Cellnex Telecom, S.A. and Subsidiaries

Interim Condensed Consolidated Financial Statements and Interim Consolidated Directors' Report for the six-month period ended 30 June 2017 (prepared in accordance with IAS 34, Interim Financial Reporting), together with Report on Limited Review

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

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

REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Cellnex Telecom, S.A.
at the request of the Board of Directors:

Report on the Interim Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Cellnex Telecom, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the condensed consolidated balance sheet as at 30 June 2017, and the condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the audit regulations in force in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

Based on our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2017 are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, pursuant to Article 12 of Royal Decree 1362/2007, for the preparation of interim condensed financial statements.

Emphasis of Matter

We draw attention to Note 2-a to the accompanying interim financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2017 contains the explanations which the Parent's directors consider appropriate about the significant events that took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required under Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2017. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Cellnex Telecom, S.A. and Subsidiaries.

Other Matters

This report was prepared at the request of the Board of Directors of Cellnex Telecom, S.A. in relation to the publication of the half-yearly financial report required by Article 119 of the Consolidated Spanish Securities Market Law, approved by Legislative Royal Decree 4/2015, of 23 October, and implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.

Ana Torrens

27 July 2017

Cellnex Telecom, S.A. and Subsidiaries

Condensed Consolidated Interim Financial Statements and Consolidated Interim Directors' Report for the 6-month period ended on 30 June 2017 (prepared in accordance with IAS 34 "Interim financial reporting").

Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

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CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2017

(Thousands of Euros)

	Notes	30 June 2017	31 December 2016
ASSETS			
NON-CURRENT ASSETS			
Goodwill	Note 6	379,172	380,217
Other intangible assets	Note 6	1,005,090	1,035,166
Property, plant and equipment	Note 5	1,122,371	1,048,445
Investments in associates	Note 7	3,582	3,551
Financial investments	Note 8	13,114	11,640
Derivative financial instruments	Note 12	669	-
Trade and other receivables	Note 9	43,483	36,332
Deferred tax assets		28,698	29,181
Total non-current assets		**2,596,179**	**2,544,532**
CURRENT ASSETS			
Inventories		1,688	2,023
Trade and other receivables	Note 9	178,942	155,039
Receivables from Group undertakings and associates	Note 18.c	78	113
Financial investments	Note 8	921	921
Cash and cash equivalents	Note 10	593,766	192,851
Total current assets		**775,395**	**350,947**
TOTAL ASSETS		**3,371,574**	**2,895,479**
NET EQUITY			
Share capital and attributable reserves			
Share capital	Note 11.a	57,921	57,921
Treasury shares	Note 11.a	(2,097)	(2,694)
Share premium	Note 11.b	338,733	338,733
Reserves	Note 11.c	67,762	36,000
Profit for the period	Note 11.g	19,114	39,817
		481,433	**469,777**
Non-controlling interests	Note 11.f	82,057	81,424
Total net equity		**563,490**	**551,201**
NON-CURRENT LIABILITIES			
Borrowings and bond issues	Note 12	2,124,367	1,683,960
Provisions and other liabilities	Note 15.a	172,807	176,604
Employee benefit obligations	Note 15.b	3,818	2,496
Deferred tax liabilities		281,018	290,281
Total non-current liabilities		**2,582,010**	**2,153,341**
CURRENT LIABILITIES			
Bank borrowings and bond issues	Note 12	29,293	17,732
Employee benefit obligations	Note 15.b	10,602	6,276
Trade and other payables	Note 13	186,179	166,929
Total current liabilities		**226,074**	**190,937**
TOTAL NET EQUITY AND LIABILITIES		**3,371,574**	**2,895,479**

This consolidated balance sheet at 30 June 2017 must be read together with the Notes included on pages 7 to 47.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT
CORRESPONDING TO THE 6-MONTH PERIOD ENDED ON 30 JUNE 2017
(Thousands of Euros)

		6-month period ended on 30 June	
	Notes	**2017**	**2016**
Services		361,663	319,133
Other operating income		16,467	18,567
Operating income	Note 16.a	**378,130**	**337,700**
Staff costs	Note 16.b	(51,565)	(48,675)
Other operating expenses	Note 16.c	(173,535)	(165,043)
Change in provisions	Note 9	(255)	189
Losses on fixed assets	Notes 5 and 6	(73)	(65)
Depreciation and amortisation	Notes 5 and 6	(99,703)	(82,591)
Operating profit		**52,999**	**41,515**
Financial income		1,073	326
Financial costs		(32,710)	(15,338)
Net financial profit		**(31,637)**	**(15,012)**
Profit (loss) of companies accounted for using the equity method	Note 7	46	45
Profit before tax		**21,408**	**26,548**
Income tax	Note 14	(1,704)	(2,211)
Consolidated net profit		**19,704**	**24,337**
Attributable to non-controlling interests	Note 11.f	590	148
Net profit attributable to the Parent Company	Note 11.g	**19,114**	**24,189**
Earnings per share (in euros per share):			
Basic	Note 11.e	0.08	0.10
Diluted	Note 11.e	0.08	0.10

This consolidated income statement corresponding to the 6-month period ended on 30 June 2017 must be read together with the Notes included in pages 7 to 47.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME CORRESPONDING TO THE 6-MONTH PERIOD ENDED ON 30 JUNE 2017

(Thousands of Euros)

	6-month period ended on 30 June	
	2017	**2016**
PROFIT FOR THE PERIOD	**19,704**	**24,337**
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	508	-
Total consolidated comprehensive income	**20,212**	**24,337**
Attributable to:		
- Company shareholders	19,622	24,189
- Non-controlling interests	590	148
Total consolidated comprehensive income	**20,212**	**24,337**

This consolidated statement of comprehensive income corresponding to the 6-month period ended on 30 June 2017 must be read together with the Notes included in pages 7 to 47.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY
CORRESPONDING TO THE 6-MONTH PERIOD ENDED ON 30 JUNE 2017

(Thousands of Euros)

	Share capital	Treasury shares	Share premium	Reserves	Profit for the period	Non-controlling interests	Net equity
At 1 January 2016	**57,921**	**-**	**338,733**	**10,422**	**47,290**	**82,851**	**537,217**
Comprehensive income for the period	-	-	-	-	24,189	148	24,337
Distribution of 2015 profit	-	-	-	47,290	(47,290)	-	-
Treasury shares	-	(1,944)	-	(98)	-	-	(2,042)
Final dividend	-	-	-	(10,889)	-	-	(10,889)
At 30 June 2016	**57,921**	**(1,944)**	**338,733**	**46,725**	**24,189**	**82,999**	**548,623**
At 1 January 2017	**57,921**	**(2,694)**	**338,733**	**36,000**	**39,817**	**81,424**	**551,201**
Comprehensive income for the period	-	-	-	508	19,114	590	20,212
Distribution of 2016 profit	-	-	-	39,817	(39,817)	-	-
Change in scope	-	-	-	-	-	43	43
Treasury shares	-	597	-	518	-	-	1,115
Foreign exchange reserves	-	-	-	725	-	-	725
Final dividend				(9,806)			(9,806)
At 30 June 2017	**57,921**	**(2.097)**	**338,733**	**67,762**	**19,114**	**82,057**	**563,490**

This consolidated statement of changes in net equity corresponding to the 6-month period ended on 30 June 2017 must be read together with the Notes included in pages 7 to 47.

CELLNEX TELECOM, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT
CORRESPONDING TO THE 6-MONTH PERIOD ENDED ON
30 JUNE 2017

(Thousands of Euros)

		6-month period ended on 30 June	
	Notes	**2017**	**2016**
Profit for the period before tax		**21,408**	**26,548**
Adjustments to profit			
Depreciation	Notes 5 and 6	99,703	82,591
Gains/(losses) on derecognition and disposals of non-current assets		73	65
Changes in provisions		255	(189)
Interest and other income		(1,073)	(326)
Interest and other expenses		32,710	15,338
Share of results of companies accounted for using the equity method	Note 7	(46)	(45)
Other income and expenses		460	462
		153,490	**124,444**
Changes in current assets/current liabilities-			
Inventories		335	(473)
Trade and other receivables		(27,648)	(3,987)
Other current assets and liabilities		27,309	4,939
		(4)	**479**
Cash flows generated by operations			
Interest paid		(13,886)	(2,733)
Interest received		-	29
Income tax received/(paid)		(5,421)	(1,778)
Employee benefit obligations and current provisions		(946)	(401)
Other receivables and payables		9,470	11,225
Total net cash flow from operating activities (I)		**142,703**	**131,265**
Business combinations and changes in the scope of consolidation	Note 4	-	(19,122)
Purchases of property, plant and equipment and intangible assets	Note 5 and 6	(159,029)	(36,235)
Non-current financial investments		(15,283)	(7,491)
Total net cash flow from investing activities (II)		**(174,312)**	**(62,848)**
Sale/(Acquisition) of treasury shares		1,115	(2,042)
Proceeds from issue of bank borrowings	Note 12	66,427	79,775
Bond issue	Note 12	407,729	-
Repayment and redemption of bank borrowings	Note 12	(32,041)	(806)
Net repayment of other borrowings		(1,014)	(551)
Dividends paid	Note 11.d	(9,806)	-
Total net cash flow from financing activities (III)		**432,410**	**76,376**
Foreign exchange differences		114	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS (I)+(II)+(III)		**400,915**	**144,793**
Cash and cash equivalents at beginning of period	Note 10	192,851	51,000
Cash and cash equivalents at end of period		**593,766**	**195,793**

This consolidated cash flow statement corresponding to the 6-month period ended on 30 June 2017 must be read together with the Notes included in pages 7 to 47.

Cellnex Telecom, S.A. and Subsidiaries

Notes to the condensed consolidated interim financial statements for the 6-month period ended on 30 June 2017

1. General information

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

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

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

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

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

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

These condensed consolidated interim financial statements for the 6-month period ended on 30 June 2017 have been subject to a limited review by the statutory auditor of the Parent Company in accordance with the provisions of Royal Decree 1362/2007, of 19 October. Additionally, those balances corresponding to the financial year ended on 31 December 2016 were duly audited, with a favourable opinion being issued.

2. Basis of presentation

a) Basis of presentation

These condensed consolidated interim financial statements of Cellnex Telecom, S.A. and Subsidiaries for the period ended 30 June 2017, which have been based on the accounting records kept by the Parent Company and by the other companies that make up the Group, were signed by the Directors of the Parent at the meeting of the Board of Directors held on 27 July 2017.

These condensed consolidated interim financial statements were prepared by the Directors of Cellnex in accordance with the provisions of IAS 34 "Interim financial reporting", and all of the obligatory accounting principles and rules and measurement bases. Accordingly, they present a true and fair view of the equity and consolidated financial position of the Cellnex Group at 30 June 2017, as well as the results of its operations, the consolidated changes in net equity and the consolidated cash flows during the interim period ended on that date.

As has been indicated, this condensed consolidated interim financial information has been prepared in accordance with IAS 34 "Interim financial reporting", meaning that these condensed consolidated interim financial statements do not include all the information and disclosures that would be required for the complete consolidated financial statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union, and must be read together with the consolidated annual accounts from the financial year ended on 31 December 2016, drawn up in accordance with the existing International Financial Reporting Standards (IFRS) adopted by the European Union, which were approved by the shareholders of the Parent Company on 27 April 2017.

b) *Adoption of IFRSs*

The accounting policies adopted when preparing these condensed consolidated interim financial statements are consistent with those followed when preparing the Group's consolidated annual financial statements for the financial year ended on 31 December 2016, with the exception of the adoption of any new standards and interpretations effective from 1 January 2017 and which, if any, have been considered by the Group when preparing these condensed consolidated interim financial statements.

(i) Standards and Interpretations effective during the present year

During the 6-month period ended on 30 June 2017, the new accounting standards which are detailed below have entered into force:

New standards, amendments and interpretations		**Obligatory Application in Annual Reporting Periods Beginning On or After:**
Amendments to IAS 7, Disclosure Initiative (issued in January 2016)	Additional disclosure requirements for improving the information provided to the users of financial statements.	1 January 2017
Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016)	Clarification of the principles established in relation to the recognition of deferred tax assets due to unrealised losses.	1 January 2017
Improvements to IFRSs, 2014-2016 cycle (issued in December 2016)	Minor amendments to a series of standards (different effective dates).	1 January 2017

IAS 7, *Statement of Cash Flows. Disclosure Initiative.*

The amendments to IAS 7 introduce the following new disclosures in relation to changes in liabilities arising from financing activities so that users of financial statements can evaluate changes in these liabilities: changes from financing cash flows; changes arising from obtaining or losing control of subsidiaries or other businesses; the effect of changes in foreign exchange rates; changes in fair values; and other changes.

Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities. The disclosure requirements also apply to changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

The European Union has not yet approved its adoption, which is expected to take place in the second half of 2017.

IAS 12 Amended. Income *Tax. Recognition of Deferred Tax Assets for Unrealised Losses.*

The amendments to IAS 12 clarify the requirements for the recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. The aspects clarified are as follows:

- An unrealised loss on a debt instrument measured at fair value will give rise to a deductible temporary difference, regardless of whether its holder expects to recover its carrying amount through sale or on maturity.

- An entity must assess a deductible temporary difference in combination with all of its other deductible temporary differences. If tax law restricts the utilisation of tax losses, an entity must assess their utilisation in combination only with other deductible temporary differences of the appropriate type.

- The estimate of the future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

- The estimate of future taxable profit excludes tax deductions resulting from the reversal of deductible temporary differences.

The European Union has not yet approved its adoption, which is expected to take place in the second quarter of 2017.

IFRS Annual Improvements cycle 2014-2016 – Minor amendments to IFRS 12.

The IFRS Annual Improvements cycle 2014-2016 introduces minor amendments and clarifications to IFRS 12 - Disclosure of Interests in Other Entities. The European Union has not yet approved its adoption, which is expected to take place in the third quarter of 2017.

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.

(ii) Standards and interpretations issued but not yet effective

At the date of signing these condensed consolidated interim 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		
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
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
Not yet approved for use in the European Union [(1)]		
Clarifications to IFRS 15 (issued in April 2016)	Relate to the identification of performance obligations, principal versus agent considerations, the granting of licenses and whether the licence transfers to a customer either at a point in time or over time, as well as to the transition requirements.	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
IFRS 17 – Insurance contracts (issued in May 2017)	Replaces IFRS 4. Describes the accounting principles for the measurement, valuation, presentation and disclosure of insurance contracts in order for the entity to provide relevant and reliable information that allows users to determine the effect of insurance contracts on the financial statements.	1 January 2021
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 IFRS 4, Insurance Contracts (issued in September 2016)	Provides entities, within the scope of IFRS 4, with the option to apply IFRS 9 ("overlay approach") or a temporary exemption therefrom.	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
Improvements to IFRSs, 2014-2016 cycle (issued in December 2016)	Minor amendments to a series of standards (different effective dates).	1 January 2018
IFRIC 22, Foreign Currency Transactions and Advance Consideration (issued in December 2016)	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 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014)	Clarification in relation to the gain or loss resulting from such transactions involving a business or assets.	No set date

[(1)] The status of approval by the European Union of these standards can be checked on the EFRAG website.

