of sharing infrastructure, regulatory changes, technological advances and the development of alternative technology not used at present, an increase in competition, etc., the Group continues with its selective internationalisation, diversification and growth policy, fostering understanding with the Public Administrations to develop infrastructure and continuing with the efficiency plan to optimise operating expenses and investments.

F INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1 Control environment

Report on at least the following, describing their principal features:

- F.1.1. The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

Internal Control over Financial Reporting (ICFR) at Cellnex forms part of its general internal control system and consists of a set of processes which the Board of Directors, the Audit and Control Committee, management and staff carry out to provide reasonable assurance of the reliability of the financial information reported to the market.

The 'Model for the Organisation and Monitoring of the ICFR' at Cellnex (hereinafter 'ICFR Organisation Model') establishes that the Board of Directors is the highest authority responsible for the supervision of the internal information systems, as well as the Risk Control and Management Policies. In addition, the Sections and the Board Regulations state, amongst other things, the following responsibilities:

- Defining general company policies and strategies, as well as the corporate governance policies of the organisation.
 - The preparation and approval of annual accounts and any other report or information required by law.
 - The financial information that, due to its status as a listed company, the company must periodically publish.
- Definition of the Risk Control and Management Policy, including taxation risks, as well as supervising internal information and control systems.
- The supervision of the correct functioning and actions of the delegated bodies, amongst which there is the Audit and Control Committee and designated directives.

According to the Board of Directors' Regulation (section 15), there are amongst the basic responsibilities of the Audit Control Committee (hereinafter the AAC):

- . The supervision of the preparatory process and presentation of mandatory financial information, as well as its integrity.
- . The supervision of the efficiency and suitability of internal control and risk evaluation in Cellnex as well as the best monitoring and control measures to avoid committing criminal offences and for risk management systems, including fiscal risk and the systems in place to manage compliance with all applicable legislation.
- . Discussion with the account auditor of the significant weaknesses of the internal control system detected during the auditing process.
- . The supervision of internal auditing services, ensuring their independence and making sure that the recommendations and suggested corrective measures be considered by the management.

Cellnex Internal Audit is in turn responsible for supervising ICFR in delegation from the Audit and Control Committee with the Finance and Corporate Development Department responsible for its design, maintenance and implementation.

F.1.2. State whether the following are present, especially if they relate to the creation of financial information:

- Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.

The Cellnex Board of Directors assigns the responsibility of the design and review of the organisational structure related to the preparation of the financial information to Organisation and General Services and to Finance and Corporate Development. From these guidelines the general structures and distribution of responsibilities and the procedure to design, review, update and inform on these are defined; this process being documented in the form of organisational structure charts and process models and its associated regulations which form part of the policy catalogue of Cellnex.

Cellnex has an internal organisational chart which covers all areas and which is basically divided according to department (including those departments involved in preparing, analyzing and supervising financial information). This organisational chart indicates responsibilities up to a certain management level

and is supplemented by other more detailed organisational charts at departmental level.

Regarding to the preparation process of financial information, in addition to the detailed organisational charts and with the aim of assigning responsibilities, there is the ICFR Organisational Model, developed by the Department of Consolidation and Financial Reporting, part of the Finance and Corporate Development department, and which is submitted to the AAC for approval.

- Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.

Cellnex has a Code of Conduct (Code of Ethics) approved by Cellnex Telecom, S.A.'s Ethics and Compliance Committee that is made up from Internal Audit, the Legal department, Resources department, the Company Secretarial department, and the Regulation department, and this has been communicated to the employees and is available on the corporate intranet. Specific training for employees is being planned.

The main values and principles set out in the Code of Ethics are: integrity, honesty, transparency and good faith. The Code of Ethics includes among its fundamental principles the commitment to offer financial information that reflects the a fair view of the economic and financial situation in compliance with generally accepted accounting principles and international financial reporting standards applicable, and the responsibility of its employees and management to ensure this is so, both by correctly carrying out their functions and by notifying the management bodies of any circumstance which might affect this commitment.

The body responsible for analyzing breaches and proposing corrective actions and sanctions is the Ethics and Compliance Committee.

- Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature.

Cellnex has and promotes the use of communications channels concerning possible non-conformities with the Ethics Code and other irregular activities in the organisation, especially from a financial and accounting point of view, informing the Ethics and Compliance Committee in all cases.

As stated in the Ethics Channel Policy, which regulates the procedure, scope and application of the reports received, the latter can be communicated via a communications form, either by post or email, maintaining the confidentiality at all times.

Any communications will be received, analysed and followed up by the Ethics and Compliance Committee, and this committee will periodically inform the Nomination and Remuneration Committee and the Audit and Control Committee. From time to time the Ethics and Compliance Committee will inform the Nomination and Remuneration Committee and the Audit and Control Committee about the functioning of the Ethics Channel.

If reports have been received during the year, the Ethics and Compliance Committee will produce an annual report on the communications received, to facilitate the analysis of the functioning of the 'whistle-blowing' channel.

- Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.

Regarding training programs and the periodic updating of elements which can affect the preparation and publication of financial information, Cellnex believes the continuous development and training of its staff and management to be key. In this regard, Cellnex also considers that complete and up-to-date training on accounting regulations, the rules for preparing financial information, the regulations on capital markets, taxation and internal control is necessary to ensure that the information reported to the market is reliable and in accordance with regulations.

Regarding the preparation and review of the financial information, during 2018 Cellnex implemented training plans based on the needs identified by the department of Consolidation and Accounting Regulation in relation to:

- New accounting, tax, capital markets and internal control regulations, adopted by the European Union and applicable to Cellnex.
- Changes in reporting methodology and / or information systems.
- Individual initiative from the team members of the department of Consolidation and Accounting Regulation.

Once the needs of these areas have been identified, the appropriate training activities are designed and put into effect to cover annual training objectives on these matters.

Cellnex carried out training activities during 2018 using external experts and internal training sessions, covering personnel involved in preparing and reviewing financial information. The training areas on which most emphasis was placed during 2018 relate to accounting, tax and financial matters which could have the greatest impact on the preparation of Cellnex's consolidated financial information, particularly in changes to the fiscal and accounting changes at both national and international levels and with the year's updates concerning EU-IFRS.

Cellnex has an on-line training platform where both technical training for specific work groups and a more overall training can be accessed on a voluntary and, in some cases, mandatory basis.

In 2018, the following specific training was also provided:

- SAP RE – IFRS 16 Module – Spain, Italy, France and Switzerland
- SAP RE – General – Intensive on-the-job post go-live training - IFRS 16 Module – Spain and Italy
- SAP RE – Owner management – France and Switzerland
- IFRS 16 – Leases

Additionally , the Consolidation and Financial Reporting department has subscriptions to a number of publications and journals on accounting and financial matters and to the website of the International Accounting Standards Board which regularly sends new developments and other communications of interest which are analysed and reported to ensure they are taken into consideration when preparing Cellnex's financial information.

F.2 Assessment of financial information risks

Report on at least the following:

F.2.1. The main characteristics of the risk identification process, including error and fraud risk, as regards:

- Whether the process exists and is documented.
- If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.
- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.
- If the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.
- The governing body within the company that supervises the process.

Cellnex has a Risk Control and Management Policy that establishes the basic principles and the general framework for the control and management of all types of risks which are faced. In this manner Cellnex identifies and updates the principle risks organizing adequate information and internal control systems and performing monitoring functions.

The Internal Control and Risk Management Manual of the ICFR (hereafter Risk Management Manual) describes and formalises Cellnex's internal control and risk management model with regards to the ICFR and establishes mechanisms used to determine the risks in this area, the key business processes along with the practical and operative documentation for this internal control model.

During the process of the drawing up and issuing financial information this manual sets out what financial information it refers to as well as the methodology for defining it. Furthermore, guidelines are established to determine whether the process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.

Cellnex has identified the relevant business processes together with their inherent risks and has designed a Risk and Controls Matrix that aims to identify the main risks, based on which control activities have been designed, such that when adequately complied with, true and reliable financial information can be obtained.

The Department of Consolidation and Accounting Regulation is entrusted with identifying and documenting risks of error in the financial information; the process is supplemented by Internal Audit, which considers identified risks of error in relation to the group's overall Risk Map (which takes into account both financial and non-financial risks). The entire process is ultimately overseen by the Audit and Control Committee.

The Cellnex Audit and Control Committee is responsible for supervising the risk control systems with the support from Internal Audit.

F.3 Control activities

Report on whether the company has at least the following, describing their main characteristics:

F.3.1. Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.

Cellnex has a Regulated Information Reporting Manual, duly approved by the ACC, where the process for preparing and approving the financial information and the description of the ICFR to be published in the market and to investors is detailed. This manual sets out the criteria to identify relevant public financial information, this being as follows:

- Regular reporting obligations (RRO):
 - o Quarterly financial report.
 - o Half year financial report.
 - o Annual financial report and Annual Corporate Governance Report (ACGR)
- Annual report on remuneration policy for directors (ARR)
- Significant Events

Cellnex's Manual for the Issue of Regulated Information also details the departments involved in preparing, review and authorisation of the financial information and their respective responsibilities from the year end accounting processes to the publication of the relevant facts. In particular, for each set of regulated financial information to be published

for the market there is a procedure for its preparation and review that requires completing questionnaires for the internal control of regulated information to ensure a reasonable security in the reliability of the entities financial statements.

Following the Manual for the Issue of Regulated Information and completing specific questionnaires for internal control is obligatory and subject to review by the internal Cellnex auditor.

On the matter of descriptive documentation regarding flows in activities and controls of the different transactions that can materially affect the financial statements, Cellnex has a ICFR Organisational Model that structures the specific mechanisms set up to maintain an internal control environment that favours the generation of complete financial information that is reliable and timely and anticipates the existence of possible irregularities as well as ways in which to detect and remedy these. Cellnex has developed procedures for those processes that are considered material and relevant as concerns their potential impact on the financial information to be published, as detailed below:

- Revenue recognition and accounts receivable
- Fixed assets and investments
- Purchases and accounts payable
- Staff costs
- Judgements and estimates
- Month end accounting, consolidation and financial reporting

- Cash and borrowings

- Taxes

Individual and consolidated financial statements, six-monthly financial reports and the financial information in the quarterly interim statements of Cellnex are prepared and reviewed by Finance and Corporate Development prior to submission to the Audit and Control Committee. Here the procedures included in the Emission of Regulated Information Manual will be applied as a prior step to a submission of the information to Cellnex Board of Directors for final approval.

Cellnex has descriptions of controls over activities and controls directly related to transactions that might have a material impact on the financial statements, to mitigate the risk of material error in the information reported to the markets. These descriptions are documented in the 'ICFR Risk and Control Matrix' and contain information on what the controls should consist of, the reason these are carried out, who should carry them out, how often, and other information on what information systems or what operations carried out by third parties are important for the effectiveness of the control operation in question. The controls cover areas such as income generation, investment and expenditure on concessions, acquisitions and subsequent valuation of other assets, analysis of the recoverability of investments, recording of taxation of profits or the correct presentation of financial instruments and of the financing operations of Cellnex.

In relation to the relevant judgements and estimations made, Cellnex reports any areas of particular uncertainty that it considers especially pertinent in its consolidated financial statements. The specific review and approval of the relevant judgements, estimates, assessments and projections as well as the key assumptions used for calculating them, with a material impact on the consolidated financial statements, are made by Finance and Corporate Development and, where applicable, by the managing director. The most significant ones, such as the monitoring of asset values and hedging policies will be treated and reviewed by the ACC before submitting them for the Board's approval.

F.3.2. Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

Cellnex uses information systems to keep adequate records and monitor its operations and, therefore, their proper operation is a key element and one that is particularly emphasized by Cellnex. Specifically, the Consolidation and Reporting SAP BPC system has been implemented in all the Group's companies in Spain. The process of segregation of systems with its parent company Abertis was also completed during 2016.

Regarding the companies outside of Spain the database is fed through loading files which are prepared in the relevant foreign subsidiaries and sent back to the corporate offices in Spain for loading into the system. During 2018, SAP BPC has been installed in such foreign subsidiaries so that the charging to the consolidation system may be executed from each country. This process is expected to be completed during the second half of 2018. In respect of Galata - the Italian subsidiary - in the beginning of the year it was concluded the process for system segregation with their former parent Wind Telecomunicazioni and they have also started to work fully under SAP.

The Systems department, which forms part of the Organisation and Efficiency department, which in turn forms part of the Resources department is responsible for establishing the model of internal control over the information systems in those aspects relating to access security, segregation of duties (in coordination with the business areas and support areas) change control, apart from 47 carrying out monitoring activities for risks and controls derived from the externalisation of the systems.

F.3.3. Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

Cellnex does however regularly use reports by independent experts to value its financial instruments and undertakings to employees. In addition, Cellnex maintains certain activities associated with accounting, payroll and the administration and maintenance of its corporate information systems subcontracted to an external supplier.

Cellnex has guidelines drawn up concerning the treatment of activities with third parties both in terms of hiring and the monitoring of results. These guidelines are detailed in the internal purchasing procedures.

The Finance and Corporate Development department carries out controls on the work of these experts to check:

- . The competence, capacity, accreditation and independence of these experts.
- . The validity of the data and methods used.
- . The reasonableness of the assumptions used, if applicable.

Certain control and risk management mechanisms have been established with the supplier to ensure that financial information derived from such activities is complete and correct, these include: a Management and Monitoring Committee for the contract, agreements in levels of service, risk indicators, service reports, measures

for technology security, external audits as well as contingency and continuity plans, amongst others.

F.4 Information and communication

State whether the company has at least the following, describing their main characteristics:

F.4.1. A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

The responsibility to define, maintain and update accounting policies within Cellnex falls upon the management of Consolidation and Financial Reporting.

The duties of the Consolidation and Financial Reporting department also include responding to accounting queries made by the various business units or other corporate areas of Cellnex.

Cellnex has an accounting policies manual, the Group Reporting and Accounting Principles Handbook (GRAPH) for the purposes of preparing financial statements under EU-IFRS which is drawn up by Corporate Management Control and regularly updated by it to include the rules applicable to the year. The auditing instructions sent by the external auditor to the auditors of the various group companies for the limited review or audit in each six-monthly and annual close respectively indicate that accounting principles on which they must carry out their work are those contained in the Cellnex GRAPH.

Any alterations that may take place are notified to the subsidiaries by e-mail. In any event, checks are performed to verify whether any new significant modifications have been made in the preceding quarter that might affect the preparation of consolidated annual financial information.

F.4.2. Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

Cellnex has various integrated platforms of financial information for recording transactions and preparing financial information for all of its subsidiaries (SAP BCP consolidation and reporting). The completeness and reliability of such information systems are validated using the general controls stated in section F.3.2.

The preparation of regulated financial information as well as the individual financial states Cellnex's national companies is centralised Finance and Corporate Development, so to guarantee homogeneous procedures in their preparation.

Every half year and yearend the 'Half year forms /Annual forms' are received, these bring together all the information necessary for the preparation of the group's consolidated financial information (summarised intermediary financial statements and annual accounts).

These 'six-monthly and annual forms' ensure uniformity of information:

- . It is standard and uniform for all countries and businesses.
- . It is prepared on the basis of Cellnex's accounting manual which is standard for all of the group companies.
- . It includes applicable legal, tax, commercial and regulatory requirements.

The information in the monthly reports and FORMS 2018 is loaded directly by the controllers.

F.5 Supervision of system performance

Describe at least the following:

- F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

Cellnex already had a model for internal control over financial reporting, which was supervised in part by Abertis' corporate functions, to see through its commitment to complete and reliable financial information, and to comply with the fact that its previous main shareholder was also a listed company.,. The adaptation of this model to the specific needs of Cellnex as a listed entity have occupied the majority of the Audit and Control Committee's activities during this year. To this effect, the AAC has carried out the following ICFR-related activities in 2018:

- Monitoring of the degree of implementation and potential changes to Cellnex's ICFR model.
- Review of ICFR-related information in the Annual Corporate Governance Report.
- Review of the financial information reported by Cellnex to the market.
- Supervision and periodic analysis of the performance of the ICFR implementation, taking note of its degree of implementation and efficacy.
- Monitoring of the work performed by the Company's external auditors to find out the internal control weaknesses detected when executing their work and the relevant factors or incidents related to them.

The Audit and Control Committee has already approved the Internal Audit Plan for 2019, which includes the necessary actions to guarantee adequate supervision and evaluation of the plans throughout the year by regularly reporting the incidents detected and the necessary actions for improvement once checked with audited areas.

Cellnex has an Internal Audit function that reports to the CAC and, as indicated by the Cellnex Board of Directors Regulations and specifically the section that corresponds to the powers assigned to the Audit and Control Committee, has the

main function of supervising the effectiveness of the company's internal controls and the internal auditing services, by verifying their suitability and integrity, and reviewing the appointment and replacement of the managers, as well as supervising the monitoring and control measures necessary for preventing criminal offences, the risk management systems, including tax-related ones, and the compliance management systems for any applicable legislation, and to discuss with the auditors any significant weaknesses in the internal control system detected while carrying out the audit.

During 2018 Internal Auditing developed various activities in key business process reviews and, as reported timely to the ACC, no significant weaknesses that could have a material impact on Cellnex's 2018 financial information have been identified; furthermore, necessary corrective actions to solve other future possible weaknesses have been carried out.

Likewise, as stated in section F.7.1, the external auditor has issued a report on the procedures agreed regarding the ICFR description made by Cellnex and which has not highlighted any material issues.

- F.5.2. If there is a procedure by which the account auditor (in accordance with the contents of the *Normas Técnicas de Auditoría* (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

The discussion procedure for significant weaknesses identified in relation to internal control is based, in general terms, on regular meetings maintained by the various parties involved. In this regard, the Internal Audit function communicates, on a regular basis, its conclusions regarding internal control during the reviews of the SCIIF to the Finance and Corporate Development department and to the ACC. It also reports on its conclusions relating to the internal audit processes carried out during the year, along with the implementation state of the corrective action plans established.

In relation to the relationship with external auditors, as described in section 39 of the Cellnex Board of Directors Regulations, these are channelled through the Audit and Control Committee. To this effect and to comply with its responsibility in supervising the auditor's actions as well as receiving communications regarding potential weaknesses in internal controls identified during professional actions, should there be any, the Audit and Control Committee will periodically meet with the external auditor. These communications are recorded in the Audit and Control Committee's minutes and are monitored through Internal Audit functions.

In addition, Cellnex's external auditors have direct contact with the Chief Financial Officer and maintain periodic meetings both to obtain information necessary to carry out their work and to communicate any weaknesses detected.

F.6 Other relevant information

No additional aspects to describe have been identified.

F.7 External auditor's report

Report from:

F.7.1. If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

Cellnex has submitted to the external auditor for review the ICFR information submitted to the markets for 2018. The scope of the review procedures of the auditor are performed in accordance with Circular E14/2013 of 19 July 2013, of the Spanish Institute of Certified Auditors, which sets out the guidelines for the audit report model in relation to the Internal Control over the Financial Reporting (ICFR) of quoted companies.

G EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Unified Code of Good Governance.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. General explanations are not acceptable.

- 1. That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.**

Complies Explanation

- 2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:**
 - a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.**
 - b) The mechanisms in place to resolve any conflicts of interest that may arise.**

Complies Complies Partially Explanation Not Applicable

- 3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:**

- a) Changes that have occurred since the last General Shareholders' Meeting.**
- b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.**

Complies Complies partially Explanation

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies Complies partially Explanation

5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies Complies partially Explanation

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

- a) Report regarding the auditor's independence.
- b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.
- c) Report by the audit committee regarding related-party transactions
- d) Report on the corporate social responsibility policy.

Complies Complies partially Explanation

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Complies Explanation

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies Complies partially Explanation

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies Complies partially Explanation

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

- a) Immediately distributes the additions and new proposals.
- b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.
- c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.
- d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies Complies Partially Explanation Not Applicable

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.

Complies Complies Partially Explanation Not Applicable

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies Complies partially Explanation

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies Explanation

14. That the Board of Directors approves a selection policy for directors that:

- a) Is concrete and verifiable.
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
- c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies Complies partially Explanation

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

Complies Complies partially Explanation

16. That the percentage of proprietary directors divided by the number of non-executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

- a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.
- b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies Explanation

This recommendation states that there must be a proportion between the capital represented by the proprietary directors and their percentage out of the total non-executive directors. At present, Cellnex's proprietary directors represent 36% of the non-executives, while the shareholder that they represent, Connect S.p.A., owns 29.9% of its share capital. Without prejudice to this, we must remember that this recommendation states that this criterion can be mitigated in companies where there are few significant shareholdings. Apart from Connect S.p.A., there are only 4 significant shareholders (over 3%) at Cellnex and none of them has stated an interest in participating on the Board.

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies Explanation

18. That companies publish and update the following information regarding directors on the company website:

- a) Professional profile and biography.

- b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.
- e) The shares and options they own.

Complies Complies partially Explanation

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies Complies Partially Explanation Not Applicable

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies Complies Partially Explanation Not Applicable

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies Explanation

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as

soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies Complies partially Explanation

- 23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.**

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies Complies Partially Explanation Not Applicable

- 24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.**

Complies Complies Partially Explanation Not Applicable

- 25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.**

And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies Complies partially Explanation

- 26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.**

Complies Complies partially Explanation

- 27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.**

Complies Complies partially Explanation

Section 26 of the Board of Directors' Regulations states that directors must carry out and comply with obligations set out in the company statutes and with due business diligence, keeping in mind the nature of the roles and the functions assigned to each of these. It is also established that directors must have an adequate dedication and must adopt the necessary measures to ensure good management and control of the company when carrying out their role functions. Therefore absences should be kept to the bare

minimum and quantified in the Annual Corporate Governance Report. However, the Board of Directors' Regulation does not set out a Board of Directors' obligation to assign representation with instructions as such requirement cannot always be possible due to no previous participation in the debates and deliberations of the matters put forward to the Board of Directors.

- 28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.**

Complies Complies Partially Explanation Not Applicable

- 29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.**

Complies Complies partially Explanation

- 30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require**

Complies Explanation Not Applicable

- 31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.**

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies Complies partially Explanation

- 32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.**

Complies Complies partially Explanation

- 33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.**

Complies Complies partially Explanation

- 34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as**

those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

Complies Complies Partially Explanation Not Applicable

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.

Complies Explanation

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

- a) The quality and efficiency of the Board of Directors' work.
- b) The workings and composition of its committees.
- c) Diversity of membership and competence of the Board of Directors.
- d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies Complies partially Explanation

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies Complies Partially Explanation Not Applicable

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies Complies Partially Explanation Not Applicable

39. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy,

audit and risk management issues, and that the majority of its members be independent directors.

Complies Complies partially Explanation

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies Complies partially Explanation

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies Complies Partially Explanation Not Applicable

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

- a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.
- b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

2. With regard to the external auditor:

- a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.
- b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
- c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.

- e) **Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.**

Complies Complies partially Explanation

- 43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.**

Complies Complies partially Explanation

- 44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.**

Complies Complies Partially Explanation Not Applicable

- 45. That the risk management and control policy identify, as a minimum:**

- a) **The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.**
- b) **Fixing of the level of risk the company considers acceptable.**
- c) **Means identified in order to minimise identified risks in the event they transpire.**
- d) **Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.**

Complies Complies partially Explanation

- 46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:**

- a) **Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.**
- b) **Actively participate in the creation of the risk strategy and in important decisions regarding risk management.**
- c) **Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.**

Complies Complies partially Explanation

- 47. That members of the appointment and remuneration committee -- or of the appointments committee and the remuneration committee if they are separate -- are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.**

Complies Complies partially Explanation

- 48. That high market capitalisation companies have formed separate appointments and remuneration committees.**

Complies Explanation Not Applicable

A separate Nominations Committee and Remuneration Committee have not been considered necessary so far since the current Nominations and Remuneration Committee has the ability to analyse both areas in a unified way. Dividing the Committee into two separate ones will be analysed depending on how the company performs.

- 49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.**

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies Complies partially Explanation

- 50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:**

- a) **Propose basic conditions of employment for senior management.**
- b) **Verify compliance with company remuneration policy.**
- c) **Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.**
- d) **Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.**
- e) **Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.**

Complies Complies partially Explanation

- 51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.**

Complies Complies partially Explanation

- 52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:**

- a) **That they are comprised exclusively of non-executive directors, with a majority of them independent.**
- b) **That their chairmen be independent directors.**
- c) **That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.**

- d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
- e) That their meetings be recorded and the minutes be made available to all directors.

Complies Complies Partially Explanation Not Applicable

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:

- a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.
- b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.
- c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.
- d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.
- e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.
- f) Supervision and evaluation of the way relations with various stakeholders are handled.
- g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.
- h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.

Complies Complies partially Explanation

54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

- a) The objectives of the corporate social responsibility policy and the development of tools to support it.
- b) Corporate strategy related to sustainability, the natural environment and social issues.
- c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.
- d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.

- e) Means of supervising non-financial risk, ethics, and business conduct.
- f) Communication channels, participation and dialogue with stakeholders.
- g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies Complies partially Explanation

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.

Complies Complies partially Explanation

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies Explanation

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies Complies partially Explanation

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.
- b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.
- c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies Complies Partially Explanation Not Applicable

59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies Complies Partially Explanation Not Applicable

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies Complies Partially Explanation Not Applicable

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies Complies Partially Explanation Not Applicable

62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.

The forgoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.

Complies Complies Partially Explanation Not Applicable

The Company does not meet this recommendation since it establishes certain limits, though not exactly those envisaged in the recommendation. Specifically, the CEO is obliged to keep all shares attributed as a result of his long-term variable remuneration (LTIP 2017-2019, LTIP 2018-2020) for a period of at least two years from receipt thereof. The Company considers that two years is a sufficient deferral period as to keep the loyalty of key personnel, and also prevent merely speculative conduct through the immediate sale of the shares received. The latest LTIP that was approved (LTIP 2019-2021) changed the criterion and, instead of establishing a period for not transferring the ownership of the shares received, the obligation was established for the CEO to have at all times a certain percentage of shares, specifically an amount equivalent to one year of his base salary.

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.

Complies Complies Partially Explanation Not Applicable

64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.

Complies Complies Partially Explanation Not Applicable

The Company does not exactly meet the recommendation since, although the payments to which the CEO is entitled as compensation consist of the equivalent to two years of

his annual remuneration, the CEO is subject to a post-contractual non-compete covenant for a period of one year. This type of agreement must have a financial consideration, which consists of compensatory financial consideration for this restriction of one year's fixed remuneration. In the event that the CEO were not to fulfil his duty not to compete, he must return the amount received and pay an additional amount equivalent to another year of his fixed remuneration.

H FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010

Carbon Disclosure Project (CDP)

Once again Cellnex took part in the Carbon Disclosure Project (CDP), one of the most highly recognised organisations for its work on climate change, which seeks to assess the quality of – and systems for reporting – the information provided by private companies or by the public sector in the sustainability and environment area. In this sense, Cellnex was rated a letter B, maintaining the same score as in previous years.

Furthermore, this year Cellnex joined the CDP Supply Chain programme, which aims to better understand how suppliers are addressing climate change and working to reduce their greenhouse gas emissions. The response rate of the suppliers who were invited to answer the questionnaire in this first CDP Supply Chain campaign was 35%.

United Nations Global Compact

In November 2015 Cellnex Telecom joined the United Nations Global Compact as an expression of its commitment to including the corporate social responsibility concept into its operational strategy and organisational culture. United Nations Global Compact is an international voluntary initiative that includes more than 8,000 companies and institutions across 135 countries. Under this agreement, Cellnex Telecom undertakes to promote and spread corporate sustainability policies and practices based on the 10 key principles promoted by the United Nations, focusing on the areas of human rights, labour standards, environment and combating corruption in business activities. Cellnex's commitment to the United Nations Global Compact is part of its Corporate Responsibility (CR) programme.

FTSE4Good

Cellnex was added to the FTSE4Good sustainability index, which recognises the good practices of listed companies in the environmental, social and corporate governance fields. This year, the

company obtained a score of 4.5 out of 5 in corporate governance practices and 3.8 out of 5 in social factors, two of the three main areas of analysis that led the company to be included in that international index. In environmental practices it scored 3.3.

Standard Ethics

Cellnex has taken part in the Standard Ethics sustainability index since 2017, obtaining this year an “EE-”, the same rate as last year, which is equivalent to an adequate level for good compliance in governance, sustainability and social responsibility.

Sustainalytics

For the second year running, Cellnex was evaluated by Sustainalytics, an environmental, social and corporate governance (ESG) research and rating company for investors worldwide. This year its average score was 67 points, up from 64 in 2017 and taking the company to 29th position (out of 105) from 38th the previous year. Cellnex scores average for the sector on social and environmental matters but holds a leading position when it comes to governance.

Cellnex's better rating on this index contributed to the company being able to renew a € 500 million 'green' loan that matures in 2023.

Dow Jones Sustainability Index¹

In 2017, Cellnex participated in the DJSI index for the first time and achieved good results, ranking above the industry average in the three dimensions evaluated: economic, environmental and social.

This year Cellnex was again invited to participate in the Dow Jones Sustainability Index, as one of the few telecommunications operators worldwide. In 2018, the average score of the telecommunications industry leader dropped by 3%, whereas Cellnex improved its total score by 10%, taking it to 57 points. More specifically, in the economic dimension its score was improved by improvements made in Risk Management, Innovation and Network Reliability. With slightly lower social and environmental scores than in 2017, Cellnex will strive to continue working on all areas.

Social contribution

Cellnex works with non-governmental organisations through corporate volunteering actions, donations and joint development of projects. In 2018, Cellnex finalised and approved a Sponsorship Policy that sets out the company's priorities and guidelines on donations and sponsorships.

Contribution to initiatives

For years Cellnex has shown its commitment to society by joining and organising numerous Corporate Responsibility initiatives. Below are the most important initiatives of 2018.

Seres Foundation

The company worked with the Seres Foundation, whose aim is to "Build a healthier, stronger society with competitive businesses that can stand the test of time". The foundation aims to foster and promote strategic business actions that contribute to an overall improvement of social reality. Cellnex has signed an agreement pledging to work with the Seres Foundation, disseminate their joint work, share knowledge on good practices in social matters, and attend meetings with partners and other social entities.

Fair Logistics Foundation

In 2018 Cellnex collaborated with Fair Logistics Foundation, an organisation that works towards equal opportunities for groups at risk of exclusion from society and the labour market. Through this collaboration, Cellnex takes on the foundation's commitment to responsible consumption and the development of social logistics by importing fair trade and social economy products.

AMPANS

Cellnex contributes to the AMPANS foundation by buying the company's Christmas gift hampers from them. The AMPANS Foundation promotes education, quality of life and employment for people with an intellectual disability, mental illness and other groups at risk of exclusion, by creating and managing centres, services, programmes, support and business activities that pursue excellence.

WWF Earth Hour 2018

For the third year running, Cellnex joined the WWF 2018 Earth Hour campaign and turned the lights off in its Madrid and Barcelona headquarters (and this year also the Esplandiú and Barcelona offices) from 8.30pm to 9.30pm on 24 March. In doing so Cellnex hopes to show its concern about the effects that climate change is having on the planet's people, nature and economy, in addition to its public commitment to reduce CO2 emissions.

Installation of forest water connections

Since 2008, Cellnex has been investing in forest water connections at its centres for firefighters to use in the event of an emergency. To date Cellnex has installed water connections in 23 of its centres in Spain, with a total investment of € 153,425 (€ 6,973.86 per connection).

Citizen Sustainability Board

In 2018, Cellnex participated in a workshop to design the work plan of the 'Barcelona Network + Sustainable' which aims to pinpoint the joint short- and medium-term measures required to overcome the challenges that this initiative focuses on.

Barcelona Climate Plan

Participation in co-producing the Barcelona Climate Plan with Barcelona City Council, which sets down all ongoing and planned actions related to climate change in the city. Cellnex draws up proposals within the company and takes part in the debate on the proposals submitted by all participants.

TV3 Telethon

Cellnex has been taking part in the TV3 Telethon for more than 10 years. The Telethon Foundation aims to foster and promote biomedical research into and social awareness of diseases for which no cure has been found. In 2018, Cellnex donated € 9,000. The money raised is used to research new methods of prevention, diagnosis and treatment for people with cancer.

Collaboration with the BEST Foundation

Cellnex made a commitment to the Barcelona Engineering and Economic Studies project this year as a sponsor company of the BEST Foundation. This new inter-university degree offered by the Polytechnic University of Catalonia (UPC), Pompeu Fabra University (UPF), Barcelona Global, and FemCat aims to train highly skilled engineers to address the challenges of a continuously changing society and equip professionals who are interested in business leadership. Cellnex will sponsor two students in a four-year commitment with an annual contribution of € 10,000 each.

IESE

Cellnex has been an IESE sponsor company since 2017 and is involved in various projects run by the Public Sector-Private Sector Centre of the Business School. In 2018, Cellnex contributed to the scholarship fund and young teacher training.

In addition, Cellnex worked with IESE on the I-WiL Index (Women in Leadership) research study, which examines female leadership and equal opportunities in 34 OECD countries, comparing the current situation (2018) to 2006. By supporting projects such as this, Cellnex hopes to highlight the importance of diversity and gender equality at work and to raise awareness among society at large.

Third Social Sector Board

As part of the m4Social Project, Cellnex Telecom signed a collaboration agreement in December 2017 with the Third Social Sector Board to carry out a social housing project involving the use of sensorisation and connectivity technologies linked to the Internet of Things (IoT). In 2018, following various definition and planning meetings and a design thinking day, Cellnex sensorised the six social houses under the project. Over the course of the year we collected and monitored data, primarily regarding consumption, energy efficiency, temperature and other indicators used to upkeep these 'connected' households. This data is stored on an IoT platform that Cellnex provides which allows the housing authorities to anticipate abnormal situations or risks, optimise resource use, and make decisions on possible actions according to the parameters obtained. It also enables them to learn a new management methodology, which in addition optimises and renders their operations more efficient.

It is worth noting that in 2018, the m4Social Project was selected and included in the Special Dossier on the SDGs of the Global Compact Network Spain as a good practice.

Highlights: Cellnex plans to adhere to the Code of Good Tax Practices but this had not yet been done at 2018 year-end.

NOTE OF CLARIFICATION ap. C1.16

Article 18. Appointment of directors

1. Directors will be appointed by the General Meeting or by the Board of Directors, in accordance with the provisions of Royal Decree 1/2010, of 2 July, by way of which the revised text of the Law on Capital Companies is approved, or the legal text which may supersede the same.
2. The proposals for the appointment of directors submitted to the Board of Directors for deliberation at the General Meeting and the appointment decisions that the Board adopts by virtue of the powers of co-optation legally vested in it must be preceded by the corresponding proposal by the Appointments and Remuneration Committee when in relation to independent directors, and by a report in the case of all other directors.

Article 19. Appointment of external directors

The Board of Directors and the Appointments and Remuneration Committee, within the scope of their remits, will ensure that the election of candidates relates to persons of known solvency, competence and experience, being particularly rigorous in relation to those called on to fulfil the positions of independent director provided for in Article 5 of these Regulations and in the terms of the applicable good governance standards.

Article 20. Term of office

1. Directors will hold their positions for the term provided for in the corporate bylaws, and can be re-elected one or more times for said term.
2. Directors appointed by co-option hold their positions until the date of the first General Meeting. Should the vacancy arise once the General Meeting has been convened, and prior to the holding thereof, the Board of Directors may appoint a director until the following General Meeting is held. Moreover, directors appointed by the Board through co-optation need not necessarily be shareholders of the Company.

When, further to the Appointments and Remuneration Committee report, the Board of Directors learns that the interests of the Company are in jeopardy, the director ending his/her mandate or ceasing to hold his/her position for any other reason cannot provide his/her services to another entity with a similar corporate purpose to the Company and that is a competitor thereof according to the assessment of the Board of Directors, for the period established by it, which will in no case be greater than two (2) years.

Article 21. Resignation of directors

1. Directors will resign their positions when they have completed the period for which they were appointed and when decided on by the General Meeting under the powers legally or statutorily vested therein.
2. Directors will have to make their positions available to the Board of Directors and, if considered appropriate, formalise the corresponding resignation in the following cases:
 - a) When they cease to hold the executive posts linked to their appointment as a director. As regards independent directors, when they complete twelve (12) years in the position.
 - b) When they find themselves in a situation of conflict of interests or a prohibited situation as provided for by law.
 - c) When they have been prosecuted for an allegedly criminal act or are subject to a disciplinary measure due to (gross) misconduct brought by the supervisory authorities.
 - d) When their continued membership of the Board could put the Company's interests in jeopardy and when the reasons for their appointment no longer exist. This last circumstance will be understood as occurring with regard to a director representing substantial shareholders when the full shareholding of which s/he is the owner or whose interests s/he represents have been disposed of and also when the reduction of their shareholding requires the consequent reduction of the directors representing substantial shareholders.
3. Executive directors must make their positions available to the Board once they have reached seventy years of age and the latter must decide whether they will continue exercising their executive or managerial functions or remain simply as a director.
4. In the event that, due to resignation or for any other reason, a director were to cease in his or her office prior to the end of his or her mandate, the reasons therefor shall be explained in a letter sent to all the members of the Board. Without prejudice to the timely communication of the cessation as a relevant event, the Board will give account of the cessation in the Annual Corporate Governance Report.
5. The Board of Directors may only propose the cessation of an independent director before the end of the statutory period when there is just cause, as appreciated by the Board following a report by the Appointments and Remuneration Committee. In particular, just cause will be deemed to exist when the director goes on to hold new offices or undertakes new duties that prevent him or her from devoting the necessary time to the tasks inherent in the role of director, fails to perform the duties inherent to his or her office or is involved in any of the circumstances that might cause him or her to lose his or her status of independent director, in accordance with the provisions of the applicable legislation. Such removal may also be proposed as a result of public offerings of acquisition, mergers or other similar corporate transactions that entail a change in the structure of the share capital of the Company, when such changes in the structure of the Board are brought about by the criterion of proportionality.

Furthermore, in addition, it was approved in 2016 a Director Selection Policy stating that, in accordance with the provisions of the Limited Liability Company Law, the Nomination and Remuneration Committee is responsible for proposing the nomination or re-election of members of the Board of Directors in the case of independent directors, with the Board itself being responsible for proposing nomination or re-election in all other cases. This proposal for nomination or re-election must be accompanied by an explanatory report from the Board that assesses the competence, experience and merits of the proposed candidate. Additionally, the proposal for nomination or reelection of any non-independent director must also be preceded by a report from the Nomination and Remuneration Committee.

Selection of the candidates for director shall be based on a preliminary analysis of the necessities of the company, which must be carried out by the Board of Directors with advice and a report from the Nomination and Remuneration Committee. The objective is to incorporate different professional and management experiences and competences, as well as to promote the diversity of knowledge, experiences and gender, considering the weight of the various activities carried out by Cellnex and taking into account any areas or sectors that should be specifically promoted. Any board member may request that the Nomination and Remuneration Committee takes into consideration a potential candidates to cover directorship vacancies, in the event that the Committee finds them suitable in its opinion. Additionally, the Selection Policy regulates the process and conditions that candidates must meet.

NOTE OF CLARIFICATION ap. C.2.1 - CAC

a) Responsibilities

The rules of organization and operation of the Committee are described in the by-laws and in the Company's Board of Directors' Regulation and, without prejudice to the other tasks assigned to it by the applicable legislation, the Board of Directors or the regulations governing the auditing of accounts, the Committee will have at least the following responsibilities:

- a) To inform the General Shareholders' Meeting on questions arising in relation to those matters which fall within the competence of the Committee.
- b) To propose to the Board of Directors, for submission to the General Shareholders' Meeting, proposals for the selection, appointment, re-election and replacement of the external auditor or auditing company, the contract conditions, the scope of the professional mandate and, where appropriate, revocation or non-renovation, all pursuant to the current regulations, as well as to regularly gather from the same information on the audit plan and the implementation thereof, and to safeguard their independence in the exercising of their duties.
- c) To monitor the process of preparing and presenting the mandatory financial information as well as the integrity thereof.
- d) To establish the appropriate relations with the external auditors or external auditing companies in order to receive information on issues which may prejudice their independence, to be studied by the Committee, and any other information related to the auditing of the accounts, as well as any other notifications envisaged in the legislation and regulations concerning the auditing of accounts. In all cases, they must receive on an annual basis from the external auditors or external auditing companies written confirmation of their independence from the Company or any organisations directly or indirectly related thereto, in addition to information regarding any additional services of any kind provided to said organisations and the corresponding fees received therefrom by auditors or external auditing companies, or by persons or organisations related thereto in accordance with the provisions established in the legislation applicable to the auditing of accounts.
- e) In the event of the resignation of the external auditor, to examine the circumstances that gave rise to such.
- f) To ensure that the remuneration of the external auditor for his or her work does not compromise the quality or independence thereof.
- g) To oversee that the Company communicates the change of auditor as a relevant event and accompany such, where appropriate, with a declaration on the possible existence of disagreements with the outgoing auditor and of the contents thereof.
- h) To ensure that the external auditor meets annually with the Board of Directors at a plenary session to inform as to the work carried out and the evolution of the accounting situation and Company risks.

- i) To ensure that the Company and the external auditor comply with the standards in force on the provision of services other than auditing, the limits to the concentration of the auditor's business and the other standards governing auditor independence.
- j) To issue, on an annual basis, prior to the issue of the Audit Report, a report expressing an opinion on the independence of the external auditors or auditing companies. This report must contain, in all cases, an evaluation of the provision of the additional services referred to in the previous paragraph, considered individually and as a whole, other than the legal audit, and in connection with their independent status or with the governing regulations of the audit.
- k) To inform the Board of Directors in advance on all matters provided for by the Law, the corporate bylaws and in these Regulations and, in particular, regarding the financial information that the Company must publish periodically, on the creation or acquisition of holdings in entities with a special purpose or domiciled in countries or territories considered as being tax havens and on operations with associated parties.
- l) To supervise compliance with the internal protocol for relationships between the majority shareholder and the Company and the companies of its respective groups, as well as to conduct any other actions established in the protocol itself for optimal compliance with the aforesaid duty of supervision.
- m) To provide information in relation to the transactions that involve or could involve conflicts of interest, and in general, on the matters considered in Chapter IX of these Regulations.
- n) To inform on operations of structural and corporate modifications which the Company plans to conduct, the economic conditions and the accounting impact thereof and, in particular, on the exchange ratio, where applicable.
- o) To monitor the effectiveness of the Company's internal control, the internal audit services, verifying the suitability and integrity thereof and to review the appointment and replacement of those persons responsible for the same, to supervise the suitable security and control measures for preventing the commission of criminal offences, the risk management systems, including fiscal risks, the systems for managing compliance with all applicable regulations, as well as to discuss with the external auditors any significant weaknesses detected in the internal control system while conducting the audit.
- p) To supervise a mechanism which allows employees to confidentially report potentially relevant irregularities detected inside the Company, especially those regarding finance and accounting, as well as those which may constitute a criminal responsibility for the Company.

The above responsibilities are stated by way of example, without prejudice to any others that may be conferred upon the Committee by the applicable legislation, the Board of Directors or which may be attributed thereto by the regulations governing the auditing of accounts.

b) Operation

The Company's Board of Directors' Regulation shall define the skills of the Committee and its scheme of organization and operation.

The Board of Directors shall determine who will hold the position of Chairman of the Committee from among the independent directors of the Committee, who will be replaced every four years, being able to be re-elected once a period of one year has elapsed since his/her resignation. The Committee itself will appoint a Secretary and may also appoint a Vice-Secretary, neither needing to be members thereof.

The Committee will meet as many times as necessary for the execution of its functions and will be convened by its Chairman, either on his/her own initiative or at the request of the Chairman of the Board of Directors or of two members of the Committee.

The Committee will be validly constituted when the majority of its members attend the meeting, either present or represented. The resolutions will be adopted by a majority vote among those in attendance, present or represented.

Any member of the management team or Company's personnel may be obliged to attend the Committee's sessions and to provide assistance to its members and access to the information s/he has available, if so requested. The Committee can also request that the Company's external auditors attend its sessions.

1. Activities

During 2018, the Committee held nine meetings and carried out the following key activities:

a) Review of financial information

- 2017 financial statements:
 - In February, the Committee reviewed the December 2017 results and the 2017 Consolidated Financial Statements, including the external Auditors' Report, the Integrated Annual Report, the Management Report and the Annual Corporate Governance Report, with the finance team and the external auditors who presented the main aspects and their conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the application of the 2017 results (including the distribution of the final dividend corresponding to year 2017 against issue premium reserve) and the 2017 Annual Accounts, including the Management Report and Annual Corporate Governance Report.
 - (a)
 - (b)
- 2018 financial statements and 2019 budget:
 - In January, the Committee reviewed the 2018 budget with the finance team who presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the 2018 budget.
 - In April, the Committee reviewed the financial results for the first quarter of the year with the finance team who presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the first quarter financial statements.
 - In July, the Committee reviewed the half-yearly financial statements and the relevant external Auditors' Report. This information was discussed with the members of the management team responsible for their preparation and with the external auditors who presented the main aspects and their conclusions.

The Committee provided a favourable recommendation to the Board of Directors to approve these interim financial statements under IFRS 16.

- In November, the Committee reviewed the financial results for the third quarter of the year together with the third quarter external Auditors' Report. This information was discussed with the members of the management team responsible for their preparation and with the external auditors who presented the main aspects and their conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the third quarter financial statements.
- In December, the Committee reviewed the 2018 forecast and the 2019 budget with the finance team who presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the 2019 budget.

b) External auditors

- In January, the external auditors attended the Committee to explain the new Auditor's Report, the additional report to the Committee and the Integrated Annual Report to be prepared and to present their draft report on the 2017 Consolidated Financial Statements.
- In February, the external auditors attended the Committee to review the 2017 Consolidated Financial Statements, including the external Auditors' Report, the Integrated Annual Report, the Management Report and the Annual Corporate Governance Report, and presented the main aspects and their conclusions.
- Also in February, the external auditors presented to the Committee their review of the Internal Control over Financial Reporting Model and the new regulation on the pre-approval by audit committees of the non-audit services to be provided by the external auditors.
- In July, the external auditors attended the Committee to present the report of the 2018 half-yearly financial statements (under IFRS 16).
- In November, the Committee met the external auditors to review the scope, the audit planning and the status of their review and they provided their conclusions on the 2018 third quarter financial statements and their preliminary conclusions on the 2018 financial statements.

c) Corporate Governance

- In February, the Committee reviewed the three reports for year 2018 to be approved by the Committee in connection with the Annual Accounts, the Management Report and the Annual Corporate Governance Report, namely: (i) the Report on the Functions and Activities of the Committee; (ii) the Report on Related Party Transactions; and (iii) the Report on the Independence of the Auditor. The Committee provided a favourable recommendation to the Board of Directors to approve these reports.
- In April, the Committee reviewed the Annual General Meeting delegations to the Board to be updated. The Committee provided a favourable recommendation to the Board of Directors to submit to the Annual General Meeting, for its approval, the

renewal of the delegations to issue shares with pre-emption rights, to issue convertible securities and to acquire treasury shares, all for a period of five years.

d) Capital markets

- In 4 January 2018 (by conference call), the Committee discussed the issuance of a convertible bond. The finance team presented the main aspects, characteristics and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the issuance of the convertible bond on the terms agreed.
- In all the meetings, the Corporate Finance Director, together with the CFO, provided to the meeting a capital markets update (including the liquidity assessment).
- In April, the Committee discussed the establishment of a multi-currency European Commercial Paper (“ECP”) and the renewal of the existing EMTN programme. The finance team presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to authorize: (i) the establishment of the ECP programme in Euros, GBP and Swiss Francs for an amount of up to €500 million and the drawdowns under the same for an amount up to the equivalent of €150 million; and (ii) the execution of all the documents necessary to renew the EMTN programme.
- In July, September and November, external financial advisors presented to the Committee their view on the debt and equity markets and presented strategic considerations regarding the Company’s capital structure.
- In December, the Secretary of the Committee together with the finance team presented to the meeting an update of the Brexit process and a summary of the main aspects affecting the Company. It was agreed to monitor the process and provide further reports to the Committee.
- Also in December, the finance team presented to the Committee a project to optimize the Company’s financial structure taking advantage of the share price performance. The Committee provided a favourable recommendation to the Board of Directors to approve the tap of the existing convertible bond up to c. €200 million.

e) Tax

- In February, the tax team, together with the law firms Altalex and Pérez Llorca, provided the Committee with an update on the work carried out in relation to the Netherlands and Spain restructurings and they noted their current status and next steps to be executed.
- In April, the tax team, together with the consultancy firm IplusF, provided the Committee with an overview of the patent box model and 5G being implemented by the Company and its group. It was confirmed that these initiatives are compliant with current tax legislation.
- Also in April, the tax team, together with PwC, provided the Committee with an update on (i) the development and implementation of the Tax Control Framework and (ii) the Company’s position on tax best practices (transparency) taking into consideration the indicators defined by certain key investors. It was noted that the Company is diligent and is working in accordance with law and best practice.

- In July, the Secretary of the Committee introduced to the meeting the notification received by the Company on a tax audit to take place shortly (focused on CIT&VAT for years 2015 and 2016). It was noted that the Company is well prepared for this. In September, the tax team, together with PwC, presented to the Committee an update of the tax audit process.
- In September, the tax team, together with the Company's advisors in the Netherlands (Atlas), provided to the meeting an update on the RETT issue in France and the Netherlands respectively and detailed the next steps and main actions to be undertaken.
- Also in September, the tax team, together with PwC, explained to the Committee the assessment of a potential merger between Cellnex Italia and Galata with the objective of making the current organizational structure in Italy more efficient. The transaction overview and the strategic rationale were noted.
- In December, the tax team presented to the Committee an update on the tax dossier (included following the recommendation of the good tax governance policy). It was noted that, based on the analysis carried out by external advisors, there are no significant tax risks.

f) Other information

- Rating agencies, financial firepower and capital structure assessment: In February, April, June, July, September and December, the Head of Corporate Business & Finance Planning, together with the CFO, attended the Committee to: (i) provide an update on the current situation with rating agencies and the different aspects affecting the Company's credit rating; (ii) review the M&A projects pipeline and the Company's financial firepower to execute said pipeline; and to (iii) provide a capital structure assessment.
- Investor relations update: In all but one of the meetings, the Head of Investor Relations, together with the CFO, provided to the Committee an update on this topic, focusing on the share price performance, the relation with investors and analysts and the status of short positions.
- Operational report: In January, the Chief Business Operating Officer provided a report to the Committee on operational matters.
- State aid update: In February, the finance team provided an update to the Committee on this topic, explaining that it has been closed with a favourable outcome for the Company.
- Efficiency plan update:
 - In February, those responsible for its preparation presented to the Committee an update on the 2017-2020 OPEX Efficiency Plan noting the key items and their conclusions.
 - In June and November, those responsible for its preparation presented to the Committee an update on the 2015-2020 OPEX Efficiency Plan noting the key items and their conclusions.

- Non-audit services: In February, the proposal of pre-approval by the Committee of the non-audit services to be provided by the auditors was presented and approved.
- IFRS 16:
 - In April and July, the finance team, together with PwC, provided to the Committee an update on this topic and presented the main aspects and their conclusions
 - In June, the finance team provided to the Committee a first look of IFRS 16, detailing the work undertaken in order to be prepared for the Company to be an early adopter of IFRS 16 in reporting the first half results, and provided to the meeting an update on this topic.
- Dividends:
 - In April, the finance team explained to the Committee the proposal to distribute the dividends corresponding to years 2017, 2018 and 2019 against share premium reserve. The Committee provided a favourable recommendation to the Board of Directors to submit such proposal to the Annual General Meeting.
 - In June, the Committee reviewed the dividend policy. The finance team presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the distribution in mid-July of a dividend against share premium reserve.
 - In November, after the explanation of the finance team, the Committee provided a favourable recommendation to the Board of Directors to approve the distribution of cash to shareholders against share premium reserve.
- Cash pooling policy: In June, the finance team presented to the Committee the proposal of cash pooling framework policy and the reason for its implementation. The Committee provided a favourable recommendation to the Board of Directors to approve the endorsement of the policy as the framework for all the cash pooling agreements to be implemented within and across countries of the Cellnex group. This framework policy will serve as a basis for the more developed and detailed policy to be prepared.
- UK restructuring: In June, the Secretary of the Committee explained to its members the restructuring project started in the UK in order to rationalize the corporate structure.
- Internal audit guidelines: In November, the Internal Audit Manager presented to the Committee the amendments proposed to the internal audit guidelines. The Committee provided a favourable recommendation to the Board of Directors to approve (i) the update of the internal audit guidelines for them to be fully consistent with all the CNMV recommendations and (ii) the required amendments to the organizational chart.
- CNMV questionnaire: In September, the Secretary of the Committee reported on the CNMV questionnaire received by the IBEX 35 companies regarding the functioning of audit committees and explained that the relevant responses were being prepared in order to submit the answers within the deadline.

g) Internal audit

- Functions: The main Internal Audit functions are:
 - Perform the auditing activities as defined in the annual audit plan, based on reasonable and established criteria, especially in the risk level assessment and focusing on the main organizational activities, giving priority to those that are considered to be more exposed to risk, and those that are requested by the Committee and / or by the Senior Management.
 - Maintain an adequate coordination with the external auditors for the exchange of information regarding the audits carried out with the aim of minimizing duplication and in order to track the audits performed as well as any weaknesses in the internal control identified.
 - Report to the Committee and Senior Management of the Cellnex group regarding the key recommendations in each company of the group, as well as to provide them with the action plan to be performed by such companies.

- Activities: The main activities carried out by Internal Audit and supervised by the Committee are:
 - Audits:
 - The performance of those audits included in the 2018 audit plan and of those audits not originally included in the audit plan but requested by the Committee and / or by the Senior Management.