Adoption of IFRS 15 and IFRS 16

As explained in the consolidated annual accounts for the year ended 31 December 2016, the Group has already commenced a project prior to the end of that year to implement IFRS 15 Income from Contracts with Customers and of IFRS 16 Leases. IFRS 15 will be applicable as of 1 January, 2018. IFRS 16, although not yet endorsed by the EU, will be effective as of 1 January, 2019. Early adoption of the latter is permitted provided that IFRS 15 has also been adopted (in the case of Cellnex, in addition, provided that it has already been endorsed by the EU).

In relation to this project, the main lines of action as described in the consolidated annual accounts for the year ended 31 December 2016 have been:

- Identification of the standard to which the Group's transactions are subject:
    - With regard to the determination of which standard applies to income generation activities, to date only certain contracts have been identified in the area of Telecommunications Infrastructure Services, which have previously been based on lease formulae , but which are in substance services subject to IFRS 15 and not to IFRS 16. However, the application of IFRS 15 is not expected to produce substantial differences with respect to the timing or amount of income as recognised to date.
    - With regard to the identification of services or supplies received by the Group that may contain leases, to date only certain contracts related to IT infrastructure services have been identified that correspond in substance to contracts for the provision of services and not to lease contracts.
- Regarding the application of IFRS 15 to those income generating activities that would be subject to this standard:
    - To date, the analysis of the different typologies of income subject to the standard has advanced considerably, with the analysis of a small number of contracts still outstanding.
    - To date, no circumstances have been identified indicating that the adoption of this standard will have a material impact.
- Regarding the analysis of transactions subject to IFRS 16:
    - In relation to those in which Cellnex acts as lessor, no circumstances have been identified indicating that the adoption of this standard will have a relevant impact.
    - In relation to the conceptual analysis of those in which the Group acts as a lessee, the degree of progress is substantial. As anticipated, the impact of the adoption of IFRS 16 will have a material impact.
- Due mainly to the Group's expansion process, both the process of identifying the standard to which the Group's activities are subject and the conceptual analysis of its accounting treatment still needs to be completed, and it is estimated that this will be finalised in the second half of 2017.

At the date of approval for issue of these consolidated financial statements, the Group has not yet decided when it will adopt IFRS 16. At that date, the most relevant milestones still outstanding are:

- Completion of analyses at the conceptual level, mainly in the most recently acquired subsidiaries;
- Data Capture;
- Implementation of processes and systems;
- Evaluation of transition options.

Adoption of IFRS 9

IFRS 9 is applied to financial assets and liabilities and includes the classification, valuation, impairment and write-off criteria for these items, as well as a new accounting model for recording hedges. The Group estimates that the main changes will focus on the documentation of hedging policies and strategies, as well as on the estimation of expected impairment in financial assets. The changes introduced by IFRS 9 will affect the recognition of financial assets and derivative financial instruments as of 1 January, 2018. The Group is carrying out the process of implementing the new criteria, but due to the relevance of the items potentially affected and the complexity of the estimates, it is not possible at the present date to reasonably quantify the impact of the application of this standard.

c) Presentation currency of the Group

These condensed consolidated interim financial statements are presented in euros, as this 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 these condensed consolidated interim financial statements requires, as established by IAS 34, the Senior Management of the Parent Company and the consolidated entities to make certain estimates and judgements in order to quantify certain assets, liabilities, revenue, costs and commitments recorded in them, which do not differ significantly from those taken into account in the preparation of the consolidated annual accounts for the financial year ended on 31 December 2016 set out in its Note 2.d. In this regard, as established by IAS 34, the Income Tax expense has been estimated using the tax rate that it is thought will be applicable to the expected total earnings for the year, i.e., the estimated annual average effective tax rate applied to the earnings before taxes from the interim period.

During the 6-month period ended on 30 June 2017, no significant changes have occurred in the estimations made at the 2016 year end.

e) Comparative information

In accordance with International Accounting Standard (IAS) 34 regarding "Interim Financial Reporting", adopted by the European Union, the Management of the Parent Company presents the balance sheet corresponding to the closing date of the immediately preceding financial year (31 December 2016) together with the consolidated balance sheet at 30 June 2017, solely and exclusively for comparative purposes. Moreover, next to each of the items of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in net equity and the consolidated cash flow statement, the consolidated figures corresponding to the 6-month period ended on 30 June 2017 are presented along with those corresponding to the 6-month period ended on 30 June 2016.

f) Materiality

In deciding what information to disclose in the Notes on the various items of the condensed consolidated interim financial statements or other matters, the Group, in accordance with IAS 34, assessed materiality in relation to these condensed consolidated interim financial statements for the 6-month period ended on 30 June 2017.

g) *Consolidation principles*

The consolidation principles considered in the condensed consolidated interim financial statements are consistent with those applied in the consolidated annual accounts for the financial year ended on 31 December 2016, which are detailed in Note 2.g thereto.

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 6-month period ended on 30 June 2017 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

(1) Incorporation Date : 23/03/2017 (2) Acquisition Date : 21/04/2017 (3) Incorporation Date : 05/05/2017

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 100,000 Swiss francs through the creation of 100,000 shares with a nominal value of 1 Swiss franc 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 the end of the six-month period ended June 30, 2017, the Parent Company holds a 54% stake in Cellnex Switzerland.

On 24 May 2017, the Group in a consortium with Swiss Life and DTCP reached an agreement with Sunrise Communications International to acquire 100% of Swiss Towers AG, a subsidiary of the Swiss mobile operator that operates 2,239 telecommunication sites in Switzerland.

The closing of this transaction is subject to several administrative approvals, which are planned to be secured at the beginning of the second half of 2017, and as such the Group has not yet commenced the initial accounting for the acquisition at the date of signing of these condensed consolidated interim financial statements.

3. Accounting policies and financial risk and capital management.

The accounting policies and valuation standards used when preparing these condensed consolidated interim financial statements are consistent with those used when preparing the consolidated annual accounts for the financial year ended on 31 December 2016, and which are detailed therein, except for the new standards applied from 1 January 2017 which are set out in Note 2.b.(i).

Moreover, during the 6-month period ended on 30 June 2017, the Group has continued managing its activities by taking into account the financial risk and capital management policy set out in Note 4 of the consolidated annual accounts for the 2016 financial year.

The fair value of the financial instruments that are negotiated in active markets are based on market prices at the balance sheet date. The quoted market price used for the financial assets is the current buyer price.

The fair value of the financial instruments which are not quoted on an active market are determined using valuation techniques. The Group uses a variety of methods and uses hypothesis based on market conditions existing at each balance sheet date, incorporating the concept of transfer, such that the credit risks is considered.

4. Business combinations

No significant business combinations have occurred during the 6-month period ended on 30 June 2017.

The initial accounting for the business combination involving Commscon described in Note 5 to the 2016 consolidated financial statements is now considered to have been completed, since one year has elapsed since the acquisition made in June 2016.

As regards the rest of business combinations described in Note 5 of the consolidated annual accounts for the 2016 financial year, considering that IFRS 3 allows the reassessment of the allocation process during a period of one year, as at the current date these business combinations are still provisional. The comparative income statement for the 6 month period ended 30 June 2016 would not have been materially different due to the above consideration.

5. Property, plant and equipment

The changes in this heading in the consolidated balance sheet during the 6-month period ended on 30 June 2017 were as follows:

	Thousands of Euros			
	Land and buildings	**Plant and machinery and other fixed assets**	**Property, plant and equipment under construction**	**Total**
At 1 January				
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**
6-month period				
Carrying amount at beginning of year	704,933	292,878	50.634	**1.048.445**
Additions	134,780	8,689	129	**143.598**
Disposals	(366)	(8,883)	-	**(9,249)**
Derecognition of depreciation	8	8,817	-	**8,825**
Transfers	38,714	(16,501)	(22,252)	**(39)**
Foreign exchange differences	-	(32)	-	**(32)**
Depreciation charge	(37,680)	(31,497)	-	**(69,177)**
Carrying amount at close	**840,389**	**253,471**	**28.511**	**1,122,371**
At 30 June				
Cost	1,045,242	501,832	28,511	**1,575,585**
Accumulated depreciation	(204,853)	(248,361)	-	**(453,214)**
Carrying amount	**840,389**	**253,471**	**28,511**	**1,122,371**

Movements during the 2017 period

Changes in the scope of consolidation and business combinations

No impacts derived in this caption from the changes in the scope of consolidation or business combinations have taken place during the 6-month period ended June 30, 2017.

Signed acquisitions and agreements

On 31 January 2017 Cellnex reached an agreement with Bouygues Telecom for the acquisition and building of up to a maximum of 3,000 sites in France, and it is structured around two projects. The first one relates to the acquisition of up to 1,800 sites for a total enterprise value of 500 million Euros and involves urban sites in the main cities of France (c.85% located in areas with a population above 400,000 inhabitants) which are to be gradually transferred to Cellnex France over a period of 2 years.

Cellnex and Bouygues Telecom have also agreed on a second project for the building of up to a maximum of 1,200 sites for a total investment of EUR 354 million. This build-to-suit project relates to sites to be built over an estimated period of 5 years.

Additionally, 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 12.6 million Euros.

Purchase commitments at the end of the period

At the close of the 6-month period ended on 30 June 2017, the Group had purchase commitments for property, plant and equipment amounting to EUR 40,327 thousand (EUR 14,136 thousand at the end of the same period in 2016).

Property, plant and equipment abroad

At 30 June 2017 and 31 December 2016 the Group had the following net book value of investments in property, plant and equipment located in the following countries:

	Thousands of Euros	
	30 June 2017	**31 December 2016**
Italy	198.349	208,961
Netherlands	51.444	40,201
France	260.881	151,879
UK	1.184	1,290
Total	**511.858**	**402,331**

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 direct competitor of the selling party becomes a controlling shareholder of the relevant Group Company, the selling party has the right to repurchase the aforementioned infrastructures. Change of control provisions can be triggered both at Cellnex Telecom or at Group company level.

Impairment

As disclosed in Notes 3.a and 3.c of the annual consolidated accounts for 2016, the Group evaluates at the end of every financial year if there is any indication of impairment in value of any asset. If any indications were to exist, the Group will estimate the recoverable amount of the asset, which is taken to be the greater of the fair value of the asset less costs to sell and its value in use.

During the six-month period ended 30 June 2017 no indication exists that could lead to the existence of impairment in relation to the tangible assets of the Group.

Other disclosures

At 30 June 2017, the Group did not have significant property, plant and equipment subject to restrictions or pledged as collateral on liabilities.

6. Goodwill and other intangible assets

The changes in this heading in the consolidated balance sheet during the 6-month period ended on 30 June 2017 were as follows:

	Thousands of Euros			
	Goodwill	**Intangible assets in tower infrastructure**	**Computer software and other intangible assets**	**Total**
At 1 January				
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**
6-month period				
Carrying amount at beginning of year	380,217	1,021,744	13,422	**1,415,383**
Additions	9	1,430	2,097	**3,536**
Transfers	-	-	39	**39**
Foreign exchange differences	(1,054)	(3,116)	-	**(4,170)**
Amortisation charge	-	(28,233)	(2,293)	**(30,526)**
Carrying amount at close	**379,172**	**991,825**	**13,265**	**1,384,262**
At 30 June				
Cost	379,172	1,080,227	31,112	1,490,511
Accumulated amortisation	-	(88,402)	(17,847)	**(106,249)**
Carrying amount	**379,172**	**991,825**	**13,265**	**1,384,262**

Movements during the 2017 period

Changes in the scope of consolidation and business combinations

No impacts derived in this caption from the changes in the scope of consolidation or business combinations have taken place during the 6-month period ended June 30, 2017.

Purchase commitments at the end of the period

At the close of the 6-month period ended on 30 June 2017, the Group had purchase commitments for intangible assets amounting to EUR 2,174 thousand (EUR 2,003 thousand at the end of the same period in 2016).

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	
	30/06/2017	**31/12/2016**
Concession intangibles	85,600	87,967
Customer network services contracts	769,384	792,234
Location intangibles	136,841	141,543
Net intangibles for telecom infrastructure services	**991,825**	**1,021,744**

Intangible assets abroad

At 30 June 2017 and 31 December 2016, the Group had the following net book value of intangible assets located in the following countries:

	Thousands of Euros	
	30 June 2017	**31 December 2016**
Italy	734,668	750,211
Netherlands	443,251	451,888
United Kingdom	153,732	160,357
Total	**1,331,651**	**1,362,456**

Impairment

As indicated in Notes 3.b and 3.c of the consolidated annual accounts for the 2016 financial year, at each reporting date the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required (in the case of goodwill and intangible assets with a defined useful life), the Group estimates the asset's recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

During the 6-month period ended on 30 June 2017 no evidence has been revealed to suggest the existence of impairment with regards to the goodwill or intangible assets of the Group.

Other disclosures

At 30 June 2017, the Group did not have significant intangible assets subject to restrictions or pledged as collateral on liabilities.

7. Investments in associates

The changes in this heading in the consolidated balance sheet during the 6-month period ended on 30 June 2017 are as follows:

	Thousands of Euros
	2017
At 1 January	**3,551**
Share of net profit	46
Dividends	(15)
At 30 June	**3,582**

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

	Thousands of Euros	
	Value of the shareholding	
	30 June 2017	31 December 2016
Torre Collserola, S.A.	2,687	2,683
Consorcio de Telecomunicaciones Avanzadas, S.A. (COTA)	895	868
Total	**3,582**	**3,551**

8. Current and non-current financial investments

The changes in this heading during the 6-month period ended on 30 June 2017 were as follows:

	Thousands of Euros		
	2017		
	Non-current	Current	Total
At 1 January	**11,640**	**921**	**12,561**
Additions	1,934	-	**1,934**
Charge to the consolidated income statement	-	(460)	**(460)**
Transfer	(460)	460	-
At 30 June	**13,114**	**921**	**14,035**

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.

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

Additions

Corresponds to the multi-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.

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.

9. Trade and other receivables

The breakdown of this heading in the accompanying consolidated balance sheet at 30 June 2017 and 31 December 2016 is as follows:

	Thousands of Euros					
	30 June 2017			31 December 2016		
	Non-current	Current	Total	Non-current	Current	Total
Trade receivables	-	130,848	**130,848**	-	112,054	**112,054**
Allowances for doubtful debts (write-downs)	-	(7,583)	**(7,583)**	-	(8,193)	**(8,193)**
Trade receivables	**-**	**123,265**	**123,265**	**-**	**103,861**	**103,861**
Other financial assets	35,956	34,604	**70,560**	29,327	36,148	**65,475**
Current tax assets	-	8,199	**8,199**	-	3,006	**3,006**
Receivables with other related parties (Note 18.d)	-	313	**313**	-	498	**498**
Other receivables	7,527	12,561	**20,088**	7,005	11,526	**18,531**
Other receivables	**43,483**	**55,677**	**99,160**	**36,332**	**51,178**	**87,510**
Trade and other receivables	**43,483**	**178,942**	**222,425**	**36,332**	**155,039**	**191,371**

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

Trade receivables

"Trade receivables" includes outstanding amounts from customers. At 30 June 2017, the account had no significant past-due balances that were not provided for.