 - The monitoring of the recommendations and action plans proposed for the different audits. While carrying out its audit work, if Internal Audit detects that improvements can be made to the internal controls, it reports the main recommendations and the action plans defined to the relevant area responsible with the aim of strengthening the existing control or implementing a new control and establishing the implementation date.

 - The review of the defined processes and controls related to financial reporting which are included in the annual internal audit plan.

 - Audit Plan: Prepare the audit plan for the next year. In November, the Committee approved the audit plan for 2019 based upon:
 - Assessing the risk level and focusing on the main organization's activities, giving priority to those that are considered to be more exposed to risk, and those that are requested by the Committee and / or by the Senior Management.

 - Defining the activities to be reviewed, i.e., basic processes (revenues, procurements, etc.), other processes (real estate, rentals, energy, etc.) or compliance (ICFR, others).

h) Risk control

This function is carried out by Internal Audit.

The activities carried out in this regard by Internal Audit and supervised by the Committee in 2018 were:

- A review of the risk map (including likelihood and impact) of Spain, Italy, UK, the Netherlands, France and Switzerland.
- The review of the action plans associated to the risks in these countries.

NOTE OF CLARIFICATION ap. C.2.1 - CNR

OPERATION

In accordance with the Board of Directors' Regulations, the Board of Directors will appoint a Chair among the independent directors. The Chair must be replaced every four years and may be re-elected once a period of one year from his departure has transpired. The Nominations and Remuneration Committee will appoint a Secretary and may appoint a Vice-Secretary that will not be necessarily members of the Committee itself.

The Nominations and Remuneration Committee will meet every time the Board of Directors or its Chair request a report be issued or proposals adopted and, in any case, whenever it is deemed advisable for the proper execution of its duties. It will be convened by the Chair of the Committee, either on his/her own initiative or on the request of the Chair of the Board of Directors or of two members of the Committee itself.

The Nominations and Remunerations Committee will be validly constituted when the majority of its members attend the meeting, either present or represented. The resolutions will be adopted by a majority vote among those in attendance, present or represented.

RESPONSIBILITIES

Without prejudice to the other tasks assigned to it by the Board of Directors, the Nominations and Remuneration Committee will have at least the following basic responsibilities:

- (a) To evaluate the competencies, knowledge and experience required in the Board of Directors. To this end, it will define the duties and skills required of the candidates to fill each vacancy, and it will evaluate the time and dedication needed for them to effectively perform their duties.
- (b) To establish a target for the representation of the under-represented gender on the Board of Directors, and prepare guidance on how to obtain said target.
- (c) To submit to the Board of Directors proposals for the appointment of independent directors for the co-optation thereof or for the submission thereof to the decision of the General Shareholders' Meeting, as well as proposals for the re-election or dismissal of the aforesaid directors by the General Shareholders' Meeting.
- (d) To inform on proposals for the appointment of the other directors for the co-optation thereof or for the submission thereof to the decision of the General Shareholders' Meeting, as well as proposals for the re-election or dismissal of the aforesaid directors by the General Shareholders' Meeting.
- (e) To inform on proposals for the appointment and dismissal of members of the Senior Management and the basic conditions of their contracts.
- (f) To inform, in advance, on the appointment by the Board of Directors of the Chair and, where applicable, of one or more Vice-Chairs, as well as the appointments of the Secretary and, where applicable, of one or more Vice-Secretaries. The same procedure shall be followed to agree on the dismissal of the Secretary and, where applicable, of each Vice-Secretary.

- (g) To examine and organise the succession of the Chair of the Board of Directors and of the Company's CEO and, if appropriate, to make proposals to the Board of Directors for such succession to occur in an orderly and well planned manner.
- (h) To propose to the Board of Directors the remuneration policy for the directors and general managers, or for those individuals who perform their Senior Management duties reporting directly to the Board of Directors, to executive committees or to CEOs, as well as the individual remuneration and all other contractual conditions for executive directors, ensuring compliance therewith.
- (i) To suggest to the Board of Directors which members should form part of each of the Committees.
- (j) To periodically review the remuneration programmes, considering their suitability and returns.
- (k) To propose to the Board of Directors, for submission to the General Shareholders' Meeting for an advisory vote, the drafting of an annual report on the remuneration of its directors, under the terms of article 541 of the Law on Capital Companies, already other provision which may replace the same in the future.
- (l) To consider the suggestions made to it by the Chair, Board members, company executives or shareholders.
- (m) To provide information regarding the appointment and dismissal of managers who have direct dependence to the Board of Directors or some of its members, as well as establishing the basic conditions of their contracts, including remuneration, and also inform decisions on remuneration of directors, within the statutory framework and, where appropriate, of the remuneration policy adopted by the General Shareholders' Meeting.
- (n) To monitor compliance with the corporate governance rules and internal codes of conduct.
- (o) To monitor the corporate social responsibility strategy and practices, and to assess the degree of compliance therewith.

2.- Activities

Nine meetings were held involving the following actions, amongst others:

(A) Corporate governance:

The corresponding report was issued assessing the competence, experience and merits of the proprietary directors Mr Carlos del Rio and Mr David Diaz to appoint them by co-option and for ratification by the General Meeting.

The corresponding report was issued proposing the designation of Mr Tobias Martinez as the Board Chair (replacing Mr Francisco Reynés) and the appointment of Mr Giampaolo Zambelletti as a coordinating director.

The corresponding report was issued proposing the re-election of the independent directors Messrs Blayau, Shore, Kan, and Zambelletti.

The corresponding report was issued assessing the competence, experience and merits of the independent directors Ms Anne Bouverot and Ms Marisa Guijarro, proposing their appointment and enabling MS Marisa Guijarro to join the NRC and Ms Anne Bouverot the ACC.

The corresponding report was issued assessing the competence, experience and merits of the proprietary directors Mr Marco Patuano, Ms Elisabetta De Bernardi di Valserra, Mr Carlo Bertazzo and Ms Andrea Pezzangora to appoint them by co-option.

The corresponding report was issued proposing the designation of Mr Marco Patuano as the Board Chair (replacing Mr Tobias Martinez).

The corresponding report was issued assessing the competence, experience and merits of the proprietary director Mr John McCarthy to appoint him by co-option and enable him to join the NRC.

A report was issued amending the Board of Directors' Regulations aimed at including the proposals made by an independent expert who assessed the functioning of the Board and its Committees in 2017.

A performance self-assessment of the Board and its Committees was conducted in 2018, and improvements were proposed to the Board through an Action Plan.

Reports were given on the ACGR (annual corporate governance report) and the ARR (annual remuneration report).

(B) Remuneration-related activities:

The degree of compliance by the CEO with the targets for 2017 was analysed and his performance assessed. The CEO's targets for 2018 were also analysed and the corresponding proposals were submitted to the Board.

Based on a comparative study by an external company, the CEO's remuneration for 2018 and 2019 was proposed and, consequently, the amendment to the director remuneration policy was prepared and approved for submission to the Board and approval by the General Meeting.

The directors' remuneration was reviewed to conform it to the market and take into account the directors' degree of involvement and commitment.

The nomination of several members of the Senior Management was reported. Also, based on market surveys conducted by an external company, the remuneration of the main managers (reporting directly to the CEO) for 2019 and 2020 was analysed, and the corresponding proposal was submitted to the Board for approval.

A final assessment of the achievement of the LTIP 2015-2017 targets was made and the approval of Multi-Year Incentive Plans (LTIP 2018-2020, LTIP 2019-2021) applicable to the CEO and certain key company personnel, together with the corresponding contracts, was prepared and submitted to the Board.

(C) Corporate social responsibility activities:

The Corporate Social Responsibility Master Plan for 2016-2020 was monitored. This instrument includes all the company's ethical, environmental and social initiatives whose yearly progress is included in the Integrated Annual Report.

A corporate social responsibility policy report was also drafted.

(D) Code of Ethics activities:

Reports were given on the restructuring of the Ethics and Compliance Committee.

A training plan was supervised on the Code of Ethics and supplementary regulations for all the Group's employees.

(E) Talent management:

(c) The NRC analysed the actions carried out to date by management, basically the Succession Plan and High Potential Programme. The general Succession Plan includes the CEO and certain key positions (32).

(d) The top 10 positions (Senior Management and Country Managers) were also analysed individually, and the succession proposals were validated with the help of a prestigious external advisor. An emergency Succession Plan (independent of the general Succession Plan) was also drafted; therefore, in the event of unforeseen circumstances, all the key positions have a replacement so that the company's activity is not affected.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on 21/02/2019.

State whether any directors voted against or abstained from voting on this report.

Yes

No

Name of director who has not voted for the approval of this report	Reasons (against, abstention, non- attendance)	Explain the reasons
Remarks		

We connect
people



2018

Consolidated Financial Statements

cellnex[®]

Cellnex Telecom, S.A. and Subsidiaries

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

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

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

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2018, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

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

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

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

Key Audit Matters

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

Impairment of goodwill, other intangible assets and property, plant and equipment

Description

Notes 7 and 8 to the accompanying consolidated financial statements as at 31 December 2018 contain, for each of the cash-generating units (CGUs) identified by the Group, a description of the goodwill, other intangible assets and property, plant and equipment purchased as part of the acquisitions of infrastructure for mobile telecommunications operators.

In this connection, each year the Group tests each of the aforementioned CGUs for impairment using discounted cash flow-based valuation techniques, for which purpose it employs cash flow projections aligned with projected earnings and investments in non-current assets and current assets, as well as other assumptions obtained from each CGU's business plan, irrespective of whether there are indications of impairment, given the sensitivity of the key assumptions used.

Also, a discount rate is determined on the basis of the economic situation in general and on that of each CGU in particular.

Procedures applied in the audit

Our audit procedures included, among others, obtaining and analysing the impairment tests conducted by the Group verifying the clerical accuracy of the future cash flow estimates considered in those tests and analysing their consistency with the approved business plans.

In addition, we evaluated the reasonableness of the key assumptions considered (such as revenue growth, cost inflation and the discount rate), and performed a sensitivity analysis of those key assumptions and their consistency with the actual data relating to the performance of the CGUs.

We involved our in-house valuation specialists in order to evaluate, mainly, the methodology employed by the Group in the impairment tests conducted, the discount rates considered and the terminal value, expressed in perpetuity growth terms, of the projected future cash flows.

Impairment of goodwill, other intangible assets and property, plant and equipment

Description

The performance of these estimates requires the directors to make significant judgements and estimates. As a result of this circumstance, together with the materiality of those assets at the reporting date, this matter was determined to be a key matter in our audit.

Procedures applied in the audit

Lastly, we checked that the disclosures included in Notes 7 and 8 to the accompanying consolidated financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

Early adoption of International Financial Reporting Standard (IFRS) 16, Leases

Description

Notes 2.b, 4 and 15 to the accompanying consolidated financial statements as at 31 December 2018 state that the Group decided to adopt International Financial Reporting Standard (IFRS) 16, Leases early, taking 1 January 2018 to be the date of first-time application. The Group chose full retrospective application as the transition method, which increased/(decreased) the Group's assets, liabilities and equity at 1 January 2017 by EUR 316 million, EUR 344 million and EUR (28) million, respectively. Therefore, the Group restated the figures in the consolidated financial statements for 2017 presented for comparison purposes.

Procedures applied in the audit

Our audit procedures included, among others, obtaining an understanding of the process followed by the Group to calculate and recognise the impacts relating to the early adoption of International Financial Reporting Standard (IFRS) 16, Leases. We also performed substantive procedures, on a selective basis, in conjunction with our internal systems experts, to analyse the reasonableness of the calculations and estimates made in relation to the selected leases, as well as the consistency of the information contained in the IT system and the clauses and other provisions included in the leases entered into with the lessors.

Also, we obtained the report of the independent experts engaged by the Group to determine the discount rates and we involved our internal valuation experts to assess the reasonableness of the methodology used by those independent experts and the main assumptions included in that methodology.

Early adoption of International Financial Reporting Standard (IFRS) 16, Leases

Description

The early adoption of International Financial Reporting Standard (IFRS) 16, Leases is one of the key matters in our audit since estimating the impacts to be recognised at the transition date entails the need for the Parent's directors to apply significant judgements and estimates in various areas, including most notably the determination of the term of the leases (see Notes 2.b and 15), and of the discount rate to be used, for which purpose the Group engaged independent experts.

Procedures applied in the audit

We also verified the competence, objectivity and independence of the independent experts engaged by the Group and the appropriateness of their work to be considered as audit evidence.

Lastly, we checked that the disclosures included in Notes 2.b, 4 and 15 to the accompanying consolidated financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

Other information: Consolidated Management Report

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

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

- a) A specific level that applies to the consolidated non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated management report, or, as the case may be, that the consolidated management report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit and Control Committee

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

Engagement Period

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

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

DELOITTE, S.L.

21 February 2019

Appendix I to our auditor's report

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

**Cellnex Telecom, S.A.
and Subsidiaries**

**Consolidated Financial Statements for the
Year ended 31 December 2018**

Translation of a report originally issued in Spanish prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 25). In the event of a discrepancy the Spanish-language version prevails.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2018
(Thousands of Euros)

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

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

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

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 25). In the event of a discrepancy the Spanish-language version prevails.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2018
(Thousands of Euros)

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

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

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

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 25). In the event of a discrepancy the Spanish-language version prevails.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018 (Thousands of Euros)

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

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

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

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 25). In the event of a discrepancy the Spanish-language version prevails.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018 (Thousands of Euros)

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

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

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

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 25). In the event of a discrepancy the Spanish-language version prevails.

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

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

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

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

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 25). In the event of a discrepancy the Spanish-language version prevails.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Thousands of Euros)

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

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

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

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 25). In the event of a discrepancy the Spanish-language version prevails.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Thousands of Euros)

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

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

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

Cellnex Telecom, S.A. and Subsidiaries

Notes to the consolidated financial statements for the year ended on 31 December 2018

1. General information

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

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

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

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

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

2. Basis of presentation

a) Basis of presentation

The consolidated financial statements of Cellnex Telecom, S.A. and Subsidiaries for the year ended on 31 December 2018, which have been based on the accounting records kept by the Parent Company and by the other companies that make up the Group, were authorised for issue by the Directors of the Parent Company at the meeting of the Board of Directors held on 21 February 2019.

These consolidated financial statements have been prepared in accordance with the regulatory financial reporting framework applicable to the Group which is established by the International Financial Reporting Standards (hereinafter "IFRS") adopted by the European Union (hereinafter, "EU-IFRS") and taking into consideration all of the accounting principles and standards and the valuation criteria that must be applied, as well as the Commercial Code, the Spanish Limited Liability Companies Act and other applicable commercial legislation, so that they show a true image of the equity and financial situation of the Cellnex Group at 31 December 2018 and the results of its operations, the changes in net equity and the consolidated cash flows that have occurred within the Group during the financial year ended on that date.

Given that the accounting principles and valuation criteria applied when preparing the Group's consolidated financial statements at 31 December 2018 may differ from those used by some of the companies within the Group, the adjustments and reclassifications needed to standardise the principles and criteria, and adapt them to the EU-

IFRS, have been carried out as part of the consolidation process. These adjustments have not had a significant impact on the Group's consolidated annual accounts.

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

Moreover, the Group's consolidated financial statements corresponding to the financial year ended on 31 December 2017 were approved by the shareholders of the Parent Company on 31 May 2018.

b) Adoption of IFRSs

The Cellnex Group's consolidated financial statements are presented in accordance with EU-IFRSs, in conformity with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002. In Spain, the requirement to prepare consolidated financial statements in accordance with EU-IFRSs is also regulated by Final Provision Eleven of Law 62/2003, of 30 December, on tax, administrative, labour and social security measures.

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

(I) Standards and Interpretations effective during the present year

The following new accounting standards, amendments and interpretations came into force in 2018:

New standards, amendments and interpretations		Obligatory Application in Annual Reporting Periods Beginning On or After:
IFRS 15 – Revenue from Contracts with Customers (issued in May 2014)	New revenue recognition standard (supersedes IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31).	1 January 2018 ⁽¹⁾
IFRS 9 – Financial Instruments (issued in July 2014)	Replaces the requirements in IAS 39 relating to the classification, measurement, recognition and derecognition of financial assets and financial liabilities, hedge accounting and impairment.	1 January 2018
IFRS 16 – Leases (issued in January 2016)	Replaces IAS 17 and the related interpretations. The main change in the new standard is the introduction of a single lessee accounting model which requires a lessee to recognise all leases in the balance sheet (with certain limited exceptions) with an impact similar to the current finance leases (there will be depreciation of the right-of-use asset and a finance cost due to the amortised cost of the liability).	1 January 2019 ⁽²⁾
Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions (issued in June 2016)	Limited amendments to clarify specific matters such as the effects of vesting conditions on the measurement of a cash-settled share-based payment, the classification of share-based payment transactions with net settlement features and certain aspects of modifications to a share-based payment.	1 January 2018

Amendments to IAS 40 – Transfers of Investment Property (issued in December 2016)	The amendment clarifies that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use of the property.	1 January 2018
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	This interpretation determines 'the date of the transaction' for the purpose of determining the exchange rate to use in advance consideration transactions in a foreign currency.	1 January 2018
Amendments to IFRS 4 – Insurance Contracts	It allows entities within the scope of IFRS 4 the option to apply IFRS 9 with certain exceptions ("overlay approach") or its temporary exemption.	1 January 2018
Improvements to IFRS Cycle 2014-2016.	Minor modifications of a series of rules.	1 January 2018
Modification to IFRS 9 Characteristics of early cancellation with negative compensation	This amendment will allow the valuation at amortized cost of some financial assets prepayable in advance for an amount less than the outstanding amount of principal and interest on said principal.	1 January 2019
IFRIC 23 - Uncertainty about tax treatments	This interpretation clarifies how to apply the registration and valuation criteria of IAS 12 when there is uncertainty about the acceptability by the fiscal authority of a specific tax treatment used by the entity	1 January 2019

⁽¹⁾ The initial effective date of the IASB for this standard as of 1 January 2017, although the IASB issued a clarification to the standard in which its entry into force was deferred until 1 January 2018.

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

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

Adoption of IFRS 15 Revenue from contracts customers

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

IFRS 15 replaces IAS 18 - Revenue and IAS 11 - Construction Contracts and is based on the principle that income is recognized when the control of a good or service is transferred to the customer. It establishes a five-step process to determine what income should be recognized:

- Identification of contracts with customers
- Identification of separate performance obligations
- Determination of the price of the contract
- Assignment of the overall price to the performance obligations and
- Recognition of the revenue for each performance obligation

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

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

The majority of the revenues from the three segments (Telecommunications Infrastructure Services, Broadcasting Infrastructure and Other Network Services) do not include separate performance obligations, and in general terms, the different series of services are substantially the same and have the same transfer pattern to the customer. In cases where several performance obligations are identified, in general all obligations are met over time and in the same period and with the same pattern.

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

Adoption of IFRS 9 Financial Instruments

On 1 January 2018, the Group began to apply the new classification and measurement requirements introduced by IFRS 9, *Financial Instruments* (hereinafter, "IFRS 9"). The intention of the Group Management is also to adopt IFRS 9 for hedge accounting. The Group Management adopted the standard retrospectively, with the practical expedients allowed under the standard, without re-expressing the comparative figures for the year 2017.

In relation to the financial assets of the Group, once the requirements of the new standard have been initially evaluated, the values for which they are recognized as of 31 December 2017 should only be modified as a result of the application of the new model of impairment for loans and accounts receivable, in particular for the effect of considering the expected loss in certain customers. The effect to date, after evaluating most of the balances with the Group's customers, amounted to approximately EUR 7 million (amount that has been provided for with a charge to reserves as of 1 January 2018).

In relation to the Group's financial liabilities, given that the new requirements only affect financial liabilities that are designated as at fair value through profit or loss and the Group has no liabilities of this type, IFRS 9 had no effect on these liabilities.

Adoption of IFRS 16 Leases

IFRS 16, *Leases* (hereinafter, "IFRS 16") was issued by the IASB in January 2016 and endorsed by the European Union in November 2017. IFRS 16 modifies the fundamentals of accounting by lessees of those contracts that constitute a lease. The adoption of IFRS 16 is mandatory in annual reporting periods beginning on or after 1 January 2019, however, it was early adopted by the group for the first time for the purposes of preparing the consolidated interim financial statements corresponding to the period ended on 30 June 2018.

In accordance with IFRS 16, except in those cases in which the contract refers to a low-value asset or the term of the contract is one year or less, the lessee must:

- 1) Recognize a financial liability equivalent to the current value of the fixed payments to be made during the term of the lease;
- 2) Recognize in the balance sheet an asset for the right to use the corresponding asset, which will be valued taking as reference the amount of the associated financial liability, to which will be added the direct expenses incurred to enter the contract, the payments that have been made in advance, as well as future dismantling costs;
- 3) Reflect in the income statement the depreciation of the recognized asset and the annual financial charge associated with the financial liability (these two items together give the total lease expense associated with the fixed payments reflected in the income statement);
- 4) Reflect the tax effect associated with the difference between the criteria of IFRS 16 and that applicable for tax purposes, both in the balance sheet and in the income statement.

In those cases in which the lease agreements have been incorporated in the context of a business combination, the lease liability will be valued at the present value of the remaining lease payments, as if the lease acquired was a new lease on the date of the acquisition of the business. The right-of-use asset will be recorded for the same amount as the lease liability, adjusted to reflect the favourable or unfavourable terms of the lease with respect to market conditions.

The assets associated with the rights of use will be subject to the corresponding impairment tests, as will the rest of the assets with a defined useful life.

In relation to the statement of cash flows, cash payments for the principal part of the lease liability will be classified as a financing payment.

For the purpose of applying IFRS 16, the Group has applied the practical solution indicated in paragraph C3 of appendix C on transition and effective date, which stipulates that it is not necessary to re-evaluate whether a contract is, or contains a lease on the date of initial application. In addition, the main policies, estimates and criteria used in applying IFRS 16 described below:

- Transition form: the Group has applied IFRS 16 in line with paragraph C5 a) of its Appendix C on transition and effective date, that is, retrospectively. The Directors of the Parent Company consider that this option allows for comparative analysis between periods with greater rigor and, also, it also allows the use of discount rates calculated on dates on which the Group entered into leases which, consequently, are directly related to those contracts and consistent with the decision to assume the corresponding conditions at the time.
- Discount rates: the Group has generally applied the interest rate implicit in the lease contracts. In relation to the transition process, contracts prior to 2012 have been valued using an estimated incremental borrowing rate, since the Directors have considered that the determination of the implicit rate in these contracts involved considerably greater difficulty due, among other reasons, to their age. The portfolios of contracts acquired from 2012 onwards have been valued using implicit rates, obtained through a methodology designed for this purpose, in line with the definition of the implicit interest rate of the lease established in IFRS 16.
- Lease term considered for each contract : in relation in particular to the leases of land and buildings in which the Group locates its infrastructures, the term considered for the leases depends mainly on whether the lease contract contains or not unilateral termination clauses and / or renewal (or similar legal rights deriving from the legislation of the countries in which it operates) that grant the Group the right to terminate early or to extend the contracts, as well as whether the contracts with customers associated with the leases allow, or not, the early termination of the lease. The most common types of contracts and the main criteria for determining their term are:
 - For those lease agreements associated with contracts with customers that restrict the ability of Cellnex to terminate leases, the term of the latter is determined by reference to the term of the contract with the customer during which the latter may require Cellnex to maintain the lease. Thus, in those cases in which the contract with the customer has an initial extendable term either by means of the two parties agreeing (Cellnex and the customer), or by means of a unilateral decision by Cellnex, the term considered as reference is the initial term. If the extension of the initial term of the contract with the customer depends exclusively on the latter, the term of the lease also considers the term of the extension. The term of the lease is, in any case, at most, the maximum term during which Cellnex is entitled to use the asset under the lease agreement.
 - For those leases associated with customer contracts that allow Cellnex to terminate the leases, where the Group has a unilateral right to early termination, the lease term is determined as the period of time

covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

As indicated in previous paragraphs, the Group has decided to adopt IFRS 16 retrospectively. As a result, those leases that have been renegotiated and have been affected in general by circumstances that have triggered the need to reassess the lease at later dates, have been recalculated on the dates on which the circumstances occurred.

The Group applies the exemption to recognize assets and liabilities relating to assets of low value in leases of assets with a value of less than EUR 5 thousand when newly purchased. In relation to the exemption of short-term leases, this exemption is being used only in relation to secondary or accessory assets.

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

(ii) Standards and interpretations issued but not yet in force

At the date of formal preparation of these consolidated financial statements, the following standards, amendments and interpretations had been published by the International Accounting Standards Board (IASB) but had not come into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union.

New standards, amendments and interpretations		Obligatory Application in Annual Reporting Periods Beginning On or After:
Approved for use in the European Union		
Amendments to IFRS 9 – Advance payment characteristics with negative compensation (published in October 2017)	The amendment allows entities to measure at amortized cost some prepaid financial assets with so-called negative compensation.	1 January 2019
IFRIC 23 – Uncertainty over Income Tax Treatments (issued in June 2017)	This interpretation clarifies how to apply the IAS 12 registration and valuation criteria when there is uncertainty about the acceptability by the tax authority of a particular tax treatment used by the entity.	1 January 2019
Modification to IAS 28 Long-term interest in associates and joint ventures	Clarifies that IFRS 9 should be applied to long-term interests in an associate or joint venture if the equity method is not applied.	1 January 2019
Not yet approved for use in the European Union ⁽¹⁾		
IFRS 17 Insurance contracts	It will replace IFRS 4. It includes the principles of registration, valuation, presentation and breakdown of insurance contracts.	1 January 2021
Improvements to IFRSs, 2015 – 2017 Cycle	Modifications to a series of standards.	1 January 2019

Modification to IAS 19 Modification, reduction or liquidation of a plan.	Clarifies how to calculate the cost of the service for the current period and the net interest for the remainder of an annual period when a modification, reduction or liquidation of a defined benefit plan occurs.	1 January 2019
Amendments to IFRS 3 Definition of a business	Clarifications to the business definition	1 January 2020
Amendments to IAS 1 and IAS 8 Definition of "materiality"	Modifications to IAS 1 and IAS 8 to align the definition of "materiality" with that contained in the conceptual framework	1 January 2020

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

c) Presentation currency of the Group

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

d) Responsibility for the information provided and accounting estimates and judgements made

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

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

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

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

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

The intangible assets associated with the telecom infrastructures are amortised over the shorter of the term of the corresponding ground lease (taking into consideration renewals) or up to 20 years, as the Company considers these intangibles to be directly related to the infrastructure assets.

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

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

- d) Derivatives or other financial instruments (see Notes 3.d, 3.e, 9 and 13).

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

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

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

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

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

- e) Fair value of assets and liabilities in business combinations (see Note 6).

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

- f) Provisions for staff obligations (see Notes 3.m and 17.b).

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

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

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

- h) Provisions: the probability of occurrence and the amount of the undetermined contingent liabilities (see Notes 3.0 and 18).

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

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

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

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

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

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

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

e) Comparative information

As required by the IFRS, the information relating to the financial year ended on 31 December 2017 contained in these consolidated financial statements for 2018 is submitted solely and exclusively for the purpose of comparison.

f) Materiality

In deciding what information to disclose in the Notes on the various items of the consolidated financial statements or other matters, the Group assessed their materiality in relation to these consolidated financial statements for 2018.

g) Consolidation principles

(i) Methods of Consolidation

Subsidiaries

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

which control is transferred to the Group and they are excluded from consolidation on the date in which the control ceases.

The Group consolidates subsidiaries using the full consolidation method.

Appendix I to these Notes provides details on all the subsidiaries included in the scope of consolidation at 31 December 2018.

Associates

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

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

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

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

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

Appendix II to these Notes provides details on the associates included in the scope of consolidation using the equity method at 31 December 2018.

(ii) Standardisation of accounting reference periods and valuation

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

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

(iii) Business combinations

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

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

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

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

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

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

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

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

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

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

(iv) Elimination of inter-company transactions

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

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

(v) Transactions with non-controlling interests

Transactions with non-controlling interests are recognised as transactions with the owners of the Group's equity. Therefore, in purchases of non-controlling interests, the difference between the consideration paid and the

corresponding proportion of the carrying amount of the subsidiary's net assets is recognised with an impact on net equity. Likewise, gains or losses through the disposal of non-controlling interests are also recognised in the Group's net equity.

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

(vi) Translation of financial statements denominated in foreign currencies

The financial statements of the foreign companies, none of which operate in a hyperinflationary economy, presented in a functional currency (that of the main economic area in which the entity operates) other than the presentation currency of the consolidated financial statements (the euro), are translated to euros using the year-end exchange rate method, according to which:

- Equity is translated at the historical exchange rate.
- Items in the income statement are translated using the average exchange rate for the period as an approximation of the exchange rate at the transaction date.
- The other balance sheet items are translated at the year-end exchange rate.

As a result, exchange differences are included under "Reserves – Translation differences" in equity in the consolidated balance sheet.

(vii) Other

Currency translation differences arising from the translation of a net investment in a foreign operation and from loans and other instruments in a currency other than euro designated as hedges of those investments are recognised in equity. When the investment is sold, any exchange differences are recognised in the consolidated income statement as part of the gain or loss on the sale.

Adjustments to goodwill and to fair value arising from the acquisition of a foreign operation are considered assets and liabilities of the foreign operation and are translated using the year-end exchange rate.

h) Changes in the scope of consolidation

The most significant changes in the scope of consolidation and in the companies included in it during the 2018 financial year were as follows:

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

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

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

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

ii) Acquisition of Xarxa Oberta de Catalunya

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

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

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

iii) **Towerlink France S.A.S.**

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

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

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

iv) **Nearby Sensors, S.L.**

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

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

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

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

Selling/ Spun-off company	Buying/ Resulting company	Comments	Date
Disposals:			
Cellnex Telecom, S.A. ⁽¹⁾	Cellnex Telecom España, S.L.U.	Transfer of 100% of the ownership interest in Retevisión-I, S.A.U. by Cellnex Telecom, S.A.	14/02/2018
Cellnex Telecom, S.A. ⁽¹⁾	Cellnex Telecom España, S.L.U.	Transfer of 100% of the ownership interest in Tradia Telecom, S.A.U. by Cellnex Telecom, S.A.	14/02/2018
Cellnex Telecom, S.A. ⁽¹⁾	Cellnex Telecom España, S.L.U.	Transfer of 100% of the ownership interest in On Tower Telecom Infraestructuras, S.A.U. by Cellnex Telecom, S.A.	14/02/2018
Retevisión-I, S.A.U.	Cellnex Telecom, España, S.L.U.	Sale of the investment in Gestora del Espectro, S.L. by Retevisión-I, S.A.U.	09/10/2018
Infracapital Alticom BV	Cellnex Netherlands BV	Sale of the investment in Alticom Holding BV by Infracapital Alticom BV	29/12/2018
Alticom Holding BV	Cellnex Netherlands BV	Sale of the investment in Alticom BV and Breedlink BV by Alticom Holding BV	29/12/2018
Mergers:			
Alticom BV ⁽²⁾		Merger by absorption of Alticom BV (absorbing company) with Infracapital Alticom BV and Alticom Holding BV (absorbed companies).	29/12/2018
Infracapital Alticom BV ⁽²⁾			
Alticom Holding BV ⁽²⁾	Alticom BV		
Galata S.p.A OnTower Italia, S.r.L TMI, S.r.L	Galata, S.p.A	Merger by absorption of Galata, S.p.A (absorbing company) with OnTower Italia, S.r.L and TMI, S.r.L (absorbed companies).	01/10/2018

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

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

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

The changes to the scope of consolidation that occurred during the 2017 financial year with a significant impact on the consolidated financial statements for that financial year were as follows:

Name of the Company	Company with direct shareholding and % acquired/maintained		Consolidation method
Acquisitions/incorporations:			
Cellnex France Groupe, S.A.S. ⁽¹⁾	Cellnex Telecom, S.A.	100%	Full
Infr'asset, S.A.S. ⁽²⁾	Cellnex France Groupe, S.A.S.	100%	Full
Cellnex Switzerland AG ⁽³⁾	Cellnex Telecom, S.A.	54%	Full
Galata S.p.A. ⁽⁴⁾	Cellnex Italia, S.r.L.	10%	Full
Swiss Towers AG ⁽⁵⁾	Cellnex Switzerland AG	100%	Full
Cellnex Telecom España, S.L.U. ⁽⁶⁾	Cellnex Telecom, S.A.	100%	Full
Breedlink BV ⁽⁷⁾	Alticom Holding BV	100%	Full
Infracapital Alticom BV ⁽⁷⁾	Cellnex Netherlands BV	100%	Full
Alticom BV ⁽⁷⁾	Alticom Holding BV	100%	Full
Alticom Holding BV ⁽⁷⁾	Infracapital Alticom BV	100%	Full

⁽¹⁾ Incorporation Date : 23/03/2017 ⁽²⁾ Acquisition Date : 21/04/2017 ⁽³⁾ Incorporation Date : 05/05/2017 ⁽⁴⁾ Acquisition Date : 04/07/2017 ⁽⁵⁾ Acquisition Date : 03/08/2017 ⁽⁶⁾ Incorporation Date : 02/08/2017 ⁽⁷⁾ Acquisition Date : 12/09/2017

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

In the first quarter of 2017 the Group created the subsidiary Cellnex France Groupe, S.A.S. ("Cellnex France Groupe") with a share capital of EUR 1,050 thousand.

ii) Cellnex Switzerland AG

In the second quarter of 2017, Cellnex Telecom, S.A. created the subsidiary Cellnex Switzerland AG ("Cellnex Switzerland") with a share capital of CHF 100 thousand through the creation of 100,000 shares with a nominal value of CHF 1 per share.

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

As a result of this transaction, at 31 December 2017, the Parent Company hold a 54% stake in Cellnex Switzerland.

iii) Galata S.p.A.

During the third quarter of 2017, pursuant to the put option agreement entered into with Wind Tre SpA, on 27 February 2015, the latter exercised its rights to transfer the total amount of its shareholding in Galata SpA to Cellnex Italia. As a result, Cellnex Italia acquired an additional 10% of the share capital of Galata for EUR 87,518 thousand. Following this acquisition, Cellnex Italia now holds 100% of the share capital of Galata.

iv) **Swiss Towers AG**

In the third quarter of 2017, Cellnex Switzerland (a subsidiary in which the Group has a 54% stake) acquired, from Sunrise Communications International, 100% of Swiss Towers AG, a subsidiary of the Swiss mobile operator for a total of EUR 438 million, in a consortium with Deutsche Telecom Capital Partners and Swiss Life. This acquisition has involved the integration of 2,239 telecommunication sites located in Switzerland.

The actual cash outflow for Cellnex Switzerland in relation to this transaction (Enterprise Value) was EUR 400 million following the incorporation of EUR 38 million of cash balances on the balance sheet of the acquired company (see Note 6).

Thus, following this acquisition, Swiss Towers was fully consolidated within the Cellnex Group as of the acquisition date, such that as at 31 December 2017 the value of all of its assets and liabilities was included in the consolidated balance sheet and the corresponding impact of operations in the consolidated income statement for the year.

v) **Cellnex Telecom España, S.L.U.**

In the second half of 2017 the Group created a further subsidiary in Spain, Cellnex Telecom España, S.L.U., with a share capital of EUR 3 thousand.

vi) **Infracapital Alticom Subgroup**

In the third quarter of 2017 the Group signed a contract with Infracapital F1 Sarl to purchase 100% of the share capital of Infracapital Alticom, owner of 30 sites located in the Netherlands for a total amount of EUR 133 million. The transaction was completed following several administrative authorizations.

The actual cash outflow for the Group in relation to this transaction (Enterprise Value) was EUR 129 million following the incorporation of EUR 4 million of cash balances on the balance sheet of the acquired company (see Note 6).

Thus, following this acquisition, Infracapital Alticom subgroup was fully consolidated within the Cellnex Group as of the acquisition date, such that as at 31 December 2017 the value of all of its assets and liabilities was included in the consolidated balance sheet and the corresponding impact of operations in the consolidated income statement for the year.

Also, in 2017 the following transactions were performed between companies in the scope of consolidation, which, accordingly, did not have an impact on these consolidated financial statements:

Selling company	Buying company	Comments	Date
Disposals:			
Shere Group Netherlands, BV	Cellnex Netherlands, BV	Sale of 100% of the ownership interest in Shere Masten, BV by Shere Group Netherlands, BV	15/12/2017

3. Accounting policies and measurement bases

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

a) Property, plant and equipment

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

With reference to the acquisition of telecom infrastructures, the price agreed upon in the commercial sale and purchase agreement refers to the acquisition of an asset with two components: the physical asset (tower and other equipment and fixtures) and an intangible asset 'customer network service contracts and network location' in order to be able to provide the service to mobile operators. This is in turn related to the subsequent services contract with the mobile operator and the subrogation of all the rental contracts with third parties that the mobile operator previously had, and which includes the corresponding operating permits or licences. Thus, despite there being two types of assets, and given that the intangible portion cannot be segregated as an intangible asset, the accounting treatment applied records the full amount of the purchase under the "Property, plant and equipment", which is depreciated according to the useful life thereof on the basis of technical studies.

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

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

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

The depreciation of property, plant and equipment is calculated systematically, using the straight-line method, over the useful life of the assets, based on the actual decline in value caused by their use and by wear and tear. The depreciation rates used to calculate the depreciation of the various items of property, plant and equipment are as follows:

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

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

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

Provision for asset retirement obligation

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

b) Goodwill and other intangible assets

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

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

(i) Computer software

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

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

(ii) Intangible assets in telecom infrastructures

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

- *Concession intangible assets*

Includes the contracts signed with mobile operators as well as the locations of the telecom infrastructures used, which are subject to administrative concession.

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

- *Customer Network Services Contracts*

This intangible asset relates to the customer base existing at the acquisition date due to the Group's infrastructure service contracts with the anchor carrier and to the future returns expected to be generated because of the relationships with customers beyond the periods covered by the contracts.

- *Network Location*

This intangible asset represents the incremental revenues and cashflows from addition infrastructure service agreements with carriers not yet present at the date of acquisition. The Network Location is considered an intangible asset, valued independently from the remaining intangible assets, because it meets the requirement of separability, given that the excess available capacity can be used to offer network access services to third parties.

For the valuation of these intangible assets, the Company has used the Multi-Period Earnings methodology, according to the financial projections of the different businesses affected. This method considers the use of other assets in the generation of the projected cashflows of a specific asset in order to isolate the economic benefit generated by the intangible asset. The contribution of the other assets such as fixed assets, working capital, labour and other intangible assets to the total cash flows is estimated through charges for contributing assets. This adjustment is made to separate the value of the specific assets from the portion of the purchase price that has already been allocated to net tangible assets and other intangible assets used. Therefore, the value of intangible assets is the present value of cash flows after potentially attributable taxes, net of the return on the fair value attributable to the tangible and intangible assets.

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

(iii) Other intangible assets

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

(iv) Goodwill

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

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

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

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

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

c) Impairment losses on non-financial assets

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

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

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

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

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

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

When financial assets not measured at fair value through profit or loss are initially recognised, the Group measures them at their fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset. The Group determines the classification of its financial assets at initial recognition. At 31 December 2018, financial assets were classified into the following categories:

(i) Current and non-current financial investments

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

These amounts are recognised as an advance of the subsequent services agreement with the mobile telephone operator, which is recognised in the accompanying consolidated income statement on a straight-line basis as a

reduction to "revenue from services rendered" according to the term of the services agreement entered into with the operator.

(ii) Trade and other receivables

This heading mainly corresponds to:

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

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

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

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

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

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

e) Derivative financial instruments

The Group uses derivative financial instruments to manage its financial risk, arising mainly from changes in interest rates and exchange rates (see Note 5). These derivative financial instruments, whether or not classified as hedges, were classified either at fair value (both initially and subsequently), using valuations based on the analysis of

discounted cash flows using assumptions that are mainly based on the market conditions at the reporting date and adjusting for the bilateral credit risk in order to reflect both the Group's risk and the counterparty's risk.

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

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

The fair value of the derivative financial instruments used for hedging purposes is set out in Note 14, and the change in the hedging reserve recognised in consolidated equity is set out in Note 13.

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

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

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

(i) Cash-flow hedge

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

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

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

(ii) Hedges of a net investment in a foreign operation

In certain cases, Cellnex finances its activities in the same functional currency in which its foreign investments are held so as to reduce the currency risk. This is carried out by obtaining financing in the corresponding currency or by entering into cross currency and interest rate swaps.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognised in equity, while the ineffective portion of the gain or loss is recognised immediately in the consolidated income statement for the year.

Cumulative gains or losses in equity are included in the income statement on disposal of the foreign operation.

(iii) Derivatives not recognised as hedges

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

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

(iv) Fair value and valuation techniques

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

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

- Level 1 - Inputs are based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs are based on quoted prices for similar assets or liabilities in active markets (not included in level 1), prices quoted for identical or similar assets or liabilities in markets that are not active, techniques based on valuation models for which all relevant inputs are observable in the market or can be corroborated by observable market data.
- Level 3 - In general, inputs are unobservable and reflect estimates based on market assumptions to determine the price of the asset or liability. Unobservable data used in the valuation models are significant in the fair values of the assets and liabilities.

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

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

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

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

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

f) Inventories

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

g) Net equity

The share capital is represented by ordinary shares. The costs of issuing new shares or options, net of tax, are recognised directly against equity, as a reduction to reserves. Dividends on ordinary shares are recognised as a reduction to equity when approved. Acquisitions of treasury shares are recognised at their acquisition cost and are deducted from equity until disposal. The gains and losses obtained on the disposal of treasury shares are recognised under "Reserves" in the consolidated balance sheet.

h) Earnings per share

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

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

i) Cash and cash equivalents

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

The Group is not subject to any limits regarding drawing down funds beyond those established in certain contracts for bank borrowings (see Note 14).

j) Treasury Shares

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

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

k) Financial liabilities

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

Borrowings with floating interest rates hedged with derivatives that change the interest rate from floating to fixed are measured at fair value of the hedged item. Changes in the borrowings are taken to income, thus offsetting the

impact on profit and loss of the change in the derivative instrument's fair value. The borrowings with floating interest rates hedged with derivatives are not significant.

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

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

l) Income tax

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

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

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

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

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

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

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

m) Employee benefits

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

(i) Post-employment obligations:

Defined contribution obligations

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

Defined benefit obligations

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

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

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

(ii) Other long-term benefits

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

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

(iii) Severance pay

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

(iv) Obligations arising from plans for termination of employment

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

(v) Long Term Incentive Plan – LTIP

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

LTIP (2015-2017)

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

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

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

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

The cost of the LTIP (2015-2017) for Cellnex was EUR 7.8 million.

LTIP (2017-2019)

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

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

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

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

2. 30%; the share price appreciation calculated between the initial starting price of the period and the average price in the last quarter of 2018, weighted by the volume ("vwap"). The scale of attainment is from 75% to 125% depending on the share price performance compared to IBEX 35 and certain European and American peers; and
3. 20%; the attainment of certain Adjusted EBITDA figure according to the market consensus and the constant scope of consolidation. The scale of attainment is: 50% if the figure is 5% below the target, 100% if figure matches the target, and 125% if the target is beaten by 5% or more;

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

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

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

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

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

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

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

LTIP (2018-2020)

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

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

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

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

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

n) Government grants

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

- a) Non-refundable capital subsidies, donations and legacies: these are measured at the fair value of the amount or the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss, except for grants received from shareholders or owners, which are recognised directly in non-current liabilities and do not give rise to the recognition of any income.
- b) Refundable grants: while they are refundable, they are recognised as non-current liabilities.
- c) Operating subsidies: They are posted to the results at the time they are granted, except if they are used to finance the operating losses of future financial years, in which case they are recorded in said financial years. If they are granted to finance specific expenses, they are recorded as the financial expenses are accrued.

o) Provisions and contingencies

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

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

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

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

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

Provision for asset retirement obligation

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

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

p) Revenue recognition

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

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

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

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

The services that the Group provides to its customers include infrastructure support services, which in turn include the access of infrastructure networks to telecommunications operators that use wireless technologies. The Group acts as a neutral¹ carrier for mobile network operators and other

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

telecommunications operators that normally require complete access to the infrastructure network to provide services to the end customers.

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

- **Broadcasting infrastructure:** is the Group's second main segment by turnover. The Group currently provides broadcasting services only in Spain, where it is the only operator offering nationwide coverage of the DTT service. Its services consist of the distribution and transmission of television and radio signals, the operation and maintenance of broadcasting networks and the provision of connectivity for media content, OTT broadcasting and other services. Through the provision of broadcasting services, Cellnex has developed unique know-how that has helped to develop other services within its portfolio.
- **Other Network Services:** the Group provides the infrastructure required to develop a connected society by providing the following network services: data transport, security and control, Smart communication networks including IoT, Smart Services and managed services and consulting. As a telecom infrastructure operator, Cellnex can facilitate, streamline and accelerate the deployment of these services through the efficient connectivity of objects and people, in both rural and urban environments, helping to build genuine Smart territories. This constitutes a specialized business that generates relatively stable cash flows with potential for growth.

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

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

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

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

q) Expense recognition

Expenses are recognised in the consolidated income statement when there is a decrease in the future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets. The register of an expense should occur based on the actual flow of goods and services, irrespective of when the corresponding payments are made. Any payment that may be made for all of a service received during a given period of time will be considered a prepaid expense recognised on the asset side of the consolidated balance sheet under "Trade and other receivables" and will be taken to the consolidated income statement when the service is received by the Group.

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

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

r) Leases

i) The Group as Lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ii) The Group as Lessor

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

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

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

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

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

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

s) Activities affecting the environment

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

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

t) Related Party Transactions

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

u) Consolidated statement of cash flows

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

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

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

v) Transactions in foreign currencies

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

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

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

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

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

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

Impacts on the comparative information

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

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

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

Impact on the consolidated balance sheet at 31 December 2017

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

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

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

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

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

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

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

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

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

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

5. Financial and capital risk management

a) Financial risk factors

The Group's activities are exposed to various financial risks, the most significant of which are foreign currency risk, interest rate risk, credit risk, liquidity risk, inflation risk and risks related to Group Indebtedness. The Group can use derivatives and other protection mechanisms to hedge certain interest rate and foreign currency risks.

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

(i) Foreign currency risk

As the Group reporting currency is the euro, fluctuations in the value of other currencies in which borrowings are instrumented and transactions are carried out with respect to the euro may have an effect in future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

Furthermore, since 2016 the Group also operates and holds assets in the UK and in Switzerland following completion of the Swiss Towers Acquisition, both countries outside de Eurozone. The Group is therefore exposed

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

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

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

31 December 2018

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

31 December 2017 restated

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

The contribution to the main aggregates of the consolidated balance sheet of the Group by companies operating in a functional currency other than the euro was as follows:

31 December 2018

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

31 December 2017 restated

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

The estimated sensitivity of the consolidated income statement and of the consolidated equity to a 10% change in the exchange rate of the main currencies in which the Group operates with regard to the rate in effect at year-end is as follows:

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

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

⁽¹⁾ Impact on equity from translation differences arising in the consolidation process.

The effects on the Group's equity would be partially offset by the impact on equity from the net investment hedges, which were entered into for the initial investment amount.

(ii) Interest rate risk

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

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

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

The Group can use derivative financial instruments to manage its financial risk, arising mainly from changes in interest rates. These derivative financial instruments are classified as cash flow hedges and recognised at fair value (both initially and subsequently). The required valuations were determined by analysing discounted cash flows using assumptions mainly based on the market conditions at the reporting date for unlisted derivative instruments (see Note 14 of the accompanying consolidated financial statements).

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

(iii) Credit risk

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

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

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

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

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

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

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

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

(iv) Liquidity risk

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

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

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

(v) Inflation risk

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

(vi) Risks Related to Group Indebtedness

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

- Placing the Group at a possible competitive disadvantage to less leveraged competitors and competitors that may have better access to capital resources, including with respect to acquisitions and forcing the Group to forego certain business opportunities.
- Requiring the dedication of a substantial portion of cash flow from operations to service the debt, thereby reducing the amount of cash flow available for other purposes, including, among others, capital expenditures and dividends.
- Requiring the Group to issue debt or equity securities or to sell some of its core assets, possibly not on the best terms, to meet payment obligations.
- Accepting financial covenants in the financing contracts such as: debt limitation, cash restriction, pledge of assets, amongst others.
- Affecting the Group current corporate rating with a potential downgrade from a rating agency, which can make obtaining new financing more difficult and expensive.
- Requiring the Group to early repay the outstanding debt in the event that the relevant change of control clause is triggered.

b) Capital management

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

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

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

As stated in the previous section 5.a.vi, the Group's borrowings may increase and its impact on the leverage ratio can affect the current corporate rating. A potential downgrade from a rating agency could make it more difficult and costly to obtain new financing.

The leverage ratios at 31 December were as follows:

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

6. Business combinations

The Company typically acquires telecommunications infrastructures from telecommunications carriers or other infrastructure operators and subsequently integrates those infrastructures into its existing network. The financial results of the Company's acquisitions have been included in the Company's consolidated financial statements for the year ended 31 December 2018 from the date of respective acquisition. The date of acquisition, and by extension the point at which the Company begins to recognise the results of an acquisition, may be dependent upon, among other things, the receipt of contractual consents, the commencement and extent of contractual arrangements and the timing of the transfer of title or rights to the assets, which may be accomplished in phases. As a result of the business combinations performed during 2018 and 2017, and following a prudent approach, the vast majority of the difference between the book value of the assets acquired and the purchase price paid has been assigned to assets subject to depreciation or amortization. Thus, the resulting goodwill mainly corresponds to the net deferred tax recognised resulting from the higher fair value attributed to the net assets acquired in comparison with their tax bases.

Business combinations for 2018

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

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

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

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

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

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

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

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

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

With regards to the acquisition of Xarxa Oberta de Catalunya assets, the purchase price allocation (PPA) process was carried out without the participation of an independent third-party expert given that:

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

The Group has an internal team with sufficient knowledge and experience in the sector in which the acquired business operates and in PPA processes.

The fair value of the net assets acquired includes the valuation of the intangible assets identified, consisting mainly of intangible assets that relate to contracts entered into with mobile operators.

The goodwill, which in turn includes the net recognition of any deferred taxes resulting from the higher fair value attributed to the net assets acquired in comparison with the tax bases, derives from the synergies and other additional future cash flows expected to arise following the acquisition by the Group. Among other effects, this will allow the Group to strengthen and supplement its "Other Network Services" business.

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

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

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

¹ Net profit including the additional depreciation of revalued assets.

Finally, given the date on which the acquisition of Xarxa Oberta de Catalunya was completed, at the date of signing these consolidated financial statements, Cellnex is in the process of finalizing the allocation of the fair value of the assets and liabilities acquired by means of the analysis of the discounted cash flows generated by the assets identified, and therefore, in accordance with IFRS 3, the Group has one year from the dated of completion of the operation to complete the measurement process.

Business combinations for 2017

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

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

Acquisition of Swiss Towers AG

As regards the business combination described in Note 5 of the consolidated annual accounts for the 2017 financial year, considering that IFRS 3 allows the reassessment of the allocation process during a period of one year and given the complexity of identifying the acquired intangible assets, during the 2018 financial year, the Group has decided to reassess the identification of these assets, with the results detailed below.

The potential value of the sites is mainly due to the characteristics and quality of the physical locations, which translates into a certain expectation of increasing their "customer ratio". This can be attributed to certain sets of intangible assets, of which each individual element is necessary to realise the full value.

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

Customer Network Services Contracts

This intangible asset relates to the customer base existing at the acquisition date due to the Group's infrastructure service contracts and to the future returns expected to be generated because of the relationships with customers beyond the periods covered by the contracts.

Network Location

This intangible asset represents the incremental revenues and cashflows from addition infrastructure service agreements with carriers not yet present at the date of acquisition. The Network Location is considered an intangible asset and valued independently from the remaining intangible assets, because it meets the requirement of separability, given that the excess available capacity can be used to offer network access services to third parties.

The goodwill, which in turn includes the net recognition of any deferred taxes resulting from the higher fair value attributed to the net assets acquired in comparison with the tax bases (EUR 149 million), derives from the synergies and other additional future cash flows expected to arise following acquisition by the Group. Among other effects, this acquisition provides a first entry point into the Swiss market.

The assets and liabilities of Swiss Towers arising from the acquisition of 54% of the company were as follows:

Debit/(Credit)	Thousands of Euros		
	Fair value	Carrying Value	Revaluation
Cash and cash equivalents	37,859	37,859	-
Property, plant and equipment	90,115	90,115	-
Other intangible assets	310,961	24	310,937
Trade and other current assets	7,555	7,555	-
Trade creditors	(34,402)	(34,402)	-
Provisions	(58,711)	(48,323)	(10,388)
Deferred tax liabilities	(63,569)	173	(63,742)
Net assets	289,808	53,001	236,807
Non-controlling interests	(133,949)	(24,497)	(109,452)
Net assets acquired	155,859	28,504	127,355
Total acquisition price	438,474	438,474	
Cash in from other shareholders	(146,507)	(146,507)	
Cash and cash equivalents	(37,859)	(37,859)	
Cash outflow in the acquisition	254,108	254,108	

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

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

Acquisition of Infracapital Alticom subgroup

As indicated in Note 2.h., in the third quarter of 2017 the Group signed a contract with Infracapital F1 Sarl to purchase 100% of the share capital of Infracapital Alticom, owner of 30 sites located in the Netherlands for a total amount of EUR 133 million. The transaction was completed following several administrative authorizations. The actual cash outflow for the Group in relation to this transaction (Enterprise Value) was EUR 129 million following the incorporation of EUR 4 million of cash balances on the balance sheet of the acquired company.

The Group financed the acquisition of 100% of the share capital of Infracapital Alticom subgroup using existing cash and credit facilities.

Thus, following this acquisition, the Infracapital Alticom subgroup has been fully consolidated within the Cellnex Group as of the acquisition date, such that as at 31 December 2017 the value of all of its assets and liabilities has

¹ Net loss including the additional depreciation of revalued assets.

been included in the consolidated balance sheet and the corresponding impact of operations in the consolidated income statement for the period.