The balance of public-sector debtors as at 30 June 2017 and 31 December 2016, amounted to EUR 30,143 thousand and EUR 27,749 thousand, respectively.

At 30 June 2017 the amount utilized under the non-recourse factoring agreements stood at EUR 55.6 million (EUR 46.3 million as at 31 December 2016). 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 30 June 2017 the limit undrawn under the non-recourse factoring agreements stood at EUR 238 million (EUR 242 million as at 2016 year-end).

Allowances for doubtful debts (write-downs)

The changes in the allowance for doubtful debts during the 6-month period ended on 30 June 2017 were as follows:

	Thousands of Euros
	2017
At 1 January	**8,193**
Disposals	403
Net changes	(1,013)
At 30 June	**7,583**

Disposals in this period 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 consolidated income statement with regard to the previous year.

Other financial assets

At 30 June 2017 and 31 December 2016, the current and noncurrent portion of Other Financial Assets is mainly made up of amounts paid in advance for rentals to the landlords, where the Group's sites are located, of EUR 30,166 short term and 34,879 thousand long term (EUR 31,792 y 28,473 thousand respectively at 31 December 2016), amounts paid to professional advisors to achieve discounts in the lease contracts for EUR 2,345 thousand (EUR 2,100 thousand at 31 December 2016). These amounts are taken to the consolidated income statement following a financial method over the term of the ground and rooftop lease contracts.

Of the above amounts EUR 34,879 thousand (EUR 28,473 at 31 December 2016) relates to extraordinary prepayments made to landlords and owners of rooftops in order to achieve savings in the contract rentals and EUR 30,166 thousand (EUR 31,792 thousand at 31 December 2016) relates to prepayments in the ordinary course of business.

The Group also includes the deposits established as a result of the leases that the Group companies have agreed with third parties.

Other receivables

At 30 June 2017 and 31 December 2016 "Other receivables" mainly comprises:

- The receivable of EUR 2,095 thousand as at both dates, related to the previous shareholding held in Teledifusión de Madrid, S.A. which does not accrue interest and has an agreed payment schedule, as is indicated in the payments agreement maturing in the 2020 financial year. The Group has not registered the receivable at its amortised cost as it considers that the impact of the financial restatement is not significant.

- 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 accounts receivable amounts that were previously assigned to third parties, received by the Group under the guise of PROFIT grants and refundable loans. The full amount of PROFIT grants received by the Group (including part of the amount assigned to third parties) is recognised under “Other non-current borrowings” and “Other current borrowings” (see Note 12).

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

10. Cash and cash equivalents

The breakdown of “Cash and cash equivalents” at 30 June 2017 and at 31 December 2016, is as follows:

	Thousands of Euros	
	30 June 2017	**31 December 2016**
Cash on hand and at banks	338,588	133,720
Term deposits at credit institutions maturing in less than 3 months	255,178	59,131
Cash and cash equivalents	**593,766**	**192,851**

11. Net equity

a) Share capital and Treasury shares

i. Share capital

At 30 June 2017 and 31 December 2016, 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 about the number of corporate shares made to the National Securities Market Commission, the shareholders who hold significant shareholdings in the share capital of the Parent Company, both direct and indirect, greater than 3% of the share capital at 30 June 2017, are as follows:

	% ownership
Company	**2017**
Abertis Infraestructuras, S.A.	34.00%
MFS Investment Management (1)	5.11%
Blackrock, Inc (2)	5.03%
Criteria Caixa, S.A.U.	5.00%
Threadneedle Asset Management (3)	4.90%
Cantillon Capital Management (3)	3.02%
	57.06%

(1) MFS Investment Management controls 4.51% of the rights to vote across Massachusetts Financial Services Company, and the rest acorss several investment funds and other accounts. None of the above mentioned funds and / or accounts have a shareholding higher than 3%.

(2) Shareholding through collective institutions with a percentage lower than 3%. In addition, there is a total holding of 1.05% through financial instruments connected to shares in the Parent Company.

(3) Participation through collective institutions managed with a percentage of less than 3%.

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

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

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

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

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

ii. Treasury shares

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

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

The liquidity contract lasts for twelve months and can be renewed tacitly at yearly intervals. The number of shares initially subjected to the agreement amounted to 139,000 shares and the amount transferred to the cash account amounted to 2,000 thousand Euros. During the 6 month period ended 30 June 2017, the parent Company has registered a gain of 601 thousand Euros as a result of these operations and this has been taken as a reserve movement in the consolidated intermediate balance sheet.

As a result of the operations carried out, the balance of treasury shares as at 30 June 2017 represents 0.05% of the share capital of Cellnex Telecom, S.A. (0.09% as at 31 December 2016).

The use of the treasury shares held at 30 June 2017 will depend on the agreements reached by the Corporate Governance bodies.

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

The movement in the portfolio of treasury shares for the 6-month period ended 30 June 2017 has been as follows:

	Number (Thousands of shares)	Average Price	Purchases/Sales (Thousands of Euros)
At 1 January 2017	**197**	**13.676**	**2,694**
Purchases	10,487	15.777	165,451
Sales	(10,571)	15.708	(166,048)
At 30 June 2017	**113**	**18.558**	**2,097**

b) Share premium

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

At 30 June 2017 there were no changes in this account.

c) Reserves

The breakdown of this account is as follows:

	Thousands of Euros	
	30 June 2017	**31 December 2016**
Legal reserve	11,584	11,584
Reserve from retained earnings	53,438	25,950
Reserves of consolidated companies	1,880	(1,170)
Hedge reserves	508	-
Foreign exchange differences	352	(364)
Reserves	**67,762**	**36,000**

(i) Reserves of consolidated companies

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

	Thousands of Euros	
	30 June 2017	**31 December 2016**
Retevisión-I, S.A.U.	32,873	28,660
Tradia Telecom, S.A.U.	46,582	42,588
On Tower Telecom Infraestructuras, S.A.U.	(6,018)	(4,636)
Adesal Telecom, S.L.	2,102	555
Towerco, S.p.A.	(2,722)	9,350
Galata, S.p.A.	362	4,494
Cellnex Italia, S.r.L.	(70,558)	(82,924)
Commscom Italia, S.r.L.	(1,154)	-
OnTower Italia	(55)	-
Cellnex Netherlands	954	-
Cellnex France, S.A.S	(555)	-
Shere Group subgroup	(724)	-
Consorcio de Telecomunicaciones Avanzadas, S.A.	548	505
Torre de Collserola, S.A.	245	238
Reserves	**1,880**	**(1,170)**

(ii) Foreign exchange differences

The detail of this line item at 30 June 2017 is as follows:

	Thousands of Euros	
	30 June 2017	**31 December 2016**
Shere Group subgroup (Sterling)	352	(364)
Total	**352**	**(364)**

d) 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.

At 30 June 2017 no dividends resulting from the profit from the 2017 financial year have been distributed. During the 2016 financial year an interim dividend amounting to EUR 10,194 thousand was distributed, which represents EUR 0.044 gross for each of the shares that make up the share capital of Cellnex Telecom, S.A.

On 27 April 2017, the General Shareholders' Meeting approved a final dividend for 2016 of EUR 0.042325 gross per share, which represents EUR 9,806 thousand. This dividend has been paid on 11 May 2017.

Thus, the dividend distributed against 2016 profit was EUR 0.086325 gross per share, which represents EUR 20,000 thousand (EUR 20,156 thousand corresponding to the distribution against 2015 profit).

e) Earnings per share

The table below shows the basic and diluted earnings per share calculated by dividing the net profit for the period attributable to the shareholders of Cellnex Telecom, S.A. by the weighted average number of shares outstanding during the period, excluding the average number of treasury shares held by the Group.

	Thousands of Euros	
	2017	**2016**
Profit attributable to the Parent Company	19,114	24,189
Weighted average number of shares outstanding (Note 11.a)	231,545,097	231,660,854
Basic EPS attributable to the Parent Company (euros per share)	0.08	0.10
Diluted EPS attributable to the Parent Company (euros per share)	0.08	0.10

f) Non-controlling interests

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

The changes in this heading were as follows:

	Thousands of Euros
	2017
At 1 January	**81,424**
Profit for the period	590
Change in scope	43
At 30 June	**82,057**

g) Profit for the period

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

Subsidiaries/Subgroup	Thousands of Euros	
	2017	**2016**
Cellnex Telecom, S.A.	(33,944)	(15,690)
Retevisión I, S.A.U.	34,903	27,605
Tradia Telecom, S.A.U.	8,485	8,177
On Tower Telecom Infraestructuras, S.A.U.	5,103	701
Adesal Telecom, S.L.	384	448
Towerco, S.p.A.	2,113	1,918
Galata, S.p.A	3,014	(1,343)
Cellnex Italia, S.r.L..	(269)	2,373
Commscon Italia, S.r.L.	(424)	-
OnTower Italia, S.r.L.	41	-
Cellnex Netherlands	925	-
Cellnex France	(2,667)	-
Shere Group subgroup	1,450	-
Net profit attributable to the Parent Company	**19,114**	**24,189**

12. Borrowings

The breakdown of borrowings at 30 June 2017 and 31 December 2016 is as follows:

	Thousands of Euros					
	30 June 2017			31 December 2016		
	Non-current	Current	Total	Non-current	Current	Total
Syndicated financing	-	-	**-**	-	-	**-**
Bond issues	1,807,907	25,842	**1,833,749**	1,397,939	12,527	**1,410,466**
Loans and credit facilities	310,098	1,421	**311,519**	278,660	3,179	**281,839**
Other financial liabilities	6,362	2,030	**8,392**	7,361	2,026	**9,387**
Borrowings	**2,124,367**	**29,293**	**2,153,660**	**1,683,960**	**17,732**	**1,701,692**

During the 6 month period ended 30 June 2017, Cellnex has increased its gross financial debt (which does not include any debt held by Group companies registered using the equity method of consolidation and any "Other financial liabilities") by 451,968 thousand Euros, up to 2,153,660 thousand Euros.

The increase in the Group's gross financial debt position as at 30 June 2017 is mainly due to the issue of 415,000 thousand in bonds and the drawdown of a 56,500 thousand loan as explained below

At 30 June 2017 and 2016 the average interest rate of all available borrowings would be 2.1% and 2.0% respectively if entirely drawn down. The average weighted interest rate at 30 June 2017 of all available borrowings drawn down was 2.6% (2.1% at 30 June 2016).

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

At 30 June 2017 and 31 December 2016, the breakdown, by maturity, type of debt and by currency of the Group's borrowings (not including debt with companies accounted for using the equity method) is as follows:

Borrowings by maturity

30 June 2017

	Thousands of Euros							
		Current	Non-current					
	Limit	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total
Syndicated financing	500,000	-	-	-	-	-	-	**-**
Bond issues	1,830,000	29,211	-	-	-	-	1,830,000	**1,859,211**
Arrangement expenses	-	(3,369)	(3,515)	(3,671)	(3,838)	(4,017)	(7,052)	**(25,462)**
Loans and credit facilities	1,127,560	1,810	70,793	104,139	-	80,000	56,499	**313,241**
Arrangement expenses	-	(389)	(345)	(300)	(151)	(537)	-	**(1,722)**
Other financial liabilities	-	2,030	2,065	1,586	938	700	1,073	**8,392**
Total	**3,457,560**	**29,293**	**68,998**	**101,754**	**(3,051)**	**76,146**	**1,880,520**	**2,153,660**

31 December 2016

	Thousands of Euros							
		Current	Non-current					
	Limit	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total
Syndicated financing	500,000	-	-	-	-	-	-	**-**
Bond issues	1,415,000	15,254	-	-	-	-	1,415,000	**1,430,254**
Arrangement expenses	-	(2,727)	(2,808)	(2,892)	(2,978)	(3,067)	(5,316)	**(19,788)**
Loans and credit facilities	460,348	3,347	73,119	125,792	-	80,000	-	**282,258**
Arrangement expenses	-	(168)	(68)	(69)	(70)	(44)	-	**(419)**
Other financial liabilities	-	2,026	2,047	1,567	1,319	689	1,739	**9,387**
Total	**2,375,348**	**17,732**	**72,290**	**124,398**	**(1,729)**	**77,578**	**1,411,423**	**1,701,692**

Borrowings by type

	Thousands of Euros					
	30 June 2017			31 December 2016		
	Limit	Drawn (notional)	Undrawn	Limit	Drawn (notional)	Undrawn
Syndicated financing	500,000	-	500,000	500,000	-	500,000
Bond issues	1,830,000	1,830,000	-	1,415,000	1,415,000	-
Loans and credit facilities	1,127,560	312,667	814,893	460,348	280,552	179,796
Total	**3,457,560**	**2,142,667**	**1,314,893**	**2,375,348**	**1,695,552**	**679,796**

At 30 June 2017, the total limit of loans and credit facilities available amounts to EUR 1,627,560 thousands (EUR 960,348 thousands as at 31 December 2016), of which EUR 1,154,016 thousands represent credit facilities and EUR 473,544 thousands represent loans (EUR 868,098 thousands represent credit facilities and EUR 92,250 thousands represent loans as at 31 December 2016).

Furthermore, of the EUR 1,127,560 thousand of loans and credit facilities (EUR 460,348 thousand as at 31 December 2016), EUR 180,000 thousand (EUR 180,000 thousand as at 31 December 2016) can be drawn down either in Euros or in other currencies for the equivalent Euro value and 423,810 thousand can be drawn down only in currencies different to Euro, such as the GBP and the Swiss franc (CHF).

Borrowings by Currency

	Thousands of Euros	
	30 June 2017 (*)	31 December 2016 (*)
Euro	2,005,901	1,543,307
GBP	174,943	178,592
Borrowings	**2,180,844**	**1,721,899**

(*) 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 IAS39 borrowings.

As described in Note 4.a of the consolidated 2016 annual accounts the foreign exchange risk on the net investment of operations of group companies denominated in non-Euro currencies is managed by means of borrowings denominated in the corresponding foreign currency.

In this regard, at 30 June 2017 and 31 December 2016 the Group maintains borrowings in GBP, which acts as a natural hedge of the net investment in the Shere UK Group. The amount of these borrowings amount to GBP 153,832 thousand with a Euro value of EUR 174,943 thousand (GBP 152,907 thousand with a Euro value of EUR 178,592 thousand as at 31 December 2016), and is held by means of various credit facilities denominated in GBP. These non-derivate financial instruments are assigned as net investment hedges against the net assets of the Shere UK Group. The maturity of these borrowings is between 2019 and 2021.

Syndicated financing

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

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

At 30 June 2017 the revolving credit facility was not drawn down (EUR zero drawn down at the close of 2016).

Clauses regarding changes of control

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

Commitments and restrictions of syndicated financing

At 30 June 2017 and 31 December 2016, the Group has no restrictions regarding the use of capital resources derived from the syndicated financing.

Submitted guarantees and financial ratios

At 30 June 2017 and 31 December 2016, the syndicated financing is unsecured and unsubordinated, which means it does not have guarantees and ranks pari passu with the rest of the unsecured and unsubordinated borrowings. Finally it does not require the Parent Company to comply with any financial ratio.