The breakdown of the net assets acquired and goodwill generated by the purchase of 100% of Infracapital Alticom subgroup, at the acquisition date, was as follows:

	Thousands of Euros
Total acquisition price	132,726
Fair value of the net assets acquired	72,707
Resulting goodwill	60,019

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

With regards to the acquisition of Infracapital Alticom subgroup, considering that IFRS allows the reassessment of the allocation process during a period of one year and given the complexity of identifying the acquired intangible assets, the Group decided to make a purchase price allocation with the participation of an independent third party expert, having obtained the results as detailed below.

The potential value of the sites is mainly due to the characteristics and quality of the physical locations, which translates into a certain expectation of increasing their "customer ratio". This can be attributed to certain sets of intangible assets, of which each individual element is necessary to realise the full value.

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

Customer Network Services Contracts

This intangible asset relates to the customer base existing at the acquisition date due to the Group's infrastructure service contracts and to the future returns expected to be generated because of the relationships with customers beyond the periods covered by the contracts.

Network Location

This intangible asset represents the incremental revenues and cashflows from addition infrastructure service agreements with carriers not yet present at the date of acquisition. The Network Location is considered an intangible asset and valued independently from the remaining intangible assets, because it meets the requirement of separability, given that the excess available capacity can be used to offer network access services to third parties.

The goodwill, which in turn includes the net recognition of any deferred taxes resulting from the higher fair value attributed to the net assets acquired in comparison with the tax bases (EUR 60 million), derived from the synergies and other additional future cash flows expected to arise following acquisition by the Group.

The assets and liabilities of Infracapital Alticom arising from the acquisition of all interest in the subgroup were as follows:

Debit/(Credit)	Thousands of Euros		
	Fair value	Value acquired Carrying Value	Revaluation
Cash and cash equivalents	4,030	4,030	-
Property, plant and equipment	35,289	35,289	-
Other intangible assets	66,208	-	66,208
Trade and other current assets	-	-	-
Trade payables	(3,468)	(3,468)	-
Provisions	(12,800)	-	(12,800)
Deferred tax liabilities	(16,552)	-	(16,552)
Net assets acquired	72,707	35,851	36,856
Total acquisition price	132,726	132,726	
Cash and cash equivalents	(4,030)	(4,030)	
Cash outflow in the acquisition	128,696	128,696	

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

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

¹ Net profit including the additional depreciation of revalued assets.

7. Property, plant and equipment

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

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

	Thousands of Euros			Total
	Land and buildings	Plant and machinery and other fixed assets	Property, plant and equipment under construction	
At 1 January 2017				
Cost	872,114	518,559	50,634	1,441,307
Accumulated depreciation	(167,181)	(225,681)	-	(392,862)
Carrying amount	704,933	292,878	50,634	1,048,445
Carrying amount at beginning of year	704,933	292,878	50,634	1,048,445
Changes in the consolidation scope (Note 6)	125,166	238	-	125,404
Additions	420,123	27,833	46,914	494,870
Disposals (net)	(713)	(198)	-	(911)
Transfers	17,175	2,361	(19,575)	(39)
Foreign exchange differences	(2,942)	66	(283)	(3,159)
Depreciation charge	(95,461)	(61,890)	-	(157,351)
Carrying amount at close	1,168,281	261,288	77,690	1,507,259
At 31 December 2017				
Cost	1,431,335	522,136	77,690	2,031,161
Accumulated depreciation	(263,054)	(260,848)	-	(523,902)
Carrying amount	1,168,281	261,288	77,690	1,507,259

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

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

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

Movements in 2018

Changes in the scope of consolidation and business combinations

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

Signed acquisitions and commitments

France

Agreements reached during 2016 and 2017

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

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

Extension of the partnership during 2018

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

These new assets, once all have been built and acquire, will contribute an estimated up to EUR 39 million of additional Adjusted EBITDA¹.

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

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

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

Spain

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

¹ Note that all Bouygues transactions have a common characteristic "up to" as Bouygues has not the obligation to reach the highest number of sites.

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

Switzerland

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

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

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

Movements in 2017

Changes in the scope of consolidation and business combinations

Additions in 2017 due to changes in the scope of consolidation and business combinations related to the infrastructure for mobile telecommunications operators following the acquisitions detailed below (see Note 2.h and 6):

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

Signed acquisitions and commitments

France

On 31 January 2017 Cellnex agreed with Bouygues Telecom the acquisition and building of up to a maximum of 3,000 sites in France, structured around two projects. The first one related to the acquisition of up to 1,800 sites for a total enterprise value of EUR 500 million and involved urban sites in the main cities of France (c.85% located in areas with a population above 400,000 inhabitants) which had to be gradually transferred to Cellnex France over a period of 2 years.

Cellnex and Bouygues Telecom had also agreed on a second project for the building of up to 1,200 sites for a total investment of EUR 354 million. This build-to-suit project related to sites to be built over an estimated period of 5 years.

During 2017, it was agreed to extend the agreement with Bouygues Telecom dated 31 January, 2017, as detailed below:

- On 25 July, 2017, the Group reached an agreement to acquire up to 600 additional urban sites in France for an amount of EUR 170 million, which are to be gradually transferred to Cellnex France no later than 2020.
- On 15 December 2017 an extension of build-to-suit project with Bouygues Telecom was agreed in the following terms: i) up to 1,000 additional sites to be build (increasing the agreement to build sites from up to 1,200 to up to 2,200 sites) and (ii) increase the period of construction of sites in 1 additional year, as a result of which the new execution period is 5 years from now.

As a result of these extensions, the agreement with Bouygues Telecom consisted of the acquisition and construction of up to 5,100 sites in France.

Others

On 30 June 2017 Cellnex reached an agreement with K2W for the acquisition of up to 32 sites in Netherlands for a total amount of EUR 12.6 million.

In addition, on 26 December 2017, Cellnex reached an agreement with MASMOVIL by which the Group acquired 551 sites in Spain for an amount of EUR 36 million, approximately.

In this context, MASMOVIL will be co-located in these locations, with Cellnex acting as an industrial partner for future collaboration agreements regarding network deployment. It also further consolidates the relationship that both companies already started in 2013 in the area of passive mobile infrastructure externalization and sharing.

The Company typically acquired telecommunications infrastructures from telecommunications carriers or other tower operators and subsequently integrated those sites into its existing network. The financial results of the Company's acquisitions were included in the Company's consolidated financial statements for the year ended 31 December 2016 from the date of respective acquisition. The date of acquisition, and by extension the point at which the Company begins to recognise the results of an acquisition, may be dependent upon, among other things, the receipt of contractual consents, the commencement and extent of contractual arrangement and the timing of the transfer of title or rights to the assets, which may be accomplished in phases.

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

In addition, during 2018 and 2017 there were additions associated with the business expansion and maintenance of the Group's operations, mainly in equipment for the broadcast of the new MUXs placed in service during the current fiscal year, and signal transportation.

Property, plant and equipment abroad

At 31 December 2018 and 2017 the Group had the following investments in property, plant and equipment located abroad:

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

Fully depreciated assets

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

Change of control clauses

With regards to the Group's acquisitions of infrastructures from mobile telecommunications operators, the agreements signed with the selling parties contain change of control provisions which state that if a competitor of the selling party becomes a controlling shareholder of the relevant company, the selling party has the right to repurchase the aforementioned infrastructures. Control is defined as having (i) more than 50% of shares with voting rights or (ii) the right to appoint or dismiss the majority of the members of the board of directors)

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

Purchase commitments at year-end

At year-end the Group held purchase agreements for material assets amounting to EUR 952.659 thousand (EUR 709,876 thousand in 2017).

Impairment

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

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

The fair value was calculated as follows:

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

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

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

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

2018

The discount rate before tax¹ considered for On Tower Telecom Infraestructuras, S.A.U., Cellnex France, S.A.S. and Swiss Towers was 7.1%, 6.4% and 5.7%, respectively.

The activity growth rate² considered for On Tower Telecom Infraestructuras, S.A.U., Cellnex France, S.A.S. and Swiss Towers was 2.5%, 5.0% and 2.0%³ per annum, respectively.

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

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

2017

The discount rate before tax considered for On Tower Telecom Infraestructuras, S.A.U. and Cellnex France, S.A.S. was 7.5% and 7.4%, respectively.

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

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

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

Sensitivity to changes in the key assumptions

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

The impairment tests carried out demonstrate that the unit to which the assets are allocated is deemed capable of recovering the net carrying value recognised at 31 December 2018 and 2017. Consequently, there is no need to recognise any provision for impairment. In accordance with the sensitivity analysis performed, any changes in the discount rates of +50 basis points; in terminal growth rate "g" of -50 basis points; and in activity of -500

¹ The discount rate before tax has been calculated as the discount rate after tax (R) divided by 1 minus the tax rate of the corresponding country (t). That is: $R/(1-t)$.

² Relates to revenue. The compound growth rate or CAGR reflects the increments built into the contracts related to the assets.

³ Proforma basis 2018.

basis points could be made without recognising any impairment in the assets recognised by the Group at 31 December 2018 and 2017.

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

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

With regard to assets located in Spain, in 2012 several Spanish Group companies took advantage of Act 16/2012, of 27 December, resulting in an increase in the value of the assets through an accounting revaluation for EUR 41 million in the separate financial statements of the Spanish companies, which is not included in the cost of the assets for IFRS purposes. The tax effect of this revaluation has been recorded as a deferred tax asset in the accompanying consolidated financial statements (Note 17).

Insurance

The Group takes out all insurance policies considered necessary to cover possible risks which might affect its property, plant and equipment. At 31 December 2018 and 2017, the Group's Directors considered that the insurance coverage was sufficient to cover the risks relating to its activities.

Other disclosures

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

8. Goodwill and other intangible assets

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

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

	Thousands of Euros			Total
	Goodwill	Intangible assets for telecom infrastructure services	Computer software and other intangible assets	
At 1 January 2017				
Cost	380,217	1,081,913	28,976	1,491,106
Accumulated amortisation	-	(60,169)	(15,554)	(75,723)
Carrying amount	380,217	1,021,744	13,422	1,415,383
Carrying amount at beginning of year	380,217	1,021,744	13,422	1,415,383
Changes in the scope of consolidation (Note 6)	210,059	377,170	-	587,229
Additions	-	15,059	7,503	22,562
Disposals	(20,636)	-	-	(20,636)
Transfers	-	-	39	39
Foreign exchange differences	(3,083)	(12,947)	-	(16,030)
Amortisation charge	-	(63,175)	(4,856)	(68,031)
Carrying amount at close	566,557	1,337,851	16,108	1,920,516
At 31 December 2017				
Cost	566,557	1,461,195	36,518	2,064,270
Accumulated amortisation	-	(123,344)	(20,410)	(143,754)
Carrying amount	566,557	1,337,851	16,108	1,920,516

Intangible assets for telecom infrastructure services

The breakdown of the net book value of intangible assets for telecom infrastructure services is set out below:

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

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

Additions for the 2017 financial year due to changes in the scope of consolidation and business combinations corresponded to the allocation of the purchase price resulting from the acquisitions of Swiss Towers and Infracapital Alticom subgroup amounting to EUR 310,962 and 66,208 thousand, respectively (see Note 2.i and 6).

Goodwill

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

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

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

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

⁽¹⁾ This goodwill is related to assets in a non-euro currency thus its value in Euros is affected by the variations in the prevailing exchange rate.

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

The goodwill amounting to EUR 42,014 thousand at 31 December 2018 and 2017, relates to the difference between the carrying amount of the assets contributed in the capital increases through non-monetary contributions and the estimated market value of the line of business contributed by Centre de Telecomunicacions i Tecnologies de la Informació (CTTI) of the Catalonia Autonomous Community Government to Tradia Telecom, S.A.U. in 2000. This goodwill was allocated to the overall business corresponding to the activity of the company Tradia Telecom, S.A.U.

The main variations in the 2017 financial year were due to changes in the scope of consolidation and business combinations, and corresponded to the impact of the takeover of Swiss Towers and Infracapital Alticom subgroup amounting to EUR 146,174 and EUR 60,019 thousand, respectively, as at 31 December 2017.

Impairment

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

Prior to preparing revenue and expense projections, those projections made as part of the impairment tests for the prior year were reviewed to assess possible variances. In the review of the 2017 impairment tests with regard to the 2018 results, no significant variances were detected.

The fair value was calculated as follows:

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

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

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

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

2018

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

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

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

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

2017

The discount rate before tax considered for Tradia Telecom, Towerco, Galata, Commscon, Towerlink Netherlands, Shere Group UK and Shere Masten was 7.1%, 8.2%, 8.2%, 8.2%, 6.1%, 6.3% and 6.1%, respectively.

The activity growth rate considered for Tradia Telecom, Towerco, Galata, Commscon, Towerlink Netherlands, Shere Group UK and Shere Group Netherlands was 1.3%, 1.5%, 1.9%, 10.2%, 1.9%, 2.4% and 1.8% per annum, respectively. The Commscon's growth rate was determined at 10.2% due to the highly dynamic market and growth opportunities.

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

All CGUs apart from TowerCo and Commscon have been projected until 2040 in line with the duration of the service contracts in the Telecom Infrastructure Services business segment. As the TowerCo business is based on a concession agreement with Atlantia, this CGU has been projected until the end of the concession in 2038. Commscon's business has different market dynamics and the average contract duration is 9 years.

Sensitivity to changes in the key assumptions

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

The impairment tests carried out demonstrate that the unit to which the recognised goodwill or intangible assets in telecom infrastructures are allocated is deemed capable of recovering the net value recognised at 31 December 2018 and 2017. Consequently, there is no need to recognise any provision for impairment. In accordance with the sensitivity analysis performed, any changes in the discount rates of +50 basis points; in terminal growth rate "g" of -50 basis points; and in activity of -500 basis points could be made without recognising any impairment to goodwill recognised by the Group at 31 December 2018.

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

Intangible assets abroad

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

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

Fully amortised assets

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

Purchase commitments at year-end

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

Other information

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

9. Investments in associates

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

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

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

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

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

10. Current and non-current financial investments

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

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

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

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

Additions

Corresponds to the pluri-annual commercial costs assumed by the Group in order to obtain the service provision services agreements with the mobile telephone operators, through the purchase, from these operators, of the telecom infrastructures, the dismantling of which has been agreed to along with the related cost.

Charge to the consolidated income statement

During 2018 and 2017, in line with the terms of the service agreements entered into with the operators, the corresponding amount of the total paid for the purchase of telecommunications infrastructure, treated as prepayment for the subsequent service agreements, was taken to the accompanying consolidated income statement. At 31 December 2018 and 2017, this amount was recorded as a reduction to revenues amounting to EUR 1,487 and 1,011 thousand respectively (see Note 19).

Transfers

The transfers from the 2018 and 2017 financial years are due to the classification under "Current financial investments" of the part that is expected to be charged during the next financial year to the consolidated income statement.

11. Trade and other receivables

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

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

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

Trade receivables

"Trade receivables" includes outstanding amounts from customers. At 31 December 2018 and 2017, the account had no significant past-due balances that were not provided for.

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

At 2018 year-end the amount utilized under the non-recourse factoring agreements stood at EUR 54 million (EUR 53 million as at 2017 year-end). In this regard, the Group derecognises the receivables sold on a non-recourse basis as it considers that it has substantially transferred the risks and rewards inherent to their

ownership to banks. As at 31 December 2018 the limit under the non-recourse factoring agreements stood at EUR 222 million (EUR 243 million as at 2017 year-end).

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

Allowances for doubtful debts (write-downs)

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

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

Disposals in 2018 and 2017 relate to previous balances that were fully provided for, and which the Group decided to completely derecognise, without this having any impact on the accompanying consolidated income statement.

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

Other receivables

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

- Other tax receivables amounting to EUR 46,276 thousand (EUR 40,960 thousand in 2017) which mainly corresponds to VAT receivable. At 31 December 2018, it mainly included VAT receivable derived from the acquisition of mobile telecom infrastructures in France and in Spain (see Note 7), that amounted to EUR 25,268 thousand and EUR 9,358 thousand, respectively (EUR 24,428 thousand and EUR 8,590 thousand, respectively, at 31 December 2017).
- The PROFITS (coordination) mechanism by which the Group plays the role of coordinator for certain aid programs under the National Plan for Scientific Research, Development and Technological Innovation (PROFIT) granted by the Spanish Ministry for Industry, Tourism and Trade and applies for this aid together with other companies. The Group includes in current and non-current accounts receivable amounts that were previously assigned to third parties amounting to EUR 376 thousand and EUR 703 thousand, respectively (EUR 596 thousand and EUR 963 thousand, respectively, in 2017), received by the Group under the guise of PROFIT grants and refundable loans.

- The full amount of PROFIT grants received by the Group (including part of the amount assigned to third parties) is recognised under "Other non-current borrowings" and "Other current borrowings" (see Note 14).
- Other loans with service purchasers that are not strictly considered customers and with other trade debtors not included under other accounts. Advances to creditors, debtors and employees are also recognised under this heading.

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

12. Cash and cash equivalents

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

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

13. Net equity

a) Share capital and treasury shares

Share capital

At 31 December 2018 and 2017, the share capital of Cellnex is represented by 231,683,240 cumulative and indivisible ordinary registered shares of EUR 0.25 par value each, fully subscribed and paid.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- i) issue convertible bonds up to a limit of 20% of the Parent Company's share capital on 31 May 2018 (this limit being also included within the maximum limit of 50% referred above);
- ii) purchase treasury shares up to a limit of 10% of the share capital of the Parent Company.

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

Treasury shares

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

The acquisition of treasury shares has been carried out by means of a liquidity contract ⁽⁴⁾ signed by Cellnex on 31 May 2016 with Santander Investment Bolsa, Sociedad de Valores, S.A.U. in order to manage its portfolio of treasury shares. The aforementioned contract was cancelled on May 9, 2018.

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

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

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

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

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

2018

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

2017

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

⁽⁴⁾ Liquidity contract in accordance with the CNMV circular 1/2017 of 26 April covering liquidity contracts for the purpose of their acceptance as market practice.

b) Share premium

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

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

c) Reserves

The breakdown of this account is as follows:

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

(i) Legal reserve

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

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

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

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

(ii) Reserves from retained earnings and other reserves

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

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

(iii) Hedge reserve

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

(iv) Foreign exchange differences

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

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

d) Interim dividend and proposed dividends

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

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

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

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

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

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

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

e) Earnings per share

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

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

f) Non-controlling interests

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

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

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

The changes in this heading were as follows:

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

As regards the main non-controlling interest, the summarised financial information in relation to the assets, liabilities, operating results and cashflow relating to the corresponding company/subgroup incorporated in the consolidation process is as follows:

31 December 2018

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

31 December 2017 restated

	Thousands of Euros	
	Cellnex Switzerland subgroup ⁽¹⁾	Galata ⁽²⁾
Non-current assets	575,445	-
Current assets	54,324	-
Total assets	629,769	-
Non-current liabilities	224,166	-
Current liabilities	47,771	-
Total liabilities	271,937	-
Net assets	357,832	-
Income	22,651	211,204
Expenses	(5,923)	(64,901)
Gross operating profit	16,728	146,303
Profit attributable to the shareholders	(759)	20,013
Operating activities	(13,789)	110,590
Investment activities	(254,130)	(3,739)
Financing activities	121,664	(91,189)
Cashflows	(146,255)	15,662

⁽¹⁾ Company over which control was obtained in August 2017 (see Note 2-h); hence, only five months of the aggregates of its income and cash flows has been included in the consolidated statement of profit or loss and the consolidated statement of cash flows for the year, respectively.

⁽²⁾ At 4 July 2017, Cellnex acquired an additional 10% of the share capital of Galata. As a result of this acquisition, at 31 December 2017, Cellnex holds 100% of the share capital of Galata (see Note 2-h); hence, only six months of the aggregates of its income and cash flows has been included in the figures detailed above.

g) Profit/(loss) for the year

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

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

14. Borrowings

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

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

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

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

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

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

31 December 2018

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

⁽¹⁾ Which also includes Derivative financial instruments.

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

31 December 2017

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

⁽¹⁾ Which also includes Derivative financial instruments.

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

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

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

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

Borrowings by maturity

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

31 December 2018

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

31 December 2017

	Thousands of Euros							Total (*)
	Limit	Current Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Non-current Between 3 and 4 years	Between 4 and 5 years	More than 5 years	
Bond issues and other loans	1,890,000	32,962	-	-	-	600,000	1,290,000	1,922,962
Arrangement expenses	-	(3,488)	(3,641)	(3,805)	(3,980)	(3,570)	(5,859)	(24,343)
Loans and credit facilities	1,695,922	3,389	179,725	625	80,625	133,083	240,754	638,201
Arrangement expenses	-	(1,058)	(1,076)	(936)	(870)	(614)	(458)	(5,012)
Derivative financial instruments	-	181	-	-	-	-	-	181
Other financial liabilities	-	37,629	1,568	1,310	687	694	1,039	42,927
Total	3,585,922	69,615	176,576	(2,806)	76,462	729,593	1,525,476	2,574,916

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

Borrowings by type of debt

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

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

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

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

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

Borrowings by currency

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

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

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

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

Euro value of EUR 175,316 thousand as of 31 December 2017) and are held by means of various credit facilities denominated in GBP. These non-derivate financial instruments are assigned as net investment hedges against the net assets of the Cellnex UK Group. The maturities of these borrowings are between 2022 and 2023.

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

Furthermore, in the context of the Swiss Towers acquisition (see Note 6), the Group also maintained through its subsidiary Cellnex Switzerland additional borrowings in CHF amounting to CHF 157,409 thousand with a Euro value of EUR 139,683 thousand (CHF 155,986 thousand with a Euro value of EUR 133,299 thousand as of 31 December 2017).

Bond issues and other loans

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

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

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

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

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

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

31 December 2018

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

31 December 2017

Issue	Initial duration	Maturity	Fitch / S&P rating	ISIN	Coupon	Initial Notional (Thousands of Euros)	Notional as of 31 December 2017 (Thousands of Euros)
27/07/2015	7 years	27/07/2022	BBB-/BB+	XS1265778933	3.125%	600,000	600,000
10/08/2016	8 years	16/01/2024	BBB-/BB+	XS1468525057	2.375%	750,000	750,000
16/12/2016	16 years	20/12/2032	BBB-/NA	XS1538787497	3.875%	65,000	65,000
18/01/2017	8 years	18/04/2025	BBB-/BB+	XS1551726810	2.875%	335,000	335,000
07/04/2017	9 years	07/04/2026	BBB-/NA	XS1592492125	Eur 6M+2,27% ⁽¹⁾	80,000	80,000
03/08/2017	10 years	03/08/2027	BBB-/NA	XS1657934714	Eur 6M+2,20%	60,000	60,000
Total						1,890,000	<u>1,890,000</u>

⁽¹⁾ Coupon hedged by Interest Rate Swaps. See Derivative financial instruments section.

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

ii) Convertible bond issues

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

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

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

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

Clauses regarding changes of control

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

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

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

Bonds obligations and restrictions

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

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

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

Bonds obligations and restrictions

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

Loans and credit facilities

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

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

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

During the previous year, Cellnex signed a loan agreement with the European Investment Bank ("EIB") for an amount of EUR 100,000 thousands with an estimated maturity of 12 years (2029). This loan includes an obligation of Parent Company to maintain at least a corporate rating of BB by Standard & Poor's and Fitch Ratings Ltd, and Baa2 by Moody's. As of the date hereof, Cellnex has drawn an amount of EUR 24,375 thousands (EUR 25,000 thousand as of 31 December 2017) of this loan and is in compliance with all its obligations under the EIB loan agreement.

Clauses regarding changes of control

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

Loans and credit facilities obligations and restrictions

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

Submitted guarantees and financial ratios

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

Derivative financial instruments

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

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

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

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

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

Other financial liabilities

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

As of 31 December 2018, the Group reached agreements for recourse factoring in relation to balances for VAT receivables derived from the acquisition of mobile telecom infrastructures in France amounting to EUR 25,268 thousand. During 2017, the Group reached agreements for recourse factoring for a total amount of EUR 35 million as of 31 December 2017, in relation to balances for tax receivables. This related to VAT receivable derived from the acquisition of mobile telecom infrastructures in France and in Spain, amounting to EUR 30,325 thousand and current tax assets amounting to EUR 4,402 thousand as of 31 December 2017.

Corporate rating

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

15. Leases

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

Amounts recognised in the consolidated balance sheet

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

Right of use

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

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

Lease liabilities

	Thousands of euros	
	31 December 2018	31 December 2017 restated
Maturity analysis – contractual undiscounted cash flows		
Less than one year	152,268	124,456
One to five years	272,452	250,502
More than five years	342,434	333,553
Total undiscounted lease liabilities at 31 December	767,154	708,511
Lease liabilities included in the statement of financial position at 31 December		
Current	102,382	76,502
Non-Current	423,955	349,480
Total	526,337	425,982

Amounts recognised in the consolidated income statement

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

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

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

Amounts recognised in the statement of cash flows

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

Lease agreements. Cellnex Group as lessee

i) Real estate leases

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

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

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

Extension options

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

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

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

Discount rates

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

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

The incremental borrowing rate (IBR) is defined by IFRS 16 as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value

to the right-of-use asset in a similar economic environment. The IBR has been obtained through a methodology designed for this purpose, in line with the definition above and based on the following components: local reference rate, credit spread adjustment and lease specific adjustment. The credit spread adjustment is based on the Group's creditworthiness and the debt issuance costs. No lease specific adjustment has been applied, as the nature of the leases is essentially the same.

ii) Other leases

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

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

iii) Sale-and-leaseback

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

16. Trade and other payables

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

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

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

At 31 December 2018 and 2017, "Trade payables" included mainly the amounts payable for trade purchases made by the Group and their related costs.

"Other payables to Government Agencies" includes all balances payable by the Group to the tax authorities as detailed in Note 17.b.

Lastly, "Other payables" is formed mainly of payables to non-current asset suppliers.

Information on deferral of payment to suppliers

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

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

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

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

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

17. Income tax and tax situation

a) Tax information

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

Cellnex files consolidated tax returns as the Parent Company of the tax group, the subsidiaries of which are composed of investees at least 75%-owned by it and with tax residence in Spain. The Group companies resident in Italy file consolidated Italian corporation tax returns from 2016 onwards. In addition, the Group companies resident in the Netherlands file consolidated Dutch tax returns. The UK companies file Group Relief claims and surrenders as appropriate. The remaining companies included in the consolidation scope file individual corporation tax returns.

Tax audits and litigation

At 31 December 2018, in general the Group companies had open for review by the tax authorities all the taxes applicable to them for which the statute of limitations period had not expired at that date in each of the jurisdictions where they are located.

No significant impact on equity is expected to arise from different interpretations that could be derived from current tax legislation regarding the other financial years open for review or from any of the inspections underway.

On July 3, 2018, the Company received notice of initiation of tax audit for the concepts Corporate Income Tax (consolidated group), corresponding to the 2015 and 2016 fiscal years, and Value Added Tax, corresponding to the periods between April and December 2015 (individual) and 2016 (VAT group). Besides, the Corporate Income Tax and Value Added Tax for fiscal year 2014 and the Value Added Tax for the first quarter of fiscal year 2015 is also being audited by the Tax Authorities due to the fact that Abertis Group (former shareholder of the Company) received notice of initiation of tax audit for the concepts Corporate Income Tax (consolidated group) and Value Added Tax (VAT group) for fiscal years 2014, 2015 and 2016.

The Company considers that no significant impacts derived from the tax audit will be revealed, nor will possible interpretative differences in the tax legislation.

b) Balances for tax payable and receivable

The tax receivables held by the Group with the tax authorities at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
VAT receivable	43,422	38,876
Canary Islands tax refundable	-	182
Other taxes	2,854	1,902
Tax receivables	46,276	40,960

In 2018 and 2017, this caption mainly included VAT receivable derived from the acquisition of mobile telecom infrastructures in France (see Note 7), that amounts to EUR 25,268 thousand (EUR 24,428 thousand and EUR 8,590 thousand, in France and Spain, respectively, in 2017).

The current tax payables held by the Group with tax authorities at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
VAT payable	25,844	27,640
Canary Island tax payable	108	134
Social security payable	2,525	2,009
Personal income tax withholdings	2,291	2,243
Other taxes	2,053	1,642
Tax payables	32,821	33,668

c) Corporation tax expense

The standard corporation tax rate in the main countries in which Cellnex conducts its operations is as follows:

	2018	2017
Spain	25%	25%
Italy ⁽¹⁾	28.82%	28.82%
Netherlands ⁽²⁾	25%	25%
United Kingdom	19%	19%
France ⁽³⁾	28%/33.3%	33.3%
Switzerland ⁽⁴⁾	20.4%	20.5%

⁽¹⁾ The standard income tax rate was 28.82% in Italy, which is made up of the IRES (Imposta sul Reddito delle Società) at a rate of 24% and the IRAP (regional business tax in Rome) at a rate of 4.82%.

⁽²⁾ Progressive decrease of the Dutch standard corporate income tax (CIT) rate from 25% to 20.5% by 2021. For fiscal years starting on or after 1 January 2018, a 20% CIT rate will apply on the first EUR 200 thousand of taxable income of all entities. The lower CIT rate for 2019 is 19% (2018: 20%) for taxable income up to EUR 200 thousand and the standard rate of 25% (2018: 25%) applies to taxable income exceeding EUR 200 thousand.

⁽³⁾ The Finance Bill for 2018 provides for a progressive decrease of the French standard corporate income tax (CIT) rate from 33.3% to 25% by 2022. For fiscal years starting on or after 1 January 2018, a 28% CIT rate will apply on the first EUR 500 thousand of taxable income of all entities. Taxable income in excess of EUR 500 thousand will still be subject to a 33.3% CIT rate. For financial years beginning on or after 1 January 2019, a 28% CIT rate will apply on the first EUR 500 thousand of taxable income and a 31% rate on the taxable income in excess of EUR 500 thousand. For fiscal years starting on or after 1 January 2020, 2021 and 2022 a 28%, 26.5% and 25% rate will apply for all entities, respectively.

⁽⁴⁾ The standard income tax rate was 20.5% in Switzerland, which is made up of federal, cantonal and communal (municipal) taxes. Lower rates are available for privileged companies.

The reconciliation of the theoretical tax and the tax expense recorded in the consolidated income statement for the year is as follows:

	Thousands of Euros	
	2018	2017 restated
Consolidated profit before tax	(36,181)	30,362
Theoretical tax ⁽¹⁾	9,254	(7,263)
Impact on tax expense from (permanent differences):		
Non-deductible expenses	(1,401)	1,263
Other deductions	2,498	2,617
Income from transfer of know-how	1,797	1,787
Income tax (expense)/credit for the year	12,148	(1,596)
Tax loss carryforwards	4,599	-
Changes in tax rates	-	2,566
Other tax effects	1,691	(539)
Other tax effects	6,291	2,027
Income tax (expense)/credit	18,439	431

⁽¹⁾ The theoretical tax charge is a blended rate calculated by applying the individual corporation tax rate in each country to the profit before tax of each individual Group company.

"Non-deductible expenses" in 2018 and 2017 include items that, in accordance with the tax legislation of the respective consolidated companies, are not taxable or deductible.

"Income from transfer of know-how" for the 2018 and 2017 financial years includes the reduction of income from certain intangible assets (Patent Box) in accordance with the provisions of Law 27/2014, of 27 November, regarding Corporation Tax.

"Changes in tax rate" in 2017 included the adjustment to the new tax rates made to the deferred tax assets and liabilities in accordance with a change in the UK corporation tax rate. A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2017 were calculated based on these rates, given that, according to IAS 12, deferred tax assets and liabilities must be measured using the tax rates that are expected to be applied in the period in which the liability is cancelled, based therefore on the tax rates that were substantively enacted at the end of the reporting period.

The main components of the income tax expense for the year (for fully consolidated companies) are:

	Thousands of Euros	
	2018	2017 restated
Current tax	(18,290)	(20,273)
Deferred tax	37,502	21,215
Tax from prior years / other	(773)	(511)
Income tax expense	18,439	431

"Deferred tax" in 2018 and 2017 mainly relates to the impact of the deferred tax liabilities associated with the business combinations detailed below.

Tax withholdings and payments on account totalled EUR 16,343 thousand (EUR 16,229 thousand in 2017).

d) Deferred taxes

The balance of the recognised deferred assets and liabilities, as well as their movement during the financial year, was as follows:

	Thousands of Euros			
	2018		2017 restated	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
At 1 January restated	40,869	(349,929)	39,063	(290,281)
Debits/(credits) in income statement	11,433	3,555	(2,315)	5,587
Debits/(credits) due to incorporation into scope and business combinations	451	12,984	405	(67,106)
IFRS 16	3,532	-	3,152	-
Transfers	143	-	564	-
Changes in tax rates	-	-	-	2,566
Others	(1,106)	84	-	(695)
At 31 December	55,322	(333,306)	40,869	(349,929)

Deferred tax assets

The breakdown of the deferred tax assets is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017 restated
Deferred tax assets:		
Provision for third-party liabilities	9,493	4,465
Limit on depreciation and amortisation of fixed assets	5,733	6,632
Employee benefit obligations	4,702	4,615
Other provisions	3,021	2,729
Timing differences in revenue and expense recognition	372	1,146
Asset revaluation	5,493	6,280
IFRS 16	15,902	13,034
Tax credits recognised:		
Tax loss carry forwards	9,198	-
Limit on depreciation and amortisation of fixed assets	854	1,323
Asset revaluation	553	645
Total deferred tax assets	55,322	40,869

Provision for third-party liabilities

The Group has yet to fully utilise the tax credit recognised in 2018 for the collective redundancy procedure, which at year-end 2018 was only partially paid.

Limit on depreciation and amortisation of fixed assets

Act 16/2012, limiting the deductibility of the depreciation and amortisation expenses, was approved on 27 December 2012. In general, only 70% of the amortisation and depreciation for accounting purposes on property, plant and equipment, intangible assets and investment property for tax periods beginning in 2013 and 2014, which would have been tax deductible, will be deducted from the tax base. The amortisation and depreciation for accounting purposes that was not tax deductible is deducted on a straight-line basis over a 10-year period or over the useful life of the asset from the first tax period that begins in 2015.

This heading also includes the limit on the amortisation of the asset revaluation given that it is amortised for tax purposes, from the first tax period beginning on or after 1 January 2015, over the tax periods in the remaining useful lives of the revalued asset, under the same terms and conditions related to renewals and extensions.

Asset revaluation

On 27 December 2012, Act 16/2012 was approved, which allowed the carrying amount of the assets to be recalculated in order to adjust such values for the effect of inflation and bring them closer to their actual value for Spanish companies. The Group adjusted the carrying amount of its assets in companies on an individual basis, initially assumed the tax cost of all assets and generated a future income tax savings which translated into deferred tax assets. This revaluation has not been included in these consolidated financial statements and only the future tax saving is reflected.

Deferred tax assets include unused tax credits and the temporary differences recognised at year-end.

The deferred tax assets indicated above were recognised in the consolidated balance sheet because the Company's Directors considered that, based on their best estimate of the Group's future earnings, it is probable that these assets will be recovered.

Tax losses carry forwards

As of 31 December 2018 the Group had tax losses from UK companies available for carry forward against future profits, as detailed below:

- Non-trade loan relationship deficit of EUR 11.3 million (EUR 11.3 million at 31 December 2017) which related to GBP 10.1 million (GBP 10.1 million at 31 December 2017), which is available to offset future non-trade income and capital gains of the company that incurred the loss, and
- Trading losses of EUR 13.4 million (EUR 13.4 million at 31 December 2017) which related to GBP 11.9 million (GBP 11.9 million at 31 December 2017) which is available to offset against future trading profits generated by the same company that incurred the loss.

In addition, tax losses from Spanish and French companies available for carry forward against future profits, amounted to EUR 19 million and EUR 23 million (EUR 0 million and EUR 10 million, respectively, at 31 December 2017).

As of 31 December 2017, the tax losses from Dutch companies available for carry forward against future profits amounted to EUR 1 million (EUR 0 million in 2018).

The potential deferred tax asset arising on the losses carried forward in the group companies detailed above has not been recognized yet in the accompanying consolidated balance sheet, except for the tax losses in Spain and France recognized at 31 December 2018 amounting to EUR 4.6 million and EUR 4.6 million, respectively (EUR 0 million in 2017). The aforementioned tax losses do not have an expiration date.

Deferred tax liabilities

The breakdown of the deferred tax liabilities is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Deferred tax liabilities:		
Business combinations ⁽¹⁾	(324,489)	(338,858)
Accelerated depreciation and amortisation	(8,896)	(11,570)
Amortization goodwill in Spanish companies & others	80	499
Total deferred tax liabilities	(333,306)	(349,929)

⁽¹⁾ Tax effect associated with recognising, at fair value, the net assets and liabilities acquired in various business combinations and/or changes in the scope of consolidation.

Business combinations

The detail of the deferred tax liabilities recorded at 31 December 2018 and 2017 relating to the tax effect associated with recognising, at fair value, the net assets and liabilities acquired in the main business combinations and/or changes in the scope of consolidation, is as follows:

	Acquisitions	Incorporation	2018	2017
Towerco		2014	22,630	23,817
Galata		2015	115,392	122,605
Commscon		2016	3,482	4,127
Cellnex Netherlands subgroup ⁽¹⁾		2016	83,041	88,775
Shere Group subgroup ⁽¹⁾		2016	19,302	20,323
On Tower Italia		2016	463	484
Swiss Towers		2017	59,191	62,453
Infracapital Alticom subgroup		2017	14,825	16,273
Xarxa Oberta de Catalunya		2018	6,163	-
Total			324,489	338,858

⁽¹⁾ As described in Note 2.h, during 2017 was sold the 100% of the ownership interest in Shere Masten, BV by Shere Group Netherlands, BV to Cellnex Netherlands.

Accelerated depreciation and amortisation

On 3 December 2010, Act 13/2010 was approved, which allowed for the accelerated depreciation of new items of property, plant and equipment and investment property used in business activities, and made available to the taxpayer in tax periods beginning in 2011, 2012, 2013, 2014 and 2015. This measure gave rise to a temporary difference between depreciation for accounting and for tax purposes.

Expected schedule for reversal the deferred tax assets and liabilities

In most cases, the use of the Group's deferred tax assets and liabilities is conditional upon the future performance of the business activities carried out by its various companies, the tax regulations of the different countries in which they operate, and the strategic decisions to which they may be subject.

Under the assumption used, it is estimated that the deferred tax assets and liabilities recognised in the consolidated balance sheet at 31 December 2018 and 2017 will be used as follows:

	Thousands of Euros		
	31/12/2018		
	Less than one year	More than one year	Total
Deferred tax assets	9,722	45,600	55,322
Deferred tax liabilities	(21,628)	(311,678)	(333,306)

	Thousands of Euros		
	31/12/2017 restated		
	Less than one year	More than one year	Total
Deferred tax assets	8,233	32,636	40,869
Deferred tax liabilities	(22,315)	(327,613)	(349,928)

The deferred tax assets indicated above were recognised in the attached consolidated balance sheet as the Parent's Directors consider that, based on their best estimated of the tax group's future earnings it is probable that these assets will be recovered.

18. Provisions and other liabilities and employee benefit obligations

a) Provisions and other liabilities

The detail of "Provisions and other liabilities" at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	31 December 2018	31 December 2017 restated
Put option Galata S.p.A	-	-
Put option Cellnex Switzerland AG	66,515	60,839
Asset Retirement Obligation	84,275	78,919
National Competition Committee Sanction	23,000	16,000
Provision for other responsibilities ⁽¹⁾	41,847	50,092
Deferred income and other liabilities	20,896	12,134
Provisions and other liabilities	236,533	217,984

⁽¹⁾ Provision for other responsibilities captures mainly provisions for contingent liabilities made during the Purchase Price Allocation process which are a result of present obligations arising from past events, where the fair value can be reliably measured.

i) Galata Put Option

On 27 February 2015 a Put Option contract was signed in relation to the acquisition of Galata, S.p.A., which could be exercised wholly and not partially over the shares which represent the share capital of Galata owned by Wind and through said contract Wind was able to sell all the shares in Galata that it holds on that date to Cellnex Italia. The price for exercising the Put Option was calculated using a base of EUR 77 million, increasing by 6% per year and decreasing by the dividends paid by Galata to Wind over a maximum period of 4 years.

Cellnex calculated the amount for exercising the Put Option at the end of the first year which is from when Wind was able to exercise the Put Option, such that the amount payable at the end of the first year (26 March 2016) was EUR 81,620 thousand. As at 30 June 2017 the Put Option amounted to EUR 87,518 thousand (EUR 85,294 thousand and EUR 80,414 thousand at 2016 year-end and at the time of acquiring company on 26 March 2015, respectively).

On July 4, 2017, the minority shareholder of Galata exercised its pre-emption rights for the transfer of its entire ownership interest of Galata, pursuant to the Put Option contract signed on 27 February 2015. As a result of the above, Cellnex Italia acquired an additional 10% of the share capital of Galata for EUR 87,518 thousand. With this acquisition, Cellnex Italia now holds 100% of the share capital of Galata. This transaction had no impact on the consolidated income statement for the year 2017 (see Note 2.h).

During the year ended on 31 December 2017, EUR 2,224 thousand was recorded in the accompanying consolidated income statement to update the value for the passage of time at 6% per annum.

ii) Cellnex Switzerland Put Option

During the third quarter of 2017, in relation to the Cellnex Switzerland incorporation, Deutsche Telekom Capital Partners ("DTCP") and Cellnex Telecom, S.A. entered into a put option agreement, in which DTCP has a put option to sell its stake (18%) to Cellnex, payable in cash or in Cellnex Telecom, S.A. shares ("DTCP Put Option"). The price for exercising the DTCP Put Option is calculated using a base of CHF 65 million (with a Euro value of EUR 58 million), increasing by the higher of fair market value and a c.9.3% return per year.

If the DTCP Put Option is exercised, the purchase price for the shares would be calculated according to certain formulae included in the DTCP Put Option agreement, over a maximum period of 5 years. Cellnex may choose to pay the purchase price in case of an exercise either in cash or with Cellnex shares.

As at 31 December 2018 the DTCP Put Option amounted to EUR 67 million (EUR 61 million at 31 December 2017).

During 2018, EUR 6 million (EUR 3 million in 2017) was recorded in the accompanying consolidated income statement to update the value for the passage of time at c.9.3% per year.

iii) Asset Retirement Obligation

This caption includes the contractual obligation to dismantle and decommission the mobile telecom infrastructures. (See Note 3.o.)

iv) National Competition Committee Sanction

This caption includes the possible sanctions levied by the National Competition Committee (Note 17.c), which have been recorded in the consolidated balance sheet as the cash flow outflow has been estimated as probable.

v) Provision for other Responsibilities

This caption includes the provisions for other liabilities in relation to the business combinations undertaken by the Group relating to the acquisitions of Galata, Commscon, Towerlink Netherlands, Shere Group, Swiss Towers, Alticom and Xarxa Oberta de Catalunya, Zenon and DFA Telecomunicazioni amounting to EUR 287 thousand, EUR 260 thousand, EUR 5,425 thousand, EUR 4,226 thousand, EUR 10,084 thousand, EUR 12,800 thousand, EUR 4,000 thousand, EUR 2,000 thousand and EUR 1,000 thousand, respectively. In this respect the corresponding provisions included in this caption as at 31 December 2017 in relation to the acquisitions of Galata, Commscon Italy, Protelindo Towers, Shere Group and in 2017 of Swiss Towers and Alticom amounting to EUR 2,403 thousand, EUR 2,000 thousand, EUR 13,213 thousand, EUR 6,532 thousand, 10,084 and 12,800 respectively (see Note 6).

In addition, this provision includes an amount relating to the long term liability derived from the cancellation of the rental contract relating to the building which housed certain corporate offices up to that date. The

liability amounts to EUR 1,766 thousands based on the best estimation at the period end date (EUR 3,060 thousand in 2017).

vi) Deferred Income and Other Liabilities

This item mainly includes amounts claimed from Group companies in ongoing litigation at the period end and other risks related to management of the Group. The amounts were estimated based on the amounts claimed or stipulated in court rulings issued at the end of each year shown and appealed against by the aforementioned companies.

At 31 December 2018 and 2017, this caption also includes the recognition of a contingent consideration contemplated in the purchase contract of Commscon for EUR 5 million, which is subject to the achievement of certain long term growth objectives of the company.

b) Employee benefit obligations

The detail of "Employee benefit obligations" at 31 December 2018 and 2017 is as follows:

	Thousands of Euros					
	31 December 2018			31 December 2017		
	Non-current	Current	Total	Non-current	Current	Total
Defined benefit obligations	3,304	92	3,396	2,864	470	3,334
Employee benefit obligations	12,892	35,373	48,265	2,782	23,123	25,905
Employee benefit obligations	16,196	35,465	51,661	5,646	23,593	29,239

i) Current and non-current defined benefit obligations

The pension commitments and obligations are covered using insurance policies/separate entities, with the amounts not included in the balance sheet. Nevertheless, this heading includes the hedges (relevant obligations and assets) for which there is a continued legal obligation or implied obligation to meet the agreed benefits.

Together with the above obligations, the liability side of the accompanying balance sheet includes EUR 3,304 thousand (EUR 2,864 thousand in 2017) under "Non-current provisions" and EUR 92 thousand (EUR 470 thousand in 2017) under "Current provisions", relating to the measurement of the main employee commitments arising from certain non-current obligations related to employees' length of service with the Group. The amounts recognised in 2018 and 2017 for these obligations as a decrease in staff costs were EUR 292 thousand and EUR 297 thousand and, as a finance cost, were EUR 17 thousand and EUR 10 thousand, respectively.

In relation to the Group's defined benefit obligations with employees, the reconciliation of the opening and ending balances of the actuarial value of these obligations is as follows:

	Thousands of Euros	
	2018	2017
At 1 January	3,334	2,168
Current service cost	307	86
Interest cost	17	10
Actuarial losses/(gains)	(15)	(383)
Benefits paid	(247)	(95)
Changes in the consolidation scope	-	1,548
At 31 December	3,396	3,334

The reconciliation of opening and ending balances of the actuarial fair value of the assets tied to these obligations is as follows:

	Thousands of Euros	
	2018	2017
At 1 January	-	-
Sponsor contributions	309	(287)
Benefits paid	(247)	(95)
Changes in the consolidation scope	-	1,026
At 31 December	62	644

The actuarial assumptions (demographic and financial) used constitute the best estimates on the variables that will determine the ultimate cost of providing post-employment benefits.

The main actuarial assumptions used at the reporting date are as follows:

	2018	2017
Annual discount rate	0.75%	0.50% - 0.75%
Salary increase rate	2.00% - 2.25%	2.00% - 2.25%

ii) Current and non-current employee benefit obligations

Long Term Incentive Plan ("LTIP")

i) LTIP (2015-2017)

On 10 April 2015 the Long Term Incentive Plan (2015-2017) was approved. This plan accrued from May 2015 until 31 December 2017 and was paid in 2018 after the Group's annual accounts corresponding to the 2017 financial year were approved. The beneficiaries of this Plan were the CEO, the Senior Management and certain key employees of the Cellnex Group (up to 32 employees).

The amount to be received by the beneficiaries was determined by the degree of fulfilment of two objectives, each with a weight of 50%:

- The share price appreciation calculated between the initial starting price of the IPO and the average price in the last quarter of 2017, weighted by the volume ("vwap"), following a scale of achievement.
- The attainment of certain performance parameters according to the market consensus and the constant scope of consolidation, following a scale of attainment.

With regards to the LTIP (2015-2017) the weighted average degree of fulfilment of the following two objectives was 111%. For the first objective, which was related to Cellnex share price appreciation, the percentage of attainment was 120% and for the second objective, which was related to the Adjusted EBTIDA figure obtained as at 31 December 2017, the percentage of attainment was 102%.

The cost of the LTIP (2015-2017) for Cellnex was EUR 7.8 million.

Based on the best possible estimation of the related liability and taking into consideration all the available information, the Group recognised a provision of EUR 7,211 thousand for this item in the short-term of the consolidated balance sheet as at 31 December 2017.

As at 31 December 2018, the Long Term Incentive Plan (2015-2017) has been fully paid to its beneficiaries, therefore, at this date no provision has been recorded regarding to this Plan, since it has been extinguished.

ii) LTIP (2017-2019)

On 27 April 2017 Cellnex's Board of Directors approved the LTIP (2017-2019) and decided to make the LTIP a rolling plan going forward to further incentivise the retention of the beneficiaries, which includes the CEO, the Senior Management and certain key employees (up to 50 employees). The LTIP (2017 - 2019) is divided into two phases:

Phase I (2017-2018) accrues from 1 January 2017 until 31 December 2018 and is payable once the Group's annual accounts corresponding to the 2018 financial year have been approved.

The amount to be received by the beneficiaries of this Phase I (2017-2018) has been determined by the degree of fulfilment of three objectives, each with the following weight:

1. 50%; the attainment of certain RLFCF per share figures according to the market consensus and at a constant scope of consolidation. The scale of attainment is: 50% if the figure is 5% below the target, 100% if figure matches the target, and 125% if the target is beaten by 5% or more;
2. 30%; the share price appreciation calculated between the initial starting price of the period and the average price in the last quarter of 2018, weighted by the volume ("vwap"). The scale of attainment is from 75% to 125% depending on the share price performance compared to IBEX 35 and certain European and American peers; and
3. 20%; the attainment of certain Adjusted EBITDA figure according to the market consensus and the constant scope of consolidation. The scale of attainment is: 50% if the figure is 5% below the target, 100% if figure matches the target, and 125% if the target is beaten by 5% or more;

With regards to this Phase I (2017-2018) the weighted average degree of fulfilment of the three objectives was 125%. For the first objective, which was related to the RLFCF per share, the percentage of attainment was 125%, for the second objective, which was related the share price appreciation, the percentage of attainment was 125%, and for the third objective, which was related to the Adjusted EBITDA, the percentage of attainment was 125%.

In accordance with the attainment above, the cost of Phase I (2017-2018) of the LTIP (2017-2019) for Cellnex is EUR 5 million, which will be paid once the Group's annual accounts corresponding to the 2018 financial year have been approved.

Phase II (2018-2019) accrues from 1 January 2018 until 31 December 2019 and will be payable once the Group's annual accounts corresponding to the 2019 financial year have been approved.

The amount to be received by the beneficiaries of this Phase II (2018-2019) will be determined by the degree of fulfilment of two objectives, each with a weight of 50%:

- 50%; the attainment of a certain RLFCF per share figure according to the market consensus and a constant scope of consolidation. The scale of attainment is: 50% if the figure is 5% below the target, 100% if figure matches the target, and 125% if the target is beaten by 5% or more; and
- 50%; the share price appreciation calculated between the initial starting price of the period and the average price in the last quarter of 2019, weighted by the volume ("vwap"). The scale of attainment is from 75% to 125% depending on the share price performance compared to IBEX 35 and certain European and American peers.

As at 31 December 2018, the estimated cost of the Phase II (2018-2019) is approximately EUR 7 million. If the maximum level of achievement of the objectives were to be attained, the estimated cost would be approximately EUR 8.8 million.

For the LTIP (2017 – 2019) all Senior Management and certain employees must receive a minimum of 30% of their LTIP remuneration in Cellnex shares and for the CEO and Deputy CEO the minimum amount is 40% of their LTIP remuneration. For the rest of the beneficiaries, this minimum percentages varies depending on the position of the employee. The share based compensation of this LTIP will be grossed up to partially offset the tax impact on the beneficiaries.

Based on the best possible estimation of the related liability and taking into consideration all the available information, the Group has recognised a provision of EUR 3.5 million and EUR 5 million for this item in the long-term and short-term; respectively, of the accompanying consolidated balance sheet as at 31 December 2018 (EUR 2.6 million as at 31 December 2017 in the long-term). Thus, the impact on the accompanying consolidated income statement for the 2018 year-end amounted to EUR 5.9 million (EUR 2.6 million in 2017).

iii) LTIP (2018-2020)

On 27 September 2018 Cellnex's Board of Directors approved the LTIP (2018-2020). The beneficiaries of this Plan are the CEO, the Deputy CEO, the Senior Management and key employees (approximately 55 employees). This plan has the same characteristics as the LTIP 2017-2019. This plan accrues from 1 January 2018 until 31 December 2020 and is payable once the Group's annual accounts corresponding to the 2020 financial year have been approved.

The amount to be received by the beneficiaries will be determined by the degree of fulfilment of two objectives, each with a weight of 50%:

- 50%; the attainment of a certain RLFCF per share figure according to the market consensus and a constant scope of consolidation. The scale of attainment is: 50% if the figure is 5% below the target, 100% if figure matches the target, and 125% if the target is beaten by 5% or more; and
- 50%; the share price increase calculated using the initial starting price of the period and the average price in the last quarter of 2020, weighted by the volume ("vwap"). The scale of

attainment is from 75% to 125% depending on the share price performance compared to IBEX 35 and certain European and American peers.

As at 31 December 2018, the estimated cost of the ILP (2018-2020) is approximately EUR 6.6 million, if it were to achieve the maximum level of achievement of the objectives, the estimated cost would be approximately EUR 8.3 million.

For the LTIP (2018 – 2020) all Senior Management and certain employees must receive a minimum of 40% of their LTIP remuneration in Cellnex shares and for the CEO and Deputy CEO the minimum amount is 50% of their LTIP remuneration. For the rest of the beneficiaries, this minimum percentages varies depending on the position of the employee. The share based compensation of this LTIP will be grossed up to partially offset the tax impact on the beneficiaries.

Based on the best possible estimation of the related liability and taking into consideration all the available information, the Group has recognised a provision of EUR 2.2 million for this item in the long-term of the accompanying consolidated balance sheet as at 31 December 2018. Thus, the impact on the accompanying consolidated income statement for the 2018 year-end amounted to EUR 2.2 million.