Interest rate and fees of the syndicated financing

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

The revolving credit facility accrues a Euribor interest rate plus a margin of between 40 and 90 basis points. These margins may vary depending on the Group's "net debt: EBIDTA" ratio. The credit facility also accrues an availability fee depending on the amount drawn.

Bond Issue Programme – EMTN Programme

On May 2015, the Group established a Euro Medium Term Note (EMTN) Programme through the Parent Company. This programme allows the issue of bonds in the aggregate amount of up to EUR 3,000 million and is listed on the Irish Stock Exchange. On March 2016 Cellnex was added to the list of companies whose corporate bonds are eligible for discount at the European Central Bank. This programme was renewed on May 2017 for an additional period of one year.

Since July 2015 under the aforementioned EMTN, Cellnex has issued the Bonds described in the table below, addressed to qualified investors.

Bond issues

The breakdown of the bond issues is summarised below:

			Thousands of Euros			
Issue	Initial Duration	Maturity	Fitch / S&P rating	Coupon	Initial Notional	**Notional as of 30 June 2017**
27/07/2015	7 years	27/07/2022	BBB-/BB+	3.125%	600,000	**600,000**
10/08/2016	8 years	16/01/2024	BBB-/BB+	2.375%	750,000	**750,000**
16/12/2016	16 years	20/12/2032	BBB-/NA	3.875%	65,000	**65,000**
18/01/2017	8 years	18/04/2025	BBB-/BB+	2.875%	335,000	**335,000**
07/04/2017	9 years	07/04/2026	BBB-/NA	Eur 6M+2,27%(1)	80,000	**80,000**
Total					**1.830.000**	**1.830.000**

(1) Coupon hedged by Interest Rate Swaps. See Derivative financial instruments section.

The bond issues have certain associated costs, customary in this type of transaction, such as arrangement expenses and advisers' fees amounting to EUR 7,271 thousand in relation to the bonds issued in 2017, that the Group defers over the life of the bonds and is, thus, taken to income following a financial criterion. In this regard, an amount of EUR 25,462 thousand and EUR 19,788 thousand was deducted from bond issues in the Consolidated Balance Sheet as at 30 June 2017 and 31 December 2016 respectively.

The upfront fees accrued in the consolidated income statement for the period ended 30 June 2017 in relation to the bond issues amounted to EUR 1,597 thousand (EUR 570 thousand for the period ended 30 June 2016).

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 implies its early repayment.

This option can only be triggered if a change of control occurs (whether due to the acquisition of 50% of shares with voting rights or due to obtaining the right to appoint or dismiss the majority of the members of the Parent Company's Board of Directors) and there is a rating downgrade caused by this change of control.

Loans and credit facilities

During the 6 month-period ended 30 June 2017, the Group signed new credit facilities, with a limit of EUR 125,000 thousand, a variable interest rate of Euribor plus a margin and with a maturity date between 2020 and 2021, with the possibility of extending their maturities for an additional year. The Group also entered into a loan agreement amounting to EUR 56,500 thousand, with a fix rate of 3.25% and maturity date in 2027.

In addition, the Group has entered into a loan agreement with a limit of CHF 200,000 thousand, in Cellnex Telecom, S.A. and a facilities agreement with a limit of CHF 170,000 thousand in Cellnex Switzerland (CHF 155,000 thousand corresponds to a loan and CHF 15,000 thousand to a credit facility).

At 30 June 2017 the amount of the loans and credit facilities drawn down was EUR 312,667 thousands (EUR 280,552 thousands 2016). The available amount in Swiss Francs was not drawn down at 30 June 2017.

Clauses regarding changes of control

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

Loans and credit facilities obligations and restrictions

At 30 June 2017 and 31 December 2016, the Group has no restrictions regarding the use of capital resources derived from the loans and credit facilities.

Submitted guarantees and financial ratios

At 30 June 2017 and 31 December 2016, the majority loans and credit facilities are unsecured and unsubordinated, which means it does not have guarantees and ranks pari passu with the rest of the unsecured and unsubordinated borrowings. With the only exception of the facilities signed with Cellnex Switzerland, the rest of the borrowings do not have to comply with any financial ratios.

Interest rate of the credit facilities

The credit facilities have maturity dates between 3 and 5 years (including renewals) and accrue interest at Euribor o Libor plus a margin between 80 and 150 basis points as at 30 June 2017.

Derivative financial instruments

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

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

As mentioned above, the bond issued in April 2017 for EUR 80 million, maturating in April 2026, has been hedged with interest rate swaps, that transform the floating rate of the bond in to a fixed rate. The total amount and the maturity of these swaps match those of the bond. By means of these swaps the final interest rate on the bond is 2.945%.

At 31 December 2016, the Group had no derivative financial instrument contracts.

Other financial liabilities

“Other financial liabilities” relates mainly to certain grants awarded (arranged as repayable advances) to other Group companies (Retevisión-I, S.A.U. and Tradia Telecom, S.A.U.) under the Ministry for Industry, Tourism and Trade’s PROFIT programme. According to the technical-financial terms of the grant resolutions, the repayable advances bear no interest (see Note 9).

Corporate rating

At 30 June 2017, Cellnex holds a long term “BBB-“ (investment grade) with negative outlook according to the international credit rating agency Fitch Ratings Ltd. and a long-term “BB+” with stable outlook according to the international credit rating agency Standard & Poor’s Financial Services LLC.

13. Trade and other payables

The detail of this heading at 30 June 2017 and 31 December 2016 is as follows:

	Thousands of Euros	
	30 June 2017	**31 December 2016**
Trade payables	92,451	97,229
Other payables to Government agencies	41,657	29,310
Other payables to related parties (Note 18.d)	1,485	1,403
Remuneration payable	5,351	9,850
Other payables	45,235	29,137
Trade and other payables	**186,179**	**166,929**

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

At 30 June 2017 and 31 December 2016, “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.

The most significant balance recognised under “Remuneration payable” relates to the bonus accrued by employees during the 2017, and which the Group will pay if the targets set are met.

Lastly, “Other payables” is formed mainly of payables to non-current asset suppliers.

14. 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 30 June 2017, Group companies had, for the most part, all the taxes applicable to them and that have not passed the statute of limitations as of that date in each of the jurisdictions in which they are filed open for review.

No significant impact on equity is expected to arise from different interpretations that could be derived from current tax legislation regarding the other financial years open for review.

Additionally, during 2015 general inspection activities were opened for Abertis Infraestructuras, S.A. with regards to consolidated Corporation Tax for the 2010 and 2011 financial years and with regards to the Value Added Tax of the group of companies for the period July-December 2011. During the year ended 31 December 2016 the scope of the inspection was extended to include the consolidated corporation tax and value added tax for the group of companies for the 2012 and 2013 financial years.

In this regard, it must be noted that between 2010 and 2013 financial years both Cellnex Telecom, S.A. and its Spanish subsidiaries were subsidiaries of the Abertis consolidated tax group. With regards to value added tax, Adesal Telecom. S.L. was included in the Abertis VAT group during the period between July and December 2011, Adesal Telecom, S.L. and On Tower Telecom Infraestructuras, S.A.U. were included in the VAT group for 2012; and Adesal Telecom, S.L., On Tower Telecom Infraestructuras, S.A.U., Retevisión-I, S.A.U. y Tradia Telecom, S.A.U were included in the VAT group for 2013.

At the date of issue for approval of these condensed consolidated interim financial statements the inspection activities have concluded with no repercussions for Cellnex Telecom, S.A. and its subsidiaries.

b) Corporation tax expense

As established by IAS 34, the income tax expense has been recorded based on the best estimate available of the annual effective taxation rate for the 2017 financial year. This estimate has been made taking into account:

a) The general Corporation Tax rate in the countries where Cellnex conducts its business, which are:

	2017	2016
Spain	25%	25%
Italy [1]	28.82%	32%
Netherlands	25%	25%
United Kingdom	20%	20%
France	33.3%	33.3%

[1] The standard income tax rate in 2017 was 28.82% in Italy, which is made up of the IRES (Imposta sul Reddito delle Societa) at a rate of 24% and the IRAP (regional business tax in Rome) at a rate of 4.82%. In 2016 was 32.32%, which is made up of the IRES (Imposta sul Reddito delle Societa) at a rate of 27.5% and the IRAP (regional business tax in Rome) at a rate of 4.82%

b) The existence of tax incentives, such as the reduction in the income derived from certain intangible assets (Income from transfer of know-how) in accordance with the provisions of Law 27/2014 of 27 November, on Corporation Tax, different criteria for the timing of the recognition of revenue and expenses and the existence of non-deductible expenses and deductions for notional interest on capital contributions carried out pursuant to the provisions of Spanish and Italian tax law.

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	
	2017	2016
Consolidated profit before tax	21,408	26,549
Theoretical tax [1]	(5,290)	(6,631)
Impact on tax expense from (permanent differences):		
Notional Interest Deductions Italy	2,211	4,080
Income from transfer of know-how	871	1,371
Income tax expense for the year	**(2,208)**	**(1,180)**
Other tax effects	504	(1,031)
Other tax effects	**504**	**(1,031)**
Income tax expense	**(1,704)**	**(2,211)**

[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.

15. Provisions, other liabilities and employee benefit obligations

a) Provisions and other liabilities

The detail of “Provisions and other liabilities” at 30 June 2017 and 31 December 2016 is as follows:

	Thousands of Euros	
	30 June 2017	**31 December 2016**
Put option Galata S.p.A	87,518	85,294
Asset Retirement Obligation	31,191	31,486
National Competition Committee Sanction	16,000	16,000
Provision for other responsibilities [(1)]	28,863	34,097
Deferred income and other liabilities	9,235	9,727
Provisions and other liabilities	**172,807**	**176,604**

(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 may be exercised wholly and not partially over the shares which represent the share capital of Galata owned by Wind and through said contract Wind may sell all the shares in Galata that it holds on that date to Cellnex Italia. The price for exercising the Put Option is calculated as 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 has calculated the amount for exercising the Put Option at the end of the first year which is from when Wind may exercise the Put Option, such that the amount payable at the end of the first year (26 March 2016) is EUR 81,620 thousand. 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). During the 6-month period ended on 30 June 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) *Asset Retirement Obligation*

This caption includes the contractual obligation to dismantle the mobile telephone towers.

(iii) *National Competition Committee Sanction*

This caption includes the sanction levied by the National Competition Committee on 19 May 2009 amounting to EUR 16,000 thousand (see Note 15.c) which has been recorded in the consolidated balance sheet as the cash flow outflow has been estimated as probable.

(iv) *Provision for other Responsibilities*

This caption includes the provisions for other liabilities relating to the acquisitions of Galata, Commscon Italy, Protelindo Towers and Shere Group amounting to EUR 3,406 thousand, EUR 2,000 thousand, EUR 13,213 thousand and EUR 6,532 thousand, respectively.

In addition as at 30 June 2017 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 3,712 thousands based on the best estimation at the year-end date.

(v) Deferred Income and Other Liabilities

This item includes amounts claimed from Group companies, Retevisión-I, S.A.U. and Tradia Telecom, S.A.U., in ongoing litigation at 30 June 2017 and other risks related to management of the Group. The amounts were estimated based on the amounts claimed or stipulated in court rulings issued at the end of each year shown and appealed against by the aforementioned companies. Labour-related lawsuits, for which provisions are made, amount to EUR 284 thousand and the civil proceedings to EUR 467 thousand (EUR 321 thousand and EUR 1,205 thousand respectively in 2016), the outcome of which has been estimated to cause an outflow of cash.

This caption also includes the recognition of a contingent consideration contemplated in the purchase contract of Commcon Italia S.r.L. for EUR 5 million, which is subject to the achievement of certain long term growth objectives of the company.

b) Benefit obligations

On 10 April 2015 it approved the Long Term Incentive Plan – LTI for certain employees, this accrues from May 2015 until 31 December 2017 and is payable once the Group's annual accounts corresponding to the 2017 financial year have been approved. The beneficiaries of the Plan are the Chief Executive Officer, the Senior Management and some key employees of the Cellnex Group (up to a maximum of 32 people). 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%:

- The accumulated appreciation of the Cellnex share 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.

The cost of the Long Term Incentive for Cellnex, anticipating that the maximum degree of fulfilment of the objectives will be obtained, is currently estimated at EUR 7.8 million.

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 5,286 thousand for this item in the short-term of the accompanying condensed consolidated balance sheet as at 30 June 2017.

In addition, on 27 April 2017 the Group approved the Long Term Incentive Plan – 2017-2019 LTI for certain employees, which is divided into two phases:

- 2017-2018: this accrues from January 2017 until 31 December 2018 and is payable once the Group's annual accounts corresponding to the 2018 financial year have been approved.
- 2018-2019: this accrues from January 2018 until 31 December 2019 and is payable once the Group's annual accounts corresponding to the 2019 financial year have been approved.

The beneficiaries are the CEO, Senior Management and several key employees of the Cellnex Group (up to a maximum of 50 staff). The amount receivable by the beneficiaries will be determined by the degree of fulfilment of some objectives regarding to the accumulated increase in our shares, and the attainment of certain performance parameters according to the market consensus and the constant scope of consolidation, following a scale of attainment.

The cost of the Long Term Incentive Plan (2017-2019) for Cellnex if it were to reach the maximum level of achievement of the objectives is estimated at approximately EUR 10.6 million.

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 1,308 thousand for this item in the long-term of the accompanying condensed consolidated balance sheet as at 30 June 2017.

c) Contingent liabilities

At 30 June 2017, the Group has guarantees with third parties amounting to EUR 57,275 thousand (EUR 49,549 thousand at the close of 2016). These relate mainly to guarantees provided by financial institutions before public authorities in connection with grants and technical guarantees, and before third parties in connection with rental guarantees.

It should also be noted that on 19 May 2009, the Board of the National Competition Commission (CNC) imposed a fine of EUR 22.7 million on Abertis Telecom, S.A.U. (now Cellnex Telecom, S.A.) for abusing its dominant position in the Spanish market for transmitting and broadcasting TV signals, pursuant to article 2 of the Competition Act and article 102 of the Treaty on the Functioning of the European Union. The Group filed an appeal for judicial review with the National Appellate Court against the CNC fine, which was dismissed in the judgement passed on 16 February 2012. This judgement was appealed to the Supreme Court on 12 June 2012. On 14 April 2015 the appeal was resolved, upholding the appeal and annulling the decision of the CNC with regard to the amount of the fine, ordering the current CNC to recalculate that amount in accordance with the provisions of law 16/89. The CNMC has issued its decision recalculating the aforementioned amount, reducing it to 18.7 million Euros and this decision was appealed against to the National High Court on 29 September 2016. Based on the opinion of its legal advisers, at 30 June 2017 the Group has recorded a provision for a total of EUR 16 million (EUR 16 million at the close of 2016).

On 8 February 2012, the Board of the National Competition Commission (CNC) imposed a fine of EUR 13.7 million on Abertis Telecom, S.A.U. (now Abertis Telecom Satellites, S.A.U.) for having abused its dominant position, pursuant to article 2 of the Competition Act and article 102 of the Treaty on the Functioning of the European Union. The company allegedly abused its dominant position in wholesale service markets with access to infrastructure and broadcast centres of Abertis Telecom, S.A.U. 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 CNC with the National Appellate Court, also requesting a delay of payments with regard to the fine until the court passes a ruling on this matter. This delay was granted on 18 June 2012. On 20 February 2015 the National Appellate Court partially upheld the appeal, ordering the CNC to recalculate the fine as it considered that the criteria used at the time by the CNC were not appropriate. Notwithstanding the foregoing, an appeal 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. Therefore, until the appeal before the Supreme Court is resolved, the CNC will not start the process of calculating the fine. With regard to these proceedings, the Parent Company's Directors, based on the opinion of their legal advisers, consider the risk of this fine to be possible and, therefore, have not recognised any provision.

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, Retevisión-I, S.A.U. will be responsible for paying these fines. At 30 June 2017, Cellnex Telecom, S.A. has provided three guarantees amounting to EUR 32.4 million (EUR 36.4 million at the close of 2016) to cover the disputed rulings with the National Competition Commission 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 return processes. Both Spain and the European Commission are still to agree the criteria to be applied in these calculations. In this regard, Retevisión-I, S.A.U. appealed to the General Court of the European Union against that decision, which was rejected though a Ruling given on 26 November 2015. However, on 5 February 2016 an appeal was filed against this ruling before the European Court of Justice, given that there are strong legal grounds for this appeal to be successful and that it can be considered that the tenders called did not involve any state aid contrary to the treaty of the European Union. However, it is difficult to predict the interpretation that the European Court of Justice will adopt when it passes judgement.

The Spanish government, through the Secretary of State for the Information Society and Digital Agenda ("SESIAD"), ordered the various regional governments to issue recovery orders based on the calculations made. The administrative recovery procedures began in Castilla y León, La Rioja, Aragón, Extremadura, Andalusia, the Balearic Islands, Madrid, Navarra, Valencia and Catalonia, and all of these were opposed on the basis that the amounts claimed are not legally valid given that the proceedings are pending resolution. Judicial recovery procedures have also been initiated in Andalusia, La Rioja and Madrid. The only proceeding which has been resolved by the courts was the proceeding related to the Autonomous Community of Madrid, and on 31 March 2016 judgement was passed whereby the Superior Court of Justice of Madrid revoked the order, passed by the Community of Madrid, to recover the aid.

On 1 October 2014, the European Commission passed a ruling declaring that Retevisión-I, S.A.U. and other operators of platforms for transmitting terrestrial and satellite signals had received government aid in the amount of EUR 56.4 million to finance the digitalisation and expansion of the terrestrial television networks in remote areas of Castilla-La Mancha during the digital transformation process and that such 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 oficio. 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, and as a result no amount has been provided for because the Group considers that the future appeal before the European Court of Justice will succeed.

The appeals filed with the European Court of Justice do not hold in abeyance the enforceability of the orders to return the aid.

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 77 million Euros 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. Therefore, at 30 June 2017 and 31 December 2016, the Group had not recognised any amount in relation to this claim.

16. Revenue and expenses

a) Operating income

The detail of operating income by item during the 6-month period ended on 30 June is as follows:

	Thousands of Euros	
	2017	**2016**
Services (Gross)	362,873	319,595
Other operating income	16,467	18,567
Advances to customers	(1,210)	(462)
Operating income	**378,130**	**337,700**

"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.

b) Staff costs

The detail of staff costs by item during the 6-month period ended on 30 June is as follows:

	Thousands of Euros	
	2017	**2016**
Wages and salaries	(38,670)	(35,364)
Social Security contributions	(8,968)	(8,401)
Pension fund and other personnel-related liabilities and commitments	(1,604)	(2,646)
Other employee benefit costs	(2,323)	(2,264)
Staff costs	**(51,565)**	**(48,675)**

c) Other operating expenses

The detail of other operating expenses by item during the 6-month period ended on 30 June is as follows:

	Thousands of Euros	
	2017	**2016**
Repairs and maintenance	(13,292)	(12,580)
Leases	(64,477)	(64,036)
Utilities	(35,664)	(33,896)
Other operating costs	(60,102)	(54,531)
Other operating expenses	**(173,535)**	**(165,043)**

Leases include a significant amount of costs which are recharged to the Group's principal customers (pass-through).

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

	Thousands of Euros	
	2017	**2016**
Costs related to acquisitions[(1)]	(7,517)	(5,540)
Contract renegotiation[(2)]	(3,825)	-
Prepaid expenses [(3)]	(3,012)	(3,493)
Total non-recurring expenses	**(14,354)**	**(9,033)**
Total recurring expenses	**(45,748)**	**(29,814)**
Total general services and other	**(60,102)**	**(38,847)**

(1) This item mainly includes the expenses incurred during the acquisition processes.

(2) This item relates to the cancellation expenses made in relation to renegotiate a contract with Arilion, service provider in the area of Administration and Human Resources. This renegotiation took place in order to achieve significant savings in costs over the coming years.

(3) This item mainly includes prepaid ground rental costs, prepaid energy and agency fees incurred to renegotiate rental contracts and which are taken to the consolidated income statement over the life of the corresponding ground lease contract.

Additionally, in the 6-month period ended on 30 June 2017 and 2016, the accrual of advances to customers amounting to EUR 1,210 thousand and EUR 462 thousand respectively was recognised as a reduction to revenue (see Note 16.a).

17. 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 30 June 2017 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 which consists of providing a wide range of integrated network infrastructure services which allows access to the Group's wireless infrastructure to mobile network operators and other wireless and broadband telecommunications network operators, which in turn, allows the operators to offer their own telecommunications services to its customers.

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

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

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.

Segmental reporting is set out below:

	Thousands of Euros				
	2017				
	Spain	Italy	Netherlands	Other countries	**Total**
Services (Gross)	213,927	122,413	14,473	12,060	**362,873**
Other income	16,467	-	-	-	**16,467**
Advances to customers	(1,210)	-	-	-	**(1,210)**
Operating income	**229,184**	**122,413**	**14,473**	**12,060**	**378,130**
Personal expenses	(45,431)	(4,788)	(471)	(875)	**(51,565)**
Other operating expenses	(89,132)	(77,699)	(1,791)	(4,913)	**(173,535)**
Change in provisions	(212)	-	-	(43)	**(255)**
Losses on fixed assets	(73)	-	-	-	**(73)**
Depreciation and amortization	(47,559)	(33,338)	(10,213)	(8,593)	**(99,703)**
Operating profit	**46,777**	**6,588**	**1,998**	**(2,364)**	**52,999**

	Thousands of Euros		
	2016		
	Spain	Italy	**Total**
Services (Gross)	203,366	116,229	**319,595**
Other income	18,567	-	**18,567**
Advances to customers	(462)	-	**(462)**
Operating income	**221,471**	**116,229**	**337,700**
Personal expenses	(44,911)	(3,764)	(48,675)
Other operating expenses	(86,994)	(78,049)	(165,043)
Change in provisions	189	-	189
Losses on fixed assets	(14)	(51)	(65)
Depreciation and amortization	(49,590)	(33,001)	(82,591)
Operating profit	**40,151**	**1,364**	**41,515**

There have been no significant transactions between segments during the six-month period ended on 30 June 2017 and 2016.

The Group has two customers that exceeds 10% of its total revenue. The total income from these customers in the 6-month period ended on 30 June 2017 amounted to EUR 139,990 thousand. During the same period in the 2016 financial year, the Group had three customers that exceeded 10% of its revenue and the amount ascended to EUR 171,073 thousand.

The assets and liabilities of each segment at 30 June 2017 and 31 December 2016 are as follows:

	Thousands of Euros				
	30 June 2017				
	Spain	Italy	Netherlands	Other countries	**Total**
Goodwill and intangible assets	52,612	734,668	443,251	153,731	**1,384,262**
Property, plant and equipment	610,513	198,349	51,444	262,065	**1,122,371**
Other non-current assets	57,975	30,259	1,226	86	**89,546**
Total non-current assets	**721,100**	**963,276**	**495,921**	**415,882**	**2,596,179**
Total current assets	**661,435**	**77,464**	**26,170**	**10,326**	**775,395**
TOTAL ASSETS	**1,382,535**	**1,040,740**	**522,091**	**426,208**	**3,371,574**
Borrowings	2,124,367	-	-	-	**2,124,367**
Other non-current liabilities	36,334	277,491	112,945	30,873	**457,643**
Total non-current liabilities	**2,160,701**	**277,491**	**112,945**	**30,873**	**2,582,010**
Borrowings	29,293	-	-	-	**29,293**
Other current liabilities	100,845	(34,084)	14,401	115,619	**196,781**
Total current liabilities	**131,138**	**(34,084)**	**14,401**	**115,619**	**226,074**
TOTAL LIABILITIES	**2,290,839**	**243,407**	**127,346**	**146,492**	**2,808,084**

	Thousands of Euros				
	31 December 2016				
	Spain	Italy	Netherlands	Other countries	**Total**
Goodwill and intangible assets	52,927	750,211	451,888	160,357	**1,415,383**
Property, plant and equipment	646,113	208,962	40,201	153,169	**1,048,445**
Other non-current assets	53,027	26,422	1,226	29	**80,704**
Total non-current assets	**752,067**	**985,595**	**493,315**	**313,555**	**2,544,532**
Total current assets	**263,206**	**64,484**	**15,538**	**7,719**	**350,947**
TOTAL ASSETS	**1,015,273**	**1,050,079**	**508,853**	**321,274**	**2,895,479**
Borrowings	1,683,960	-	-	-	**1,683,960**
Other non-current liabilities	43,517	280,056	113,991	31,817	**469,381**
Total non-current liabilities	**1,727,477**	**280,056**	**113,991**	**31,817**	**2,153,341**
Borrowings	17,732	-	-	-	**17,732**
Other current liabilities	124,872	(30,142)	3,207	75,268	**173,205**
Total current liabilities	**142,604**	**(30,142)**	**3,207**	**75,268**	**190,937**
TOTAL LIABILITIES	**1,870,081**	**249,914**	**117,198**	**107,085**	**2,344,278**

The information by business segment is set out below:

	Thousands of Euros			
	2017			
	Broadcasting infrastructure	Telecom Infrastructure Services	Other Network Services	**Total**
Services (Gross)	120,956	202,451	39,466	**362,873**
Other income	-	16,467	-	**16,467**
Advances to customers	-	(1,210)	-	**(1,210)**
Operating income	**120,956**	**217,708**	**39,466**	**378,13**

	Thousands of Euros			
	2016			
	Broadcasting infrastructure	Telecom Infrastructure Services	Other Network Services	**Total**
Services (Gross)	112,846	165,385	41,364	**319,595**
Other income	-	18,547	-	**18,567**
Advances to customers	-	(462)	-	**(462)**
Operating income	**112,846**	**183,490**	**41,364**	**337,700**

18. Related parties

a) Directors and Senior Management

The remuneration earned by the Parent Company's directors in the 6-month period ended on 30 June 2017 was as follows:

i. The members of the Board of Directors accrued EUR 510 thousand for exercising the duties in their capacity as directors of Cellnex Telecom, S.A. (EUR 420 thousand in the first 6 months of 2016).

ii. For performing senior management duties, the Chief Executive Officer accrued EUR 560 thousand, corresponding to fixed and variable remuneration. (EUR 450 thousand in the first 6 months of 2016).

iii. In addition, the Chief Executive Officer of Cellnex Telecom, S.A. accrued, as other benefits, contributions made to cover pensions and other remuneration in kind to the amount of EUR 88 thousand and EUR 7 thousand, respectively (EUR 75 thousand and EUR 7 thousand in the first 6 months of 2016).

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 6-month period ending on 30 June 2017 for the members of the Senior Management amounted to EUR 1,238 thousand (EUR 1,009 thousand in the first 6 months of 2016).

In addition, members of the Senior Management received, as other benefits, contributions made to cover pensions and other remuneration in kind to the amount of EUR 102 thousand and EUR 102 thousand, respectively. During the same period in 2016 they received EUR 90 thousand and EUR 77 thousand, respectively.

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

On 10 April 2015 the Group approved the Long Term Incentive Plan – LTI for certain employees, including the Chief Executive Officer and the members of the Senior Management. This accrues from May 2015 until 31 December 2017 and is payable once the Group's annual accounts corresponding to the 2017 financial year have been approved. Among the beneficiaries are the CEO, Senior Management and several key employees of the Cellnex Group (up to a maximum of 32 staff). The amount receivable by the beneficiaries is determined by the degree of achievement of two objectives, with a weighting of 50% each:

- The cumulative revaluation of the Cellnex share price calculated between the IPO share price and the average price of the last quarter of 2017, weighted to the volume ('vwap'), following a sliding scale.
- Achievement of certain parameters relating to the results in accordance with the market consensus and with a constant consolidation scope, following a sliding scale.

The cost of the Long Term Incentive Plan for Cellnex if it were to reach the maximum level of achievement of the objectives is estimated at approximately EUR 7.8 million.

In addition, on 27 April 2017 the Group approved the Long Term Incentive Plan – 2017-2019 LTI for certain employees, which is divided into two phases:

- 2017-2018: this accrues from January 2017 until 31 December 2018 and is payable once the Group's annual accounts corresponding to the 2018 financial year have been approved.
- 2018-2019: this accrues from January 2018 until 31 December 2019 and is payable once the Group's annual accounts corresponding to the 2019 financial year have been approved.

The beneficiaries are the CEO, Senior Management and several key employees of the Cellnex Group (up to a maximum of 50 staff). The amount receivable by the beneficiaries will be determined by the degree of fulfilment of some objectives regarding to the accumulated increase in our shares, and the attainment of certain performance parameters according to the market consensus and the constant scope of consolidation, following a scale of attainment.

The cost of the Long Term Incentive Plan (2017-2019) for Cellnex if it were to reach the maximum level of achievement of the objectives is estimated at approximately EUR 10.6 million.

The Parent Company has taken out an executives and directors civil liability policy for the members of the Board of Directors, the Chief Executive Officer and all the directors of the Cellnex Telecom group at an accrued cost amounting to EUR 61.2 thousand at 30 June 2017 (EUR 46.2 thousand in the first 6 months of 2016).

b) Associate companies

The assets and liabilities held in associates of the Cellnex Group at 30 June 2017 and 31 December 2016 are as follows:

	Thousands of Euros	
	30 June 2017	**31 December 2016**
	Assets	**Assets**
	Other commercial assets	Other commercial assets
Consorcio de Telecomunicaciones Avanzadas, S.A.	78	113
Total	**78**	**113**

The transactions performed by the Group with associates during the 6-month period ended on 30 June 2017 relate to services received from Torre Collserola, S.A. for EUR 1,206 thousand (EUR 645 thousand in June 2016).

c) Other related parties

Other related parties, in addition to the Abertis Group companies and associates, include shareholders (and their subsidiaries) of Cellnex Telecom, S.A. that exercise significant influence over it, those with a right to appoint a director and those with a stake above 3% (see Note 11.a).

In addition to the dividends paid to shareholders, the breakdown of the balances held and transactions performed with significant shareholders is as follows:

i. Loans and credit facilities received

At 30 June 2017, guarantees with the related party CaixaBank, S.A. were granted with a limit of EUR 23,327 thousand, which at six-month period ended were drawn down in the amount of EUR 10,066 thousand.