Reorganisation Plan (2018 – 2019)

During the first quarter of 2018, the Group reached an agreement with the workers' representatives of Retevisión-I, S.A.U. and Tradia Telecom, S.A.U. regarding a collective redundancy procedure to conclude up to 180 employment contracts in 2018 and 2019, as detailed below.

On 27 February 2018, these group companies reached an agreement with the workers' legal representatives consisting of income plans for employees of 57 years of age or older as of 31 December 2017 and, on the other hand, lump-sum indemnity payments as a result of the voluntary termination of employment contracts for other employees not included in the annuity plan. The period during which employees could voluntarily participate in the annuity plan ended on 31 May 2018, whereas the period for claiming the lump-sum termination benefits will start on 7 January 2019 and end on 31 January 2019.

The provision of the workforce agreement will be cashed out in 2018, 2019 and first months of 2020. Accordingly, efficiencies should crystalize from 2020 onwards.

This plan fits into the reorganisation process relating to the broadcasting business that is being undertaken by the Group's subsidiary companies. Under this plan, the Group is seeking to adapt its structure to the new business models, which have been widely modernised in recent years with the introduction of equipment, which can be maintained remotely, without the necessity to physically travel to the sites where the equipment is installed.

At 31 December 2018, a provision was recognised for this collective redundancy procedure, with an estimated cost of EUR 55 million. During 2018, following execution of part of this agreement, 111 employees were made redundant for a cost of EUR 31 million.

The movements in 2018 of the provision were as follows:

	Thousands of Euros		
	Non-current	Current	Total
At 1 January	-	-	-
Charge to the consolidated income statement	7,968	47,352	55,320
Payments	-	(31,441)	(31,441)
At 31 December	7,968	15,911	23,879

The balance payable at 31 December 2018 associated with this collective redundancy procedure carried out by the Group represent expected payments related to this process, amounting to EUR 8 million and EUR 16 million recorded in the long and short term, respectively, of the accompanying consolidated balance sheet.

Others

In 2012 the Group reached an agreement with the worker representatives of Retevisión-I, S.A.U. and Tradia Telecom, S.A.U. regarding a collective redundancy procedure to terminate up to 220 employment contracts in 2013 and 2014. On 21 December 2012, Retevisión-I, S.A.U. reached an agreement with the workers' legal counsel consisting, on the one hand, of income plans for employees 57 years of age or older and, on the other hand, lump-sum indemnity payments as a result of the voluntary termination of employment contracts for other employees not included in the annuity plan. The period during which employees could voluntarily participate in the annuity plan ended on 31 May 2013, whereas the period for claiming the lump-sum termination benefits ended on 15 November 2014. Within this collective redundancy procedure, an agreement was reached regarding a series of objective employment contract terminations in relation to personnel affected by the closure of certain maritime emergency response centres as a result of the reduction in the contract entered into with the Ministry of Public Works, giving rise to terminations at 31 March 2013.

On 21 December 2012, Tradia Telecom, S.A.U. reached an agreement with the workers' legal counsel consisting, on the one hand, of terminations in the form of early retirement for employees 57 years of age or older and, on the other hand, voluntary terminations with lump-sum indemnity payments as a result of terminating the employment contracts for other employees not included in the annuity plan. The period during which employees could voluntarily participate in the annuity plan ended on 31 May 2013. The period during which employees could avail themselves of the lump-sum termination benefits ended on 15 November 2014.

At 31 December 2012, a provision was recognised for this collective redundancy procedure, estimating a cost of EUR 50,779 thousand for 220 employees. During 2018, payments to employees have been made in relation to the aforementioned agreement amounting to EUR 2,640 thousand (there were no cash outflows at the end of 2017). Therefore, as at 31 December 2018, the Group had a short-term provision in the accompanying consolidated balance sheet amounting to EUR 2,312 thousand (EUR 4,952 thousand at the 2017 year end).

The balance payables at 31 December 2018 and 2017 associated with the collective redundancy procedures carried out by the Group represent expected payments related to the process.

c) Contingent liabilities

At 31 December 2018, the Group has guarantees with third parties amounting to EUR 56,327 thousand (EUR 73,534 thousand at the close of 2017). These relate mainly to guarantees provided by financial institutions before public authorities in connection with grants and technical guarantees, and before third parties in connection with rental guarantees.

Also, on 19 May 2009, the Board of the National Commission on Markets and Competition (CNMC in Spanish) imposed a fine of EUR 22.7 million on Cellnex Telecom, S.A. (formerly Abertis Telecom, S.A.U.) for abusing its dominant position in the Spanish market for transmitting and broadcasting TV signals, pursuant to article 2 of the Competition Act and article 102 of the Treaty on the Functioning of the European Union. The Group filed an appeal for judicial review with the National Appellate Court against the CNMC fine, which was dismissed in the judgement passed on 16 February 2012. This judgement was appealed to the Supreme Court on 12 June 2012. On 23 April 2015 the appeal was resolved, upholding the appeal and annulling the decision of the CNC with regard to the amount of the fine, ordering the current CNMC to recalculate that amount in accordance with the provisions of law 16/89. The CNMC has issued its decision recalculating the aforementioned amount, reducing it to EUR 18.7 million and this decision was appealed against in the National High Court on 29 September 2016. Based on the opinion of its legal advisers, at 31 December 2018 the Group has recorded a provision for a total of EUR 16 million (EUR 16 million at the close of 2017).

On 8 February 2012, the Board of the National Commission on Markets and Competition (CNMC in Spanish) imposed a fine of EUR 13.7 million on Cellnex Telecom, S.A. (formerly Abertis Telecom, S.A.U.) for having abused its dominant position, pursuant to article 2 of the Competition Act and article 102 of the Treaty on the Functioning of the European Union. The company allegedly abused its dominant position in wholesale service markets with access to infrastructure and broadcast centres of Cellnex Telecom, S.A. for broadcasting DTT signals in Spain, and retail service markets for transmitting and distributing DTT signals in Spain by narrowing margins. On 21 March 2012, the Group filed an appeal for judicial review against the decision of the CNMC with the National Appellate Court, also requesting a delay of payments with regard to the fine until the court passes a ruling on this matter. This delay was granted on 18 June 2012. On 20 February 2015 the National Appellate Court partially upheld the appeal, ordering the CNMC to recalculate the fine as it considered that the criteria used at the time by the CNMC were not appropriate. Notwithstanding the foregoing, on 26 May 2015, an appeal was filed with the Supreme Court against the judgement of the National Appellate Court on the grounds that it is not only about the recalculation of the amount but also that the Group did not break any competition rules. On 23 March 2018, the Supreme Court issued a judgment dismissing the appeal, and is awaiting the return of the file to the CNMC for the recalculation of the sanction. Cellnex Telecom, S.A., filed a nullity incident, which was dismissed on 19 July 2018. On 10 October 2018, Cellnex Telecom, S.A., filed an appeal with the Constitutional Court against the ruling. With regard to these proceedings, at 31 December 2018, the Parent Company's Directors, based on the opinion of their legal advisers, has recognized an amount of EUR 7 million under "change in provisions" of the consolidated income statement for the period (EUR 0 million at 31 December 2017).

Moreover, and because of the spin-off of Abertis Telecom S.A.U. (now Abertis Telecom Satélites, S.A.U.) on 17 December 2013, Cellnex Telecom, S.A. assumed all rights and obligations that may arise from the aforementioned legal proceedings, as they relate to the spin-off business (terrestrial telecommunications). An agreement has therefore been entered into between Cellnex Telecom, S.A. and Abertis Telecom Satélites, S.A.U. stipulating that if the aforementioned amounts have to be paid, Cellnex Telecom, S.A. will be responsible for paying these fines. At 31 December 2018, Cellnex Telecom, S.A. has provided three guarantees amounting to EUR 32.5 million (EUR 32.5 million at the close of 2017) to cover the disputed rulings with the CNMC explained above.

In relation to the digitalization and expansion of the terrestrial television networks in remote rural areas in Spain during the digital transformation process, the European Commission issued a decision concluding that Retevisión-I, S.A.U. and other operators of platforms for transmitting terrestrial and satellite signals had received state aid, in the amount of EUR 260 million, that is contrary to the Treaty on the Functioning of the European Union. The ruling ordered Spain to recover the amount of the aid received. The aid received by Retevisión-I, S.A.U. amounted to approximately EUR 40 million, as estimated by the European Commission, since the Spanish authorities failed to specify the exact amount in the various return processes. In this regard, Retevisión-I, S.A.U., as well as the rest of Public Administrations involved, appealed to the General Court of the European Union against that decision, which was rejected through a Ruling given on 26 November 2015. However, on 5 February 2016 various appeals were filed against this ruling before the European Court of Justice. In this regard, at the end of 2017, the Group recognized an amount of EUR 14.7 million under "change in provisions" of the consolidated income statement. At 31 December 2018, no impact has been recognised in the consolidated income statement for the year-end.

On 20 December 2017, the Court of Justice of the European Union (CJEU) issued a judgment in which, considering one of the appeals filed, it immediately annulled the Commission's decision, erga omnes, with the consequence that as of today the decision is annulled by a final judgment and that the recovery obligations incumbent upon the Public Administrations and the obligations of the companies to return the amounts have lapsed.

During the period between the Decision of the European Commission and the Judgment of the Court of Justice of the European Union, the Governments of Aragón, Andalucía and Madrid proceeded to the provisional execution of recoveries of State Aid. As a result of the annulment of the Decision, Retevisión-I, S.A.U. has recovered, in March 2018, the amounts corresponding to the Madrid and Aragón Governments. Therefore, as at 31 December 2018, only the amount corresponding to Andalucía remains pending to be received. In this regard, at 31 December 2018, based on the opinion of its legal advisers, the Group has an asset amounting to EUR 5 million in relation to this claim (EUR 14.7 million at 31 December 2017), since the recovery of this amount is considered to be virtually certain.

On 1 October 2014, the European Commission passed a ruling declaring that Retevisión-I, S.A.U. and other operators of platforms for transmitting terrestrial and satellite signals had received government aid in the amount of EUR 56.4 million to finance the digitalisation and expansion of the terrestrial television networks in remote areas of Castilla-La Mancha during the digital transformation process and that such state aid was not compatible with European legislation. The decision ordered Spain (through the regional government of Castilla-La Mancha) to recover the aid prior to 2 February 2015. On 29 October 2015, the Government of Castilla-La Mancha began an aid recovery procedure amounting to EUR 719 thousand and this has been opposed, and on 4 July 2016 it was declared that this had lapsed ex officio. Regardless of the above, on 15 December 2016 the General Court of the European Union passed a sentence that declined the appeals presented against it. An appeal has been lodged against that judgment on 23 February 2017.

On 26 April 2018, the Court of Justice of the European Union issued a judgment rejecting the appeals filed by Cellnex Telecom, S.A. and Telecom Castilla La Mancha, S.A. Likewise, on 20 September 2018, a judgment was handed down dismissing the appeal filed by the Kingdom of Spain. In this regard, as at 31 December 2018, based on the opinion of its legal advisers, the Group has not recognised a provision in relation to this claim, since the recovery of this amount is considered to be virtually certain.

d) Contingent assets

In December 2014 the Group filed a liability claim for damages incurred due to the shutdown of 9 national DTT channels, as a result of the judgement passed by the Supreme Court rendering the Spanish Council of Ministers' Resolution that awarded the licenses for these channels null and void, since such licenses were considered to be

granted without regard to the law and as a result of certain aspects related to the liberation of the digital dividend in the National DTT Technical Plan, approved by Royal Decree 805/2014. Later, on 17 November 2016, an appeal for judicial review by the Supreme Court was filed against the dismissal regarding the claim for damages on behalf of the Council of Ministers. The damage caused was initially quantified at EUR 143 million, and subsequently recalculated to EUR 77 million taking into consideration the length of time these channels were shut down and how the national DTT multiplexes were occupied in the end by the newly awarded parties.

On 21 March 2018, the Supreme Court issued a judgment rejecting the judicial review appeal filed.

19. Revenue and expenses

a) Operating income

The breakdown of operating income by item for the 2018 and 2017 financial years is as follows:

	Thousands of Euros	
	2018	2017
Services	870,832	760,376
Other operating income	30,422	31,738
Advances to customers	(3,383)	(2,771)
Operating income	897,871	789,343

"Other operating income" includes mainly income from re-charging costs related to activities for renting tower infrastructures for site rentals to third parties (pass-through).

"Advances to customers" includes the amortization of amounts paid for sites to be dismantled and their corresponding dismantling costs, which are treated as advances to customers in relation to the subsequent services agreement entered into with the customer (mobile telecommunications operators). These amounts are deferred over the life of the service contract with the operator as they are expected to generate future economic benefits in existing infrastructures.

Contracted revenue

The contracted revenue "Backlog" represents management's estimate of the amount of contracted revenues that the Group expect will result in future revenue from certain existing contracts. This amount is based on a number of assumptions and estimates, including assumptions related to the performance of a number of the existing contracts at a particular date. It also incorporates fixed escalators but do not include adjustments for inflation. One of the main assumptions relates to the contract renewals, and in accordance with the accompanying consolidated financial statements, contracts for services have renewable terms including, in some cases, "all or nothing" clauses and in some instances may be cancelled under certain circumstances by the customer at short notice without penalty.

The total amount, by line of business, of the Group's revenue expected from the service agreements (Telecom Infrastructure Services, Broadcasting Infrastructure and Other Network Services) entered into by the Group and that were in force at 31 December 2018 and 2017 are as follows:

	Thousands of Euros			
	2018			
	Broadcasting infrastructure	Telecom Infrastructure Services	Other Network Services	Total (*)
Contracted revenue				
Spain	198,980	158,354	57,720	415,053
Italy	-	251,669	-	251,669
Netherlands	-	43,307	-	43,307
France	-	82,918	-	82,918
United Kingdom	-	7,113	-	7,113
Switzerland	-	55,054	-	55,054
Less than one year	198,980	598,416	57,720	855,115
Spain	140,344	540,357	91,899	772,600
Italy	-	917,610	-	917,610
Netherlands	-	126,006	-	126,006
France	-	347,244	-	347,244
United Kingdom	-	20,636	-	20,636
Switzerland	-	223,226	-	223,226
Between one and five years	140,344	2,175,079	91,899	2,407,322
Spain	17,239	1,629,017	3,689	1,649,945
Italy	-	3,931,202	-	3,931,202
Netherlands	-	115,682	-	115,682
France	-	2,717,748	-	2,717,748
United Kingdom	-	19,922	-	19,922
Switzerland	-	2,163,826	-	2,163,826
More than five years	17,239	10,577,397	3,689	10,598,326
Domestic	356,563	2,327,727	153,308	2,837,598
International	-	11,023,165	-	11,023,165
Total	356,563	13,350,893	153,308	13,860,763

(*) At 31 December 2018, the amount of contracted revenue does not include the impact of the infrastructures committed that have not yet been transferred to Cellnex at that date (see Note 7). If this effect were to be considered the contracted revenue of the Group as of 31 December, 2018 would increase to EUR 18 billion approximately, on a run rate basis.

Contracted revenue	Thousands of Euros			
	2017			Total ^(*)
	Broadcasting infrastructure	Telecom Infrastructure Services	Other Network Services	
Spain	215,215	131,998	44,089	391,302
Italy	-	229,966	-	229,966
Netherlands	-	41,923	-	41,923
France	-	45,090	-	45,090
United Kingdom	-	7,342	-	7,342
Switzerland	-	52,623	-	52,623
Less than one year	215,215	508,942	44,089	768,246
Spain	246,829	466,420	112,203	825,452
Italy	-	856,399	-	856,399
Netherlands	-	121,047	-	121,047
France	-	188,019	-	188,019
United Kingdom	-	21,632	-	21,632
Switzerland	-	215,949	-	215,949
Between one and five years	246,829	1,869,466	112,203	2,228,498
Spain	20,994	1,525,851	1,734	1,548,579
Italy	-	3,988,269	-	3,988,269
Netherlands	-	122,512	-	122,512
France	-	1,460,214	-	1,460,214
United Kingdom	-	23,598	-	23,598
Switzerland	-	2,151,552	-	2,151,552
More than five years	20,994	9,271,996	1,734	9,294,724
Domestic	483,038	2,124,269	158,025	2,765,332
International	-	9,526,135	-	9,526,135
Total	483,038	11,650,404	158,025	12,291,468

^(*) At 31 December 2017, the amount of contracted revenue does not include the impact of the infrastructures committed that have not yet been transferred to Cellnex at that date (see Note 7). If this effect were to be considered the contracted revenue of the Group as of 31 December, 2017 would increase to EUR 16 billion approximately, on a run rate basis.

b) Staff costs

The detail of staff costs is as follows:

	Thousands of Euros	
	2018	2017
Wages and salaries	(90,407)	(80,557)
Social Security contributions	(19,529)	(18,336)
Retirement fund and other contingencies and commitments	(56,837)	(3,201)
Other employee benefit costs	(5,877)	(5,260)
Staff costs	(172,650)	(107,354)

The main impact in this caption, in 2018, corresponds to the Reorganisation Plan (2018 – 2019), which consist of the agreement reached with the workers' representatives of Retevisión-I, S.A.U. and Tradia Telecom, S.A.U. regarding a collective redundancy procedure to conclude up to 180 employment contracts in 2018 and 2019, as detailed in Note 18.b of the accompanying consolidated financial statements.

At 31 December 2018, a provision was recognised for the procedure described above, with an estimated cost of EUR 55 million.

The average number of employees at the Cellnex Group, its subsidiaries and associates in 2018 and 2017, broken down by job category and gender, is as follows:

	2018			2017		
	Male	Female	Total	Male	Female	Total
Chief Executive Officer	1	-	1	1	-	1
Senior Management	6	1	7	8	1	9
Middle management	108	28	135	96	25	121
Other employees	998	298	1,296	992	264	1,256
Average number of employees	1,113	327	1,439	1,097	290	1,387

The number of employees at the Cellnex Group at the end of the 2018 and 2017 financial years, broken down by job category and gender, was as follows:

	2018			2017		
	Male	Female	Total	Male	Female	Total
Chief Executive Officer	1	-	1	1	-	1
Senior Management	7	-	7	7	1	8
Middle management	112	30	142	96	25	150
Other employees	976	311	1,287	1,002	271	1,273
Number of employees at year-end	1,096	341	1,437	1,106	297	1,403

At 31 December 2018, the Board of Directors of the Parent Company is formed of 12 members, 8 of which are male, and 4 are female. At 31 December 2017, the Board of Directors of the Parent Company was formed of 10 members, 9 of which were male, and 1 were female.

c) Other operating expenses

The detail of other operating expenses by item during 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017 restated
Repairs and maintenance	(32,223)	(28,307)
Leases	(11,537)	(11,878)
Utilities	(72,312)	(74,073)
Other operating costs	(93,735)	(88,789)
Other operating expenses	(209,807)	(203,047)

i) Leases

The detail of lease expense by class during the year ended on 31 December is as follows:

	Thousands of Euros	
	2018	2017 restated
Leases of low-value assets	(4,287)	(3,295)
Variable lease payments	(7,250)	(8,583)
Lease expense	(11,537)	(11,878)

At 31 December 2018 and 2017, the Group did not recognize gains or losses arising from sale and leaseback transactions by a significant amount.

d) Non-recurring and non-cash expenses

The items "Staff costs" and "Other operating expenses" above, contains (i) certain expenses that are non-recurring, or (ii) certain expenses that do not represent a cash flow, as detailed below:

	Thousands of Euros	
	2018	2017 restated
Costs related to acquisitions ⁽¹⁾	(13,607)	(10,877)
Contract renegotiation ⁽²⁾	-	(3,825)
Prepaid expenses ⁽³⁾	-	(2,312)
Advances to customers ⁽⁴⁾	(3,383)	(2,771)
Redundancy provision ⁽⁵⁾	(56,160)	-
LTIP remuneration payable in shares ⁽⁶⁾	(2,300)	-
Total	(75,450)	(19,785)

⁽¹⁾ Mainly includes expenses incurred during acquisition processes (non-recurring item).

⁽²⁾ This relates to the cancellation expenses concerning the renegotiation of certain contracts with services providers. This renegotiations took place in order to achieve significant savings in costs over the coming years (non-recurring item).

- (3) Prior to the adoption of IFRS 16 this item mainly included prepaid ground rental costs, prepaid energy and agency fees incurred to renegotiate rental contracts and which were taken to the consolidated income statement over the life of the corresponding ground lease contract (non-cash item).
- (4) Includes the amortization of amounts paid for sites to be dismantled and their corresponding dismantling costs. These costs are treated as advances to customers in relation to the subsequent services agreement entered into with the customer (mobile telecommunications operators). These amounts are deferred over the life of the service contract with the operator as they are expected to generate future economic benefits in existing infrastructures (non-cash item).
- (5) Mainly includes the amount recorded as at 31 December 2018 in accordance with the reorganisation plan detailed in Note 17.b of the accompanying consolidated financial statements.
- (6) Corresponds to the LTIP remuneration accrued as of 31 December 2018, which is payable in Cellnex shares (See Note 18.b of the accompanying consolidated financial statements).

e) Change in provisions

The detail of "Changes in provisions" in the consolidated income statement is as follows:

	Thousands of Euros	
	2018	2017
Allowance for doubtful debts (Note 11)	644	(1,254)
Other non-current provisions (Note 16)	339	2,771
Ending balance	983	1,517

f) Depreciation and amortisation charge

The detail of "Depreciation and amortisation" in the consolidated income statement is as follows:

	Thousands of Euros	
	2018	2017 restated
Property, plant and equipment (Note 7)	(185,677)	(157,351)
Right-of-use assets (Note 15)	(135,929)	(126,300)
Intangible assets (Note 8)	(81,240)	(68,031)
Ending balance	(402,846)	(351,682)

g) Net interest expense

The breakdown of finance income and costs by item is as follows:

	Thousands of Euros	
	2018	2017
Finance income and interest from third parties	878	676
Exchange gains/(losses)	2,583	773
Derivative financial instruments	-	(52)
Total Interest income	3,461	1,397

	Thousands of Euros	
	2018	2017 restated
Interest expense on lease liabilities (Note 15)	(54,454)	(40,917)
Finance costs and interest arising from third parties	(9,081)	(6,545)
Bond interest expense	(60,301)	(49,935)
Bond issue costs	-	-
Exchange gains/(losses)	-	-
Interest cost relating to provisions	(2,482)	807
Derivative financial instruments	(767)	(129)
Other finance costs	(25,200)	(13,755)
Total interest expense	(152,285)	(110,474)

20. Environmental information

It is Group policy to pay maximum attention to environmental protection and conservation, and each investee adopts the necessary measures to minimise the environmental impact of the infrastructure and the telecommunications networks that it manages and ensure the maximum degree of integration into the surrounding area.

The Group has an environmental policy applicable to all its companies and a comprehensive environmental management system that ensures compliance with local environmental legislation and continuously improves the environmental management processes for its activities and facilities.

At year-end 2018 and 2017, the Group did not recognise any provision for potential environmental risks as it estimated that there were no significant contingencies related to potential lawsuits, indemnities or other items as its operations comply with environmental protection laws and as procedures are in place to foster and ensure compliance.

The Group incurred environmental expenses on civil engineering projects, equipment and environmental permit projects. The acquisition cost of these activities at year-end 2018 amounted to EUR 5,780 thousand (EUR 5,237 thousand in 2017), with accumulated depreciation and amortisation of EUR 2,724 thousand (EUR 2,244 thousand in 2017).

Expenses incurred to protect and improve the environment recognised directly in the income statement amounted to EUR 403 thousand (EUR 719 thousand in 2017) and related mainly to expenses arising from consultancy services and external waste management.

Potential contingencies, indemnities and other environmental risks which the Group could incur are sufficiently covered by its third-party liability insurance policies.

21. Segment reporting

The Group's business segment information included in this note is presented in accordance with the disclosure requirements set forth in IFRS 8, Operating Segments. This information is structured, firstly following a geographic distribution and secondly, by business segment.

Cellnex has recently expanded its business in Europe and its strategic objectives include the continuation of this growth initiative through the acquisition of assets and businesses, along with other growth opportunities both in the countries in which it is currently present and others. In this regard, as the Group continues to acquire sites in existing markets and is continuing to expand into new ones, the Group Management manages the results obtained by geographical location.

In addition, the business segments described below were established based on the organisational structure of the Cellnex Group prevailing as at 31 December 2018 and have been used by Group management to analyse the financial performance of the different operating segments.

The Group has organised its business into three different customer focused units, supported by an operations division and central corporate functions. Income from the provision of services relates mainly to:

- **Telecom Infrastructure Services:** is the Group's main segment by turnover. It provides a wide range of integrated network infrastructure services to enable access to the Group's wireless infrastructure by MNOs and other wireless telecommunications and broadband network operators, allowing such operators to offer their own telecommunications services to their customers.

Additionally the consolidated income statement for the year includes income from re-charging costs related to infrastructure services activities for mobile telecommunications operators to third parties.

- **Broadcasting infrastructure:** is the Group's second main segment by turnover. The Group currently provides broadcasting services only in Spain, where it is the only operator offering nationwide coverage of the DTT service. Its services consist of the distribution and transmission of television and radio signals, the operation and maintenance of broadcasting networks and the provision of connectivity for media content, OTT broadcasting and other services. Through the provision of broadcasting services, Cellnex has developed unique know-how that has helped to develop other services within its portfolio.
- **Other Network Services:** the Group provides the infrastructure required to develop a connected society by providing the following network services: data transport, security and control, Smart communication networks including IoT, Smart Services and managed services and consulting. As a telecom infrastructure operator, Cellnex can facilitate, streamline and accelerate the deployment of these services through the efficient connectivity of objects and people, in both rural and urban environments, helping to build genuine Smart territories. This constitutes a specialized business that generates relatively stable cash flows with potential for growth.

The Group classifies Other Network Services into five groups: (i) connectivity services; (ii) PPDR services; (iii) operation and maintenance; (iv) Smart Cities/IoT ("Internet of Things"); and (v) other services.

In relation to this business segment, during 2018, Cellnex incorporated the XOC, a concessionary company dedicated to the management, maintenance and construction of the fiber optic network of the Generalitat de Catalunya (see Note 2.h).

Methodology and bases for Segment Reporting

The segmental reporting below is based on monthly reports drawn up by Group management and is generated by the same information system used to obtain all the accounting data at Group level.

Operating income of the corresponding segment corresponds to the ordinary revenues directly attributable to each segment and do not include interest income or dividends.

The majority of assets employed and underlying costs are derived from a shared network common to all operating business units. An allocation of such assets and costs to the business areas is not performed as part of the normal financial information reporting process used by the Group's Management for decision-making, and Management is of the opinion that additional segmental reporting would not provide meaningful information for decision making.

The Management Committees are the maximum decision making authority. These committees evaluate the Group's performance based on the operating profit of each company, which are not the same as the above business areas.