At 30 June 2017, the main transactions with related party CaixaBank, S.A. were: (i) a loan for EUR 1,236 thousand (see Note 12), (ii) a non-recourse factoring agreement with a limit of EUR 111,600 thousand, which at year-end were drawn down in the amount of EUR 14,178 thousand (see Note 9), (iii) in addition, CaixaBank, S.A. participated in the syndicated loan by arranging a revolving credit facility of up to EUR 41,667 thousand, which is undrawn at 30 June 2017, (iv) an additional credit facility for EUR 150,000 thousand, undrawn at 30 June 2017, (v) a venture capital fund for EUR 252 thousand, (vi) current account balances amounting to EUR 85,503 thousand, (vii) other payables related to trade transactions amounting to EUR 859 thousand, and (viii) an interest rate swap for a total amount of EUR 20 million.

ii. Financing and retirement obligations

The main transactions carried out by the Group with related parties at 30 June 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 806 thousand and EUR 42 thousand, respectively for termination benefits and contributions to pension plans and life insurance policies.

iii. Services rendered and received

The transactions carried out with Abertis Group companies and associates during the 6-month period ended on 30 June 2017 and 2016 are as follows:

	Thousands of Euros			
	2017		**2016**	
	Services rendered	**Services received**	**Services rendered**	**Services received**
Abertis Group	**248**	**7,299**	**241**	**8,428**

The Group also 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.

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.

iv. Other

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

	Thousands of Euros			
	30 June 2017		31 December 2016	
	Other commercial assets	Other Payables	Other commercial assets	Other Payables
Abertis Group	**313**	**1,485**	**498**	**1,403**

19. Other disclosures

a) Average number of employees

The average number of employees at Cellnex and its subsidiaries during the period, broken down by gender, is as follows:

	June 2017		June 2016	
Male	1,060	79%	1,012	81%
Female	275	21%	243	19%
Total	**1,335**	**100%**	**1,255**	**100%**

b) Seasonality

The Group's revenues from services do not exhibit a significant cyclical or seasonal pattern.

20. Post balance sheet events

On July 4, 2017, the minority shareholder of Galata exercised its preemption rights for the transfer of its entire ownership interest of Galata, pursuant to the Put Option contract signed on 27 February 2015 (see Note 15 of the accompanying consolidated financial statements). As a result of the above, Cellnex Italia has 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.

On July 25, 2017, it was agreed to extend the agreement with Bouygues Telecom dated January 31, 2017 (see Note 5). This extension consists of the acquisition of up to a maximum of 600 additional urban sites in France for an amount of 170 million euros, which are to be gradually transferred to Cellnex France no later than 2020. As a result of this extension, the agreement with Bouygues Telecom consists of the acquisition and construction of up to a maximum of 4,100 sites in France.

21. Explanation added for translation to English

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

Barcelona, 27 July, 2017

Cellnex Telecom, S.A. and Subsidiaries

Consolidated interim directors' report for the 6-month period ended on 30 June 2017

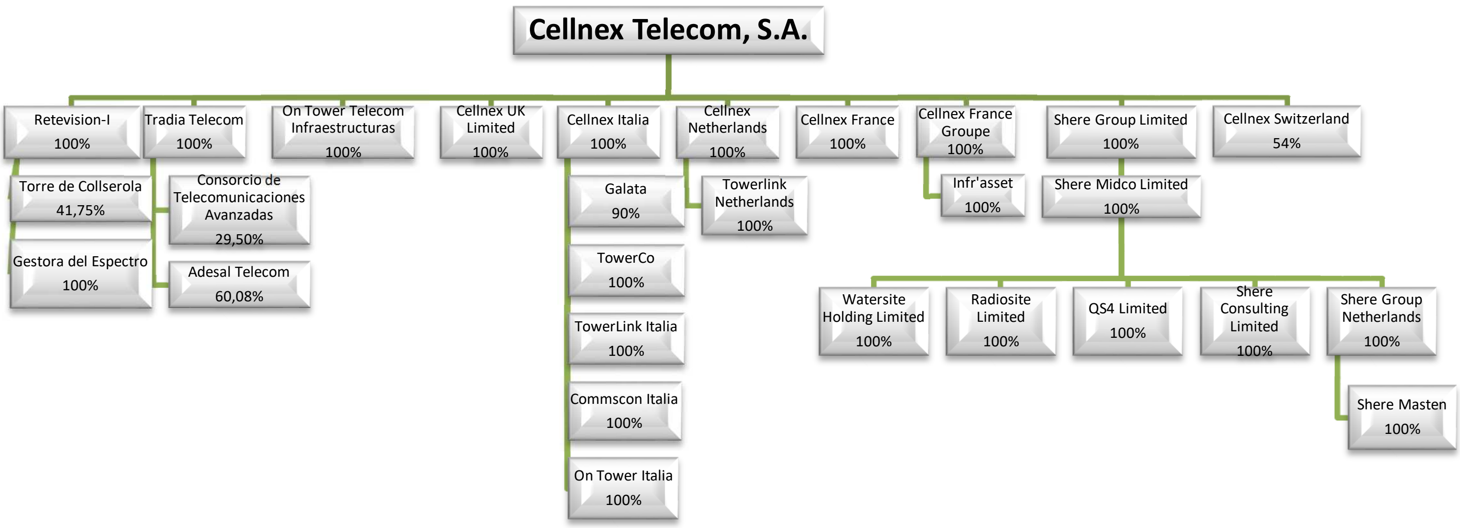
1. INFORMATION REQUIRED UNDER ARTICLE 262 OF THE SPANISH LIMITED LIABILITY COMPANIES ACT

1.1 Situation of the Group

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

- Telecom Infrastructure Services
- Broadcasting Infrastructure
- Other Network Services

The organisational structure of the Cellnex Group at 30 June 2017 is as follows:



1.2 Significant events in 2017

The Group continues to be the leading neutral(1) Telecom Infrastructure Services provider for mobile network operators in Spain and Italy, during the six month period ended on 30 June 2017 and the year ended on 31 December 2016 the Group expanded its Telecom Infrastructure Services to new countries: France, the Netherlands and the UK. In addition, the Group is the main Broadcasting Infrastructure provider in Spain with a

(1) Neutral: without mobile network operator as controlling shareholder

majority share in the national and regional markets. The Group's business presents significant barriers to entry into its main markets, mainly due to its difficult-to-replicate total asset base of 17,335 sites and 1,180 nodes, which make a total of 18,515 infrastructures.

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

The main highlights in the six-month period ended on 30 June 2017 are as follows:

Telecom Infrastructure Services

i. ***Change of perimeter and asset purchases***

Cellnex France

On 31 January 2017 Cellnex reached an agreement with Bouygues Telecom for the acquisition and building of up to a maximum of 3,000 sites in France, and it is structured around two projects. The first one relates to the acquisition of up to 1,800 sites for a total enterprise value of EUR 500 million and involves urban sites in the main cities of France (c.85% located in areas with a population above 400,000 inhabitants) which are to be gradually transferred to Cellnex France over a period of 2 years.

Cellnex and Bouygues Telecom have also agreed on a second project for the building of up to a maximum of 1,200 sites for a total investment of EUR 354 million. This build-to-suit project relates to sites to be built over an estimated period of 5 years.

Together, these projects are expected to generate annual EBITDA of approximately EUR 61 million on a run rate basis (once all of the sites have been acquired and built) excluding synergies. These two projects are fully aligned with Cellnex's corporate purpose and with its international expansion strategy based on the acquisition of an initial portfolio of assets allowing for subsequent market consolidation, and represent a clear example of consistent delivery of the Company's equity story based on growth.

Cellnex is thus strengthening its position in France by becoming the 2nd largest independent tower operator, reinforcing its current long-term partnership with Bouygues Telecom and setting the foundations to continue capturing organic growth in the country through future densification needs.

Bouygues Telecom will be the main customer of this portfolio of sites, with whom Cellnex has signed a tailor-made Master Service Agreement for an initial period of 15 years that can be extended up to 15 additional years, and with a 2% annual fixed fee escalator.

Upon completion of these projects, Cellnex France is expected to manage and operate a unique portfolio of above 3,500 sites in France, in high demand areas and ready to capture future organic growth. In addition, after 30 June 2017, this total number of infrastructures has increased by 600 additional sites following the agreement reached with Bouygues Telecom on 25 July 2017 (see Note 20 to the accompanying condensed consolidated financial statements).

Both projects are fully compliant with Cellnex's strict return and value creation policy, primarily based on recurring levered free cash flow per share accretion and an expected equity IRR of low double digit, and will be financed through available cash and future cash flows from Cellnex France with no impact on the Company's current corporate rating.

ii. ***Small Cells and DAS in Spain and Italy***

During the six-month period ended on 30 June 2017 the Group and JC Decaux have reached a commercial agreement to offer a comprehensive solution to network access operators as well as Public Administrations to roll out “small cells” and DAS technologies that will speed up densification and the development of mobile broadband telecom services offered by MNOs

“Small cells” and DAS networks significantly increase the actual data transmission capacity that operators offer their customers thanks to densification and to greater equipment capillarity. This means that the cells (areas) covered by each antenna are smaller, helping to better distribute data traffic among connected users and transmission elements. In order to achieve this objective, JCDecaux and Cellnex Telecom will offer joint end to end solutions to their customers in Italy and Spain to facilitate network densification from design to maintenance while streamlining site acquisition.

One of the key challenges for current 4G and future 5G technologies is the exponential increase in mobile data traffic caused by the wealth of content and services offered by network access operators and the capacity developed by the new-generation terminals.

The Group now has a unique portfolio of assets, which have enabled new business opportunities to be developed through the sharing of the infrastructure necessary in the roll out of 4th generation mobile telephones, involving the decommissioning of duplicated infrastructure.

The Telecom Infrastructure Services site portfolio at 30 June 2017 is summarised below:

Framework Agreement	Project	Nº of Sites acquired	Beginning of the contract	Contract Term in years (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 2016	+15 (KPN) +12 (T-Mobile)
Bouygues	Asset purchase	470	2016	20+5+5
		350	2017	15+5+5+5
Business combination	Shere Group purchase	1,042	2011 2015 2015	+15 (KPN) +10 (T-Mobile) +15 (Tele2)
Business combination	Sirtel purchase	11	2014 2015	9+9 (Wind) 9+9 (Vodafone)
K2W	Asset purchase	32	2017	Various
Shared with broadcasting business		1,821		
“Build to Suit” (2)		50		

(1) “Build to suit”: towers that are built to meet the needs of the customer.

(2) 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.)

Following the acquisition of Commscon Italia, S.r.L. in 2017 the Cellnex Group also maintains 1,180 antennae nodes with the Distributed Antenna Systems (DAS).

Broadcasting Infrastructure

The Royal Decree 805/2014, of 19 September 2014, approved the National Digital Terrestrial Television Technical Plan and regulated certain aspects of the release of the digital dividend, reducing the national multiplexes for digital terrestrial television to seven. This process of freeing up the 800MHz band was successfully completed on 31 March 2015.

Due to certain irregularities in the public tender process aimed at assigning channels to private operators, nine channels were shut down on 6 May 2014 (2.25 national multiplexes – MUX). In addition, due to the Audiovisual Act, Radio Televisión Española (RTVE) reduced the use of its second multiplex by 0.33 as part of the process of reassigning the spectrum to private radio broadcasters in 2015.

The Spanish Government, through order 677/2015 of 16 April 2015, modified the initial assignment of the capacity of the state digital multiplex RGE2 for RTVE, establishing it as half of the capacity of the RGE2 multiplex, when before it had been two-thirds of the capacity. Furthermore, through the resolution of 17 April 2015, the Government agreed to call a public tender to assign 6 new licenses. These tenders were for the capacity pending assignment, namely 1.75 MUX (1.58 MUX plus a sixth of MUX from the reduction in capacity for RTVE discussed above) as a result of which the 7 planned national MUX will have been completed. During the last quarter of 2015, the 6 licenses were awarded and the corresponding income started to be recovered during the second quarter of 2016. The Group is awarded Broadcasting contracts on a regular basis, and in 2016 it was awarded the RTVE contact. In relation to this award, the DTT services have been extended until 2020 (with an option for an additional three years) and FM broadcast services until 2021 (with an option for an additional two years).

At the end of 2016, the European Parliament and the Council of the European Union reached a political agreement on the proposal for a Decision of the European Commission for the use of the 470-790 MHz Spectrum Band, which is obligatory for all member states of the European Union, and has been published in the EUTL number 138 on 25 May 2017. It is a balanced decision since it guarantees that terrestrial TV will have priority of use of the spectrum in the Sub700 MHz band (470-694 MHz) at least until 2030. Similarly, it assigns the 700 MHz band (694-790 MHz) to the mobile services, with a target of 30 June 2020 but recognizing that some member states may need until 30 June 2022. The decision also makes the deployment of the new 5G networks easier, with a realistic timetable both for the new 5G technology to be available to a widespread customer base and to migrate current users of the 700 MHz band to the Sub700 MHz band, and it also facilitates member states to offset the migration costs of consumers and the Broadcast sector related to reassignment of the spectrum.

During the six-month period ended on 30 June 2017 the Group continues to research and implement better techniques, both in the provision of digital terrestrial television (DTT) services, and in the on-line distribution of audiovisual content. There have been technological advances, such as DTT Hybrid interactivity or the quality improvement provided by UHD, or Ultra High Definition. In addition to the 4K DTT broadcasts, during the next few months the Group will unveil its latest developments in Hybrid DTT (HbbTV).

Other Network Services

During the first half of 2017, the Group has completed the deployment and is closing the corresponding certifications relating to the extension of the TETRA network of the Catalan Railway system. In addition, the first phase of the contract to extend the coverage of the new stations and the new railway lines in Sabadell has been completed.

Regarding the RESCAT network (safety and emergency network in Catalonia) the network has been expanded with two new base stations. In addition, the Group has been awarded the contract to extend the coverage of the RESCAT network in the Girona AVE tunnel of the ("Sagrera-Figueres" line).

In relation to other emergency networks, the Group has been awarded the contract of the DMR municipal network of Marbella (Andalusia).

In addition, the first part of the contract with T-Systems for connectivity and co-location services in Cellnex infrastructures has been completed, distributed throughout Spain, for the pan-European EAN (European Aviation Network) network. On the other hand, the marketing activity relating to Back-Haul and Corporate circuits with the operators is operating according to the established forecasts.

1.3 Business Performance and Alternative Performance Measures (APM)

The six-month period ended on 30 June 2017 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.

Cellnex believes that certain Alternative Performance Measures (APMs) provide financial information in addition to that obtained from the applicable accounting standards (EU-IFRSs) that are useful for assessing the performance of the Group and which are used by management in its decision-making processes. In this regard, in accordance with the recommendations issued by the European Securities and Markets Authority (ESMA), the definition and determination of the main APMs employed are disclosed in the accompanying condensed consolidated interim financial statements.

i) Adjusted EBITDA

	Thousands of Euros	
	30 June 2017	**30 June 2016**
Broadcasting infrastructure	120,956	112,846
Telecom Infrastructure Services	217,708	183,490
Other Network Services	39,466	41,364
Operating income	**378,130**	**337,700**
Staff costs	(51,565)	(48,675)
Repairs and maintenance	(13,292)	(12,580)
Leases	(64,477)	(64,036)
Utilities	(35,664)	(33,896)
General and other services	(60,430)	(54,407)
Depreciation and amortisation charge	(99,703)	(82,591)
Operating profit	**52,999**	**41,515**
Depreciation and amortisation	99,703	82,591
Non-recurring expenses (2)	14,354	9,033
Advances to customers	1,210	462
Adjusted operating profit before depreciation and amortisation charge (Adjusted EBITDA (1))	**168,266**	**133,601**

(1) Adjusted EBITDA: Profit from operations before D&A and after adding back certain non-recurring and non-cash items (such as advances to customers and prepaid expenses).

(2) Non-recurring expenses mainly include expenses related to inorganic growth projects, tax associated with acquisitions, together with the amortization of advances to customer and to other pre-paid costs.

Non-recurring expenses are set out below:

	Thousands of Euros	
	30 June 2017	30 June 2016
Costs related to acquisitions (1)	7,517	5,540
Contract renegotiation (2)	3,825	-
Prepaid expenses (3)	3,012	3,493
Advances to customers (4)	1,210	462
Total non-recurring expenses and advances to customers	**15,564**	**9,495**

(1) This item mainly includes the expenses incurred during the acquisition processes.

(2) This item relates to the cancellation expenses made in relation to renegotiate a contract with Arilion, service provider in the area of Administration and Human Resources. This renegotiation took place in order to achieve significant savings in costs over the coming years.

(3) This item mainly includes prepaid ground rental costs, prepaid energy and agency fees incurred to renegotiate rental contracts and which are taken to the consolidated income statement over the life of the corresponding ground lease contract.

(4) Advances to customers include 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.

- **Revenues and Results**

Income from operations for the 6-month period ended on 30 June 2017 reached EUR 378 million, which represents a 11% increase over the same period in 2016. 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 19% to EUR 218 million due to the acquisitions performed in 2016. 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 and the United Kingdom 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 mobile network operators (MNO).

With regard to the Broadcasting Infrastructure business, income amounted to EUR 121 million which represents a 7 % increase compared with the same period in 2016. This increase is due to the switch on of the 6 DTT new licensed channels in the second quarter of 2016.

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 decreased its income by 5%, to EUR 39 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 main customers and projects to which the Group renders services include the Generalitat Valenciana with the implementation and maintenance of the Comdes network in Valencia, Barcelona Town Council with the deployment and maintenance of the Wi-Fi network for the city of Barcelona, the Spanish Merchant Navy with the Global Maritime Distress and Safety System service, Securitas Direct with the SIGFOX project, the Centre de Telecomunicacions of the Catalonian Generalitat with the management of the Rescat network of private communications for the emergency fleets, the deployment of the Tetra network for Line 9 of the Barcelona underground system, among others.

All of this 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 26% higher than the same period in 2016, as a result of the assets acquired during 2016, which reflects the Group’s capacity to generate cash flows on a continuous basis.

The Group incorporates all increases in fair value as a consequence of the various business combinations at 100%, which causes the amortization of the corresponding intangible assets to be higher in relation to the previous year.

Operating profit grew by 28% compared with the same period in 2016 mainly due to the inclusion of the subgroups Cellnex Netherlands, Cellnex France and Shere Group.

Taking into account these considerations, the consolidated profit attributable to shareholders on 30 June 2017 stood at EUR 19 million.

ii) Consolidated Cash Flow Generation

The ability of the Group to generate stable and growing cash flows allows it to guarantee the creation of value, sustained over time, for its shareholders. At 30 June 2017 and 2016 the Recurring Leveraged Free Cash Flow (“RLFCF”) was calculated as follows:

	Thousands of Euros	
Recurring leveraged free cash flow	**30 June 2017**	**30 June 2016**
Adjusted EBTIDA(1)	168,266	133,601
Maintenance capital expenditures(2)	(10,089)	(3,457)
Changes in current assets/current liabilities(3)	(4)	479
Net payment of interest(4)	(13,886)	(2,704)
Income tax payment(5)	(5,421)	(1,778)
Recurring leveraged free cash flow	**138,866**	**126,141**

(1) See definition in the "Business Performance and Alternative Performance Measures" section of this Directors' Report.

(2) 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.

(3) Changes in current assets/current liabilities – see the relevant section in the Consolidated Cash Flows Statement at 30 June 2017.

(4) Net payment of interest corresponds to the net of "Interest paid" and "Interest received" in the accompanying Consolidated Cash Flows Statement at 30 June 2017.

(5) Income tax payment – see the relevant section in the accompanying Consolidated Cash Flows Statement at 30 June 2017.

iii) Net Payment of Interest

The reconciliation between the net payment of interest according to the consolidated statement of cashflows and the net interest expense at 30 June 2017 and 2016 is as follows:

	Thousands of Euros	
	30 June 2017	**30 June 2016**
Interest Income	1,073	326
Interest Expense	(32,710)	(15,338)
Bond & loan interest accrued not paid	21,565	9,461
Put Galata – non-cash	2,225	1,530
Amortized costs – non-cash	1,765	1,510
Interest accrued in prior year paid in current year	(7,804)	(193)
Payment of interest as per the consolidated statement of cashflows	**(13,886)**	**(2,704)**

1.4 Liquidity and Capital Resources

Bank borrowings and bond issues are broken down as follows:

	Thousands of Euros	
	30 June 2017	31 December 2016
Bank borrowings (Note 12)	311,519	281,839
Bond issues (Note 12)	1,833,749	1,410,466
Bank borrowings and bond issues	**2,145,268**	**1,692,305**
Cash and equivalents (Note 10)	(593,766)	(192,851)
Net bank borrowings and bond issues	**1,551,502**	**1,499,454**

On 30 June 2017, net bank borrowings and bond issues amounted to EUR 1,552 million, including a consolidated cash and cash equivalents position of EUR 594 million. The ratio of net bank borrowings and bond issues to adjusted annualised EBITDA amounts to 4.6 x[(3)] (4.6 x in December 2016)

The breakdown of the available liquidity at 30 June 2017 is as follows:

	Millions of Euros
Available in credit facilities (Note 12)	1,314,893
Cash and cash equivalents (Note 10)	593,766
Available liquidity at 30 June 2017	**1,908,659**

The average annual cost on 30 June 2017 of all available borrowings would be 2.1% if entirely drawn down.

Regarding the Corporate Rating, at 30 June 2017, 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**.**

(3) Annualised adjusted EBITDA is calculated as 12 month run-rate of adjusted EBITDA annualising the effect of all acquisitions during the financial year.

1.5 Main risks and uncertainties

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:

<u>Risk related to the industry and the business the Group operates</u>

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

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

In the Telecom Infrastructure Services activity its main clients are telecom operators (mostly MNOs); in the Broadcasting Infrastructure activity its main clients are media broadcasters (TV channels and radio stations); and in the Other Network Services activity 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 activities of the Group.

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 future. Further, the Group is exposed to constant renegotiation and renewal processes of its contracts with its customers (especially those related to Broadcasting Infrastructure), which may result in the current contractual arrangements being adversely amended, which could in turn affect the total value of its contracts.

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 or broadcast infrastructure 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 it more difficult to achieve return on investment criteria.

Increasing competition for assets and acquisitions 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, while other competitors may apply investment criteria with lower return on investment requirements.

iii) *Risk of infrastructure sharing*

While the Group believes the neutral carrier 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 cause entering new service agreements to slow down if carriers utilize shared equipment (either active or passive) rather than deploy new equipment, or may result in the decommissioning of equipment on certain existing sites because parts of the customers' networks may become redundant.

Any potential integration or consolidation of our 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 us. These two scenarios could materially and adversely affect revenues from our wireless infrastructure and our commercial prospects.

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

Finally, the service agreements with anchor customers may include framework agreements by which the parties agree to further acquisitions or construction of infrastructures over a defined period of time. Such framework agreements may or may not be implemented due to a potential integration or consolidation of our customers. Moreover, our customers could decide not to pursue such processes due to a change in their business strategy. If these circumstances occurred, there is no guarantee that we 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.

iv) *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 Group strategy to continue driving growth through the acquisition of assets, entities or minority interests, or other growth opportunities such as joint ventures or other mergers and acquisitions or other arrangements in the countries where the Group currently operates or elsewhere, which could require, among other matters, new debt, the issuance of shares to finance such acquisitions or other growth opportunities. Group's growth strategy is linked, among other factors, to the capacity to successfully decommission and build new infrastructure. 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 provided. Anti-trust or similar legislation, however, may preclude ability to grow the portfolio of assets in a particular market or jurisdiction. 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 or at all, which would negatively affect growth. Further, such transactions or activities could cause disruptions in, increase the risk of or otherwise negatively impact the Group's business.

As the Group continues its acquisitions and expands into new markets, the Group is subject to a number 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 competitors.

v) Operational risks

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

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

The Group owns the majority of its telecommunications infrastructures, however the vast majority of the land where they are located is operated and managed via lease contracts, sub-lease contracts or other types of contracts with third parties. Thus, for various reasons, the landlords could decide not to renew the ground lease contracts with the Group Company in question, thus the Group would lose its rights over the land or the land could be transferred to third parties, thus affecting Cellnex's ability to renew those contracts under commercially acceptable terms. The Group also has long-term rights to use third party towers and the non-compliance with its obligations would lead to the loss of the right to uses these infrastructures.

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

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

The expansion and development of the Group's business, including the acquisitions and other growth opportunities, leads to a series of risks and uncertainties that could impact its financial statements. Recently Cellnex has expanded its business in Europe and one of its strategic objectives is to continue this growth process through the acquisition of assets, businesses and minority shareholdings or other growth opportunities both in the countries in which it operates currently and others.

Thus, since the Group continues to acquire telecommunication sites in existing markets and is continuing its expansion into new markets, it is subject to a series of risks and uncertainties.

Thus, any international expansion initiative is subject to additional risks such as the laws, regulations and complex business practices, among which the following would be included:

- Laws or regulations that tax or restrict the repatriation of profits or other reserves or limit the distributions of capital in any other way.

- Measures that restrict or revoke licences for the spectrum used or cause the activity to be suspended based on previous licences.

- Price fixing or similar laws around passive infrastructure sharing.

- Changes in existing or future tax laws, in the application of tax laws that could have an impact on the international operations or on the levies specifically directed at property (for example the RETT[4] – Real Estate Transfer Tax).

Likewise, as the Group is now present in new countries, it is directly exposed to each of these countries political and economic situations, and may be adversely affected by their instability. For instance, upcoming elections and the growth of anti-EU political parties, create market uncertainty in which it 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 further deterioration in this cycle. Due to the growing presence in the United Kingdom, the Group faces the risk of political and economy uncertainty derived from the referendum held on June 23, 2016 where the choice to depart from the EU won. Although the process of negotiation of exiting the EU is still ongoing and the material consequences of the referendum are unclear, the global financial markets have reacted to this decision and have been volatile since the decision to leave was taken. The departure of the United Kingdom from the EU would require an economic adjustment to any new trade and investment relationships in the future, facing, in the meanwhile, the consequences of uncertainty on investment, activity and financial markets, undermining the confidence in the overall stability of the future relationship between the United Kingdom and the EU.

In addition, the financial situation and political instability, geopolitical tensions in the Middle East, 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 an adverse effect on our business, prospects, results of operations, financial condition and cash flows. Furthermore, the results of the upcoming general elections in Italy and Germany may undermine confidence in the overall stability of the EU and the Eurozone, which could have adverse consequences for us with respect to our overall performance in the EU and as a result, our business, financial condition, results of operation and cash flow may be affected.

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

This risk is associated to the significant agreements signed by the Group companies which can be modified or terminated when a change of control provision is triggered. Change of control provisions can be triggered both at Cellnex Telecom or at Group companies. In general, a change of control clause could be triggered when a third party, either alone or in conjunction with others, effectively obtains (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 company. However, in certain agreements, the definition of control and therefore the change of control make specific reference to the applicable law of the country where the agreement is signed.

As stated in Note 12, the syndicated facilities, the bond issues and the loans and credit facilities include certain change of control clauses which could trigger an early repayment of the debt. The inclusion of such clauses is usual for fixed income investors and financial entities looking for protection from new owners with riskier financial policies.

[4] – 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.

With regards to the significant agreements signed by the Group companies with its anchor customers, the change of control provisions are often limited to the events where the acquiring company is a direct competitor of the anchor customer. As such, it is usual to see that anchor customers are granted a purchase option in order to repurchase the infrastructures where they are receiving services. In addition, this purchase option can also be granted in the event that a direct 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, the purchase option can also be exercised if there is a manifest breach by a Group company of the contractual obligations under the services agreement with its customers.

ix) 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 the regulatory framework applicable in the European Union ("EU") which some of them could be applied or enforced retroactively, on the manner in which the Group carries out its business. The main rules applicable to the Group and its customers include the availability and granting of licences for use of the spectrum, the rates for its use, and the commercial framework for the sale of terrestrial radio broadcasting assets and the obligations imposed on the Group by the Spanish competition authorities in relation to its broadcasting infrastructure activities.

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 can impose liability for non-compliance, are increasingly stringent and may in the future create substantial environmental compliance liabilities and costs.

The Group' services are affected by the current electromagnetic emission rules applicable in terms of controlling the emissions coming from equipment of the Group's customers hosted by the Group. In particular, in the case of rules limiting electromagnetic emissions by mobile operators, the mobile operators, as owners of their equipment, are subject and are liable for the emissions that come from their equipment, although such equipment is hosted in the Group's infrastructures. Such rules could limit the Group's growth capacity and any change in the electromagnetic emission rules 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 prevailing local legislation is adhered to and that it is able to anticipate regulatory changes.

x) 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.

xi) Technological risks

In a sector characterized by rapid technological change, it is essential to be able to offer the products and services demanded by the market and select the correct investments to be made.

The Group operates in markets that are highly competitive and subject to constant technological development. Therefore, as a consequence of both of these characteristics, it is subject to the effects of actions by competitors in these markets and to its ability to anticipate and adapt, in a timely manner, to constant technological changes, changes in customer preferences that are taking place in the industry, as well as economic, political and social circumstances.

Failure to do so adequately could have an adverse impact on the Group's business, financial condition, results of operations and cash flows.

New products and technologies are constantly emerging that may render some of the products and services offered by the Group obsolete. The incursion of new agents in the communications market, such as subscription distribution systems for television or video signals using broadband connections (IPTV) or the growth and deployment of Wi-Fi networks that is taking place on a global level make it necessary to update the business model, encouraging the search for additional revenues and efficiencies to the more traditional ones.

Risk related to the financial information

xii) Financial information, fraud and compliance risks

The Cellnex Group has a code of conduct (Ethics' Code) approved by the Board of Directors. The corporation prepares an Ethics' Code Framework which is adapted in each country by way of the drawing up of a local ethics regulation which combines observance of corporate guidelines with the specific features certain countries may have on particular matters. The Ethics' Code is communicated to all employees, is available on the corporate intranet and forms part of the training received by new staff. In addition, other mechanisms exist to ensure awareness by 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 Cellnex 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, Cellnex 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.

xiii) 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 do not include adjustments for inflation.