The assets and liabilities of each segment at 31 December 2018 and 2017 are as follows:

	Thousands of Euros 31 December 2018						
	Spain	Italy	Netherlands	France	Switzerland	Other countries	Total
Goodwill and other intangible assets	91,963	695,871	541,170	1	440,696	134,631	1,904,332
Right-of-use assets	196,272	180,795	6,419	129,811	58,135	2,133	573,565
Tangible fixed assets	654,588	228,054	78,095	843,813	89,866	9,326	1,903,742
Other non-current assets	72,628	17,089	392	6,384	1,126	49	97,668
Total non-current assets	1,015,451	1,121,809	626,076	980,009	589,823	146,139	4,479,307
Total current assets	404,729	71,592	35,358	88,479	49,858	3,870	653,886
TOTAL ASSETS	1,420,180	1,193,401	661,434	1,068,488	639,681	150,009	5,133,193
Borrowings and bond issues	2,857,988	-	-	-	138,785	-	2,996,773
Lease liabilities	170,669	79,750	5,314	119,090	46,846	2,286	423,955
Other non-current liabilities	120,003	181,366	139,736	(1,046)	120,496	26,735	587,290
Total non-current liabilities	3,148,660	261,116	145,050	118,044	306,127	29,021	4,008,018
Borrowings and bond issues	105,265	-	-	25,354	214	-	130,833
Lease liabilities	35,140	38,579	691	14,808	13,164	-	102,382
Other current liabilities	171,022	63,537	1,755	20,817	27,316	(7,853)	276,594
Total current liabilities	311,427	102,116	2,446	60,979	40,694	(7,853)	509,809
TOTAL LIABILITIES	3,460,087	363,232	147,496	179,023	346,821	21,168	4,517,827

	Thousands of Euros						Total
	31 December 2017 restated						
	Spain	Italy	Netherlands	France	Switzerland	Other countries	
Goodwill and other intangible assets	55,261	720,488	562,411	-	441,727	140,629	1,920,516
Right-of-use assets	184,612	131,386	9,957	66,535	59,733	2,512	454,735
Tangible fixed assets	631,651	200,215	84,143	491,175	90,372	9,703	1,507,259
Other non-current assets	59,257	12,456	1,885	(343)	(296)	33	72,992
Total non-current assets	930,781	1,064,545	658,396	557,367	591,536	152,877	3,955,502
Total current assets	293,789	50,578	24,909	60,848	54,324	5,453	489,901
TOTAL ASSETS	1,224,570	1,115,123	683,305	618,215	645,860	158,330	4,445,403
Borrowings and bond issues	2,374,722	-	-	-	130,579	-	2,505,301
Lease liabilities	165,627	69,448	7,432	57,421	47,390	2,162	349,480
Other non-current liabilities	91,832	189,885	145,783	(1,046)	118,734	28,371	573,559
Total non-current liabilities	2,632,181	259,333	153,215	56,375	296,703	30,533	3,428,340
Borrowings and bond issues	47,550	-	-	21,735	331	(1)	69,615
Lease liabilities	34,163	17,975	1,906	9,518	12,531	409	76,502
Other current liabilities	149,645	51,602	6,533	22,374	34,910	(3,725)	261,339
Total current liabilities	231,358	69,577	8,439	53,627	47,772	(3,317)	407,456
TOTAL LIABILITIES	2,863,539	328,910	161,654	110,002	344,475	27,216	3,835,796

Segmental reporting is set out below:

	Thousands of Euros						Total
	2018						
	Spain	Italy	Netherlands	France	Switzerland	Other countries	
Operating income	467,787	254,393	44,796	65,686	56,041	9,168	897,871
Operating expenses	(263,620)	(82,495)	(10,513)	(14,272)	(8,133)	(3,462)	(382,495)
Depreciation and amortization	(135,021)	(126,397)	(32,996)	(56,073)	(45,588)	(6,771)	(402,846)
Net Interest	(105,421)	(22,566)	(484)	(11,086)	(9,315)	48	(148,824)
Profit of companies accounted for using the equity method	113	-	-	-	-	-	113
Income tax	15,053	(2,741)	3,097	2,160	823	47	18,439
Attributable non-controlling interest	94	-	-	-	(2,853)	-	(2,759)
Net profit attributable to the Parent Company	(21,203)	20,194	3,900	(13,585)	(3,319)	(970)	(14,983)

	Thousands of Euros						Total
	Spain	Italy	Netherlands	France	Switzerland	Other countries	
	2017 restated						
Operating income	455,777	243,844	34,868	22,812	22,651	9,391	789,343
Operating expenses	(210,472)	(81,009)	(3,792)	(5,732)	(5,923)	(2,171)	(309,099)
Depreciation and amortization	(132,799)	(141,678)	(29,369)	(21,764)	(19,526)	(6,546)	(351,682)
Net Interest	(81,788)	(16,901)	(957)	(5,787)	(3,448)	(197)	(109,077)
Profit of companies accounted for using the equity method	96	-	-	-	-	-	96
Income tax	(635)	900	1,322	97	(84)	2,618	4,218
Attributable non-controlling interest	471				(2,942)		(2,471)
Net profit attributable to the Parent Company	29,708	5,156	2,072	(10,374)	(3,388)	3,095	26,270

There have been no significant transactions between segments during 2018 or 2017.

The Group has one customer that exceeds 10% of its total revenue. The total income from this customer in the period ended on 31 December 2018 amounted to EUR 205,992 thousand. During the same period in the 2017 financial year, the Group had one customer that exceeded 10% of its revenue and the amount ascended to EUR 207,131 thousand.

The information by business segment is set out below:

	Thousands of Euros			Total
	Broadcasting infrastructure	Telecom Infrastructure Services	Other Network Services	
	2018			
Services (Gross)	232,773	555,719	82,340	870,832
Other income	-	30,422	-	30,422
Advances to customers	-	(3,383)	-	(3,383)
Operating income	232,773	582,758	82,340	897,871

	Thousands of Euros			Total
	Broadcasting infrastructure	Telecom Infrastructure Services	Other Network Services	
	2017			
Services (Gross)	237,258	442,618	80,500	760,376
Other income	-	31,738	-	31,738
Advances to customers	-	(2,771)	-	(2,771)
Operating income	237,258	471,585	80,500	789,343

22. Related parties

a) Directors and Senior Management

The remuneration earned by the Parent Company's directors in 2018 and 2017 was as follows:

- i. The members of the Board of Directors received EUR 1,373 thousand for exercising the duties in their capacity as directors of Cellnex Telecom, S.A. (EUR 1,108 thousand in 2017).
- ii. For performing senior management duties, the Chief Executive Officer received EUR 1,225 thousand, corresponding to fixed and variable remuneration (EUR 1,120 thousand in 2017) and EUR 1,282 thousand for the achievement of the multi-annual objectives established in all the "Long Term Incentive Plan" (EUR 1,273 thousand in 2017 corresponding to all "Long Term Incentive Plan"). In 2018 he has received EUR 2,331 thousand corresponding to the "Long Incentive Plan" (2015-2017). See Note 17.b.
- iii. In addition, the Chief Executive Officer of Cellnex Telecom, S.A. received, as other benefits, contributions made to cover pensions and other remuneration in kind in the amount of EUR 175 thousand and EUR 7 thousand, respectively (EUR 175 thousand and EUR 14 thousand in 2017).

Cellnex Telecom defines Senior Management as executives that perform management duties and report directly to the Chief Executive Officer. Fixed and variable remuneration for the year ended on 31 December 2018 for members of Senior Management amounted to EUR 2,813 thousand (EUR 2,369 thousand in 2017) and EUR 2,550 thousand for the achievement of the multi-annual objectives established in all the "Long Term Incentive Plan" (EUR 1,791 thousand in 2017 corresponding to all the "Long Term Incentive Plan"). In 2018 they have received EUR 3,107 thousand corresponding to the "Long Incentive Plan" (2015-2017). See Note 17.b.

In addition, members of Senior Management received, as other benefits, contributions made to cover pensions and other remuneration in kind to the amount of EUR 172 thousand and EUR 157 thousand, respectively. In 2017 they received EUR 142 thousand and EUR 194 thousand, respectively.

Additionally, in accordance with the Group's Remuneration Policy for the 2017, 2018 and 2019 fiscal years, a multi-year incentive plan was approved linked to the achievement of the Group's three-year plan objectives for the same period.

The Parent Company has taken out executives and directors civil liability policy for the members of the Board of Directors, the Chief Executive Officer and all the directors of the Cellnex Telecom group at a cost amounting to EUR 114.5 thousand at 31 December 2018 (EUR 98.7 thousand in 2017).

b) Other disclosures on Directors

In accordance with the article 229 of the Spanish Limited Liability Companies Law, the directors have reported that neither they nor any persons related to them are involved in any situations that may lead to a direct or indirect conflict with the Company's interests.

c) Associates companies

As of 31 December 2018 and 2017 the Group does not hold balances for significant amounts with associates companies.

For its part, during 2018 and 2017, no significant transactions have been undertaken with associates companies.

d) Other related parties

Other related parties, include shareholders (and their subsidiaries) of Cellnex Telecom, S.A. that exercise significant influence over it, those with a right to appoint a director and those with a stake above 3% (see Note 13.a).

On 12 July 2018, ConneCT acquired 29.9% of the Company's share capital. ConneCT is controlled by Sintonia, a subholding company wholly-owned by Edizione and, in turn, Sintonia is the largest shareholder of Atlantia. As a result, as of 31 December 2018, Edizione, together with its group of companies, is considered a related party to the Group.

During 2017, there was a change of control in CaixaBank whereby Criteria Caixa (a significant shareholder of Cellnex) no longer exercises control over CaixaBank. In this regard, as of 31 December 2017, Caixabank no longer has the status of a related company of Cellnex. However, in accordance with the disclosures required by the IFRSs, the transactions carried out with Caixabank during the 9-month period ended on 30 September 2017 are detailed below.

In addition to the dividends paid to shareholders, the breakdown of the balances held and transactions performed with significant shareholders is as follows:

i) Financing and retirement obligations

The main transactions carried out by the Group with related parties at 30 September 2017 relate to payments to VidaCaixa, S.A., Seguros y Reaseguros and SegurCaixa Adeslas, S.A. de Seguros Generales y Reaseguros in the amount of EUR 1,316 thousand and EUR 42 thousand, respectively for termination benefits and contributions to pension plans and life insurance policies.

ii) Services rendered and received

The Group has an agreement with Hispasat, S.A., whereby the latter provides shared capacity services for certain satellite transponders over the entire life of the transponders, which is expected to last until 31 December 2022. During 2018 and 2017, the services received by Cellnex in relation to this contract, amounted to EUR 5 million and EUR 1 million, respectively.

Moreover, the Group, through its wholly-owned subsidiary TowerCo, entered into an agreement with Atlantia by virtue of which the Group can locate certain assets to provide Telecom Infrastructure Services in Italian motorways that are under the concession of Atlantia until 2038. Pursuant to the terms of this agreement, the consideration for such location amounts to an annual fee of EUR 3,699 thousand. The consideration paid by TowerCo as of 31 December 2018 amounted to EUR 1,847 thousand (although Atlantia is considered a related party since 12 July 2018).

In addition to the aforementioned, during the year ended 31 December 2018 and 2017 no significant transactions with related parties have been undertaken.

The Group carries out all its transactions with related parties on an arm's length basis. Also, given that transfer prices are adequately documented, the Group's Directors consider that there are no significant risks that could give rise to material liabilities in the future

iii) Other

As of 31 December 2018, the Group does not hold balances for significant amounts with related parties.

23. Other disclosures

The remuneration of the auditors for 2018 and 2017 is as follows:

	Thousands of Euros							
	Audit of financial statements	Verificati on services	2018 Tax advisory services	Other services	Audit of financial statements	Verificati on services	2017 Tax advisory services	Other services
Deloitte, S.L.	1,037	501	-	-	735	239	-	-
Rest of Deloitte	377	160	105	-	358	167	21	19
Total	1,414	661	105	-	1,093	406	21	19

24. Post balance sheet events

2019 convertible bond

On 8 January 2019, Cellnex Telecom successfully placed EUR 200 million additional senior unsecured convertible bonds due 2026 (the "New Bonds") which was, from the Issue Date (21 January 2019), consolidated and form a single series with the existing EUR 600 million with a coupon of 1.50% senior unsecured convertible bonds due 2026 issued by Cellnex on 16 January 2018 (the "Original Bonds", and together with the New Bonds, the "Bonds").

Each New Bond was issued at EUR 100,270.55 (including interest accrued from, and including, 16 January 2019 to, but excluding 21 January 2019). The New Bonds will carry a coupon of 1.50% (resulting in a implied yield to maturity of c.1.45%) payable annually in arrears and its prevailing conversion price into Cellnex shares was EUR 38.0829, the same as for the Original Bonds (issued in January 2018). The conversion price, which is subject to customary adjustments, represents a premium of c. 60% over the price of Cellnex's shares on the Spanish Stock Exchanges at close of the market at issuance (7th January 2019). The shares underlying the New Bonds are equivalent to c.2.3% of the company's capital, based on the prevailing conversion Price.

As the Original Bonds, the New Bonds will be convertible at the option of the bondholders into ordinary shares of Cellnex. Cellnex may opt to redeem all (but not some) of the Bonds on or after 18 July 2022 if the market value of the underlying shares per €100,000 principal amount of the Bonds exceeds EUR 130,000 during a specified

period of time, or, at any time, if more than 85% of the aggregate principal amount of the Bonds issued have been converted and/or redeemed and/or purchased and cancelled.

This issuance allows Cellnex to increase its weighted average debt maturity, to improve its weighted average cost of borrowing and to continue to maintain its liquidity position.

The issuance has a rating of BBB- by Fitch, which is the company's current rating.

25. Explanation added for translation to English

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2.a). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Barcelona, 21 February 2019

APPENDIX I. Subsidiaries included in the scope of consolidation at 31.12.2018

Company	Registered office	Ownership interest		Company holding the interest	Consolidation method	Activity	Auditor
		Cost (Thousands of Euros)	%				
Direct ownership:							
Cellnex Italia, S.r.L.	Via Carlo Veneziani 58, 00148 Rome, Italy	845,310	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex Netherlands, BV (formerly Protelindo Netherlands, BV)	Dr. Lelykade 22, Unit 9, 2583CM's - Gravenhage	515,151	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex France, S.A.S.	1 Avenue de la Cristallerie, 92310 Sèvres	908,341	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex UK Limited (formerly Shere Group Limited)	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	130,551	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex France Groupe, S.A.S.	1 Avenue de la Cristallerie, 92310 Sèvres	1,050	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	-
Cellnex Telecom España, S.L.U.	Juan Esplandiú, 11 28007 Madrid	747,500	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	-
Cellnex Switzerland AG	Postastrasse 12 CH-6301, Zug, Switzerland	164,551	54%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte

Indirect ownership interest:

Retevision-I, S.A.U.	Juan Esplandiú, 11 28007 Madrid	182,504	100%	Cellnex Telecom España, S.L.U.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Tradia Telecom, S.A.U.	Av, Del Parc Logístic, 12-20 08040 Barcelona	165,983	100%	Cellnex Telecom España, S.L.U.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
On Tower Telecom Infraestructuras, S.A.U.	Juan Esplandiú, 11 28007 Madrid	459,010	100%	Cellnex Telecom España, S.L.U.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte

Company	Registered office	Ownership interest		Company holding the interest	Consolidation method	Activity	Auditor
		Cost (Thousands of Euros)	%				
Gestora del Espectro, S.L. ⁽⁴⁾	Juan Esplandiú, 11 28007 Madrid	3	100%	Cellnex Telecom España, S.L.U.	Full consolidation	Development, implementation, management and marketing of terrestrial telecommunications services	-
Adesal Telecom, S.L.	Ausias March 20, Valencia	2,959	60.08%	Tradia Telecom, S.A.U.	Full consolidation	Provision of related services for terrestrial telecommunications concessions and operators	Deloitte
Zenon Digital Radio, S.L.	C/ Lincoln, 11, 1º3º 08006 Barcelona	2,421	100%	Tradia Telecom, S.A.U.	Full consolidation	Development, implementation, management and marketing of terrestrial telecommunications services	-
Xarxa Oberta de Comunicació i Tecnologia de Catalunya, S.A.	Av, Del Parc Logístic, 12-20 08040 Barcelona	32,795	100%	Tradia Telecom, S.A.U.	Full consolidation	Construction, development and exploitation of the <i>Generalitat de Catalunya's</i> telecommunications network	Deloitte
Towerco, S.p.A.	Via Alberto Bergamini 50, Rome, Italy	94,600	100%	Cellnex Italia, S.r.L.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Galata, S.p.A.	Via Carlo Veneziani 56L, 00148 Rome, Italy	783,931	100%	Cellnex Italia, S.r.L.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Sintel S.r.L.	Via Carlo Veneziani 58, 00148 Rome, Italy	2,669	100%	Cellnex Italia, S.r.L.	Full consolidation	Terrestrial telecommunications infrastructure operator	-
TowerLink Italia, S.r.L (1)	Via Carlo Veneziani 58, 00148 Rome, Italy	20	100%	Cellnex Italia, S.r.L.	Full consolidation	Terrestrial telecommunications infrastructure operator	-
Commscon Italia, S.r.L.	Via Carducci 32, 20123 Milano	24,904	100%	Cellnex Italia, S.r.L.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
BRT Tower S.r.L.	Via Carlo Veneziani 58, 00148 Rome, Italy	1,050	100%	Cellnex Italia, S.r.L.	Full consolidation	Terrestrial telecommunications infrastructure operator	-
DFA Telecomunicazioni S.r.L.	Via Carlo Veneziani 56L, 00148 Rome, Italy	2,400	100%	Cellnex Italia, S.r.L.	Full consolidation	Terrestrial telecommunications infrastructure operator	-
Towerlink Netherlands, B.V. (formerly Protelindo Towers, B.V.)	Dr. Lelykade 22, Unit 9, 2583CM's - Gravenhage	63,634	100%	Cellnex Netherlands, BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Shere Masten B.V.	Leeghwaterstraat 21, 2811 DT Reeuwijk, Netherlands	278,085	100%	Cellnex Netherlands BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Breedlink BV	Branderweg 7, 8042 PD, Zwolle	599	100%	Cellnex Netherlands BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Alticom BV	Branderweg 7, 8042 PD, Zwolle	274,521	100%	Cellnex Netherlands BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte

Company	Registered office	Ownership interest		Company holding the interest	Consolidation method	Activity	Auditor
		Cost (Thousands of Euros)	%				
Towerlink France, SAS	1, avenue de la Cristallerie (9th floor), Sèvres (92310).	20	99,99%	Cellnex france, S.A.S	Full consolidation	Acquisition and deployment of strategic telecommunications centers with capacity to house data processing capabilities	-
Shere Midco Ltd	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	179,320	100%	Cellnex UK Limited (formerly Shere Group Limited)	Full consolidation	Holding Company	Deloitte
Watersite Holding Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	28,310	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Radiosite Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	30,381	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
QS4 Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	1,884	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Shere Consulting Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	2,476	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Swiss Towers AG	Binzmühlestrasse 130, 8050 Zürich, Switzerland	441,968	54%	Cellnex Switzerland AG	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte

⁽¹⁾ These companies have not submitted their financial statements for auditing as they are not required to do so.

This appendix forms an integral part of Note 2.h. to the 2018 consolidated financial statements with which it should be read.

Subsidiaries included in the scope of consolidation at 31.12.2017

Company	Registered office	Ownership interest		Company holding the interest	Consolidation method	Activity	Auditor
		Cost (Thousands of Euros)	%				
Direct ownership:							
Retevisión-I, S.A.U.	Juan Esplandiú, 11 28007 Madrid	368,938	100%	Cellnex Telecom, S.A.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Tradia Telecom, S.A.U.	Av, Del Parc Logístic, 12-20 08040 Barcelona	127,121	100%	Cellnex Telecom, S.A.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
On Tower Telecom Infraestructuras, S.A.U.	Juan Esplandiú, 11 28007 Madrid	395,711	100%	Cellnex Telecom, S.A.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Cellnex Italia, S.r.L.	Via Carlo Veneziani 58, 00148 Rome, Italy	789,610	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex UK Limited (1)	55 Old Broad Street, London, EC2M 1RX, United Kingdom	-	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	-
Cellnex Netherlands, BV (formerly Protelindo Netherlands, BV)	Dr. Lelykade 22, Unit 9, 2583CM's - Gravenhage	515,151	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex France, S.A.S.	1 Avenue de la Cristallerie, 92310 Sèvres	518,091	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Shere Group Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	130,551	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte
Cellnex France Groupe, S.A.S.	1 Avenue de la Cristallerie, 92310 Sèvres	1,050	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	-
Cellnex Telecom España, S.L.U.	Juan Esplandiú, 11 28007 Madrid	3	100%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	-
Cellnex Switzerland AG	Postastrasse 12 CH-6301, Zug, Switzerland	170,483	54%	Cellnex Telecom, S.A.	Full consolidation	Holding Company	Deloitte

Company	Registered office	Ownership interest		Company holding the interest	Consolidation method	Activity	Auditor
		Cost (Thousands of Euros)	%				

Indirect ownership interest:

Towerco, S.p.A.	Via Alberto Bergamini 50, Rome, Italy	94,600	100%	Cellnex Italia, S.r.L..	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Galata, S.p.A.	Via Carlo Veneziani 56L, 00148 Rome, Italy	780,518	100%	Cellnex Italia, S.r.L.	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Adesal Telecom, S.L.	Ausias March 20, Valencia	3,904	60.08%	Tradia Telecom, S.A.U.	Full consolidation	Provision of related services for terrestrial telecommunications concessions and operators	Deloitte
Gestora del Espectro, S.L. (1)	Juan Esplandiú, 11 28007 Madrid	3	100%	Retevisión-I, S.A.U.	Full consolidation	Development, implementation, management and marketing of terrestrial telecommunications services	-
TowerLink Italia, S.r.L (1)	Via Carlo Veneziani 58, 00148 Rome, Italy	10	100%	Cellnex Italia, S.r.L..	Full consolidation	Terrestrial telecommunications infrastructure operator	-
Commscon Italia, Sr.L.	Via Carducci 32, 20123 Milano	24,904	100%	Cellnex Italia, S.r.L	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Towerlink Netherlands, B.V. (formerly Protelindo Towers, B.V.)	Dr. Lelykade 22, Unit 9, 2583CM's - Gravenhage	63,634	100%	Cellnex Netherlands, BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
On Tower Italia, S.r.L. (formerly Sirtel)	Via Carlo Veneziani 56L, 00148 Rome, Italy	1,978	100%	Cellnex Italia, S.r.L	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Shere Midco Ltd	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	188,161	100%	Shere Group Limited	Full consolidation	Holding Company	Deloitte
Shere Group Netherlands B.V.	Leeghwaterstraat 21, 2811 DT Reeuwijk, Netherlands	115,113	100%	Shere Midco Ltd	Full consolidation	Holding Company	Deloitte
Shere Masten B.V.	Leeghwaterstraat 21, 2811 DT Reeuwijk, Netherlands	278,085	100%	Cellnex Netherlands BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Watersite Holding Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	29,704	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte

Company	Registered office	Ownership interest		Company holding the interest	Consolidation method	Activity	Auditor
		Cost (Thousands of Euros)	%				
Radiosite Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	31,879	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
QS4 Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	1,977	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Shere Consulting Limited	River Court, Albert Dr, Woking GU21 5RP, United Kingdom	2,598	100%	Shere Midco Ltd	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Infr'asset Management, S.A.S.	1 Avenue de la Cristallerie, 92310 Sèvres	870	100%	Cellnex France Groupe, S.A.S.	Full consolidation	Terrestrial telecommunications infrastructure operator	-
Infracapital Alticom BV	Branderweg 7, 8042 PD, Zwolle	132,726	100%	Cellnex Netherlands, BV	Full consolidation	Holding Company	Deloitte
Alticom Holding BV	Branderweg 7, 8042 PD, Zwolle	36,012	100%	Infracapital Alticom BV	Full consolidation	Holding Company	Deloitte
Alticom BV	Branderweg 7, 8042 PD, Zwolle	45,622	100%	Alticom Holding BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Breedlink BV	Branderweg 7, 8042 PD, Zwolle	470	100%	Alticom Holding BV	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
Swiss Towers AG	Binzmühlestrasse 130, 8050 Zürich, Switzerland	498,054	54%	Cellnex Switzerland AG	Full consolidation	Terrestrial telecommunications infrastructure operator	Deloitte
TMI, S.r.L.	Via Carlo Veneziani 56L, 00148 Rome, Italy	1,375	100%	Cellnex Italia, S.r.L	Full consolidation	Terrestrial telecommunications infrastructure operator	-

⁽¹⁾ These companies have not submitted their financial statements for auditing as they are not required to do so.

This appendix forms an integral part of Note 2.h. to the 2017 consolidated financial statements with which it should be read.

APPENDIX II. Associates included in the scope of consolidation at 31.12.2018

Company	Registered office	Ownership interest		Assets	Liabilities	Income	Profit/(loss)	Company holding the interest	Consolidation method	Activity	Auditor
		Cost (Thousands of Euros)	%								
INDIRECT SHAREHOLDINGS Through Retevisión and Tradia Telecom											
Torre de Collserola, S.A.	Ctra. de Vallvidrera al Tibidabo, s/n. Barcelona	2,022	41.75%	15,812	11,118	4,306	5	Retevisión-I, S.A.U.	Equity method	Construction and operation of terrestrial telecommunications infrastructure	Deloitte
Consortio de Telecomunicaciones avanzadas, S.A. (COTA)	C/ Uruguay, parcela 13R, nave 6, Parque Empresarial Magalia, Polígono Industrial Oeste Alcantarilla (Murcia)	304	29.5%	2,785	207	1,773	374	Tradia Telecom, S.A.U.	Equity method	Provision of related services for terrestrial telecommunications concessions and operators	Other auditors
Nearby Sensors, S.L.	Calle Berruguete, 60-62 08035 Barcelona	500	15%	999	450	164	0	Tradia Telecom, S.A.U.	Equity method	IoT and smartcities services	-

This appendix forms an integral part of Note 2.h. to the consolidated financial statements for 2018 with which it should be read.

Associates included in the scope of consolidation at 31.12.2017

Company	Registered office	Ownership interest		Assets	Liabilities	Income	Profit/(loss)	Company holding the interest	Consolidation method	Activity	Auditor
		Cost (Thousands of Euros)	%								
INDIRECT SHAREHOLDINGS											
Through Retevisión and Tradia Telecom											
Torre de Collserola, S.A.	Ctra. de Vallvidrera al Tibidabo, s/n. Barcelona	2,439	41.75%	17,118	11,430	4,280	8	Retevisión-I, S.A.U.	Equity method	Construction and operation of terrestrial telecommunications infrastructure	Deloitte
Consortio de Telecomunicaciones avanzadas, S.A. (COTA)	C/ Uruguay, parcela 13R, nave 6, Parque Empresarial Magalia, Polígono Industrial Oeste Alcantarilla (Murcia)	304	29.5%	3,734	666	1,909	314	Tradia Telecom, S.A.U.	Equity method	Provision of related services for terrestrial telecommunications concessions and operators	Other auditors

This appendix forms an integral part of Note 2.h. to the consolidated financial statements for 2017 with which it should be read.