One of the main assumptions relates to the contract renewals, and in accordance with the site portfolio table in section 1.2, contracts for services have renewable terms including, in some cases, 'all or nothing' clauses (see definition in section 1.2) and in some instances may be cancelled under certain circumstances by the customer at short notice without penalty. Delays, payment defaults or cancellations could reduce the amount of backlog currently estimated, and consequently, could inhibit the conversion of that backlog into revenues.

Financial risks

xiv) Foreign currency risk

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

From 2016 onwards, the Group now operates outside the euro area and holds assets primarily in the United Kingdom. It is therefore exposed to foreign currency risks.

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

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.

Despite the aforementioned the exposure to foreign currency risk is limited due the relatively small size of the business in the United Kingdom in comparison in the whole Group.

xv) 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 12 of the accompanying condensed consolidated interim financial statements).

On 30 June 2017 there are financing granted from third parties covered by interest rate hedging mechanisms (see Note 12 of the accompanying condensed consolidated interim financial statements).

xvi) Credit risk

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

Telecommunications operators are the Group's main customers in its activities relating to the Telecom Infrastructure Services; television and radio broadcasting operators (television channels and radio stations) are the main clients in its activities relating to broadcasting infrastructure; and certain central, regional and local government authorities, emergency and security forces, the public service sector and telecommunications operators are the main customers in its activities relating to 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, such as telecommunications operators, media broadcasters and public administrations which operate with substantial leverage, 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.

During the years for which information is reported, no credit limits were exceeded and management does not expect to incur losses as a result of default by any of the counterparties indicated above. The provision recognised for doubtful debts is not significant compared with the balance of accounts receivable on 30 June 2017.

xvii) 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 over EUR 1.9 Bn, 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 12.)

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.

xviii) Inflation risk

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

xix) Risk related to Group indebtedness

Indebtedness may increase, from time to time, in the future for potential new acquisitions, fundamental changes to corporate structure or joint ventures and issuances made in connection with any of the foregoing.

Group present or future leverage could have significant negative consequences on business, prospects, results of operations, financial condition, corporate rating downgrade (see Note 12 of the accompanying condensed consolidated interim financial statements) and cash flows, 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 ourselves to forego certain business opportunities;

- Requiring the dedication of a substantial portion of cash flow from operations to service Group 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 on unfavourable terms, to meet payment obligations;

- Accept financial covenants in the Group financing contracts such as: debt limitation, cash restriction, pledge of assets.

- Leverage ratio increase can also affect the current corporate rating, a potential downgrade from a rating agency can make more difficult and costlier obtaining new financing.

On 30 June 2017, Group financing contracts do not have financial covenants, is not in default under any of payment obligations, either of principal or interest and can face future dividends payments.

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 condensed consolidated interim financial statements.

1.6 Use of financial instruments

During the 6-month period ended on 30 June 2017 the Group followed the policy for the use of financial instruments described in Note 4 of the 2016 consolidated financial statements.

1.7 R&D activities

During the six-month period ended 30 June, 2017 the Group continued its investment effort in technological innovation, research and development by carrying out various R, D & I projects both at the national and international level. In the international arena, the Group is participating in the European project H2020 Growsmarter in the field of Smart Cities, where it has continued to develop an IoT platform of urban resources in the city of Barcelona to achieve the integrated management of mobility and energy efficiency. In the area of energy efficiency, work has been carried out on the development of an "energy efficient smart lamp" for application in cities and shopping centres, and in the field of mobility the Group has worked on the intelligent management of taxi waiting areas for The Institut Metropolità del Taxi using IoT technologies. During this period progress has been made with the LPWA technology pilot (Sigfox and Lora with Gas Natural) and the plenary meeting of the project has been held in the city of Cork (Ireland).

On 20 and 21 June, the KickOff of the European project H2020 5GCity was held at the offices of Cellnex Telecom in Barcelona, which aims to investigate and validate solutions for the provision of 5G services through the figure of a federating entity or "neutral operator", allowing the sharing of resources and the efficiency and rationalization of 5G technology, especially in cities. The project aims to carry out different 5G pilots in the cities of Barcelona, Luca and Bristol. The project is coordinated by I2cat and at the Spanish level IMI and Betevé participate in addition to Cellnex.

At the European level, three Celtic seals have been awarded for the following European projects:

- **Flexnet Project**. Project coordinated by Cellnex, heading a consortium of 12 European partners. The objective is to investigate the development of 5G solutions for IoT applications in security and emergency environments using SDN (Software Defined Network).

- **Lean Project**. Project coordinated by Orange France where Cellnex assumes the role of coordinator of the Spanish contribution. The objective is the development and validation of 5G solutions for applications in rural environments contemplating the sharing of infrastructure.

- **Project Sarws**. A European project that aims at improving road safety in unfavourable weather conditions through the application of IoT and V2X technologies. Here Cellnex intends to investigate with Gonvarri the design of a sensorized safety fence that warns of possible accidents or deterioration of the infrastructure.

In the field of the 'connected vehicle' the Group has continued with the V2XArch project where, apart from performing a comparative study of V2X technologies, a simulator has been constructed and has begun the development of the Backend platform that will allow testing in a real environment towards the end of the year.

Work has also continued on the Polarys project, funded by the CDTI, which contemplates the development of solutions with VDES technology, complemented by the use of drones to improve safety at sea and the services currently being provided in sea rescue and 'AIS' Ship Positioning(" Automatic Identification System").

Veo5G Project. Project funded by CDTI and coordinated by Cellnex. The objective is to investigate and validate different models of exploitation of 5G infrastructures using NFV virtualization techniques. This involves the participation of Optare and the technology centre Gradiant and the University of Vigo.

Likewise, the **Solare2RF project**, financed by the Basque Government, has been continued and is intended to develop solutions and monitoring tools to increase the level of energy efficiency at the Company's sites.

1.8 Corporate Responsibility Master Plan

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

The following figures illustrate the degree of performance and progress: 76% of the action plans that form the backbone of the Master Plan are already under way and 24% of the 92 indicators established have already been achieved.

It should be noted that during the second quarter of 2017 FTSE Russell reported the addition of Cellnex Telecom to the group of companies that are part of the FTSE4GOOD international index. This series of indices measures the performance and contribution of companies in their environmental, social and corporate governance practices. In addition, and in conjunction with the 2016 Shareholders' Meeting, Cellnex has published the Integrated Annual Report for the year, the first one that incorporates a Non-Financial Information Verification by an external auditor (PwC).

Also during the first half of 2017, Cellnex has externally verified (TÜV Rheinland) the company's carbon footprint for the years 2015 (Spain) and 2016 (Spain and Italy). Also in this period, Cellnex has completed the questionnaires corresponding to the international indices ESG, Dow Jones Sustaiability Indices (DJSI) and CDP (Carbon Disclosure Project). In the case of the DJSI, the index groups a large number of leading global companies in their sectors and Cellnex has been invited to participate, being the first time it does so. In 2016 the company undertook a shadow rating to compare its progress against some of the main global sustainability indices, including the Dow Jones Sustainability Index.

In the case of CDP (one of the main global indices of sustainability), Cellnex completed the 2016 questionnaire in June 2017. Cellnex Telecom was ranked as the best Spanish company to be incorporated in 2016 to that index.

1.9 Employees

During 2016, the Group implemented a "talent management" model aligned with the business strategy in Spain.

Taking the "Corporate Mission" as a premise, the Group defined a leadership model and competencies for each position in Spain, as well as an evaluation model to discover the talent of our employees and align the development of each of them to the required model as an essential component to achieving business results.

For the development of our employees, the 70/20/10 learning model was implemented, where each employee is responsible for his or her own development his or her line manager is responsible for providing the appropriate support. The commitment of Cellnex lies in providing the means necessary for this to be successful and to achieve this, we built and distributed to all employees in Spain our "Guide to the Development of Competencies", a guide with more than 100 activities to help to develop competences through actions "70: on the job" and "20: social training". Currently, almost 100% of employees have an Individualized Development Plan 70/20/10.

In order to manage all the talent processes, an integral management tool was also implemented (denominated "the hub"). This details the profile, the professional preferences of each employee Evaluating and developing the talent are some of its functionalities, all aimed at contributing to the engagement of the staff who make up the Group. With this in mind, the Group has the firm conviction that corporate success lies in the motivation and enthusiasm of its human resources.

Also, it should be noted that annually specific development programs are carried out for different groups, such as annual leadership programs, internal certification of project managers and development programs for our network of internal trainers. In addition, the training plan is aligned with the requirements of the business, where contents such as prevention of occupational risks, skills, computer tools, equipment, technologies, etc. make up that plan.

All this allows the Group to develop talent indicators that minimize the subjectivity of the employee's evaluation and allow the Group to observe and compare the development during a certain time span, as well as to analyse the different actions performed.

2.0 Other Information

Shareholder Remuneration

The Board of Directors of the Parent Company adopted a resolution to propose to the Annual General Meeting of Shareholders a final dividend of EUR 0.042325 gross per share against 2016 profit, which was paid on 11 May 2017.

Business outlook

Following a year marked by the international consolidation and expansion of the Group, with the acquisitions executed in 2016, during 2017 the Group will continue to analyse investment and growth opportunities that comply with the strict profitability and discipline requirements that the Group applies to all its investments.

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

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

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

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

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

This outlook for the Group, along with the ongoing efforts to improve efficiency, allows us to expect higher on-going operating returns.

No new risks or uncertainties are expected other than those noted above that are inherent to the business or those indicated in the accompanying consolidated financial statements for the year ended on 31 December 2016. Nonetheless, the Group has strived and will continue to strive to optimise its management so as to have greater control over operating costs and investments.

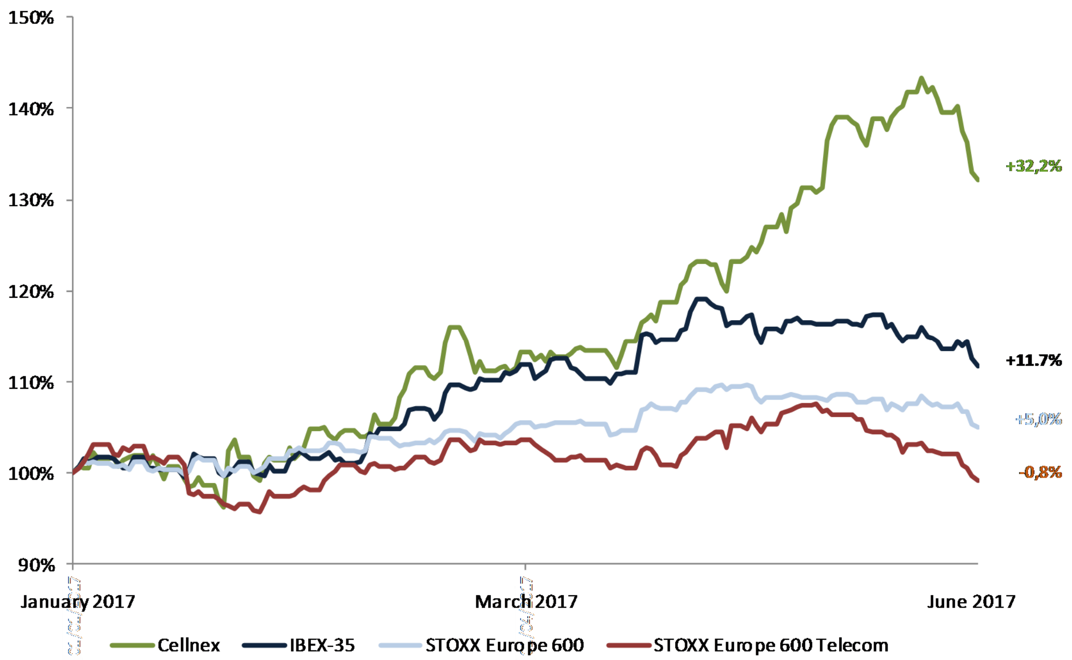
Stock market performance and profitability

The Cellnex share price experienced a 32.2% revaluation during the first half of 2017, closing at 18.06 euros per share. The average volume traded has been approximately 1.3 million shares a day. The IBEX-35 and STOXX Europe 600 increased by 11.7% and 5% respectively, while the STOXX Europe 600 Telecom decreased by 0.8% during the same period.

Cellnex's market capitalization stood at 4,184 million euros at the end of the first half of 2017, 29% higher than at start of trading on 7 May 2015, compared to a 7% drop in the IBEX-35 in the same period.

In May 2017, the final dividend for 2016 was paid in the amount of € 0.042325 per share.

The evolution of Cellnex' shares in 2017, compared to the evolution of IBEX 35, STOXX Europe 600 and STOXX Europe 600 Telecom, is as follows:



The detail of the main stock market data of Cellnex in 30 June 2017 and 31 December 2016 is as follows:

	30 June 2017	31 December 2016
Number of shares	231,683,240	231,683,240
Stock market capitalisation at period/year end (millions of euros)	4,184	3,166
Share price at close (EUR/share)	18.06	13.665
Maximun share price for the period (EUR/share)	19.59	17.13
Date	19/06/2017	04/01/2016
Minimum share price for the period (EUR/share)	13.16	12.61
Date	31/01/2016	14/11/2016
Average share price for the period (EUR/share)	15.76	14.78
Average daily volume (shares)	1,329,512	1,061,555
Dividends paid:		
Interim dividend gross (EUR/share)	-	0.044
Final dividend gross (EUR/share)	0.042	0.047

Treasury shares

During the second quarter of 2017, Cellnex Telecom, S.A. has operated with treasury shares, maintaining a final balance of 113 thousands of shares at an average price of EUR 18.558 per thousands of shares, and which represent 0.05% of the share capital of the Parent Company.

The acquisition of treasury shares has been carried out by means of a liquidity contract[5] signed by Cellnex on 31 May 2016 with Santander Investment Bolsa, Sociedad de Valores, S.A.U. in order to manage its portfolio of treasury shares.

Environment

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

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

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

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

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

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

The Group Cellnex in its companies Retevisión-I, S.A.U., Tradia Telecom, S.A.U. and On Tower Telecom Infraestructuras, S.A.U. is certified in ISO 9001 Quality, ISO 14001 Environmental Management, OSHAS 18001 Occupational Health and Safety, UNE 166002 Research, Development and Innovation, ISO 17025 Competence of Testing and Calibration Laboratories and ISO 27001 Information Security, underscoring their continued commitment to quality.

Post balance sheet events

On July 4, 2017, the minority shareholder of Galata exercised its preemption rights for the transfer of its entire ownership interest of Galata, pursuant to the Put Option contract signed on 27 February 2015 (see Note 15 of the accompanying consolidated financial statements). As a result of the above, Cellnex Italia has 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.

On July 25, 2017, it was agreed to extend the agreement with Bouygues Telecom dated January 31, 2017 (see Note 5). This extension consists of the acquisition of up to a maximum of 600 additional urban sites in France for an amount of 170 million euros, which are to be gradually transferred to Cellnex France no later than 2020. As a result of this extension, the agreement with Bouygues Telecom consists of the acquisition and construction of up to a maximum of 4,100 sites in France.

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 of the accompanying consolidated financial statements). 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, 27 July, 2017